

STATE FUTURE FUND — PUBLIC BANK ACCOUNT

240. Mrs L.M. HARVEY to the Treasurer:

I refer to the announcement in the state budget last week of the future fund. Can the Treasurer please inform the house of how the future fund will work and its relationship to the public bank account?

Several members interjected.

The SPEAKER: Member for Joondalup, I formally call you to order for the first time today.

Mr A.P. O’Gorman interjected.

The SPEAKER: Member for Joondalup, I formally call you to order for the second time today.

Mr C.C. PORTER replied:

On behalf of the Minister for Health, I would like to recognise the students from South Halls Head Primary School who are in the gallery today.

I thank the member for the question. It is an important question. Devising the future fund policy was some time in the making. It is very important for the state’s future and for a future generation to enjoy some of the material benefits of the mining industry as it exists at the moment. If this policy was to be pursued, we had to make a determination about what was the best way to administer the funds. We considered a broad range of literature; economic analysis; several examples, particularly in the Canadian provinces in which these funds are used; and a range of views from experts who have experience in the field. What we determined upon is essentially the lowest cost model of administering a fund such as this; that is to say that we will have legislative protection—the legislation will pass, we hope, in the second half of this year—of a separate fund sitting inside the umbrella of the public bank account. Importantly, that means that the moneys can be administered in the same way as all the accounts that sit as part of the public bank account.

One interesting thing to note is that in last year’s commonwealth budget papers, the commonwealth Future Fund, as nominated in the 2010–11 commonwealth budget, will cost \$440 million to administer. That is quite a lot of money to administer a fund and to make investment decisions. It may well be warranted for a fund of that size. Our fund obviously will not be the same size as the commonwealth Future Fund. But we did consider that if a proportional application of administration costs were to exist for a Western Australian future fund with seed capital of \$1.1 billion, that might result in administration costs of \$6 million a year. We then looked at the rates of return for the commonwealth Future Fund and what had been achieved historically on public bank account moneys? Very interestingly, over the last decade, public bank account investments, which are of course managed by the Western Australian Treasury Corporation, have returned an average earning rate of 5.2 per cent. Since its establishment, the commonwealth Future Fund has returned an average rate of 5.2 per cent. Also, very interestingly, last year the interest on the consolidated account borrowings was 5.2 per cent.

We have devised a very low-cost system of administration. In fact, the Centre for Independent Studies, which is no fan of future funds, noted in one of its articles on the issue —

On the positive side, the WA Government has avoided some of the mistakes former Federal treasurer Peter Costello made in setting up the Federal Future Fund in 2004.

The WA Future Fund will be managed by State Treasury and WA Treasury Corporation rather than establishing another expensive government agency that would duplicate existing capabilities. As the State Budget papers note, the Federal Future Fund incurred management costs of \$444 million in 2010–11.

That just brings me to the point that was made by members of the opposition—in fact one member of the opposition made a number of statements about the future fund. I thank the Leader of the Opposition and the shadow Treasurer for appearing to keep an open mind on the fund. One of the close-minded responses came from the member for Cannington, who tweeted almost contemporaneously with the announcement, “Page 333 of the budget papers. No real future fund. It will be part of the existing public bank account.” I do not know what the member conceives of when he conceives of the public bank account. Does he think it is just one cash account with a BSB number and he can put the card in and out? Let me explain it to the member, because it may help inform him moving forward. The public bank account is an overarching or umbrella term to describe all the bank accounts of government—special-purpose accounts. These are all part of the public bank account. Let me make it absolutely explicit for the member so he can conceptualise this properly: the future fund will be a separate stand-alone account like a special-purpose account that is part of the wider thing that we conceptually call “the public bank account”. The public bank account is not one account with a BSB number with all the moneys

mixed in together. It is not a big pot of money, with gold running down and Jack Lang with a bullwhip protecting Treasury; it is a separate account that we establish.

Mr W.J. Johnston interjected.

The SPEAKER: The Treasurer should expect these interjections when he names someone in this place. The member for Cannington, I think you have made your point.

Mr C.C. PORTER: Indeed, thank you, Mr Speaker. The same mechanisms that existed for Fiona Stanley Hospital, and for the children's hospital—separate accounts under the umbrella of the public bank account—that is how it works. But it does raise the very interesting question: the member's side of politics is now considering whether or not to support the future fund, but one member does not think it will actually exist; that it is a spooky mirage. Let us see how this develops into the future. One way or the other —

Several members interjected.

Mr C.C. PORTER: We will see in the second half of the year whether opposition members are going to support something that does or does not exist. One way or the other, it will be a very low-cost option in terms of administration.

Dr A.D. Buti interjected.

The SPEAKER: Member for Armadale, you have an opportunity in this place to get to your feet, seek the call and ask a question. I formally call you to order for the first time today.