STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS

2017–18 BUDGET ESTIMATES HEARINGS

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
THURSDAY, 19 OCTOBER 2017

SESSION SIX
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 4.00 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 ALISTAIR JONES
Executive Director, Strategic Policy and Evaluation, examined:

Mr RICHARD WATSON
Executive Director, Economic, examined:

Mr ZAEEN KHAN
Acting Executive Director, examined:

Mr DAVID CORBELLINI
Principal Policy Adviser, Treasurer, examined:

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

The WITNESSES: Yes.

The CHAIR: It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. It is also being broadcast live on the Parliament's website. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Agencies and departments have an important role and duty in assisting the committee to scrutinise the budget papers and the committee values your assistance with this.

Would the minister like to make a brief opening statement?

Hon STEPHEN DAWSON: The Department of Treasury's budget estimates are always a bit unique, with members having the opportunity to talk to budget paper No 3, the state's *Economic and Fiscal Outlook*. As such, I would like to take a few moments to talk to the first Labor budget in over nine years. There is no bigger challenge facing this government than returning the state's finances to a more sustainable position and also reducing public sector net debt. This government faces a total public sector interest cost burden of $8.2 billion across the forward estimates period. To put this into context, this budget allocates $1.3 million towards Metronet, our flagship election commitment. Notwithstanding the significant writedowns since the *Pre-election Financial Projections Statement*, the general government operating outlook is projected to improve over time, with a narrowing of the deficit in each year of the forward estimates before a forecast surplus being generated in 2020–21. This has primarily been achieved through constraining expenditure growth to an annual average of just 1.9 per cent across the forward estimates period. With that, Madam Chair, I am very happy to take some questions.

Hon TJORN SIBMA: I refer to page 6 of budget paper No 3 and, in particular, to the voluntary targeted separation scheme measure in which it is claimed that $355 million in net additional savings will be recouped through the separation of 3 000 FTEs across the general government sector. I want to understand a little about how this process is being managed. I will couch my remarks by reflecting on statements provided by other ministers in this place throughout estimates which have given no particular sense of urgency or specificity around delivering on these FTEs. How is this being progressed, either by Treasury or at a whole-of-government level?

Hon STEPHEN DAWSON: I will hand over to the Under Treasurer, Mr Michael Barnes, for him to give a response.

Mr BARNES: I, along with the Director General of the Department of the Premier and Cabinet and the Public Sector Commissioner, briefed cabinet on this issue about three weeks ago and made the point that all agencies need to actively participate in this scheme, and all agencies need to do so quickly, given that the projected savings written into the budget are based on the 3 000 FTEs exiting the sector by the end of March next year. There is a need to act quickly. Cabinet heard that briefing and then requested a submission on the scheme. That submission was considered by cabinet this week. I cannot go into the detail of that, obviously, but I guess I am making the point that Treasury, DPC and the PSC have been actively briefing cabinet. Ministers know what they need to do; agencies know what they need to do. The PSC has put guidelines out. The Treasurer will soon be writing to ministers, probably as early as tomorrow or early next week, on effectively what each minister needs to do to achieve this 3 000 target.

Hon TJORN SIBMA: Mr Barnes, in light of this recent cabinet decision and the Treasurer's inclination in the next few days to write directly to ministers and presumably then forward that correspondence on to directors general, will each director general have a target to meet in respect of meeting the government's overall FTE reductions?

Hon STEPHEN DAWSON: Member, that is a decision of cabinet. The Treasurer has been tasked with disseminating the information, so I cannot provide a further answer to that this afternoon.

Hon TJORN SIBMA: I have respect for the cabinet process and I understand some of the restrictions that apply to the evidence you are able to provide today. I am not posing a hypothetical question. I will put it more directly: have agencies been set targets, or will they be set targets, to meet in reduction in the delivery of this scheme?

Hon STEPHEN DAWSON: It is my understanding that agencies will be set indicative targets in relation to the scheme.

Hon TJORN SIBMA: Presumably, these targets are consistent with their overall workforce profiles, so I would anticipate that, for example, the Department of Health or the Department of Education will be provided with some guidance to provide the bulk of the FTEs to be given up. Is that a fair assessment to make?

Hon STEPHEN DAWSON: Those issues are still being worked through so I cannot give you further information on that this afternoon.

Hon TJORN SIBMA: I have two follow-up questions. I am conscious of the time and the desire of other members to interrogate this. In light of that, though, minister, I notice that the net savings are more or less consistent across the forward estimates for each year, so I am anticipating that the design of this measure ensures that there is a consistent uniform flow of FTEs being separated throughout the public sector, or at least that the savings are evened out. Are there annual targets that the government is setting itself to meet and consequently the agencies to meet?

Hon STEPHEN DAWSON: I will ask Mr Barnes, the Under Treasurer, to provide some comment in relation to that question.

Mr BARNES: No, it is not an annual target; it is a one-off base adjustment.

[4.10 pm]

Hon TJORN SIBMA: Minister, you may like to direct this through to Mr Barnes again. That being so, Mr Barnes, I would nevertheless expect Treasury and DPC to keep a keen eye on the progress in delivering this measure. Would there be a point at which you might become frustrated with performance and recommend a hiring freeze to actually book in whatever savings you have been able to achieve?

Hon STEPHEN DAWSON: Thanks, member, for the question. A hiring freeze is not on the cards.

Hon TJORN SIBMA: At the present moment, minister, or across the estimates?

Hon STEPHEN DAWSON: It is not on the cards at the moment. There has been no conversation by government in relation to a hiring freeze. But we are committed to the achievement of those 3 000 FTE separations over the forward estimates period. In fact, we have done some work. Those separations are expected to deliver around $1 billion in gross savings across the forward estimates period.

Hon TJORN SIBMA: I know this is the hope, minister. This is the hope.

Hon STEPHEN DAWSON: I should also point out, member —

Hon TJORN SIBMA: It is whether you will be able to fulfil that hope.

The CHAIR: Member, the minister is trying to answer your question.

Hon STEPHEN DAWSON: That is certainly what we are working towards. I should also just point out that 20 per cent of the gross savings will be retained by participating agencies to enable them to reinvest in workforce renewal.

Hon DIANE EVERS: My first question is with regard to the estimates of mining royalties. I am particularly interested in Alcoa and the 2.5 million tonnes per annum that it has been allowed to export as raw bauxite. Is that included in the expectation of mining royalties?

Hon STEPHEN DAWSON: I thank the member for the question. Obviously, the Department of Treasury cannot comment on what Alcoa is allowed to mine or transport out of the country. In terms of royalties, I will ask Mr Barnes to respond.

Mr BARNES: Member, I certainly cannot go into individual company detail. Through what was the Department of Mines and Petroleum and is now DMIRS, or the Department of Mines, Industry Regulation and Safety—it does not really roll off the tongue—an annual survey of mining producers is conducted to get estimates from the producers themselves of their production volumes. Those estimates of production volumes then feed into our royalty estimates that are reflected in the budget. I would assume that Alcoa, through that process, would have fed through to DMIRS its production volume estimates; therefore, I would assume that it would be reflected in the royalty estimates.

Hon DIANE EVERS: So if I wanted to get the specific amount that has been put into the budget for that, I would need to go through DMIRS?

Hon STEPHEN DAWSON: I will again ask the Under Treasurer to respond.

Mr BARNES: You would have to ask the Department of Mines, Industry Regulation and Safety as the administrators of the royalty system and the ones who collect that information directly from the producers. They will have commercial-in-confidence constraints around what they can provide to you, but they are, I guess, the custodians of that information.

Hon DIANE EVERS: Okay. I will look at that. Thank you. My next question is about Main Roads and the Public Transport Authority. We had them appear in estimates yesterday and I was given a couple of answers that said, "You will have to ask Treasury about that." This is kind of a general question, but I hope you can help me with it. I am concerned about the language used in the financial statements and maybe the accounting methods that we use. I understand that Main Roads is a department and the Public Transport Authority is considered to be a public non-financial corporation or government trading enterprise, but the PTA is in competition with Main Roads for the funding, the support and the users to travel on the different systems. It seems to me that the accounting method and terminology that is used for the Public Transport Authority puts it at a disadvantage when determining the investment decisions. Just as an example, Main Roads is given an appropriation, and the Public Transport Authority is given a subsidy. That immediately puts people off, because they think, "Oh, no, we should not subsidise this." I am concerned about that. Main Roads has capital appropriations, and the Public Transport Authority to some degree has to borrow and then pay interest on the borrowings, which again puts it at a bit of a disadvantage in trying to recover that. In addition, for Main Roads the depreciation on property, plant and equipment is shown against the total of plant and equipment, whereas for the Public Transport Authority it is shown as an accumulated deficit, which again may cause a person who looks at those figures to think that the Public Transport Authority is not doing very well because it has a long-term deficit.

One of my colleagues raised the issue that Main Roads has KPIs that show the dollar return per dollar invested. However, that is not the case for the Public Transport Authority. The PTA probably does that in some of its reports, but it is not in the budget papers. Therefore, there is no easy way to say that if we put in this train line, we will not have to build this extra road, and that will lead to a reduction in congestion, CO_2, and health issues arising from crashes. I know I will not be able to change the system here and now, but can this be taken on board in future so that we have another look at the words we use, the terminology and the semantics? That has an influence on how people read the budget papers. Could you give me any response as to how that might happen? I would like to get greater balance in those investment decisions where they are not corrupted by terminology.

Hon STEPHEN DAWSON: I thank the member very much for that expansive question. I will make some initial comments before I hand over to the Under Treasurer to supplement the answer. An operating subsidy is paid to the PTA to offset the shortfall in revenue, mainly from public transport fares paid by customers relative to the total cash operating cost of the PTA. The PTA is a public non-financial corporation. Is not part of the general government sector. In the 2013 budget, the PTA's operating funding model changed from an appropriation-based model to an operating-subsidy model administered by the Department of Treasury with effect from 2012–13. At the same time, the government ceased providing funding to the PTA for its accrual depreciation expenses. These decisions did not impact the cash funding paid by the general government sector to the PTA. This funding model is consistent with the state's public funding of other public corporations, such as Synergy and the Water Corporation. The discontinuation of operating subsidy funding for depreciation has increased the transparency of the true cash cost of the state government subsidy to public transport. I will contrast that with Main Roads. In contrast with the PTA, Main Roads is a department in the general government sector. Although Main Roads receives an appropriation out of the consolidated account, approximately 98 to 99 per cent of this is non-cash appropriation for depreciation expenses. The majority of Main Roads' cash operating expenses are funded from hypothecated motor vehicle licence revenue. I wanted to make that point, because the member asked her question yesterday, and we did seek some advice from Treasury, and I wanted to make sure I could place that on the record. In relation to the rest of the question and the future, I will ask the Under Treasurer, Mr Barnes, if he can provide some more detail.

Mr BARNES: I do not have a lot more to add to what the minister said. The treatment of PTA and Main Roads in this budget is not new. It is consistent with the treatment that has been in place for a number of years. That is the first point I would make. The member made the point about the PTA borrowing in its own right; therefore, it is incurring interest costs as opposed to the consolidated account doing the borrowing and Treasury bearing the interest costs. That is correct. However, I would point out that the operating subsidy that is paid from the consolidated account to the PTA also covers the PTA's interest costs. The treatment of the PTA, as I said, is consistent with the treatment that has been in place for a number of years, but it is a bit of a grey area, so I think the member's point in general is valid. The PTA is a bit of a grey area because for all intents and purposes we treat it largely like a general government sector agency, even though it is classified in the budget papers as a public non-financial corporation. It is classified as a public non-financial corporation because of its revenue earning ability through fares, obviously, and also because under its enabling legislation it can borrow in its own right. However, because it recovers less than 30 per cent of its total costs through its fare revenue, hence the need for a subsidy for the remaining 70 per cent of its costs, it is more like a taxpayer-funded general government agency. Nor is it a fully blown GTE because it does not have an independent board of directors sitting over the top of it. So, it is kind of a bit of a halfway house between a GTE and a general government agency. The treatment of it in the budget is, I guess, where we have landed to try to reflect the halfway house nature of the PTA, but if there are ways that we can improve the transparency of reporting around the PTA—I think you make a good point that because it is treated as a public non-financial corporation, it does not have the level of detail in the *Budget Statements* like Main Roads does around KPIs and so on. I think that is a good point. That is something that I am happy to take on notice and have a look at.

[4.20 pm]

Hon DIANE EVERS: I appreciate that, because maybe it is possible to change it to operating as an agency if it is in that grey area. Maybe that would make more sense. Whether other agencies—I have not had a look at them to see whether they are in a different situation.

Mr BARNES: The classification of agencies in the different sectors of government is essentially a call by the ABS. So, they classify which agencies appear in which subsectors of government. So we would need to engage with the ABS on whether this is the correct classification of the PTA. We cannot unilaterally make that change.

Hon DIANE EVERS: That is all right. I am happy to suggest we go to the ABS on that one. Because I would like to see—the minister said the true cash costs; sorry—the true cash cost being reflected, and that is something I would like to see happen so that we can weigh up apples with apples.

Hon STEPHEN DAWSON: Thanks, member. Your point is well made and you have got an undertaking from the Under Treasurer to look into the issue further.

The CHAIR: Minister, just on that, I will not take that as a formal putting that on notice because that would require the Under Treasurer to come back to you within 10 days, which might be a bit of an ask, but just know that next time we invite the Under Treasurer for a briefing, we might be considering that issue.

Hon COLIN TINCKNELL: This one is a general question about expenses on page 499. Can the minister provide an update on any work being conducted by Treasury staff to change funding allocations to the departments experiencing a surge in demand requiring additional staff—for example, human resources provided by the Department for Communities, Department of Justice, Corrective Services and the Department of Health?

Hon STEPHEN DAWSON: Thank you, member, for the question. I will ask Mr Alistair Jones, the ED of strategic policy and evaluation, to reply to that one.

Mr JONES: For the member's information, at the moment we have cost and demand models for a number of government agencies, which include Health, Education, also Justice—so in the corrections component of that. Also we have one in communities in terms of their core statutory child protection functions. So, these models are, basically, when we go for a budget process, the actual demand that we forecast in the various areas are actually plugged in to an agreed model which we have with the department. So, for example, with schools, it is on enrolment projections, and we make parameter adjustments twice a year for that. In the case of education, they have a census once the kids have enrolled in schools—usually early in the year. During the budget process, once we have the audited figures, they are funded on a per student basis. The distribution of that funding then occurs through a model called a student-centred funding model, which the former minister would be aware of given that he brought that in. That, essentially, funds schools on the basis of their students. They get a base funding for a student. Then there are a number of loadings for a number of factors, which include rural, remote, whether the child has a disability or a special need, whether they are Indigenous student, and whether they are at a school or from a background that is low socioeconomic. That is education.

For child protection, again, we have a model based on projected demand for children going into statutory care. We work closely with the department to forecast that based on historical and other factors so again they are funded on that basis. In the health space, we fund them on an activity-based funding model, which is similar to the other Australian jurisdictions. So, basically, probably the best way of describing this is the hundreds of thousands of different procedures in the health system all have a weighting. So, we fund them on a thing called weighted average unit of hospital activity. For example, I am just making up the number here, but if you were to get a hip replacement, that might be a 23.5 weighted average units of hospital activity. So, we are to be able actually measure for the different procedures based on the actual activity in the health system what level of funding they require.

I am just trying to think if I have covered them.

Hon COLIN TINCKNELL: You have got Communities, Justice and Health.

Mr JONES: In terms of the justice sector, we built a cost and demand model for the prison system. I think in the previous evidence given by the Department of Justice this issue was raised. Previously we had a $188 marginal cost per prisoner per day funding for prisoner growth. We have a couple of models. We have a thing called the WAPM, which is the Western Australian prisoner model. We have 20 years' worth of prison data that is updated in real-time by the department. So, what we are able to tell from that is trends in terms of prisoner growth. So we know by number of prisoners, type of offence as well, length of sentence. We use that information to provide the core funding for that. We have also now built a cost and demand model for the prisons because, obviously, each prison has a different cost. For example, you have got Acacia Prison, which is a privately run jail, which is around $170 per prisoner per day. The maximum-security jails are around $320 a day, and then you have prisons in regional areas where the cost in some of those locations is over $1 000 per prisoner.

What we were doing previously, we were funding them on an average. We now know for each of those jails, if we put prisoners into it, what the actual costs of running those prisons are, and we used that to fund the budget this year. What we found from that was, basically, funding them on a marginal cost that goes in a cost curve like that, that is not how prisons operate. Prisons have capacity issues. For example, you will open a wing where you will require more staff. You can then put extra prisoners into that wing and the cost is pretty constant, and then if you get to another tipping point where you need to open another wing and get extra staff, that cost goes up. We now have those profiles for all those jails and that is updated with the Department of Justice twice a year as part of our budget process. We are now expanding that to the court system as well through the justice pipeline model, which was also outlined in the budget.

Hon COLIN TINCKNELL: Thanks for that explanation. Cheers. My question is on budget paper No 3, page 168. It refers to service priority review. How many senior executive service positions are in the department? The question is: what is the department's expected contribution to the government's measure to reduce the number of senior executive service positions?

Hon STEPHEN DAWSON: Member, thank you for that question. I will ask the Under Treasurer to respond to that one, please.

Mr BARNES: Members, our target reduction in the number of SES positions in the department, according to the PSC's requirements, is four SES positions.

Hon COLIN TINCKNELL: Four. That would be the measure of reduction.

Mr BARNES: Yes; correct.

Hon COLIN TINCKNELL: How many are in the positions?

Mr BARNES: It is a 20 per cent reduction so that is off a base of about 20.

Hon COLIN TINCKNELL: I am quite happy to take this on notice. Once again, budget paper No 3, page 77—can the department provide a detailed breakdown of how it costed the temporary progressive payroll tax scale for large employers measure?

Hon STEPHEN DAWSON: Member, you were referring to page 77 of budget paper No 3 in relation to payroll tax and that temporary progressive payroll tax scale for large employers.

Hon COLIN TINCKNELL: That is right. I would like to get a detailed breakdown. I know that cannot be given here now.

Hon STEPHEN DAWSON: A detailed breakdown of the policy?

Hon COLIN TINCKNELL: Of how it was costed.

Hon STEPHEN DAWSON: Sure. So that payroll tax line item page 77, are we able to provide a breakdown of how that was costed?

[4.30 pm]

Mr BARNES: An explanation, yes.

Hon STEPHEN DAWSON: We will provide an explanation notice.

[*Supplementary Information No C1.*]

Hon AARON STONEHOUSE: Thank you, Chair. I will try to be quick. I am looking at budget paper No 3, page 2, and the two tables that show business investment going from negative to positive growth in 2019–20 onwards. I am just wondering if these figures for business investment factor in the impact of the increased payroll tax?

Hon STEPHEN DAWSON: I will ask Mr Barnes if he might be able to provide a response to that question.

Mr BARNES: The answer is no, not explicitly.

Hon AARON STONEHOUSE: Looking at the next page, page 3, the fourth line item in the table is for the unemployment rate. The figures are 6.2, 6.0 and then go down to 5.5 and 5.5 in two years of the forward estimates. Does that unemployment rate reflect the impact of the payroll tax increase?

Mr BARNES: No, not explicitly. Sorry, if I could just elaborate on that, the reason why it does not explicitly take account of it is that our forecasting approaches for both business investment and the labour market would not directly take into account that policy measure around payroll tax. I guess the reason for that is simply one of scale. The Western Australian economy is a $255 billion economy per annum and we are talking about a payroll tax increase of $135 million per year in the context of a quarter-of-a-trillion dollar economy. It is not going to have a material impact on the macro-economic forecasts.

Hon AARON STONEHOUSE: On the macro-economic; okay. For the sake of clarity for the committee, due to the nature of the macro-economics in these charts here, an impact statement or a study of the impact of the payroll tax on unemployment and business investment has not been conducted by the Treasury department—is that correct?

Hon STEPHEN DAWSON: I will again ask the Under Treasurer if he can provide a response to that one.

Mr BARNES: Not quite. What I am saying is that the payroll tax measure was not explicitly incorporated into our macro-economic forecasts for this budget, for either business investment, or employment or unemployment, or any of the other economic parameters. Clearly, we did make an assessment of the impact of the payroll tax measure on things like employment but, the point I am trying to make is that it did not explicitly feed into our forecasting models.

Hon AARON STONEHOUSE: I think I understand that; you would not reflect it in that chart. Given that you have conducted an impact statement of the effect on unemployment of the payroll tax, can you tell us what those figures are? What is the impact of the payroll tax increase on unemployment? Can you provide those figures?

Hon STEPHEN DAWSON: Madam Chair, I will ask the Under Treasurer if he can answer that question.

Mr BARNES: I do not have a specific figure for you, member, but our assessment is that it would have an immaterial impact.

Hon AARON STONEHOUSE: Okay, but an impact nonetheless, although minor. Perhaps I could get that as supplementary information?

Mr BARNES: I am happy to provide as supplementary or notice our assessment of how we came to that conclusion that the payroll tax measure would have a negligible impact. So, yes, I can give you that assessment on notice.

Hon AARON STONEHOUSE: That would be much appreciated.

Hon STEPHEN DAWSON: I indicate that we are happy to provide that information by way of supplementary information.

[*Supplementary Information No C2.*]

Hon COLIN HOLT: Thanks to my colleagues for letting me jump in a little early. I refer to page 84 and taxes on gambling. You have a figure of 2.9 per cent gambling taxes as a total share of all taxes. What is the monetary value of that 2.9 per cent?

Hon STEPHEN DAWSON: The member is referring to budget paper No 3, the *Economic and Fiscal Outlook* and page 84, for those who are following, and the taxes on gambling. The member has asked in relation to the 2.9 per cent if we have a figure of what that equates to in monetary value. I will ask the Under Treasurer if he can answer that one, please.

Mr BARNES: Member, I will just confirm that the 2.9 per cent figure on page 84 is the historical average annual growth rate.

Hon COLIN HOLT: No, I do not think so.

Mr BARNES: I beg your pardon; there are two figures of 2.9 per cent. I was looking at the wrong one. I see it in the first paragraph.

Hon COLIN HOLT: It is the one in the first paragraph.

Mr BARNES: Yes, sorry; I see where it is. If I can take you to budget paper No 3, page 260, there is an appendix 2 on general government operating revenue. About two-thirds down the table there, there is an italicised line for total taxes on gambling. In 2017–18, our budget estimate for total taxes on gambling is $275 million.

Hon COLIN HOLT: Thank you; that is excellent. Back to page 84, you are forecasting your growth of 11.4 per cent in 2017–18 after a decrease of 8.8 per cent in 2016–17. That is a turnaround of over 20 per cent. Can you explain how you have come to that conclusion? It is quite an incredible turnaround.

Hon STEPHEN DAWSON: If I can hand over to the Under Treasurer at least initially, then we might hand over to somebody else.

Mr BARNES: We might need to take that one on notice. What we do is we compile the gambling tax estimates based on information provided to us by the individual gambling entities—the TAB, the Lotteries Commission and the Department of Racing, Gaming and Liquor or whatever they are called now under the machinery-of-government changes. We compile the individual information from those agencies and then we consolidate it to come up with the gambling tax revenue estimates in the budget. We are basing our estimates on their own assessment—their forecasts. What the explanation for that turnaround is, I do not know off the top of my head. We would need to take that on notice and go back to the information we received from those agencies and provide the explanation to you.

Hon COLIN HOLT: I did ask this question of Racing and Wagering Western Australia and they said to ask you guys!

The CHAIR: Another one!

Hon STEPHEN DAWSON: The Under Treasurer has offered to provide that information by way of supplementary information. Would you like that?

Hon COLIN HOLT: I would, sir; thank you.

Hon STEPHEN DAWSON: If I could just clarify what we are providing, it is that turnaround, the 11.7 percentage increase in 2017–18 after a decline in total gambling revenue of 8.8 per cent in 2016–17.

The CHAIR: And how that was calculated.

Hon COLIN HOLT: And as an extension of that, you might want to consider —

The CHAIR: Are you asking for more?

Hon COLIN HOLT: The next paragraph talks about it as an average growth of 7.4 per cent per annum; I assume it is through the same methodology. While I was just talking about one year's turnaround, that is into the forward estimates, so assumptions on how continues to grow at 7.4 per cent into the out years would be useful too.

The CHAIR: So the current financial year and the out years—the methodology.

Hon STEPHEN DAWSON: We are happy to provide that in the same information.

[*Supplementary Information No C3.*]

Hon COLIN HOLT: I have one final question, which may well be supplementary as well. You have talked about the introduction of a point-of-consumption wagering tax, potentially from 1 January 2019 and it will probably go through COAG agreements, potentially —

Hon STEPHEN DAWSON: Madam Chair, through you, member can I ask if you are referring to a page in the budget papers?

Hon COLIN HOLT: It is the same page—84, in that exact same paragraph.

Hon STEPHEN DAWSON: Thank you.

Hon COLIN HOLT: Or if you want to go to budget paper No 1 —

Hon STEPHEN DAWSON: I am not trying to be unhelpful. If it is there, just let me know, so I can open the right page.

Hon COLIN HOLT: Why do we not go to budget paper No 1, which is the Treasurer's speech, on page 8?

Hon STEPHEN DAWSON: I know it well.

Hon COLIN HOLT: The last line says that the point-of-consumption tax measure "is expected to raise a net $52 million over the forward estimates period." I would really like to know how you have arrived at a $52 million net raise over that period and what assumptions have been made to indicate that.

[4.40 pm]

Mr WATSON: The estimates and net revenue point of consumption tax were based on advice from RWWA based on modelling that it had done. We considered the assumptions underlining that modelling, and we took that to be reasonable. It is a net figure because it reflects the change in revenue as a result of putting in place the point of consumption tax, removing existing betting taxes and then ensuring that the TAB is compensated to ensure that funding to industry is not reduced by the introduction of that tax. Further work will be done as part of both the national process and in consultation with the industry to firm up those estimates and to ensure that that commitment in relation to compensation made by the government is met.

Hon COLIN HOLT: Thank you, but I did ask this of RWWA in their estimates on Monday and they specifically said that I had to ask Treasury, so I am asking for the modelling on how you arrived at a net $52 million. If you want to take it on notice, I am happy for that—if you want to go back to RWWA and get it.

Hon STEPHEN DAWSON: We can provide that further information by way of supplementary.

[*Supplementary Information No C4.*]

Hon Dr STEVE THOMAS: Minister, I refer you to page 86 of budget paper 3. Under the heading "GST Revenue", the second paragraph states —

> Western Australia's continuing low relativity largely reflects the lagged impact of high revenues in previous years from royalties, taxes and North West Shelf grants.

You may have been expecting this question but I will give it to you. What has been the total additional general government revenue received in Western Australia over and above the long-term average growth, preferably from 2001–02 to 2016–17? If you do not have an answer, could you put it as supplementary information?

The CHAIR: Honourable member, I remind you of the procedures of these hearings. We are examining in these hearings the 2017–18 budget and the out years—that is, those documents. We do not have an expectation that the minister or Treasury will be able to provide that information, particularly if it is laborious but also because we are trying to focus on this budget. We do not look at previous years, generally speaking.

Hon Dr STEVE THOMAS: Perhaps the minister might be able to provide it as supplementary information, though.

The CHAIR: We will check if it is laborious in particular.

Hon STEPHEN DAWSON: I might ask the member to repeat the question so we can get an idea of the extent of the information that is required and also the work that might be required to gather the information.

Hon Dr STEVE THOMAS: I will try to make it as clear as possible. Effectively, the budget papers say that the relativities are impacted upon by revenues, which is obviously the case. What I am looking for is how the increase in general government revenues over time compares with long-term average growth. What I am looking for is a measurement, as it were, of what we call the mining construction boom between about 2001 to the end of the current financial year if possible so that I can have a measure of how much additional revenue above long-term average growth the state received during that period of time. Is that clear enough? Is it possible for that to be provided? It should be a fairly simple calculation.

Hon STEPHEN DAWSON: I have spoken to the Under Treasurer and he has indicated that Treasury could provide that information. It may take a bit of work but they will do it. We will provide it by way of supplementary information.

The CHAIR: That means that it will take 10 days after the receipt of this transcript. Essentially, you have about two weeks. If that data is available within two weeks, we will put it on notice now. If it is not available within two weeks, we will come to an arrangement.

Hon Dr STEVE THOMAS: If it takes longer, I am happy to negotiate with the minister on time frames.

The CHAIR: We cannot do it through this system. It is 10 days or else.

Hon STEPHEN DAWSON: It should take us less than two weeks. If for any reason it takes us more, we will provide an answer saying that it has taken us more than that and we will indicate when we will provide it. Certainly, we will undertake to do that work for you.

[*Supplementary Information No C5.*]

Hon Dr STEVE THOMAS: I then refer you to the same budget paper No 3, pages 52 and 53 that refer to the debt reduction strategy and the development of a debt reduction account. A table on page 53 refers to repayments into consolidated account debt—the repaying of debt—which has an initial $230 million in the current financial year, and $36 million, $35 million and $38 million as debt repayments in the out years. Do you have any idea of additional revenue streams or additional revenues that might end up in the debt reduction account that could increase or accelerate debt reduction of the state?

Hon STEPHEN DAWSON: That is kind of a hypothetical question.

The CHAIR: It certainly is.

Hon STEPHEN DAWSON: It is a good try, member. You referred to table 8 on page 53. It has two sources of funds. The issue is probably under constant consideration by government, in particular, Treasury. I probably cannot give you a more fulsome answer than that other than that it is a hypothetical. Work is undoubtedly being done but nothing has been decided upon yet.

Hon Dr STEVE THOMAS: Minister, how do those debt repayments compare in quantum due to the interest repayments that the state is required to pay?

Hon STEPHEN DAWSON: These are probably smaller than the other figure. However, I say quite proudly that these are the first two sources of funds—the first two debt repayments in years. It is a big figure—our debt is a big figure in Western Australia, but this is a start towards repaying that debt.

Hon Dr STEVE THOMAS: At this rate of repayment, how long will the state's general government debt take to be paid off?

Hon STEPHEN DAWSON: Again, it is a hypothetical.

Hon TJORN SIBMA: That is not a hypothetical.

Hon STEPHEN DAWSON: Absolutely; he is asking me to hypothecate.

The CHAIR: Yes, it is. However, I will ask the minister to keep in the spirit of the answer. The honourable member understands it is a hypothetical based on a number of moving parts at any one time.

Hon STEPHEN DAWSON: I take the point that it would take clearly longer than the forward estimates period to repay the debt. Obviously, we do not have figures beyond the forward estimates, so I probably cannot provide it to you this afternoon.

Hon Dr STEVE THOMAS: Well done. Good answer.

Hon PETER COLLIER: I have a number of questions. I will ask a couple. I may need to put a few on notice, which I am quite willing to do to free up a bit of time. I draw your attention to budget paper No 2, page 501, which talks about the declining income from gold royalty changes from 2019 to 2020. That is without even the proposed royalty rate increase. If you look at 2019–20 and beyond, it shows that there will be a declining rate of royalty. Are you with me?

The CHAIR: Could you repeat the page number.

Hon PETER COLLIER: It is page 501 of budget paper No 2.

Hon STEPHEN DAWSON: On page 501, budget paper No 2, there is mention of the gold royalty but that is under "Budget Repair" and it talks about an increase in the gold royalty rate. I think you might be referring to another page.

[4.50 pm]

Hon PETER COLLIER: Sorry, that is the actual commentary. Page 580 is where the figures are. It shows a declining gold royalty rate from 2019 to 2021, and that is without the actual increase in royalty. Can the minister please provide the price, the production and the exchange rate assumptions used in the budget to calculate that royalty rate over the forward estimates?

Hon STEPHEN DAWSON: Member, I just point out that page 580 of budget paper No 2 actually refers to the Department of Mines, Industry Regulation and Safety. However, the Under Treasurer has indicated to me that we can take that question on notice and provide an answer by way of supplementary information.

Hon PETER COLLIER: That is good. That will be an interesting one. If you are basing the assumption on the $1 600 that the sector could cope with, it would be interesting if the predictions were actually for a decline in the rate. That would be very interesting. But I am very comfortable with that.

Hon STEPHEN DAWSON: Before you go on, the Under Treasurer says that he can elaborate on the answer provided.

Mr BARNES: I can answer a large part of that question, but not all of it, so we will need to take some of it on notice. I direct you to page 95 of budget paper No 3. In the table at the bottom of page 95 you will see the forecast gold royalty revenue numbers. As you point out, member, those numbers decline in the last couple of years of the forward estimates. The exchange rate assumptions underpinning all our royalty estimates are at the bottom of that table. Our gold price assumptions, which are not in that table, in Australian dollar terms are between $1 600 and $1 700 an ounce across the whole forward estimates period. That is based on futures contracts for gold. Our methodology is directly linked to the futures market price for gold, going out four years, so that is the market's assessment of the future price of gold. The thing that I will need to take on notice is the production volume. Essentially the answer for the decline in forecast gold royalty revenue in the last two years of the forward estimates is declining production volumes—not price or exchange rate, but production volumes. That is because we book in the forward estimates only royalties from projects that actually have a final investment approval. There will be some gold projects on the drawing board that do not yet have final investment approval, and therefore they are not yet in our forward estimates of royalty revenue.

Hon PETER COLLIER: Thank you, Mr Barnes, and can I say that is very valuable information, because it will impact ideally on any future decisions by government with regard to those gold companies. That is not for you to worry about, of course; that is a policy decision that we will fight the good fight on.

Hon STEPHEN DAWSON: Can I just say that we are very pleased to be as helpful as we can be.

Hon PETER COLLIER: With what, sorry?

Hon STEPHEN DAWSON: You just said that it was very helpful, and I just make the response that we are very pleased to be as helpful as we can be.

Hon PETER COLLIER: I always expect that from you, minister. You always deliver, so thank you very much.

The CHAIR: The mutual admiration society will come to order.

Hon PETER COLLIER: Thank you, Madam Chair, in this warm and fuzzy period! I have a number of other questions —

The CHAIR: Just a minute, member. I am doing you a favour, though. The minister agreed to take on notice some gold-related further questions.

Hon STEPHEN DAWSON: Yes, it was the element of the answer that was required for the question provided by Hon Peter Collier that was not answered previously by the Under Treasurer.

[*Supplementary Information No C6.*]

Hon PETER COLLIER: I will just ask this one question because, as I said, there a number of other members who want to ask questions, and I will put the others on notice. All the questions I will put on notice are in relation to page 36 of budget paper No 3, table 2, summary of general government revenue and expense variations. Has the Department of Treasury, or any other department, changed the forecasting methodology assumptions for any of the following taxes—payroll; transfer or landholder duty; land tax and metropolitan region improvement tax; insurance duty; gambling taxes; and motor vehicle taxes? Were changes made to the assumptions for any of those taxes?

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

Mr BARNES: The answer is that there is no change to the forecasting methodologies for those taxes that you mentioned. Obviously, we try to incrementally make improvements to the underlying data that we use in our forecasting of those taxes. An example is payroll tax. One of the challenges we have had in recent years is the changing composition of the labour market, so obviously if you look at aggregate employment and aggregate wages growth, that tells you one story, but there is another story around the composition of the labour market, which has changed substantially in recent years. Trying to get a good grip on that changing composition of the labour market and the impact of that on payroll tax has been a challenge for us. One of the changes and improvements that we have made in recent years is to obtain, from the Office of State Revenue, detailed industry-level payroll tax data, and we have used that more disaggregated, more granular data to feed into our forecasting methodology. The methodology itself has not changed, but the underlying data we try to improve all the time.

Hon PETER COLLIER: Thanks for that. In essence, the overall answer is no; there has been no change to the methodology of any of those, apart from what you have just mentioned—no fundamental shift or change to the methodology or assumptions?

Mr BARNES: Correct.

Hon PETER COLLIER: I will put the other questions on notice.

Hon MARTIN ALDRIDGE: I refer to page 498 of budget paper No 2, the heading "Transactions Authorised by Other Statutes", and the line item "Parliamentary Superannuation Act 1970", which has an appropriation of $10.184 million for this financial year. Can the minister please tell me what that is for?

Hon STEPHEN DAWSON: Sorry, member, I think I know where you are, but just let me repeat it. Is it page 498 of budget paper No 2 and the line item commencing "Parliamentary Superannuation Act 1970"?

Hon MARTIN ALDRIDGE: Yes.

Hon STEPHEN DAWSON: In particular, you are asking about that $10.184 million in the 2017 budget estimate?

Hon MARTIN ALDRIDGE: Correct.

Hon STEPHEN DAWSON: And you are asking for further information about that?

Hon MARTIN ALDRIDGE: Yes, I would like to know what it is.

Hon STEPHEN DAWSON: Can you just give us one second in relation to that? While the Under Treasurer is looking to provide an answer to that, I want to refer back to a question that you asked yesterday in the Department of Fire and Emergency Services estimates hearing about the State Fleet policy.

Hon MARTIN ALDRIDGE: Aircraft.

Hon STEPHEN DAWSON: Yes, aircraft. Would you mind if I provide a quick response to that now? I was sure that you were going to ask me this afternoon, but given that we have done our homework, I can provide it to you. We suggested yesterday that we thought it was the Department of Treasury that was responsible for that policy review, but in fact it is the Department of Finance that has undertaken the State Fleet policy review. That is ongoing. I understand that considerations of fleet owned and leased aircraft by the state government will not be part of that review, but that a whole-of-government approach is being considered. I cannot provide any further information in relation to the possible outcomes, but I wanted to make sure that at the very least we gave you that bit of information.

Hon MARTIN ALDRIDGE: So if I put some questions on notice to Finance, they will be able to give me some specifics?

Hon STEPHEN DAWSON: I certainly hope so, but some of the issue is being considered by government at the moment, so there may not be any definitive answers that Treasury can provide to you.

Hon MARTIN ALDRIDGE: I am just worried, given all the blank looks I have been given this week, that the review may have just been imminently prepared.

The CHAIR: It is unusual, members, that we talk in a current hearing about information that was provided in a previous hearing. I understand that the minister's intention was to let you know that it is not Treasury; it is Finance. We will leave it at that, and thank you, minister, for doing that.

Hon STEPHEN DAWSON: My pleasure, Madam Chair. I am sorry, I was doing it only because the Under Treasurer had indicated he needed another second to find the information for the answer.

The CHAIR: I gathered that might have been the case; however, we will now progress in this hearing.

Hon STEPHEN DAWSON: Absolutely, Madam Chair. Obviously, I follow your guidance and I will ask the Under Treasurer if he can provide an answer to Hon Martin Aldridge's question.

Mr BARNES: That item on the Parliamentary Superannuation Act 1970 is to meet the emerging cost of member pension benefits under that act and to reimburse the Government Employees Superannuation Board's expenses for administering the scheme. You can see from the table on page 498 that benefit payments increased sharply in 2016–17 as a number of retirement benefit entitlements became payable following the election. Benefit payments are expected to return to more typical levels in 2017–18 and beyond.

[5.00 pm]

Hon MARTIN ALDRIDGE: Is this money for current serving members of Parliament who are members of the parliamentary pension scheme or is there a contribution here also to retired members in terms of is there an unfunded liability relating to the defined benefits scheme, basically?

Hon STEPHEN DAWSON: I will again ask the Under Treasurer, Mr Barnes, if he can provide an answer to that.

Mr BARNES: Member, this is the actual cash cost that we have pay on an emerging basis every year for retired members who are drawing on their pension. Hence, the spike in that cost in the 2016–17 year, as you can see in that table, reflects the members who have left Parliament following the election and are drawing on that payment.

Hon MARTIN ALDRIDGE: So that obligation is funded annually rather than an appropriation made that goes into a trust account and is managed in way that then disperses funds to those former members.

Mr BARNES: Correct; it is funded annually on an emerging cost basis.

Hon MARTIN ALDRIDGE: Can you tell me who is a member of the parliamentary pension scheme?

The CHAIR: I think that was a pretty nice try. Do you mean in general categories or do you mean individuals?

Hon MARTIN ALDRIDGE: Individuals.

Hon STEPHEN DAWSON: That scheme is administered by GESB, so they would have that information. You would have to ask them, but I dare say they would not disclose individual's membership of superannuation schemes. To get an answer to your question you would have to approach individual members of GESB. Treasury does not have that information, but I also do not think you could get that information even if you asked GESB a question, for example, in a hearing.

Hon MARTIN ALDRIDGE: How is it that the Treasurer can tell me how many members of Parliament who are currently serving are members of the parliamentary pension scheme?

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

Mr BARNES: Member, this is outside my ambit; however, the Treasurer is also the minister responsible for GESB, so I would assume that GESB provided the minister with that information and I would assume that GESB is happy to talk about de-identified—is that a word?—numbers without identifying individuals.

Hon MARTIN ALDRIDGE: I would like to go to chapter 7 of budget paper No 3 and page 227. The regional workers' incentive scheme or regional workers' incentive payments I understand fall under the administration line item on page 227 as well as the administrative costs of the Department of Primary Industries and Regional Development. Could you confirm that?

Hon STEPHEN DAWSON: I might ask Ms Kaylene Gulich, who is the executive director of infrastructure and finance, to provide an answer to this question.

Ms GULICH: Yes, the regional workers incentive scheme is in the RforR administration line.

Hon MARTIN ALDRIDGE: Under that administration category, are there other funds for the operating costs of the department within that line item as well, or are there other expenses other than regional workers incentives?

Hon STEPHEN DAWSON: Again, I will ask Ms Gulich to respond.

Ms GULICH: Yes, the operational costs of the Department of Primary Industries and Regional Development is also in that line—the annual costs of running the department—and there are number of smaller other items, basically administration costs associated with particular elements of the RforR program.

Hon MARTIN ALDRIDGE: Would you be able to break down that administration line item for me on supplementary information? Specifically, with respect to the regional workers' incentive, would you be able to break it down further to let me know which agencies are drawing how much money from that incentive?

Hon STEPHEN DAWSON: We can certainly do a breakdown of the administration line item. The second part was in relation to the workers' incentive scheme and getting a breakdown of which agencies are accessing it.

Hon MARTIN ALDRIDGE: Yes.

Hon STEPHEN DAWSON: Just accessing funding—okay, we can provide that.

[*Supplementary Information No C7.*]

Hon MICHAEL MISCHIN: I refer to Local Projects, Local Jobs. What role, if any role, did Treasury have in the allocation of funds, or the approval of funds, for that particular scheme?

Hon STEPHEN DAWSON: Obviously, member, as you are aware, Local Projects, Local Jobs contains a range of initiatives that the then Labor opposition made as election commitments. Obviously, this is a grants scheme. All those grants have been through the Expenditure Review Committee of cabinet and, indeed, had cabinet's sign-off. In terms of any further involvement by Treasury, my advice from the Under Treasurer is that their role has been limited to transferring the funds to the agencies that have been distributing the money.

Hon MICHAEL MISCHIN: That raises a further question. Perhaps the minister or the Under Treasurer can explain what Treasury's role usually is with respect to the ERC. My recollection is that Treasury has a representative at the ERC and provides certain information and submissions to that particular committee. Were any sought—any input at all sought—from Treasury to that process so it could consider the merits of any of these grants and the benefits to the state for these particular allocations of public money to tune of $39 million?

Hon STEPHEN DAWSON: The Local Projects, Local Jobs program has been led by the Department of the Premier and Cabinet; however, I can ask the Under Treasurer to supplement that answer in relation to Treasury's involvement.

Mr BARNES: In short, member, the commitment has been really coordinated out of the Department of the Premier and Cabinet, not the Department of Treasury. You are correct that Treasury has a role around the ERC table. In this particular instance, our role was really to check that the amounts and purposes that were put in front of ERC for approval were consistent with the announced election commitments and also to ensure that the timing of the cash flows of those amounts were realistic. That was really the extent of our advice to ERC: to make sure that, as I said, what was put in front of ERC was consistent with the announced election commitments, and from our point of view the cash flows were realistic and achievable. Once we had the decision through ERC and cabinet, our role was to disburse those funds to the relevant agencies.

[5.10 pm]

Hon MICHAEL MISCHIN: Two questions arise out of that. Firstly, given that some of the allocations out of this particular fund were made before the budget was announced and tabled, where were those funds drawn from in order to assign to particular departments for them to pay out? Secondly—perhaps we will just deal with that one first.

Hon STEPHEN DAWSON: I make the point again that the commitments were made as election commitments by government. The commitments went through an ERC process and cabinet approved the commitments. I just make that point and let it stand there. In relation to anything else, I will ask the Under Treasurer if he can respond.

Mr BARNES: Member, where ERC approved additional funding to an agency to make grants under this commitment and those grants were approved to be made before 30 June 2017, the funding mechanism for the payment of those grants was the Treasurer's advance account. Where the funding was provided for grants paid after 30 June 2017, the funding mechanism was the relevant appropriation item in the budget.

Hon MICHAEL MISCHIN: Can you explain the Treasurer's advance account and what the implications are of money being drawn from that? I take it that up until 30 June, of course, all moneys had already been budgeted for in the previous budget and accounted for, allocated and the like. Can you explain to us the implications of moneys being taken out of a Treasurer's advance account? Are they borrowings?

Hon STEPHEN DAWSON: Part of the question was: what is the Treasurer's advance account? Perhaps you can start off with that, Under Treasurer, and then provide an answer to the rest of the question.

Mr BARNES: Member, in this case, where those grants were paid prior to 30 June 2017—so in the 2016–17 financial year—obviously, they were not budgeted in the 2016–17 budget. The Treasurer's advance is simply the funding mechanism to allow that to happen. The Treasurer's advance is used every year for items that come up during the course of the financial year that were not included in the original budget. We provided advice to ERC that there was sufficient capacity within the approved Treasurer's advance limit. That limit is set each year under the Financial Management Act. We know the approved dollar amount of the Treasurer's advance for each year. There was scope within that existing approved dollar amount for the Treasurer's advance to fund the payment of those grants prior to 30 June.

Hon MICHAEL MISCHIN: We keep being told that these are election commitments and, therefore, presumably it is appropriate to deal with these allocations of funds in this particular way. But there are many other election commitments that involve particular projects, grants under particular schemes and the like. Are they all dealt with in this particular way or is this a unique circumstance? Does Treasury have a greater role in those other election commitments than it did in this particular election commitment. For example, we were told about eight projects yesterday that were coming out of the police appropriation to PCYCs and the like, but there are also other election commitments involving spending money on, say, additional speed cameras, spending money on additional personnel and the like. Are they all dealt with in this way—that the Treasury just simply acts as an agency to say to ERC, "The figures add up and they fit the headings", and instruct the disbursement of money?

Hon STEPHEN DAWSON: Again, this was a decision of the ERC and cabinet in relation to —

Hon MICHAEL MISCHIN: Yes, I know that.

Hon STEPHEN DAWSON: — in relation to when the money was spent. That decision was made. It is also the ERC and cabinet that decided to expend further dollars in relation to other election commitments post 1 July this year or in this financial year. As you have heard from the Under Treasurer, Treasury had a role—Treasury sits on the ERC. It also had a role in relation to expenditure on these commitments. The other point, again, is that the Department of the Premier and Cabinet is the lead agency in relation to Local Jobs, Local Projects.

The CHAIR: Thanks, honourable member. Your time has concluded. We need to go to three more members in the next 15 minutes.

Hon ADELE FARINA: I have a very general question. When a department is given an FTE allocation, is it reasonable to assume that that department has been provided with the moneys required to fund those FTE positions?

The CHAIR: Again, member, that is kind of a hypothetical.

Hon ADELE FARINA: No, it is not. It relates to page 504 and it leads onto my next question, which is under part 2, "Economic and Review Forecasts and Policy Development".

Hon STEPHEN DAWSON: When members can provide a line item, it is obviously very helpful. The member has provided a line item in relation to her question. I will ask the Under Treasurer whether he can respond to the question, please.

Mr BARNES: Member, we actually fund agencies to their salary expenditure, not explicitly to their FTE numbers. Each agency has an approved salaries expenditure cap—that is what they have to manage to and that is what they are held accountable for—rather than an explicit FTE cap. Some years ago we had an explicit FTE cap or target for each agency. Cabinet, at the time, decided to move away from explicitly targeting FTEs to, instead, targeting and capping salaries expenditure because, ultimately, that is what we are trying to manage to. By targeting salaries expenditure, you are giving agencies a little bit more flexibility about the composition of their workforce within that overall salaries cap.

Hon ADELE FARINA: How is the salaries cap determined?

Mr BARNES: It is determined, obviously, through the annual budget process. The components that go into it are, first and foremost, the government's wages policy. That clearly directly feeds into the approved salaries cap. The agencies' current salaries expenditure feeds through into their forward estimates of salaries expenditure. As Mr Jones answered before, for the big service delivery agencies we have cost and demand models that effectively determine future FTE growth to meet forecast demand growth. Then that modelled FTE increase will feed through into their salaries expenditure as well.

Hon ADELE FARINA: Looking at page 504, "Services and Key Efficiency Indicators" and "2. Economic and Revenue Forecasts and Policy Development", in 2016–17, the FTE allocation was 50. The estimated actual was 44. Yet, the 2017–18 budget target is 50. If the estimated actual was 44 and the 50 was not reached in 2016–17 or was not maintained, why does it bounce back to 50 in 2017–18?

Hon STEPHEN DAWSON: Member, you are referring to page 504, "Services and Key Efficiency Indicators", and "2. Economic and Revenue Forecasts and Policy Development" and the "Employees (Full Time Equivalents)" line item. Can I ask the Under Treasurer if he can respond to that, please?

Mr BARNES: Sure. I point out that the 2016–17 budget figure there was for 50 FTEs and the 2016–17 estimated actual, as you mentioned, was for 44 FTEs. That reflected vacancies in that part of the Department of Treasury during the course of 2016–17. The reason it bounces back up to 50 in 2017–18 is primarily because of the machinery of government change that took effect from 1 July, whereby the economic reform division that was in the Department of Finance was transferred across to the Department of Treasury. Those FTEs are reflected in that 50 number there. That is the key reason for that bounce back up.

[5.20 pm]

Hon Dr STEVE THOMAS: I will try to be quick in asking this question, Madam Chair.

Hon STEPHEN DAWSON: Famous last words, member.

The CHAIR: No hypotheticals!

Hon Dr STEVE THOMAS: Dear, oh dear; my reputation precedes me!

I refer to budget paper No 3, page 8, the table "2017–18 Budget Repair". This might get a little technical. The fifth line under "Other Measures" is household fees and charges. The government has announced, as part of its policy, a review on household fees and charges. That is fine; I am not going to comment on the politics of it. However, the numbers confuse me a little. I assume that the impact in this table of household fees and charges is a reflection of the policy announced by the government that we would see increased revenue over the forward out years based on that first decision. However, the numbers going across the years into the forward estimates indicate that by 2021 the impact of the household fees and charges policy is only $7 million, compared with an impact of $50 million in 2019–20, $63 million in 2018–19 and $59 million in the current financial year. There is probably a logical explanation. I would have thought that the one impact would be fairly constant all the way through, and that just stuck out as something I could not understand. I am hoping there is a logical explanation for that.

Hon COLIN TINCKNELL: That was not a quick question.

Hon Dr STEVE THOMAS: For me, that was quick question.

The CHAIR: It was.

Hon STEPHEN DAWSON: It was—well done. The question is budget paper No 3, page 8, household fees and charges, and the $7 million in 2021. I will ask the Under Treasurer if he can respond to that, please.

Mr BARNES: Member, I hope this is a logical explanation. That table is comparing back to the estimates that were in the pre-election statement back in February. If I take electricity tariffs as the largest example, in the pre-election statement the forward estimates were based on the assumption of seven per cent per annum electricity tariff increases. In this budget, those tariff increases have effectively been frontloaded, I suppose, in the forward estimates with the 10.9 per cent increase in 2017–18, and then in the out years those tariff increases fall away to just 3.5 per cent in the last year of the forward estimates. That change in the pattern of the tariff increases across the forward estimates explains those numbers.

Hon Dr STEVE THOMAS: Okay. However, in itself it implies that the cumulative effect has already been calculated in there. My point is that the first 10 per cent would raise overall revenue by that much, even if it is a three per cent increase in the last year, so the table is not necessarily cumulative then, if you see my point?

Mr BARNES: No, and in those last years of the forward estimates you are actually seeing revenue reductions relative to the pre-election statement, because in the last years—say in 2020–21—you have a 3.5 per cent electricity tariff increase assumption in the budget, compared with a seven per cent tariff increase assumption in the pre-election statement. That is obviously a loss of revenue in 2020–21 compared with the PFPS, so you are netting that loss of revenue off the earlier increase.

Hon Dr STEVE THOMAS: Thank you. That makes sense.

Hon COLIN TINCKNELL: I am happy to take this on notice. I would like the department to provide a detailed breakdown on how it costed the $1 000 wages policy.

Hon STEPHEN DAWSON: For the purposes of providing an answer, member, are you referring to page 8 of budget paper No 3?

Hon COLIN TINCKNELL: Page 168. I just want a detailed breakdown on how the department costed the $1 000 wages policy.

Hon STEPHEN DAWSON: The Under Treasurer has indicated that we have provided this information to Parliament previously, so it is available and the work has been done. Therefore we are very happy to provide it by way of supplementary information to the committee.

Hon COLIN TINCKNELL: Thank you.

[*Supplementary Information No C8.*]

The CHAIR: On behalf of the committee, I thank you for your attendance today. The committee will forward a transcript of evidence, which includes the questions you have taken on notice highlighted on the transcript, within seven days of the hearing. Responses to these questions are requested within 10 working days of the receipt of the questions. Should you be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask them to submit these via the electronic lodging system on the POWAnet site by 12 noon on Monday, 23 October. Once again, I thank you for your attendance today.

Hearing concluded at 5.25 pm

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