Division 11: Treasury —

Mr S.J. Price, Chair.

Ms R. Saffioti, Treasurer.

Mr M. Barnes, Under Treasurer.

Mr M. Court, Deputy Under Treasurer.

Mr R. Watson, Assistant Under Treasurer, Agency Budgeting and Governance.

Ms L. Bednarczyk, Assistant Under Treasurer, Strategic Policy and Evaluation.

Ms A. Jalleh, Assistant Under Treasurer, Advisory Services.

Mr M. Andrews, Assistant Under Treasurer, Economic.

Ms K. Gailiute-Khan, Chief Finance Officer.

Mr D. Lines, Acting Special Adviser.

[Witnesses introduced.]

The CHAIR: The estimates committees will be reported by Hansard and the daily proof will be available online as soon as possible within two business days. The chair will allow as many questions as possible. Questions and answers should be short and to the point. Consideration is restricted to items for which a vote of money is proposed in the consolidated account. Questions must relate to a page number, item or amount related to the current division, and members should preface their questions with these details. Some divisions are the responsibility of more than one minister. Ministers shall only be examined in relation to their portfolio responsibilities.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 31 May 2024. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

I give the call to the member for Moore.

Mr R.S. LOVE: I start with budget paper No 2, volume 1, page 127, and the provision for government wages policy. Items 37 and 38 together are a provision for increased wages throughout the forward estimates. The explanation of those matters is that the first of those two provisions is for government wages policy, which is note (k). It states that the provision provides a maximum funding envelope for industrial negotiations. The following provision is for industrial agreements and outcomes not yet finalised under the previous public sector wages policy, and this will be allocated to relevant agency budgets once the remaining industrial agreements are finalised. I would like an understanding of where those figures come from. If the negotiations are not yet finalised, how does the government make a provision for the future negotiations at this time? What assumptions are used by the government and how does it arrive at those figures?

Ms R. SAFFIOTI: We had a look at our total expenditure on salaries, potential wages and other non-salary conditions, and put a provision across the then forward estimates, which has now rolled out to the new forward estimates in 2027–28. As for the underlying assumptions, as I said, we have put in a global provision and we are dealing with each workforce and union—union by union—looking at both the wages and non-wages in their conditions. The key point of what we have done is create flexibility. One of the key issues raised by the unions at the beginning of the bargaining period late last year was that they wanted to be able to negotiate, in particular, conditions such as regional allowances. Many of the unions have raised supporting more generous regional allowances, and maybe more consistency across different workforces. Career progression is another major issue. We have seen some suppression in the levels, so one of the points raised by all unions is that they want more career progression. We have set forward an envelope based on advice from Treasury about what was provided for last time, and looking at some global provisions. We did that based on current salary expenditure, and what we expect to land for some of these union agreements. It was based on advice from Treasury, frankly.

Mr R.S. LOVE: I refer to the notes on these provisions. If the government is bargaining with the unions and has already told them how much money will be allocated, how does that affect the bargaining situation for the government? Is it a positive or a negative for them to have a global picture of how much money is in the pot?

Ms R. SAFFIOTI: We have to provision for it because we have to budget for it. I do not think there is a way around that. In modern accounting and a lot of budgeting, it actually has to be provided for because it is known that it is an expense. If we did not provision, that would probably be a bit misleading in relation to the numbers. We have to provision it and then we have to show it. That is why it is there. It is a one-line global allocation for

44 enterprise bargaining agreements. All of those agreements are for both wages and conditions. No one union will know how much is allocated conceptually for them. It is a one-line provision, so we work under that. So far, there have been some very good negotiations. As I said, the transit officers, in their first agreement got some very good conditions for new career progression and a new level, which they were very keen on. It gives us the ability to address some of the unions' longer-standing issues, in particular about career progression and an ability to also have a more consistent application of regional allowances across the state.

Dr D.J. HONEY: I refer to the forward estimates. If we look at the 2024–25 figures in the appropriations table at the bottom of page 127, and the provision for wages policy, the total of $585 354 000 this year equates to a predicted three per cent growth, which is the average inflation rate over the term of this government. That seems like a reasonable assumption; the Treasurer has to make some sort of assumption. In the following years, the wages figure only escalates by one and a half per cent. Is it believable that we would provision only a 1.5 per cent rise in wages over the outyears, when the average in the Treasurer's term of government has been three per cent? I guess my concern is: does that not place a false picture of the likely budget and deficit outcomes in those outyears?

Ms R. SAFFIOTI: There are a couple of things. First of all, in the 2024–25 year in particular, each agreement starts at a different time. Although the member says it is three per cent, it may not actually be three per cent, because they do not all start on 1 July. The second thing is this is additional to what is in the forward estimates. For example, 18 months or two years ago, another provision was put forward over the forward estimates too. This is on top of existing provisions, so it is not the absolute. It is the marginal cost of the agreements.

[7.10 pm]

Dr D.J. HONEY: The minister is saying the marginal cost increases by $585 million over the forward estimates, but if we go ahead, we have not had a forward estimate for 2027–28 before. The department estimates only four years out. Where do I see the total wages budget in this summary?

Ms R. SAFFIOTI: Everyone is telling me it is in appendix 1 of budget paper No 3. On page 227, line items show the total amounts. There will be movements in there because those salaries might include movements in FTE as well.

Ms L. METTAM: Given the flexibility the minister has with this line item, what confidence does she have that she will be able to settle a good outcome for nurses, as an example?

Ms R. SAFFIOTI: Across all workforces, we are very confident in negotiating a good outcome—that is, a good outcome for both the budget and the workforce. This is an opportunity, which the unions and workforce are taking, to explore conditions—for example, long service leave pro rata and how it is applied across the public sector. One condition we have already negotiated is superannuation on paid parental leave. There was some inconsistency in how that was applied across the public sector. We have announced and committed to doing that across the sector. Across all workforces, we are very confident in our negotiations on both wages and conditions. We believe we are going to provide good and fair increases in wages and, in particular, conditions and things like nurse–patient ratios. More generally, that includes career progression and regional allowances, particularly in the health, education and police workforces.

Ms L. METTAM: The minister mentioned 44 enterprise bargaining agreements; is that correct?

Ms R. SAFFIOTI: Yes.

Ms L. METTAM: How many public servants does that equate to across the $3.8 billion?

Ms R. SAFFIOTI: It is about 160 000.

Ms L. METTAM: Given the assumptions the department has to make in relation to this line item and an effective cap, are the unions aware of the cap or the assumptions that have been made for the amount of funds appropriated for this line item?

Ms R. SAFFIOTI: As I said, we have —

The CHAIR: Treasurer.

Ms R. SAFFIOTI: Sorry; I should pause. We have a one-line allocation, but what happens is, like everything, people see what the first union gets and then the next union pretty much knows what we will be offering in negotiations. Every union and every workforce has a different structure and a different nature of work. There are a lot of discussions and negotiations about workforce conditions in particular. In discussions with the workforce, we believe it is this area in particular that unions are focusing on, particularly what conditions they can negotiate with government to provide a safer workplace and a healthier workforce that also allows for better retention. For example, transit officers put to us very early on that they wanted a new career level because there was a ceiling and they could not progress unless they went into direct managerial positions. Many people do not want to do that, but they do want to stay in the workforce. It is all about retention, and giving people better career paths is very important for retention.

Ms L. METTAM: I refer to paragraph 3 under the significant issues impacting the agency listed on page 131. It states that real wages growth has returned to positive territory for the first time in three years. Have recent EBA outcomes for the public sector been positive over each year they have applied?

Ms R. SAFFIOTI: For the ones that we have just negotiated, they are very positive! The agreements for transit officers and the education workforce—although that has not yet been voted on by the members—will see real wages growth for the members. Those numbers outstrip expected consumer price index increases.

Ms L. METTAM: If wages growth in the public sector has been negative over the past eight years, how far below a CPI increase are they now?

Ms R. SAFFIOTI: First of all, that does not refer to a line item in the budget. More generally, I do not believe it has been negative for eight years.

Ms L. METTAM: Was it not over the last eight years?

Ms R. SAFFIOTI: No, that is not our understanding.

Mr R.S. LOVE: I think it says three years. Inflation is discussed in paragraph 4 on page 131. It states that it is expected to continue easing to a forecast three per cent; I think it is four per cent this year. It then goes on to refer to the cost-of-living issues affecting Western Australian households and the budget providing cost-of-living assistance measures, including the student assistance payment and $400 electricity credit. Was the Treasurer aware that the federal government was going to provide an electricity credit within a week of her announcement? Was she aware that it was going to do that as well?

Ms R. SAFFIOTI: We had some early indication that it would be providing cost-of-living support and we very much welcomed its backing in of our policy measure.

Mr R.S. LOVE: Has Treasury had any consideration of whether such payments have an inflationary effect? If so, what, if any, modelling has it done around that, and what was the result?

Ms R. SAFFIOTI: I have answered this a few times. In relation to targeted assistance to households, compared with other pressures—for example, mortgage payments and rental payments—the cost of living is not expected to have any material impact on inflation. For example, the total value of the energy credit of $451 million can be compared with total household consumption of almost $153 billion, so there are bigger potential impacts on inflation, particularly housing and rent increases, which are the biggest pressures on inflation.

Mr R.S. LOVE: Was any consideration given to trying to establish some sort of means testing of that assistance package?

[7.20 pm]

Ms R. SAFFIOTI: We are of the belief that families across the state have cost-of-living pressures, and the federal government also backs this in. It may be families that you least expect. It could be a family living in a very nice suburb but with a very big mortgage repayment impacted by higher interest rates. We believe that providing this assistance across the state supports families wherever they live. With the many varied impacts or challenges that families have, it is very hard to try to target. That is why we have provided assistance to every household in Western Australia. We do not have access to Centrelink data, but we make sure that we provide good levels of assistance to everybody and additional levels of assistance to concession cardholders. That is why concession cardholders and families will get over $3 000 worth of both targeted and general payments this financial year. Also, pensioner households will receive $2 400. Pensioners and concession cardholders are getting a lot of assistance, and everyone else in Western Australia is getting assistance. I think that is a good thing.

Mr R.S. LOVE: These payments are the latest in a series of electricity credits that have been given. I think the first was when the proceeds from the Bell situation were distributed to taxpayers. Is there a danger that these credits will become an expectation? People might expect these credits every year and may begin to rely on things like the tax credit. Would it not be better to actually reduce the price of electricity and simply provide the $400 that way rather than this artificial sort of "get rich" that arrives as part of the Treasurer's budget statement? It must be very nice for the Treasurer to read out that she will give every household in Western Australia $400, but would it not be more responsible to simply cut the underlying cost of electricity by that amount and therefore avoid the need to make that announcement?

Ms R. SAFFIOTI: I think we have to budget for the times. In the current times we have seen significant inflation in the WA and national economies. It is inflation that we have not seen for many years and that has impacted households. We have seen interest rates increase after experiencing many years of very low interest rates. We budget with the times, and in the current times we have cost-of-living pressures driven by an inflationary environment and interest rate increases. We hope that these things will change over time, but we cannot predict what will happen month to month. We believe that giving cost-of-living relief at this time is a good measure for the community. As I said, the two key issues we have seen are higher inflation post-COVID and higher interest rates. This will be the fifth budget that the government has limited increases to household fees and charges to below inflation. We look at the household basket.

Just as a point, members might find it interesting, but if not, please listen anyway. I developed the household model many years ago when I worked in Treasury. We developed the household model 26 years ago on the basis of wanting to understand the total impact of our decisions on a typical household. We very much keep across that all through the budget process to make sure that what we are doing does not have a major impact on households. We not only gave households the energy credit, but we also made sure there is free public transport for students to get to school and have kept increases to other charges to a minimum. If members look at the rural impact, they will see that there is actually a drop in the cost of the household basket. I do not want to be too political because it is late on a Tuesday night, but compared with what happened under the member's government, year in, year out, we have made sure that our household basket of charges is at or below the rate of inflation.

Mr Y. MUBARAKAI: I refer to the cost-of-living measures that have been applied in this budget. Could the Treasurer outline the other measures that she has put into cost-of-living pressure relief for Western Australian families? Could the Treasurer briefly give us a bit more on what other measures are in place in this budget paper?

Ms R. SAFFIOTI: As I said, we have the household energy credit, and that has been supported by the federal government announcement. All up, there is a $700 household electricity credit. We have made public transport free for school students, which can save families with two children around $560 a year. That is a massive saving. We have the WA student assistance payment, which is targeted relief to families sending their children to primary or secondary school. That is about supporting families that have cost pressures from sending their children to school. We have other assistance, in particular, the extended regional airfare zone cap, which supports regional Western Australians travelling to Perth with a capped airfare. It is an Australian first initiative and something that is very much welcomed in every community that I attend in regional WA. The value of the regional pensioner travel card has increased by $100 to $675. Households will spend around $140 less this year on state government fees and charges than they did six years ago. This continues our focus on supporting households around the state, specific initiatives in regional WA, initiatives supporting families and, more generally, the household energy credit to support families around the state during these times in which we are transitioning, in a sense, to a time of higher inflation and interest rates.

Dr D.J. HONEY: I may jump around a bit here. I am not sure where my colleagues are heading on the next question. On page 139 of budget paper No 2 under "Income Statement (Controlled)", it refers to employee benefits. In 2022–23, we have $39 287 000. In the 2024–25 budget, we are looking at $50 350 000. That is a 28.2 per cent increase. The total cost of service is essentially the same at a 26 per cent increase. Can the Treasurer explain why the cost of service has increased so dramatically over such a short period?

Ms R. SAFFIOTI: There are a couple of things. First of all, page 138 describes additional resourcing to support government priorities. One of them is the housing policy unit and housing policy advice. Another one is the digital capability fund oversight. IT has always been, historically, a problem for government with every agency doing their own thing and not having any oversight to ensure that we are getting value for money and a strong process to deliver new ICT packages. We have created a digital capability fund. Treasury has a key role in supporting Greg Italiano to look at programs of expenditure across government to ensure that we not only support local projects, but also that we support projects that are well governed and can be implemented soundly. The other point is that the budget has grown. We are delivering more services and more assets than ever before, which is enhancing the capability of Treasury to do its role. There are other key factors, including how we support the Department of Communities, which handles a lot of contracts. We help it to manage those contracts and look at how we can help support infrastructure delivery. On page 131, under "Spending Changes" some of the newer initiatives are listed. For example, Treasury led the initial work on the environmental approvals process to support the reduction of red tape in the approvals process. In my history in government, Treasury has always been a key agency that helps the rest of government deliver. We need a well-resourced Treasury to make sure we can deliver the services and infrastructure that we commit to.

[7.30 pm]

Dr D.J. HONEY: It is very hard to get any transparency on where the money is going. For example, what funds are associated with the digital capability fund oversight? Does the Treasurer expect to make concurrent savings in the other departments? We hope that the government will make a net saving out of that, otherwise it is a waste of time. If it is inefficient, it is wasting money and the Treasurer will waste more money with this unit. Does the Treasurer expect to make savings from that, and what funds are allocated?

Ms R. SAFFIOTI: I do not think it is a matter of making savings. This is overseeing new expenditure to enhance digital capabilities across every agency. I cannot tell the member how many ICT programs are out there that are currently budgeted—well, I probably can—but there are a lot planned. This will support the planning and governance of those projects. In a sense, this will identify issues earlier and helps governance of projects across the entire sector. This is about making sure that we deliver ICT programs as well as possible. For example, the 2024–25 budget includes $350 million across 2024–25 to 2027–28 for 30 digital capability initiatives. This includes $46 million to build a centralised approach to cybersecurity; $200 million for continued digital transformation of health services—the electronic medical record program is a big one—and funding to support the modernisation of ICT systems across agencies. This is on top of other projects like replacing outdated payroll in the Department of Health, among other projects. This is basically making sure that we have good oversight over the hundreds of millions of dollars that we spend in ICT. Before this, it would have been done at an agency level, and there was no oversight. This was identified a number of years ago and it is a great measure to make sure we have better oversight over ICT expenditure.

Dr D.J. HONEY: I like the idea of oversight and I think that, collectively, both sides have wasted billions of dollars on programs that have never worked and we quietly forget about them and move onto the next program. If I were to go to my former bosses with a suggestion that, "Hey, we're spending a lot of money on things and I want to have oversight of it and I am going to spend all this money", the first question they would ask is what is the cost-benefit analysis of that? Was there any analysis done of this, in terms of what benefits we can expect of government? Surely Treasury, of any department, would think that if it had a particular level of coordination, it will make savings of 15 per cent, for example, in future procurement. Treasury would not say that it thinks this is a really good idea so it will just do it because it is Treasury and it can. Surely there has been some sort of cost-benefit analysis done. This is a massive increase. Over the whole program the Treasurer has discussed, there has been an almost 30 per cent increase in a couple of years. That is phenomenal. I am sure that if another department came to the Treasurer with that, she would ask all sorts of questions. Was a cost-benefit analysis done for this increased spend, or did it just feel like the right thing to do?

Ms R. SAFFIOTI: Is the member asking about appointing staff in Treasury to help support hundreds of millions of dollars of spending on ICT? That is what we would do for any project.

Dr D.J. HONEY: The Treasurer has answered the question so I will ask a further one.

Ms R. SAFFIOTI: Honestly, I love how the member always compares things with the private sector. I have seen so many private sector projects that have not performed according to what they told shareholders initially. The whole idea that every private sector project ever has delivered what they initially set out to shareholders is wrong. Of course, the role of Treasury is to help support governance and value-for-money expenditure. That is the role of Treasury. There is a number of steps. It reports back to ERC and we constantly monitor the progress of all our ICT expenditure through Treasury and through Treasury reporting to the ERC.

Dr D.J. HONEY: I am certain that many private sector projects go over budget; however, I know from my own experience, and I suspect it is the same in nearly every other corporate entity, that if I go to my boss and ask for a substantial allocation of funds, my boss will not say, "Sure, Dave! That sounds like a great idea." My boss asks what my business case is for doing that. I am intrigued what the business case was for this. As I said, surely the Treasurer has done this with a view that she will make future savings. For example, she will save 15 per cent of future procurement contracts, which I hope is the intention of this. Is she going to guarantee standardisation so that we do not end up with bespoke systems in every department, which is what we have at the moment? Nevertheless, surely there has to be a business case to do this, otherwise it is only something the Treasurer thinks is a good thing to do, so it will do it.

Ms R. SAFFIOTI: What is the member actually referring to? Is it the appointment of the Treasury staff or the delivery of the ICT project?

Dr D.J. HONEY: I spoke about the cost of services table on page 139. Employee benefits will go up 28.2 per cent in two years. The Treasurer says that is necessary for a range of functions. I ask how she justifies that massive increase in expenditure. We are talking about $10 for every house in Perth, pretty well, to do that. Surely there is a good justification for doing that, otherwise it is a waste of money.

Ms R. SAFFIOTI: What happens is, we identify the needs of how to deliver a program or project across the public service. Then we need Treasury to help us oversee that delivery. That is what its role is. Its whole role is to make sure we have strong governance and value-for-money expenditure. We appoint Treasury staff to help us do that. They report to the ERC and the ERC delegates or gives tasks to Treasury, then Treasury gets staff in to implement those tasks.

Dr D.J. HONEY: Footnote (b) on page 139 indicates that there is an FTE increase of 34, which is a 12.6 per cent increase. Again, this is a substantial increase in the number of FTEs for government. Where are those extra 34 FTE allocated?

Ms R. SAFFIOTI: I will refer that to Mr Barnes.

[7.40 pm]

Mr M. Barnes: There are two key things. One is the discrete decisions that government has made over that period to resource Treasury for specific activities, as the Treasurer just mentioned. In this budget, those discretely resourced specific activities are outlined in the spending changes table on page 131. That includes things like the new housing supply unit and the new performance monitoring unit, which goes exactly to the member's point about programs being put in place and then perhaps forgotten. The point of this new unit is to avoid that happening and to, I suppose, apply the blowtorch to agencies to see what outcomes we are achieving from those programs, and doing some proper program evaluation across the public sector. It is a function of those newly funded initiatives, but also the reduction from a high level of vacancies two years ago to a much more normal level of vacancies in the coming year. Like everyone, we have battled a very tight labour market. Our staff are attractive propositions to outside organisations, so we had a reasonably high turnover rate. Our vacancy rate has been over 10 per cent for the last couple of years; historically, it is about four per cent. In 2024–25 we are budgeting on a vacancy rate of about five per cent. We are filling vacant positions, so that sees our employee benefits expenditure go up, and we have been funded for these discrete new initiatives. Those are the two key factors.

Dr D.J. HONEY: The average wage being paid, or cost of your employees, in 2022–23 was $145 507. In 2024–25, it is $165 625. That is a 13.8 per cent increase in the average employee cost—effectively, that is wages—over a two-year period. Can the Treasurer explain why we have seen such a dramatic increase when the rest of the public sector is being told that it should stick with a three per cent wage rise? Has there been a dramatic change to the mix of staff, or is it some other reason?

Ms R. SAFFIOTI: We cannot verify those figures; they are figures that the member has calculated, but we cannot verify them to comment on that.

Dr D.J. HONEY: Can the Treasurer provide that as supplementary information? It is simply the number of FTE divided into the employee benefits that are paid, which indicates a 13.8 per cent increase. Is the Treasurer able to provide that as supplementary information in terms of the rise in the average wage paid to Treasury employees?

Ms R. SAFFIOTI: We can provide information on the average wage for employees.

DR D.J. HONEY: Over the period 2022–23 to 2024–25.

Ms R. SAFFIOTI: Yes, and the factors behind it.

[*Supplementary Information No A6.*]

Mr R.S. LOVE: I want to change to service provision and the heading "Evaluation and Planning of Government Service Delivery and Infrastructure Provision" on page 137 of budget paper No 2, volume 1. There is a line item for total cost of services of some $36 million in 2023–24, an estimated actual of $37 million for 2023–24 and a budget target of $43 million for 2024–25. That is an increase of $7 million between the two years in this particular area. What exactly will this increase of $7 million provide for the Western Australian taxpayer?

Ms R. SAFFIOTI: I will ask the Under Treasurer to provide an answer to that.

Mr M. Barnes: Thank you, member. Maybe the easiest way to answer that, because I have it at my fingertips, is to explain the increase in FTE that underpins that dollar increase. A couple of lines down, you can see that the FTE increases from 158 in the 2023–24 estimated actual to 175 in the 2024–25 budget. That is an increase of 17 FTE, which is driving most of that expenditure increase. I have a breakdown of that increase of 17 FTE.

There are three FTE for Treasury's digital capability fund role that we were discussing just a minute ago. There is one additional FTE for the oversight of new education infrastructure; the size of the education asset investment program has increased significantly, so our role in overseeing that has increased accordingly. There are two additional FTE to oversee the commissioning of community services by the Department of Communities and other service delivery agencies like that. We have put in place a new set of guidelines, a new governance structure, to provide more government oversight and assurance, more control and more consistency around the commissioning of these community services. Treasury plays a key role in that, so there are two additional FTE for that. We have established a new performance monitoring unit—this is the program evaluation function that I just mentioned, and there are seven FTE for that new unit. There is also one additional FTE for Treasury to develop a new cost-and-demand model for vocational education and training. Given the significant commonwealth and state investments that have gone into training in recent years, that is becoming a bigger share of the budget. We feel that we need to develop a detailed cost-and-demand model to underpin that. Those specific initiatives that I just outlined account for 14 of the 17 additional FTE. The remaining three are just filling vacant positions.

Mr R.S. LOVE: I have some follow-up questions. In terms of working with other agencies in developing efficiencies and effective allocation of resources, is value for money in the current structure of the way in which the government is developing major projects something that may be looked at by this unit, and will it ask whether it is the most appropriate way? We have these alliance arrangements with contractors and they more or less tell us what we want to build, how we are going to build it and how much it is going to cost. Is there a better way of doing that? Is that something that the government expects this unit to look at—the systems that the Department of Transport, especially, has been using in the development of its projects?

Ms R. SAFFIOTI: I will refer that to the Under Treasurer.

Mr M. Barnes: The new performance monitoring unit with an additional seven FTE—I think that is the one the member is referring to—was explicitly established for the oversight and evaluation of recurrent programs of government, not capital projects. It does that because, through the Department of Finance, it has the oversight role of capital projects. The Department of Finance, with Treasury's assistance, reports to a subcommittee of the Expenditure Review Committee, which is the major projects expenditure review subcommittee of cabinet. That capital projects oversight function, if you like, already exists through the Department of Finance and that subcommittee of the ERC. What I was talking about earlier was explicitly around recurrent programs of government.

Mr R.S. LOVE: The budget document talks about infrastructure delivery. The Treasurer is not so much talking about physical infrastructure but the management system within the department to actually deliver that infrastructure—would that be reasonable?

Ms R. SAFFIOTI: I will pick this up. In relation to infrastructure delivery, Treasury of course plays a role in that, too, but the additional FTE in the performance monitoring unit is about recurrent FTE, as the Under Treasurer outlined.

Mr R.S. LOVE: At the end of the description of evaluation and planning of government service delivery and infrastructure provision, it refers to Treasury's commercial advisory role. Could the Treasurer elaborate on what that role entails?

[7.50 pm]

Ms R. SAFFIOTI: This relates more to highly complex commercial transactions—for example, giving advice to us on moving Keystart to a formal government trading enterprise and other sorts of highly complex issues such as the Gold Corporation. We received specialist commercial advice, and other items that have come across that are far more complex and require specific commercial advisory roles.

Mr R.S. LOVE: The Treasurer raised the issue of the Gold Corporation and I will ask about that, because that was a line item in the last budget. As far as I am aware, I have not seen any outcome yet from the commercial advisory that was undertaken. Was there a report? Was there a recommendation and will that be made public?

Ms R. SAFFIOTI: I think a different minister would have the formal advice on that. On that, a Senate committee has been going around the nation trying to destroy the Perth Mint, which I find quite absurd . Under its reforms and the work that has been undertaken by the minister and the Gold Corporation itself, it is in a very, very good place. In relation to the commercial advice, that is ongoing and we have not finalised all the different aspects of the Gold Corporation.

Mr R.S. LOVE: My understanding is that Treasury had hired outside officers to undertake that body of work. Has that work been completed and has any result been given to government?

Ms R. SAFFIOTI: As I said, it advised cabinet, myself as Treasurer and the relevant minister about all the issues that were raised and aired. We have worked through those, but in relation to whether we have made any final decisions, I think the advice is still before government. I can safely say that many of the issues that were aired, the speculation pieces that were out there or the criticisms that were made, were unfounded. As a result, a good reform program has been established within the Gold Corporation to make sure that we can continue with public confidence.

Mr R.S. LOVE: Will the performance monitoring oversight unit that has been established report independently? To whom will it report? What will be the impact of any reports that it gives about the suitability of another department's practices in delivering services? How will that prove to be useful for government? Can the Treasurer explain how it will work?

Ms R. SAFFIOTI: It will report to the Expenditure Review Committee through me. I worked in the Department of Finance in Canberra. It had teams of people like this who went around making sure that agencies delivered on what they were funded for. That is what this unit will make sure of. It will continually monitor the performance of agencies to make sure that they deliver on the outcomes they outlined when they received funding. That is what, in a sense, treasuries and departments of finance do nationally and across each state to make sure that we are guaranteed value for money. We try to identify issues before they arise, but also make sure they deliver on what agencies were funded to deliver.

Ms L. METTAM: I refer to the seventh significant issue under "State Finances" on page 132. It states —

> … net debt is currently projected to increase from $28.6 billion at 30 June 2024 to $40.9 billion by 30 June 2028, broadly in line with the profile in previous Budgets.

With debt increasing, can I assume the notion of government paying down debt slowly like a mortgage is no longer relevant?

Ms R. SAFFIOTI: We have. This is my memory, but I am sure I will get the note in front of me, that when the Liberal Party and National Party won government in 2008, net debt was $5.6 billion. That went up to actual $34.3 billion. That is what happened. So, $34 billion was the actual, even though it was projected to go up to over $40 billion. It was $34 billion and now our estimated actual is $28.6 billion. We have paid down debt. The Liberal–National government increased it incredibly at a time of boom and it ran operating deficits. If the member wants to have a discussion about debt, we can have the next two hours on this and operating surpluses and deficits. The Liberal–National government ran deficits; it had a boom and it increased debt from $5.6 billion to $34 billion. That is what it did. Those are the actual numbers.

Ms L. METTAM: Can the Treasurer confirm that debt in 2016–17 was $32 billion?

Ms R. SAFFIOTI: There was an accounting standards adjustment. We had to backcast all the numbers. We did a backcasting a number of budgets ago, because new accounting standard AASB16 was introduced. Daniel Lines is telling me it changed in budget paper No 3 in the 2019–20 budget. Anyway, that backcasted it all, so it was $5.6 billion to $34.3 billion. That is what the Liberal–National government did.

Ms L. METTAM: The Treasurer can confirm, but by the end of the forward estimates, debt will be $41 billion. That is actually an increase in debt.

Ms R. SAFFIOTI: No. I can confirm that the Liberal–National government increased debt from $5.6 billion to $34.3 billion and that we have reduced it over our period of government. If we look at projections—if the member wants to deal with projections, let us deal with projections—the Liberal–National government was projecting at this point in time to have net debt $15 billion higher. Those are the facts. As I said, the member can have this debate and I am happy to have this debate. Everyone knows that the Liberal–National government blew the boom. It ran deficits, it borrowed for everyday spending and its members still do not accept it. That is what I cannot believe. They still have no acceptance of it. I mean, where is the graph? This is the change in net debt. They are actuals. If we want to go to projections, let us go to projections and we say that net debt is $15 billion lower than the projection that the Liberal–National government had.

Ms L. METTAM: The projection that the Treasurer was making was that the government was going to pay down debt slowly like a mortgage.

Ms R. SAFFIOTI: We did. We have.

Ms L. METTAM: Can the Treasurer confirm that, according to its budget papers, debt is set to increase to $40.9 billion?

Ms R. SAFFIOTI: Net debt is lower than what the Liberal–National government left us.

[8.00 pm]

Dr D.J. HONEY: In relation to debt and how we calculate it, I take the Treasurer to budget paper No 3 on page 232. Obviously, a significant component of debt is public non-financial corporations. I am trying to understand the arithmetic of this. I am happy to be educated, as the Treasurer knows. If we look at the bottom of page 232, we will see "Cash surplus/-deficit" and the aggregate across there is substantial. The 2022–23 actual is $2 billion and the estimated actual in 2023–24 was $3 billion. It ended up being the estimated actual. Then in this year's budget, 2024–25, it is $5.6 billion. However, if I go to the previous page and look at net debt—I am just trying to understand how these are calculated—one would assume that that deficit would have to translate into borrowings or into a net debt position. It is a net change in the position of the department. If I go over the page and look at the net debt, the net debt does not change by those amounts. It is substantially less and is different from what I would calculate. What am I missing here? Why does that deficit not translate into an increase in net debt? Has Treasury got its arithmetic wrong? I assume it would not. What else goes into that net debt position for public non-financial corporations?

Ms R. SAFFIOTI: I will ask the Under Treasurer to explain.

Mr M. Barnes: At a high level, member, I often do that calculation myself and it never adds up. That is because movements on the cash flow statement, which is on page 232, do not exactly align with movements on the balance sheet, which is on page 231. The movements in the cash surplus or deficit to movements in net debt is usually a reasonable guide. However, there are potentially also significant valuation impacts on the balance sheet that can impact net debt, and those valuation impacts are not also reflected on the cash flow statement. That is why the two rarely exactly add up.

Dr D.J. HONEY: How does Treasury then try to reconcile that? It is not my experience, but I have a colleague who has looked back on these things. In the past, there might have been a bit of variation, but there was not a major variation. Now we are seeing these major variations that are favourable in terms of the overall net debt position, which reflects in the deficit. Where can we then reconcile that difference? Is that a change in asset valuations or is it just a mystery only known to Treasury? Does it actually appear in the budget? I would assume that the government's assets do appear in the budget.

Ms R. SAFFIOTI: The Under Treasurer has kindly suggested that we provide a reconciliation by way of supplementary information.

Dr D.J. HONEY: That would be good. I thank the minister. It would be good for my education. I do not know what value the minister thinks that has, but nevertheless, it would be really useful and would help avoid those questions.

The CHAIR: Thank you, Treasurer. Can you just explain again what you are going to provide, please?

Ms R. SAFFIOTI: I will provide as supplementary information the reconciliation between the net debt movements on page 231 on the balance sheet of public non-financial corporations to the cash surplus deficit for public non-financial corporations, as outlined on page 232.

[*Supplementary Information No A7.*]

Dr D.J. HONEY: I will seek the chair's guidance on a matter. I wanted to look at the asset investment program. Should I do that as part of looking at its impact on debt or should I leave that to the Western Australian Treasury Corporation?

Ms R. SAFFIOTI: It is probably better here.

The CHAIR: I think we should do it here.

Dr D.J. HONEY: Thank you very much. I will ask a further question on that item, minister. I will go to page 305. I think it starts on page 300, which looks at the asset investment program for the government. The estimated actual for 2023–24 is $10.6 billion, but the actual total of the projects listed is $13 billion. It has a smoothing provision. Within the year, Treasury may say, "No, I think I am too ambitious here. I am going to smooth this" or "I cannot get labour, so I am going to move that next year." However, what I cannot understand is that in 2024–25, there is a list of projects that totals $15.1 billion, but the total that has been appropriated is $12.1 billion because a $3 billion smoothing factor has been installed.

This is the budget for the next year; it is not now. As I said, I understand why there has been a smoothing this year in terms of the reported actuals, but I cannot understand why there would be a smoothing provision in next year's budget. Surely the Treasurer should go through and just reduce the promised spend. She might ask, "Why is that important?" Well, I assume that the government is going out and saying it is investing X billion dollars in all those things it has tabled as assets. Its projects add up to $15 billion. It is promising this all over the place. However, in fact, it does not intend to deliver, even by its own estimates here, $3 billion of those projects. Why do that? It looks like a ruse to make out that it is going to do a lot more than it actually intends to do. As I said, I do not understand why there is a smoothing provision in an outyear budget year compared with my understanding of why it would be in an operational year.

Ms R. SAFFIOTI: I think we have always had smoothing provisions in our budgets because I suppose ambitions are sometimes not met. It may be that a project is paid for in July as opposed to June. There is always a lot of movement in asset investment. The numbers are big across all the utilities and the general government sector. In some cases, it might be the finalisation of a contract two or three weeks after the end of the financial year, which does not really impact asset delivery but does impact the flows of funds.

As I said, smoothing provisions have been a constant in all budgets. We try to estimate as well as possible the commencement and finishing times of all our asset investment programs. Of course, given some of the big spends, particularly in energy, a payment made or project finished seven days later may see big movements. Having underspends in both actual and future years has always been a constant. It is done to make sure that, in a sense, we highlight what we believe we will be delivering over the next four years.

Dr D.J. HONEY: If the government knew it was not going to deliver a project, I can understand why it would say, "Yes. We are going to push that bit out." However, in this case it is saying, "Next year we are going to push it out." Why include it in the list if the government knows it is not going to do it? It is not a little—$3 billion is a vast sum of money. I understand that the minister says there might be questions about timing, but I am certain that timing does not impact $3 billion. If we look at how that smooth spending manifests, it manifests not in 2025–26, but in 2026–27 and 2027–28. It is two and three years out, not one. It genuinely seems to me that the government is indicating that it has no intentions whatsoever of spending $15 billion. It knows that, but it has listed the projects. It looks like a trick. I am sure the Treasurer is not trying to do that. I would be intrigued to know when this has been done to such a massive extent in this government's past.

Ms R. SAFFIOTI: The advice from the Under Treasurer is longstanding on the underspend provisions. I think that was under both governments over a long period of time. In most years, we have not delivered the total amount that we budget, although I have to say that we have increased our capacity to spend on assets and are now hitting records like $10.6 billion for this financial year. As I said, it is a longstanding practice because of the historic underspends. I think it will continue to happen, but we are starting to be better at delivering our estimates than in previous years.

[8.10 pm]

Mr R.S. LOVE: My question is about the royalties for regions fund. Page 285 of budget paper No 3 outlines the fund and the payments going through it. The fund is supposed to be for $1 billion a year. The government plans to spend $1.279 billion in 2024–25, which is ahead of the cap.

Ms R. SAFFIOTI: Could you repeat that sentence?

Mr R.S. LOVE: In this year the fund has $1.279 billion flowing out in payments and receipts, in excess of the $1 billion cap, yet in the out years the payments and receipts drop to $784 million. Why has that occurred? Until now it has been at roughly $1 billion a year.

Ms R. SAFFIOTI: Historically, the forward estimates have always shown this number to come down because it is based on conservative royalty forecasts—25 per cent of royalty forecasts. The lower the forecast, the lower the figure that appears there, but as we get closer, that number increases.

Mr R.S. LOVE: Does that mean that Treasury is forecasting royalty flow in 2027–28 to be four times $784 million—about $3 billion?

Ms R. SAFFIOTI: I will refer that to the Under Treasurer.

Mr M. Barnes: Not quite, member; it is a combination of the 25 per cent of forecast royalty income working in conjunction with the $1 billion cap on the balance in the fund. It is those two things working together that control those flows in and out of the fund, and the opening and closing balance each year.

Mr R.S. LOVE: The question would be though: is the $784 million representing, as the Treasurer said, the expected flow from 25 per cent of the state's royalties?

Ms R. SAFFIOTI: I refer that to the Under Treasurer. I might not have got that perfectly correct.

Mr M. Barnes: Yes, but subject to the $1 billion cap on the balance in the fund. Royalty income in 2027–28 will be a lot more than four times $784 million. We cannot look at that factor just in isolation; it is that factor and the $1 billion cap on the balance.

Mr R.S. LOVE: The reason for it falling in that period is that there has been expenditure earlier in the forward estimates; is that correct? There is $279 million more than the $1 billion cap this year. Is that averaging out at $4 billion over the four years?

Mr M. Barnes: I believe that is correct, member.

Mr R.S. LOVE: How is it possible to have an overspend of $279 million in the account? That would not have happened under the way it was run when we were in government.

Ms R. SAFFIOTI: It would probably be worthwhile going to the breakdown of the fund on page 223 of the *Economic and fiscal outlook.* That gives a bit more detail about how the flows are working. Sometimes an underspend provision is included, and a number of other movements. That gives a better indication of how that fund is operating. I am advised that we over-program because we have underspends. We always book in higher than $1 billion expenditure, noting there are underspends. In many instances, cash flows out to organisations or for projects as they are being developed.

Mrs J.M.C. STOJKOVSKI: While we are talking state finances, I refer to page 35 of budget paper No 3 relating to the fiscal outlook for the state. I know that it is important to our government that we have continued responsible fiscal management. How does this budget reflect the continued responsible management of the WA Labor government since we came into office? Can the Treasurer provide an update on how the budget has been received by credit rating agencies?

Ms R. SAFFIOTI: Yes, this budget delivers a sixth consecutive operating surplus in 2023–24 of $3.2 billion and, of course, a projected operating surplus for 2024–25 and across the forward estimates. Our finances are in very good shape. There has been a bit of commentary made about them by eastern states commentators, as they do, plus other Treasurers. The state has had strong finances and strong surpluses despite some volatility in the global economy plus volatile commodity prices. The really good news is that both Standard and Poor's and Moody's have responded to our budget positively, with Standard and Poor's stating that WA's finances are stronger than nearly all domestic and global peers, with a modest debt level supporting our AAA credit rating, the highest of all Australian states and territories, and highlighted robust financial management. Moody's stated that the state's downline credit profile had strengthened considerably over recent years and Moody's expected that to continue, reflecting strong expenditure controls as well as robust budgeting controls, which continue to support improvements in the state's financial metrics. Both Moody's and Standard and Poor's have responded to the eighth budget of the Labor government in a very positive way. We continue to drive the economy but, in particular, try to manage the finances in a sustainable way to ensure that we deliver cost-of-living benefits today, and also invest in services and infrastructure for the future.

Ms L. METTAM: My question relates to page 132 of budget paper No 2, and to supporting government priorities and, in particular, the housing supply unit. As the Treasurer is aware, WA's rental vacancy rates are at record lows and prices continue to rise and we have a significant issue with the social housing list, which is nudging 36 000 people. What has this unit achieved since it was created?

Ms R. SAFFIOTI: It does a couple of things. It provides advice to the Expenditure Review Committee and the housing subcommittee that the Minister for Housing and I work on. For example, we sought advice from the unit on the vacant property initiative about how we could introduce an initiative to give $5 000 to owners of vacant properties. It also serves the subcommittee of cabinet, which includes the Minister for Housing and me, and helps us determine some of the parameters for matters such as the first home buyers' concession that we announced in this budget. It leads our discussions and coordinates with the federal government, in particular, providing advice on how we can secure more funding from the federal government for housing. It also receives feedback from a number of property groups about their priorities and helps to coordinate whole-of-government responses.

That is what the housing supply unit has been doing so far, and we continue to ask it to provide further advice and to assist both the Minister for Housing and me in policy settings to encourage housing supply.

[8.20 pm]

Ms L. METTAM: What is the make-up of the unit in terms of the skill set and allocation of funding?

Ms R. SAFFIOTI: Eight FTEs are now all onboard.

Ms L. METTAM: Just to pick up on the Treasurer's point, the Treasurer said that the housing supply unit provided advice about the first home buyer concession. Was that not something that the Treasurer would have come up with as a policy? I refer to the scope of what the concession could provide. Does the Treasurer have some concerns about the advice that was provided, given that not many homes could be attained through the concession? That is based on the availability of homes on the market and the quantum of that concession.

Ms R. SAFFIOTI: In government, in some instances, ministers have ideas and ask public servants to work on those. In other instances, public servants put forward proposals through Treasury or the Expenditure Review Committee, and we either agree to them or modify them. That is how government works. I know the member wants to criticise a bunch of public servants; I do not know why she wants to do that. It is an odd question. The housing supply unit is a unit inside government that helps us to deliver policies to help support housing supply. We want to make sure that we coordinate across government to identify new ideas and work proactively with the federal government. These federal government negotiations are detailed and need all of us working together to secure as much federal government funding as possible. It is a good thing. As I said, I am not going to sit here and say who said what in a meeting, whose idea it was and whose idea it was not. It is a good thing to have more advice on a very big issue for the state.

Ms L. METTAM: Can the Treasurer table any key documents in relation to advice provided by this unit?

Ms R. SAFFIOTI: It is all part of the ERC process in cabinet. We do not normally table documents prepared for ERC and cabinet. We do not normally do that, and no government ever has. The other point about the advice is that in its pre-budget submission, the Real Estate Institute of Western Australia referred to the median house price. If we look at the median house price for a three-bedroom place in Western Australia, we see it is currently about $565 000. I know the member wants to criticise a bunch of public servants. That is fine! I do not think it gets her anywhere. But we continue to work hard. We have Australia-first initiatives such as giving people $5 000 to convert their vacant property and put it onto the long-term rental market. Our short-term rental accommodation initiative gives $10 000 to support converting Airbnb and short-stay rentals to long-term rentals. It is a great idea, and it is working. There are now 172 homes on the long-term rental market. That is tens of millions of dollars' worth of housing stock that has been released onto the long-term rental market. These good ideas are working. Of course, there is always more to do, and that is what we are doing.

Ms L. METTAM: Does the housing supply unit have any KPIs; and, if so, are they published?

Ms R. SAFFIOTI: It is a part of Treasury, so it will be part of the Treasury KPIs. A lot of public servants provide advice in the ERC, including Treasury.

Mr R.S. LOVE: Treasurer, I want to turn to a couple of the items in the provisions on page 129 of budget paper No 2, volume 1. One of them is "Item 119 Provision for Decarbonisation of the South West Interconnected System". It is in the table of provisions that are made. The budget in this current year, which is coming to an end, is around $1.232 billion and then there is some money throughout the rest of the period. Page 66 of budget paper No 3 refers to some of the spending risks that the government faces and has a paragraph or two about the decarbonisation process. I wonder how firm Treasury's thoughts are in how much the actual costs will be for the decarbonisation process. We have made provision for it, but surely that is not the end of the story. The final paragraph on page 66 of budget paper No 3 refers to the need for state-supporting infrastructure investment. It states —

> The extent of the financial impact will be investigated on a project-by-project basis and will depend on a number of factors including the financing and cost-recovery arrangements pursued and the life of the assets.

How good of an idea does Treasury actually have of the full cost of decarbonisation to the state government? How mature is the modelling? Reading through that document, it seems that there is still a lot of work to go through to get a firm idea of that actual program and cost.

Ms R. SAFFIOTI: I am advised that there are two parts. There is the closure and replacement of Collie coal-fired power, which is worth about $3.8 billion and which we funded. There is then the bigger task of the decarbonisation of the south west interconnected system—in particular, helping meet the emerging demand from major industrial users. We have funded the $3.8 billion for Collie and we are delivering that project. In relation to the wider project, we continue to work with Energy Policy WA and utilities, looking at all their proposals and identifying the timing and expected demand. Again, a lot of this is based on expected demand, particularly from new and existing industrial users. We continue to work with those users to determine the projects and make sure they have strong business cases to receive funding. Energy decarbonisation is a massive challenge and a massive task. As I said, we had great initial projects with the big batteries in Kwinana and Collie and of course that transformation. It is part of the entire south west interconnected system demand assessment. It is a big project that we are continually working on and defining the total cost over many, many years and how we stage the delivery and funding of those projects.

[8.30 pm]

Mr R.S. LOVE: There is a different line item on page 129. Is it related? There is an allocation for electricity generation and retail for Synergy of $1 730 000 000 in this budget year. Is that also related to the decarbonisation, or is there a different reason for that allocation?

Ms R. SAFFIOTI: Sorry, what item is it?

Mr R.S. LOVE: The item number is 113. I guess item 114 is also impactful, because Synergy and Western Power allocations are in those provisions. Are they all part of the decarbonisation, even though they do not describe themselves as such?

Ms R. SAFFIOTI: That is my understanding, but we can provide supplementary information on what that funding of $1 billion in 2024–25 represents. As the Under Treasurer whispered to me, this is funding for the construction of the Kwinana battery energy storage system 2 and the Collie battery energy storage system. It is the 2024–25 figure.

Mr R.S. LOVE: When the provision for item 119 was made, presumably some modelling was done to determine how much would be set aside. Would it be possible to get an understanding of what the range is and the probabilities that the Treasurer would attach to the final costs for that decarbonisation?

Ms R. SAFFIOTI: The question is probably better suited to the Minister for Energy for that detail. As I said, we have funded the infrastructure needed for the closure of the Collie coalmine. We continue to work on the entire demands of the south west interconnected system demand assessment. A lot of different modelling continues to be put into that project because it is very much dependent on the demand of potential new users across the whole system, and that changes over time. However, it is probably a better question for the Minister for Energy.

Dr D.J. HONEY: I refer to budget paper No 2, volume 1, page 128. Under "Grants, Subsidies and Transfer Payments", about the asset maintenance fund, there is a single budget figure of $250 million for 2023–24 and $250 million that has actually been allocated. Could the Treasurer describe the purpose of that fund and why that money was allocated for this financial year?

Ms R. SAFFIOTI: Page 277 of budget paper No 3 describes it. Basically, it was identified—I think this is one of Michael Court's favourite funds—that the government sometimes does not do enough preventive maintenance to ensure that our assets are maintained in a way that they do not fail. That is probably a bit of a stretch. The idea was to ask agencies to put forward proposals for asset maintenance expenditure for items that sometimes do not get a high ranking in the normal budget process. It is identifying projects that have potential risks, or if investing in preventive maintenance, it will help reduce bigger costs later on. It is trying to ensure that we maintain our assets, and do not create unexpected costs because those assets are not maintained. It is a competitive funding round. The agencies put forward ideas and they are assessed by an interdepartmental committee.

Dr D.J. HONEY: Where does that money sit? Is it really just a nominal balance that carries forward year to year? Does the money sit in that fund or is it sitting in a physical fund?

Ms R. SAFFIOTI: Yes. It sits in a Treasurer's special purpose account and then it is drawn down by an agency when it spends.

Dr D.J. HONEY: As it is a significant amount of money, I would have thought that there would be an ongoing need to continue to invest in that fund. Is it suck-it-and-see before making another commitment, or should there be another ongoing commitment?

Ms R. SAFFIOTI: We may make another commitment, but we are finalising the allocation and then more funds are left. Page 277 shows the drawdown each year. In 2024–25, it is $112 million; in 2025–26, it is $85 million; and in 2026–27, it is $19 million. We may replenish that in the future, but it was a way of trying to identify priority projects needing support for maintenance that may not have been prioritised through a normal budget process.

Ms M.J. HAMMAT: My question relates to appendix 11 on page 345 of budget paper No 3 about WA's net fiscal contribution to the federation. How does WA's contribution to the federation compare with that of other states based on Treasury's most recent data? How does this contribution go beyond the state's contribution through the GST?

Ms R. SAFFIOTI: WA continues to contribute more than its population share to the rest of the nation through its GST contribution, but more generally, as part of the federation. A calculation was developed by Treasury many years ago to calculate WA's net contribution to the federation. In the 2022–23 financial year, our net contribution to the federation was $35 billion, which is $12 500 per person. It is about 15 times that of New South Wales, the only other net contributor. All other states were net recipients. We contribute $13 billion in GST subsidies alone across all indicators like exports, in which nearly half the nation's exports come from Western Australia. We make that point every time someone from the east criticises us. One of the eastern states commentators' favourite pastimes is to have a go at us, but we continue to more than pull our weight. If it were not for Western Australia, the national figures, accounts and finances would not be like they are. We have contributed to both the national economy and the national set of finances.

Ms L. METTAM: I refer to page 133, the "Builders' Support Facility and Vacant Property Rental Incentive Scheme". How much has the $10 million builders' support facility provided to date?

[8.40 pm]

Ms R. SAFFIOTI: Applications closed on 30 April and, on 1 May, the first batch of loan applications were approved. To date, $1.1 million worth of loans have been approved to eight builders.

Ms L. METTAM: To clarify, has $1.1 million been spent —

Ms R. SAFFIOTI: It is for loans to eight builders, which have been approved.

Ms L. METTAM: Were any applications unsuccessful?

Ms R. SAFFIOTI: That was just the first tranche. Applications closed on 30 April, so they are now going through them. There is a cross-government committee headed by the Department of Jobs, Tourism, Science and Innovation, the Small Business Development Corporation and Treasury. They are going through all the applications and making recommendations to the relevant ministers. They are making sure that the facility will do what it was set up to do, which is to help finish stranded homes.

Ms L. METTAM: Is the nature of this fund that there will continue to be further rounds until the $10 million is fully expended?

Ms R. SAFFIOTI: The committee goes through applications, assessing the requests and making determinations and recommendations to us. It will keep doing that. All up, 46 applications were received requesting $8.6 million, and the committee will assess whether those claims are valid. Then it will make recommendations to us.

Ms L. METTAM: Has this scheme met expectations on the level of interest and demand?

Ms R. SAFFIOTI: I think it is pretty much on target to expectations, frankly. This scheme is an Australian first. It is really trying to help stranded homes and home owners who entered into contracts in good faith to get homes built when those homes have not been finished for a number of years. This is the first of its kind in the nation and we are very hopeful that these stranded homes can be finished.

Mr R.S. LOVE: I am still looking at the spending risks in budget paper No 3 on page 64. It refers to the independent review of the National Disability Insurance Scheme and disability royal commission as being spending risks. On the following page, it states that as the potential cost impost on Western Australia of the proposed disability support ecosystem is still unknown, any financial implications associated with implementation of the recommendations will be dealt with in the future. Can the Treasurer give us an idea of where that discussion is at and when the department will have a clearer idea of what the cost implications may be? What is the scale of risk? Are we talking billions of dollars of extra spending? What is Treasury worried about in this review?

Ms R. SAFFIOTI: The National Health Reform Agreement and the NDIS agreement are being discussed simultaneously because they relate to each other. Negotiations are still live between the commonwealth and the state. Some commitments were made last year with the National Health Reform Agreement so that the states would be better off as a result of the new agreement. That impacts whether the states can support a greater role in the NDIS. I think Western Australia is better placed than other states more generally because we kept a number of our systems and supports, as opposed to other states. Those discussions continue. Of course, with all these federal–state discussions—I hate to use this line—the devil is in the detail. They are going through the detail and also determining what other foundational supports will be redefined under the NDIS. The states are currently working with the commonwealth to identify what foundational supports they will be expected to fund going forward.

Mr R.S. LOVE: Is the take-up of the NDIS still within the range that was first provided for in numbers of people who signed up? What are the implications if more people wish to take part in the scheme?

Ms R. SAFFIOTI: I will refer that to the Under Treasurer.

Mr M. Barnes: The state makes an annual contribution to the current NDIS of around $1.3 billion a year. That is fully funded across the forward estimates in the budget. It is in line with what we had expected. The contribution has been known for some time and is being paid by the state.

Mr R.S. LOVE: The review going on is into the provision of certain cohorts of people's support services. What is the expectation of the numbers of people on the NDIS in a support sense—on a package? Will this number continue to grow or is there some view that it might bring about a reduction in numbers?

Ms R. SAFFIOTI: I think that question would be better referred to the Minister for Disability Services because it is a bit more detailed than we have in front of us.

Ms L. METTAM: I refer to paragraph 23 on page 134 of budget paper No 3. It relates to a review of environmental approvals processes. Will all the recommendations be fully implemented?

Ms R. SAFFIOTI: I think the initiatives that were recommended and those that are being implemented have been announced already.

Ms L. METTAM: The reason I ask is Treasury led the engagement in relation to the experts in this independent review. Will this result in a new assessment and approvals process?

[8.50 pm]

Ms R. SAFFIOTI: There are a number of different initiatives. One of them is the creation of a new coordinator general role in JTSI. That coordinator general role is about trying to facilitate a smoother approvals process. There are also a number of other initiatives that we are funding or that have been funded. These include cross-government triage teams for projects and a number of other roles. In particular, we are looking at how we can streamline the approvals process, not to reduce the analysis but to have concurrent rather than sequential approvals in many instances. That is something that we are working on now. A lot of work has been done already. Tim Marney has been appointed as the coordinator general and has also supported the tourism subcommittee. We are trying to identify how we can improve the coordination of agencies in relation to the approvals process.

Ms L. METTAM: Can I take from that that all the recommendations will be implemented?

Ms R. SAFFIOTI: As I recall, we are implementing all the recommendations, but that is just from memory—I do not have any further details. I do not have the list of all the recommendations and all the actions in front of me. I think there was a media release that identified the recommendations being implemented.

Dr D.J. HONEY: I refer the Treasurer to page 131 of budget paper No 2, volume 1. Note 3 discusses the very strong labour market in the state. Note 1 states that Western Australia's domestic economy is expected to grow by 5.25 per cent. Our economy is under enormous stress. We are unable to provide housing for the state. What advice has the Treasurer had from Treasury and what is the Treasurer's thinking in embarking on the largest capital investment program that the state has seen and continuing to expand that investment program, as we have seen in the budget, when there is such enormous demand in the rest of the economy? The Treasurer told members in Parliament the other day about her long economic experience. Surely, that long economic experience would tell the Treasurer that when the government is competing with the private sector in a boom time, that will drive inflation and will mean that it is difficult for the private sector to get labour for their projects. In particular, the Metronet program competes for the same labour that is required to build houses. Has the Treasurer had any advice from Treasury on the wisdom of that and, otherwise, what is the Treasurer's wisdom in doing this? It appears that the Treasurer's actions in this massive capital spend are a direct contributor to the shortage of housing in the state, for example.

Ms R. SAFFIOTI: No; I reject that. A lot of what has happened in the construction market has been a result of major supply chain interruptions that were initially driven by COVID and then other key geopolitical issues around the world. A lot of the inflation in the construction market has been supply side and supply chain interruptions. For example, we saw not the labour but the price for products, like reinforced steel and concrete, increase dramatically. With Metronet specifically, we are in the last quarter of delivery and there is a lot of activity now, but it is basically nearing the end of delivery. It will not impact general activity over the next four years.

The other key point is construction. This is a product of the way home builds have been established over many years and also the lack of investment in training in housing trades. Metronet construction work is pretty much competing with the mining sector. The shortage of housing sector trades—electricians, plasterers, brickies—is a product of not enough housing being produced for a long time in the private sector. There was not a big enough incentive in relation to returns, so there was a lot of housing sector investment by investors in Western Australia. There was not a lot of investment in trades. We have completely changed that paradigm by having fee-free TAFE courses, funding apprentices and so forth. We are doing that to encourage more housing construction.

The biggest thing about our four years of economic infrastructure is that if we do not provide the economic infrastructure, our economy will not grow. Economic infrastructure fuels industrial development. For example, if we do not invest in ports, we will not be able to expand our trade opportunities. If we do not invest in our transmission lines, we will have no chance of decarbonising and supporting further demand for electricity for industrial use. If we do not spend $2.8 billion on a desalination plant, we will not have enough water for the community and business. I am a strong believer in economic infrastructure. How can a state like WA continue to grow the economy? We have to fund the fundamentals—water infrastructure, energy infrastructure and transport infrastructure. If we cannot connect resources developments to ports, we will have no chance. A big share of our four-year asset investment is straight economic infrastructure. Infrastructure spend by utilities is the biggest percentage of the asset investment program of $42 billion over the next four years.

On transport, the member wants to focus on Metronet. I will focus on Bunbury Outer Ring Road, Albany Ring Road, other projects in Fitzroy Crossing, the Great Northern Highway and supporting Co-operative Bulk Handling to move more freight more efficiently. It is fundamental to our economy. Pretty much every business that comes through my door wants economic infrastructure. They are not saying we should scale it back. They are saying they want more roads and there needs to be better rail lines. If we do not invest in our economic infrastructure, our economy cannot grow. It is as simple as that.

Dr D.J. HONEY: There will always be an insatiable appetite for government to invest in those projects. But, the private sector is saying that, in fact, its growth is now constrained because it cannot get sufficient labour, so it is not looking for other asset investment for economic growth. They have already got more demand for growth now than they can possibly use. When we came into this period of high demand for housing, the one thing that builders were telling me was that they were losing labour to Metronet. The Treasurer mentioned the finishing trades. They said that for some of the trades, the shortage was not in tradespeople. Having said that, many of the trades that Metronet uses, whether it is concrete workers, scaffolders or electricians, all of those other services are in direct competition with people building houses. More particularly, they highlighted to me the critical role that general labourers—those skilled non-trade labourers that are very canny at building things and working in that environment—went from housing companies directly into the Metronet project. Because Metronet was such a strong government priority, higher wages were being paid, so it sucked those workers into it. There is an insatiable demand for capital—we all know that—but there are many capital projects. Metronet is $2 billion this year out of a $10 billion planned capital spend next year. Most of that other investment is not Metronet, but other capital projects. Surely it would be better to have smoothed those, and smooth those a lot more, so that we have more labour, particularly for housing, but also so that we are not creating such huge demand in the overall economy. I appreciate the overseas influences, but the domestic economy has to have some impact on inflation as well.

[9.00 pm]

Ms R. SAFFIOTI: As I said, the majority of projects that we have across the forward estimates are for strong economic infrastructure. If we do not build Lumsden Point, we cannot support new exports out of Port Hedland. If we do not support building desalination plants, we do not have security of water supply for business and the community. If we do not build electricity infrastructure, the incredible demand we have from every potential industrial user will have nowhere to go. If we do not provide the economic infrastructure, we cannot support further investment.

In relation to business investment, I think the pleasing part of what is happening in Western Australia is that we have seen a sustained increase in business investment. We have not seen the boom that occurred in 2012–13, when we saw business investments spike spectacularly and then collapse, which caused a recession and significant unemployment. We have had sustained business investment. I think that has led to business confidence, knowing that a government that says it will do things, goes out and does them.

We were elected to build Metronet, and we are building it. We were elected to build the Morley–Ellenbrook line, and we are. We were elected to build the Yanchep line, and we are. We were elected to build the Thornlie–Cockburn Link. They were key election commitments and we are delivering them. We are not going to stop them because the member for Cottesloe wants to. In relation to trades, the opposition jacked up TAFE fees by 500 per cent and did not care about training young Western Australians. We are playing a lot of catch-up in training for electricians, carpenters and plasterers—that is what we are doing.

Mr R.S. LOVE: Are we moving to the Western Australian Treasury Corporation?

Ms R. SAFFIOTI: It is up to the member.

The CHAIR: Have you got any more questions?

Ms R. SAFFIOTI: It is up to the member.

Mr R.S. LOVE: Will the same advisers be here for the next session?

Ms R. SAFFIOTI: No; once we leave Treasury, we cannot go back.

Mr R.S. LOVE: Can we not do part 3, Treasury Corp?

Ms R. SAFFIOTI: We can, but then we lose Treasury.

Mr R.S. LOVE: We only have an hour left and we have three or four divisions to run through.

The appropriation was recommended.