Division 12: Treasury, $7 348 467 000 —

Mr T.J. Healy, Chair.

Mr B.S. Wyatt, Treasurer.

Mr M. Barnes, Under Treasurer.

Mr M. Court, Deputy Under Treasurer.

Mr M. Andrews, Executive Director, Strategic Policy and Evaluation.

Mr A. Jones, Executive Director, Economic.

Mr R. Watson, Executive Director, Infrastructure and Finance.

Mr D. Lines, Principal Policy Adviser.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. The Chair will ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall be examined only in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information they agree to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 30 October 2020. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

I give the call to the member for Warren–Blackwood.

Mr D.T. REDMAN: I refer the Treasurer to appendix 7 of budget paper No 3, which deals with public corporations. I note that at page 237, under the heading "Revenue", it refers to deferral of 2019–20 interim dividend payments. In the first instance, I want the Treasurer to explain the basis for that decision. It would seem it is there to prop up the net operating balance. The opening lines of that paragraph state —

> In response to early uncertainty around the impact of COVID-19 on the State's cashflows, and to reduce the need for new borrowings in the short term …

Can the Treasurer give me an understanding of how this decision will reduce the need for new borrowings, and all the reasons for that deferral?

[3.00 pm]

Mr B.S. WYATT: Yes. This decision was emphasised as well in the 2019–20 annual report; I imagine the member saw that as well. I thought I might get some questions around the Western Australian Treasury Corporation, so I have some updates for the member that might be of interest. This was sort of similar to the advice that I received at the time of the decision to defer. Going back to March and April, the financial markets went through a period of significant disruption. In the space of one week, the WATC 10-year spreads to the commonwealth widened over 30 basis points; it was quite a period of disruption. By way of background, the member is no doubt familiar that since Troy Buswell was Treasurer—it must have been earlier in the former government's years—the WA Treasury Corporation has moved from short term to much longer term borrowings. That has been happening now for a decade, I would have thought.

There was an issue with that around long-term debt being difficult to raise in those early days of COVID. Short-term liquidity was still okay because early on there was intervention from the Reserve Bank of Australia. It is not unusual, but not common, for the RBA to inject liquidity into the market. During this period, the Western Australian Treasury Corporation increased its short-term debt to ensure ongoing access to funds, bearing in mind that every Australian government, and, to be honest, almost every government on the planet, was doing a similar thing. The RBA intervened and that proved to be successful, which I was very pleased about. As I said, there was a significant increase in the funding needs of the commonwealth and the other states and territories, so the competition for funds became quite stark; hence the impact on the spreads widening very, very quickly in the space of that week. That demand was increased during May and June as the Treasury Corporation, as well as other semis, looked to term out short-term funds raised earlier in March and April; that is, to move to longer-term borrowings to retire that short-term debt, which, again was to try to manage that maturity profile. For the last decade, I guess, that has been going one way in Western Australia, and that is the move toward longer-term borrowings. Although the RBA intervention into the semi market stabilised the market through May, heightened volatility remained, driven by uncertainty about how the pandemic was impacting on health and economies around the world. In that environment, which was highly uncertain, Treasury Corp focused over the May and June period on supporting liquidity, managing the July 2020 bond maturity, which was over $5 billion, and terming out short-term debt, where possible. We went in on short-term debt because of the liquidity, courtesy of the Reserve Bank, and we tried to push that long, and that became more normal post-June, I would have thought. I will ask the Under Treasurer to make a comment in a minute, if he wants to add to it. The deferral of those dividends supported this focus and reduced our exposure to that volatility and those uncertain market conditions. It was really trying to even out the borrowings. Does the Under Treasurer want to add to that, if there is something that I have missed?

Mr M. Barnes: I do not have much to add to that. The Treasurer gave a pretty accurate summary. We went through a period of real dysfunction in the bond markets early on in the COVID days. That was then stabilised by the RBA's intervention at the short end of the curve, which was very, very helpful. On top of that came the massive issuance of new debt, particularly by the commonwealth, but by other states as well. All of that was surrounded by huge uncertainty. There was a clear objective on behalf of Treasury and the WATC to stay out of the financial markets during that period if we could.

Mr D.T. REDMAN: Was the financial year 2019–20 the year of benefit? Was that the issue of concern?

Mr B.S. WYATT: Yes, that financial year and the 2020–21 financial year. In the end, we are seeing much more stable markets now, but through to June in particular, they were quite volatile.

Mr D.T. REDMAN: Besides what the Treasurer did on deferring a dividend payment, which has other impacts on the aggregates, what other options were available to manage the borrowing risk that the Treasurer just highlighted to us?

Mr B.S. WYATT: Not a lot, really. We had a reasonable borrowing profile as it was—not dramatic, but compared with the *Government Mid-year Financial Projections Statement*, we suddenly went from a declining borrowing profile to an increasing one. We were still trying to work out what the impacts were on our revenue base for not only the utilities themselves and therefore what the dividends were likely to be, because obviously that is a percentage of profit, but also what our revenue source was going to do for the general government sector. It was highly uncertain what our borrowing requirements would be for not only 2019–20, but also the forward estimates. At the time, the bond market normalised more quickly than a lot of people and I thought it would, but I suspect that was due to the RBA's willingness to enter into the liquidity market and that it continues to be willing to enter into the liquidity market, which has helped a lot. Is there anything Mr Barnes wants to add to that?

Mr M. Barnes: The only thing I will add is that during the March to June period, because of the issues that we have noted, the other thing Treasury did was really ramp up its focus on, and monitoring of, liquidity and cash. Cash is always king, but during a period of such extreme uncertainly we were very focused on maintaining or maximising the state's liquidity position during that time to assist in staying out of the financial markets. For example, we ramped up our monitoring of agencies' cash positions across the whole sector to a weekly basis, so we were monitoring cash on a weekly basis to make sure that we had sufficient liquidity to get through that period without having to tap the financial markets.

Mr D.T. REDMAN: Surely there are other instruments within the Treasurer's powers other than a dividend deferral, such as a special dividend payment or special Treasurer's Instructions, that could have been exercised at short notice, are there not?

Mr B.S. WYATT: I am sure there could have been. Effectively, the Treasurer has pretty broad powers around dividends, but it allowed us to have the capacity to understand what the impact would be on utilities paying the dividends as well.

Mr D.T. REDMAN: Before my colleague picks up on that, can the Treasurer tell me what the impact of not making that deferral would have been on the general government sector's net operating balance?

Mr B.S. WYATT: In the financial year 2019–20?

Mr D.T. REDMAN: For both financial years, because it would have an impact on both.

Mr B.S. WYATT: If we had not made that deferral, our operating balance in one year would increase by the amount.

Mr D.T. REDMAN: By what number?

Mr B.S. WYATT: Whatever the number is, it would have been reported in 2019–20 instead of 2020–21.

Mr D.T. REDMAN: By way of supplementary information, can the Treasurer supply me with the impact on the net operating balance of not making that deferral?

Mr B.S. WYATT: It might be there. Let me dig something up. On page 7 of the *Annual Report on State Finances*, under the heading "Revenue", it states —

- lower revenue from public corporations (down $839 million), largely driven by:
  - lower dividend payments from the Water Corporation (down $592 million), Western Power (down $214 million), Pilbara Ports Authority (down $58 million), Fremantle Port Authority (down $29 million) and Southern Ports Authority (down $28 million), primarily reflecting the deferral of 2019–20 interim dividend payments to 2020–21 to reduce the need for new borrowing late in 2019–20 during a period of financial market uncertainty resulting from the COVID-19 pandemic …

They are the figures that I think the member is looking for.

Mr D.T. REDMAN: The Treasurer has not given us a figure on the impact on the general government sector net operating balance of not making that deferral.

Mr B.S. WYATT: It is the sum of those amounts, which is $839 million.

Mr D.T. REDMAN: From one year to the other?

Mr B.S. WYATT: I have just been advised that the sum of those is $921 million.

Mr D.C. NALDER: I am a little confused because the deferred dividends are held in cash in the public corporations, as opposed to being held in cash in Treasury Corp if the dividends are paid. Given that the state's total net debt includes the debts of the public corporations, what is the difference in the financial impact? I do not understand the basis of the arguments the Treasurer made for why he deferred the dividends because I do not actually understand the overall impact on the state, given that the cash is held in the public corporations versus Treasury Corp. When we look at total net debt and how we fund the book, we see that we incorporate all the public corporations in that.

Mr B.S. WYATT: Bearing in mind that it was during March and April when the decisions were made, the advice I was getting at the time was that there would probably be a significant operating deficit in 2020–21 because of the expectations around revenue writedowns. So I was keen—the advice was right, I think—to smooth the borrowing program over the forward estimates by moving that revenue around. As I said in question time or in my reply to the budget speeches, moving the timing of dividend payments is not unusual; it has been done a number of times over the last decade. Mr Barnes might want to add to that.

Mr M. Barnes: To answer the member's question, which I think he is getting at, because of the timing of the cash flows during the financial year for a couple of the larger public corporations, they would have had to have gone through WATC to issue debt and borrow to then pay the cash payment of their interim dividend towards the end of the financial year 2019–20, so we were trying to avoid that borrowing activity.

[3.10 pm]

Mr D.C. NALDER: Whether it borrowed or the state borrowed, it is a still a net outcome because it is a 100 per cent-owned entity; therefore, it is just the cost of borrowings of the Western Australian Treasury Corporation versus the public corporation, which I think is one and the same thing, unless the Treasurer wants to prove me wrong on that. I understand it gets done, but the only reasonable explanation I can see for this being done is that if the $921 million were ploughed back in, the actual budget surplus would have been greater than forecast at the midyear review in December. We went through a pandemic with a growing operating surplus —

Mr B.S. WYATT: Does the member mean for the 2019–20 year?

Mr D.C. NALDER: Yes, the 2019–20 year. We went through a pandemic with a growing operating surplus, which I think would have embarrassed the government. At the same time, when we look at this financial year, there are issues around a budget surplus. From a financing perspective and a cost to finance, I cannot see that it makes any difference. The dividend is based on the profits of the organisation. I can understand that from a cash flow perspective, but that is ins and outs. That is one side versus the other. Borrowing from one side means the other side has to be credited. I can only see this as a public perception exercise; I cannot see this as a justifiable financing exercise. I heard an explanation that there was a financing argument; I do not buy that. I am trying to understand whether I am incorrect. I will hand over to the Treasurer to explain the basis upon which it is a financing exercise. What the Treasurer has said to date does not make sense to me, with my basic financing and mathematics.

Mr B.S. WYATT: I note that is the member's view.

Dr M.D. NAHAN: In summary, it looks as though the decision to postpone the interim dividend across the board, for all agencies—without the exception of Synergy, which did not pay a dividend, so it did not have one—was a cash flow issue within the total public sector. The member for Bateman argued that it is hard to see the justification, given that we are dealing with totally government-owned entities. The Under Treasurer indicated that one reason was that some agencies had to borrow to pay the dividend in 2019–20—the final quarter—when the interim dividend was due. My recollection is that these interim dividends are based on the profit reported the previous year, so the cash would have been sitting around in the cash balances of the corporations. Which one of the businesses would not have had to borrow to pay the interim dividend in 2019–20 that was postponed until 2020–21? Would Water Corp and Western Power have had to do that?

Mr B.S. WYATT: The answer is both Water Corp and Western Power.

Dr M.D. NAHAN: So, Water Corp had to borrow to pay the interim dividend?

Mr B.S. WYATT: Yes, both of them—Water Corp and Western Power. If I am incorrect on that, I will come back and correct that. From the advice we can recall now, it was both Water Corp and Western Power, unless I get a nod from the Under Treasurer that I am incorrect. Does the Under Treasurer want to make any comments?

Mr M. Barnes: That is my recollection, member. It was both Water Corp and Western Power, which are obviously the largest payers of dividends. From memory, both of them had to borrow in that last quarter of 2019–20 to pay their interim dividends.

Dr M.D. NAHAN: Was it a concern at the time or a reality? My assessment of this is that Water Corp in particular would have budgeted for this revenue and receipts. It is running very large cash surpluses through the year, as reported here. I cannot see any diminution in its profits, as reported in the 2019–20 or 2020–21 budgets, which is an indication of cash flow. From the data provided, I find it hard to believe that it would have had to borrow to pay the interim dividend from which it booked and funded in 2019–20, and the same with Western Power of course; it would have put it in the budget.

Mr B.S. WYATT: When Treasury Corp comes in a little later, there might be a better chance to bowl up that question. The member asked whether it was a concern or the reality. The concern in March–April was about a volatile bond market and the fact that there was huge uncertainty around general revenue, not just for the state taxation base but for the impacts on the utilities. Because we were running ahead as at March, the 2019–20 results were strong, but the concern at the time was very real. Thankfully, it has not been as dramatic as we thought and the bond market corrected itself, or normalised much quicker than we thought. In respect of specific questions around the borrowings, member for Riverton, it might be best to have another go at that when Treasury Corp is here.

Dr M.D. NAHAN: Did any of the corporations that postponed the interim dividend and paid it in 2020–21 have to borrow for that interim dividend?

Mr B.S. WYATT: I will have to come back to the member on that. I can take that by way of supplementary, if the member likes. Did the member want to say that again so that we have got that clear?

Dr M.D. NAHAN: Did any of the government enterprises that shifted their interim dividend from 2019–20 to 2020–21 have to borrow to pay that interim dividend?

The CHAIR: The Treasurer is indicating that he is happy to provide that.

[*Supplementary Information No A9.*]

Mr D.T. REDMAN: The Treasurer mentioned that Western Power and Water Corp were in a risk situation. Looking at the 2020–21 budget estimates for Western Power, it has fairly substantial borrowings lined up in that year. Will it be a case of kicking the can down the road in it having to defer a dividend again, or is the Treasurer happy for Western Power to borrow, given the state of the bond market?

Mr B.S. WYATT: I am much more comfortable with the bond market now and also the fact that the Reserve Bank is being fairly muscular in its commentary around its willingness to intervene. The status of Western Power will be in next year's budget. As we go into that process, whoever is doing that will get a better understanding then. Bear in mind that it is about to go through access arrangement 5. It has started its process for the next access arrangement, which is likely to have quite an impact on what its next access arrangement will look like. From memory, Western Power has started that process.

Dr M.D. NAHAN: I would like to go back to the issue about the capacity to pay. I have now had some time to look at the income tax equivalent collections on page 167 of budget paper No 3. Western Power forecast a $2 million reduction in its income tax equivalent receipts versus budget versus actual.

Mr B.S. WYATT: Did the member say page 167?

Dr M.D. NAHAN: Yes. Water Corp actually got more in income tax equivalent in 2019–20 than it forecast. Both Western Power and Water Corp expect to receive a substantial increase in income tax payments to the state in 2020–21. That is not an indication of a significant cash flow problem.

Mr B.S. WYATT: I am sorry, member. I have obviously got the wrong page.

Dr M.D. NAHAN: Excuse me; it is page 167 in volume 1 of budget paper No 2. On the top right-hand side, the Treasurer will see "Income Tax Equivalent Regime".

Mr B.S. WYATT: Yes. The member's concern is that the results were as is?

Dr M.D. NAHAN: The income tax equivalent is the profit.

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: It is profit in the year that it is earned, to a large extent. It looks as though Western Power got about the profit that it thought it would get. That is not surprising, given Western Power is a regulated monopoly. Water Corp did slightly better than it expected in 2019–20, and both of them expect an increase in profits in 2020–21. That does not indicate a cash flow problem—that is, having to pay for budgeted expenses. The budget expenses they would have budgeted for was in fact an interim dividend.

[3.20 pm]

Mr B.S. WYATT: In the end, the results were much better than what we had worried about in March and April. I will ask Mr Barnes whether he wants to make any further comments. The member has to remember that it was the outcome, hence the delayed budget was to get an understanding of the impacts on the revenue of the state, including the revenue of the utilities. I am pleased that we delayed the budget—I suspect that all other states are pleased they have done the same thing—to get a better understanding of the revenue of the state. Mr Barnes, do you want to add to that?

Mr M. Barnes: The member is correct; both those organisations remained profitable during 2019–20 and they are projected to remain profitable across the forward estimates. The figures that the member referred to are based on their accrual net profit after tax. What we are talking about here was a very short-term cash flow issue in that last quarter of 2019–20. To address that, they would have had to borrow through the Western Australian Treasury Corporation to fund that cash flow shortfall in the last quarter to pay their interim dividend. That did not mean that they were not profitable for the year, it just meant the timing of cash flows throughout the year.

Mr D.T. REDMAN: I refer to page 2 of budget paper No 3 and the bunch of key assumptions. It has also been stated and fairly well reported that Treasury modelled the broader budget on the border being lifted in April next year; therefore, there must be some modelling to suggest the total impact of the current border measures on our economy. Can the government provide the nature of that modelling and a narrow measure, if you like, of what is likely to lift in the economy as a product of the border opening up? How big is the impact?

Mr B.S. WYATT: I think the member would have seen my comments that the timing of the border being lifted would be benign or limited on the 2020–21 financial year. I will provide the member with some information that might be of assistance. To date, the hard border policy has been beneficial for the state. The Western Australian economy is, of course, recovering at a faster rate than those of other states with strong recovery in consumer and business confidence. The associated bounce-back in activity would not have occurred without those border controls. There would be a negligible benefit to gross state product if interstate borders reopened six months earlier than assumed in the budget because Western Australians typically spend around $700 million on leisure travel interstate over a six-month period when borders are open. If it is assumed that they spend 50 per cent of this amount in WA while the borders are closed, they will be spending around $350 million over the six-month period. If the border reopened six months earlier, interstate travellers are assumed to spend $590 million in Western Australia on leisure travel, which is what they typically spend over a six-month period, while Western Australians would resume their spending on interstate leisure travel in other states. What I am saying is that Western Australians spend more when they travel to other states than do non–Western Australians when they come to WA. Under this scenario, there would be a net benefit to Western Australia of around 0.09 per cent of GSP, hence my comments about it being benign or negligible over the 2020–21 year and also, I suspect, it is because we were a few months into the year at the time of the budget. Of course, that does not account for another outbreak of the coronavirus. I think I have answered the member's question.

Mr D.T. REDMAN: On the assumptions on the page to which I referred, state final demand growth is predicted to be a fairly substantial growth compared with the growth in 2021–22 of 3.75 per cent. Given that Treasury's figures are based on opening the border in April next year, how much of that growth is related to border restrictions versus other parameters in contributing to the state final demand?

Mr B.S. WYATT: For the out years?

Mr D.T. REDMAN: For 2021–22. Treasury is predicting that our domestic economy will come back to the tune of 3.75 per cent.

Mr B.S. WYATT: Just so that I have got this right, is the member asking what component of that 3.75 per cent in 2021–22 is a result of what we are assuming around open borders?

Mr D.T. REDMAN: Yes, that is right.

Mr B.S. WYATT: Again, I would have thought that it would be reasonably negligible. Under Treasurer, do you want to add to that?

Mr M. Barnes: Correct. It will have a negligible impact—virtually zero—on the 2021–22 state final demand. That bounce back in SFD growth in 2021–22 to three and three quarter per cent is underpinned by an expected rebound in household consumption that year, which is the largest component of the economy at about 41 per cent. It is also a significant spike in dwelling investment, which is the lagged impact of the stimulus grants that are happening. Although there is a mad rush of activity and land sales now because of those stimulus grants, we expect the bulk of construction activity will happen in 2021–22. Household consumption and dwelling investments are what will drive that rebound in SFD in 2021–22, not anything to do with the border assumptions.

Mr B.S. WYATT: I will just add to that. If the member looks at dwelling investment on page 11, in 2020–21 it is assumed to grow at 0.75 per cent and then jump to 13.25 per cent. It is the same with household consumption. Rather than being a contraction at two per cent growth, it is four per cent. That just underlines the point made by the Under Treasurer.

Mr D.T. REDMAN: Given that dwelling investment has a lag response, one of the concerns of those in the building sector is a cliff face at the end of the stimulus. They are saying that all the activity is happening now and then suddenly they will have nothing. When does the Treasurer predict that to be having used the numbers here to demonstrate that there is a stimulus attached to the investments?

Mr B.S. WYATT: That concern is valid. I think both the members for Riverton and Bateman made that point in their second reading contributions on the budget. It is quite correct. We discussed the bring-forward of activity with the property sector. I did not think there was a latent demand that there clearly has been for building under the stimulus. It is a bring-forward and if the member looks at what dwelling investment does in 2020–21 and 2021–22, at this point, bearing in mind a budget a snapshot that is uncertain at the best of times but in these times it is even more uncertain, the member can effectively see what the bring-forward is likely to do, all else being equal now, which, of course, is a ridiculous assumption come 2022–23. What do we need? We effectively need a more normalised population growth. If the member looks at the population growth under assumptions, in the out years we are slightly more aggressive on population than the commonwealth with what it does with the international borders. The member is right; it is a lot of bring-forward of activity and at some point there will be, unless there is a more normalised population growth, a contraction in that growth, absolutely.

Dr M.D. NAHAN: This is diverting from the 3.75 per cent but I have two questions relating to the dwelling investment data. Subsequent to the budget, the government announced the continuation of that incentive. If we add up the figures in the budget, which are not arithmetically correct, over the four years there will not be any expansion in dwelling investment.

Mr B.S. WYATT: The member said this in his second reading contribution on the budget.

Dr M.D. NAHAN: It just adds up.

Mr B.S. WYATT: Over the four years.

Dr M.D. NAHAN: That is right. The government is bringing forward expenditure and it is a reality out there. But the government will have troubles in the out years, particularly without population growth; that is, demand for new dwelling units. Can the Treasurer discuss this? I get the feedback very strongly and gleefully from the housing sector that the state and commonwealth government—they are together; in fact, the commonwealth's is larger than that of the government—is leading to cost upward pressure and therefore a large amount of the benefits is being captured by the input providers rather than the recipients of new houses. In other words, is this going to be successful?

[3.30 pm]

Mr B.S. WYATT: Member, thank you for that question.

I will deal with his final point first. That is always an argument when, effectively, a government provides a cash incentive for first home buyers or whatever it happens to be.

Dr M.D. NAHAN: The Treasurer made this argument repeatedly in this house.

Mr B.S. WYATT: It sounds vaguely familiar. It is whether it is captured in costs. The member is right. It has been incredibly successful and has brought forward a lot of work. It was very much because, as a globe, we are doing something incredibly unusual in our lifetimes—stopping the movement of people, which certainly has not been done in my lifetime or any of our lifetimes. How do we fill that hole until we get back to a point of, hopefully, more normalised population growth in Australia and WA? Hence, we introduced the building bonus. The member is right that the commonwealth's is larger than ours, but it is more restrictive. Under ours, if someone is building something, they will get it. The commonwealth's program is more restrictive than ours. The member is quite correct about the out years and what will happen if we do not get to a more normalised population growth. I have put that to the property sector as well. There seems to be a desire in the property sector to look at the housing boom during the previous mining boom and consider that as the normal. That was not the normal. It has come down to very low lows over the last five years. These initiatives have brought forward a lot of activity. Our decision to extend the construction time frame will push construction into 2022, so it might well have an impact on these assumptions around dwelling investment in 2022–23. I suspect it will. Hopefully, with or without a vaccine, we will have managed by then to get more normalised population growth. It is a fairly broad question, so I might also throw it to the Under Treasurer to see whether he wants to add to that. The member for Riverton has raised a very valid point.

Mr M. Barnes: I am not sure that I have much more to add, Treasurer.

I think it is a valid point. We are clearly dealing with a problem at this time. Our modelling is clearly based on the assumption that the vast majority of the activity that we will see in 2021–22 will be a bring-forward. We have modelled a small addition to activity that is based on historical experience in the past when we have had a higher first home owner grant for new construction, for example, for a finite period.

Mr B.S. WYATT: That has been true so far in what we are seeing with first home buyers.

Mr M. Barnes: We think there will be a small addition to activity but it is very much a bring-forward of activity.

Mr B.S. WYATT: I do not know whether the Under Treasurer has this in front of him, but I will try to dig it up for the member for Riverton. There has been an increase in first home buyer activity that we have seen already. I will find that number in due course.

Dr M.D. NAHAN: The Treasurer's summary was that the key to growth is population growth. Okay.

Mr D.C. NALDER: We were talking at the outset about the borders opening up and the modellings around April. Is that modelling for both interstate and international borders?

Mr B.S. WYATT: No. We have assumed it will be the December quarter 2021 for international borders and the June quarter 2021 for domestic borders.

Just coming back to the conversation I was having with the member for Riverton. High levels of land sales are flowing through to the Housing Industry Association building pipeline with contracts to build nearly doubling between late April, when there were fewer than 4 000 homes in the pipeline, and late September, with more than 7 500 homes in the pipeline. First home buyer applications have also responded, increasing by 38.7 per cent in August, which is the largest monthly increase in over three years. There has obviously been a first home buyer response as well. That was the figure I was looking for. Thank you.

Mr D.C. NALDER: Further to the question about international borders, we are obviously a bit smaller than the rest of the country, but international students still make up a large chunk of our economy and contribute about $2 billion a year to our domestic economy. Does the modelling suggest that that will not pick up until 2022; or does the government believe that there will be workarounds to get international students back here over the next year and keep people safe? Has the government factored in international students?

Mr B.S. WYATT: I will throw to the Under Treasurer on the assumption around the international border, but there is clearly work going on around that. We have seen the Prime Minister make comments around how we might bring international students into Australia in a safe way. That work is ongoing. In respect of assumptions around the border, for the 2021–22 assumption around population growth, ours is a little higher than the commonwealth's because of what we assume around the border. Would you like to add to that, Mr Barnes?

Mr M. Barnes: We have not forecast any interim workaround for international students. As the member would be aware, we are a very large service importer in WA. A large part of that is because WA residents spend many times more when travelling overseas than overseas people spend when they travel to WA. Because of that and the timing around our international border assumptions, which is the December quarter 2021, as the Treasurer said, we do not expect to see a big rebound in those service imports, which basically means WA people travelling overseas once again until 2022–23. In our forecast, we will have a massive response in 2022–23, which is about a 52 per cent increase in service imports. Basically, we are expecting that come 2022–23, WA residents will be travelling in large numbers overseas again. That will significantly increase our service imports.

When it comes to international students, we have basically made the same overall assumption we have made about the international border. We have not made a different assumption about international students.

Mr D.T. REDMAN: I refer the Treasurer to page 1 of budget paper No 3. That is where the big statements are all made—on page 1!

Mr B.S. Wyatt: We try to bury it all on page 1!

Mr D.T. REDMAN: The very last sentence is —

> The remaining surpluses provide partial funding for a record $27.1 billion investment in infrastructure over the next four years, with net debt to rise, albeit sustainably …

I wonder whether the Treasurer could tell me why net debt in 2016 was unsustainable, but now, all of a sudden, it is sustainable.

Mr B.S. Wyatt: I certainly can!

Mr D.T. REDMAN: I point to the fact that the general government sector net debt was predicted to rise from some $20 billion in 2016–17 to $29.5 billion. I learnt from Eric Ripper's time as Treasurer that that is not the debt to have. General government sector net debt is the challenge.

Mr B.S. WYATT: That, of course, was the issue I critiqued quite strongly under the former government with its operating deficits, which were increasing the net debt of the general government sector quite dramatically. Coming back to the member's first very insightful question around the difference, the issue was more the trajectory of debt accumulation. Under the previous government, debt had been growing at more than $3 billion a year. A big component of that, obviously, was funding those large operating deficits. The cash deficits were running at over $4 billion a year towards the end of the previous government's term in office. Indeed, I think last year was the first time we returned to a cash surplus position since Eric Ripper himself was Treasurer. There had not been a cash surplus for a long time in WA. Under the previous government, net debt to revenue had risen incredibly rapidly from 19 per cent in 2007–08 and was expected in the *Pre-election Financial Projections Statement* to go up to 90.9 per cent in 2019–20. In reality, by 2019–20, the net debt ratio had got to 61.4 per cent, not 90.9 per cent, which is a considerable difference. We expect it to get to 66.1 per cent of that net debt to revenue ratio so, clearly, there has been quite a difference in that sustainability measure of the net debt to revenue ratio of the profile; hence my comments around sustainability.

Mr D.T. REDMAN: Can you give us some indication of the cost of that debt now in comparison with what it has been? I can see the Western Australian Treasury Corporation borrowing numbers and so on, but there are other parameters that fit into that in terms of things maturing and the borrowing that happens within government trading enterprises. I guess that is not general government sector net debt, but the cost of it was a significant factor in the federal discussions, with federal borrowings being significantly less than what they have been. Is the Treasurer able to give us some guidance on the cost of those borrowings compared with what they have been?

[3.40 pm]

Mr B.S. WYATT: The member is quite right. If the member turns to page 2 he will see in the table at the bottom headed "Key Budget Assumptions" the lines "Public Bank Account interest earnings" and "Consolidated Account borrowings" under "Interest rate assumptions (%)". We have, as has the whole globe, been the beneficiaries of lower interest rates, so we are expecting lower interest costs over the forward estimates. Compared with the midyear review, it is a benefit of, I think, nearly $400 million over the forward estimates as a result of those reduced interest costs.

Mr D.T. REDMAN: So that is a gap in the cost of those borrowings compared with the midyear review?

Mr B.S. WYATT: Yes, that is right, revising them down. Comparing the midyear review with this budget, we have revised down our interest costs to about $400 million.

Dr M.D. NAHAN: I refer to budget paper No 2, volume 1, page 151, "Operating Subsidy Payments". I would like to disentangle some of these because they are distorted by transactions. I would also like to get the Treasurer's view on some of them that forecast the magnitude of growth. To take Synergy, the Treasurer was formerly Minister for Energy, and it appears that in 2020–21 there is a very large $890 million subsidy, which I assume is to do with the $644 million. Could the Treasurer provide, perhaps by supplementary information, what the actual subsidy is, less the Bell payment, which I think comes in in 2020–21, so that I can get some accurate estimate of the operating subsidies of Synergy?

Mr B.S. WYATT: The Under Treasurer will provide that now, member.

Mr M. Barnes: Member, of that $891 million operating subsidy payment in 2020–21 to Synergy, $617.5 million relates to the $600 household electricity credit, which is obviously a one-off. If you exclude that item, the subsidy in 2020–21 would be $273.5 million.

Dr M.D. NAHAN: What about the previous year, 2019–20, for Synergy? It has 2019–20 as an actual subsidy of $573 million. Is that all subsidy?

Mr B.S. WYATT: There will be a range of things, including the $2 500 payment to those on the small business tariff. I will pass over to the Under Treasurer to provide a breakdown to the member.

Mr M. Barnes: To explain the difference between the 2019–20 budget figure and the 2019–20 actual figure, two of the biggest items are, firstly, the $2 500 small business and charity tariff offset that was introduced in 2019–20 as part of the recovery plan. That was at a cost, in 2019–20, of $189.7 million. That obviously was not included in the budget figure, but is included in the actual figure. Similarly, as part of the recovery plan, the government doubled the $305 energy assistance payment, which had an impact of $77.5 million. Again, that was not part of the budget but is in the actual. Also in this budget, the government has decided to pay what we are terming "financial viability subsidies" to Synergy to cover a range of costs that Synergy has to incur to deliver various government policies, but cannot recover from its customers. That financial viability subsidy, in 2019–20, was $135.9 million. Again, that was not in the budget but it is in the actual. Those three factors account for $403 million of the $443 million difference between the budget figure and the actual figure.

Dr M.D. NAHAN: In summary, taking away these one-offs, which are temporary in nature, Synergy provided for the government a suitable mechanism for transferring the Bell Resources money. However, the Treasurer in the previous budget, when he was Minister for Energy, made a song and dance about reducing the subsidies that had flowed to Synergy over the years and that can run away from a government very quickly. It appears, from this data, that that is happening again—that is, as the Under Treasurer indicated, there is a very large increase in the subsidy forecast in 2020–21, and in the out years is it almost two and a half times that which was forecast in the previous budget. Is there a fundamental problem of deterioration in the competitive finances of Synergy?

Mr B.S. WYATT: The Minister for Energy has made it fairly clear that he now has a plan and a pathway, if you like, to try to transition Synergy to a more sustainable footing, and it is important that we do that for those very reasons. As the member said, those payments can run out of hand if we are not careful, and that is what we need to keep a very close eye on. Synergy has done a lot of work already—I have seen what it has been doing—and I expect, through the efforts of the Minister for Energy, that that will continue. As the member can see, we have to support that through to try to get it to a sustainable position.

Dr M.D. NAHAN: The Treasurer's policy as Minister for Energy was actually to make Synergy cover its costs; clearly, that is not happening. Has there been a change of government policy to put back the subsidy to Synergy on a permanent basis?

Mr B.S. WYATT: No. That is a fair question, but no, because we are now giving Synergy a fairly clear pathway to sustainability. To be fair, that started under the member's government, to try to get the costs out of Synergy. That has continued and I think the board has done a reasonably good job on that. But the reality is that there is a range of assets that Synergy needs to deal with and move into a new energy environment. That is going to be painful for Synergy, but it will have to do it.

Dr M.D. NAHAN: Under my watch the electricity sectors caused a few shocks to the Treasurer—sometimes me, sometimes others. I can remember one, in particular. Is the Treasurer worried that those will happen again, given some of the operating weaknesses of Synergy, particularly some of its own coal-fired power stations?

Mr B.S. WYATT: The energy system always worries me, as I suspect it did the member. It moves a little bit, and suddenly there is a big impact on the balance sheet. I think Synergy has, in the mind of its board, a clear pathway forward, and that is what we are supporting through.

Mr D.C. NALDER: I want to focus on page 89 of budget paper No 3 and major changes in the operating expenses. That is also further along on page 143, with major spending changes to capital expenditure. I refer to the line I mentioned in my reply to the budget speech that occurs under most departments, "WA Recovery Plan and Other COVID-19 Related Spending". I note that when I go back through budget papers No 1 and No 2, it is very difficult to reconcile all these things. If we look at the first one on page 89 under Premier and Cabinet, which we talked about in the first hour, there is \$8.3 million in 2020–21 and \$4.6 million in 2019–20. I referred to this and reconciled it with page 27, which lists all the key initiatives in the total public sector to do with the WA recovery plan. It totals \$5.5 billion. When I think about the recovery plan and COVID, this has happened since the midyear review in December. When I tallied both the operating expenses and the capital expenditure for these major spending changes to do with the WA recovery plan, it amounted to \$4 140 900. In fact, it is exactly \$2.07 billion in both the opex and the capex. It is a little bit of a surprise that it is exactly the same. It raised a little red flag. The first question I have is: what percentage of the \$4.1 billion is attributed in the \$5.5 billion recovery plan? Is all the \$4.1 billion in the recovery plan or are they two totally different things?

[3.50 pm]

Mr B.S. WYATT: I listened with keenness to the member's speech on the budget. The first point I want to make is to assure the member there is not a \$4.1 billion slush fund, sadly. I will start my answer by quoting from page 87 of budget paper No 3. It states —

> Agency spending as part of the State Government's \$5.5 billion WA Recovery Plan, along with other spending directly related to COVID-19, is reported at the aggregate level in the following tables.

They are the tables that the member is talking about. It continues —

> Information on specific WA Recovery Plan initiatives and other COVID-19 spending changes is available by agency in Budget Paper No. 2: *Budget Statements*.

That is about the more specific spends. Coming back to the \$2.07 billion opex and \$2.07 billion capex, I cannot confirm how the member got there and I cannot confirm what is in it or not because I have not done those sums, but the total does not match the \$5.5 billion recovery plan as it is only for the general government sector and does not include expenditure by the government trading enterprises. In particular, it does not include the forgone revenue items, because forgone revenue has been part of the \$5.5 billion recovery plan. That is set out in chapter 2 of budget paper No 3, on page 27. The member gave me that page number, sorry.

Mr D.C. NALDER: Is the Treasurer saying that things like the payroll tax waiver are not included in the major spending changes?

Mr B.S. WYATT: That is a revenue waiver, yes.

Mr D.C. NALDER: Is that why it is not —

Mr B.S. WYATT: Correct, but the member will see it at page 27 as part of the revenue forgone component.

Mr D.C. NALDER: Can the Treasurer point out on page 27 some of the spend that is outside the general public sector?

Mr B.S. WYATT: I imagine there will be a range of examples like renewable energy, which I suspect is done through the energy GTEs. Other examples include the items "Freeze of Household Fees and Charges" and "Regional Land Booster Package", which is done through DevelopmentWA. A range of them would be separate from the general government sector.

Mr D.C. NALDER: Is the Treasurer saying that $4.1 billion is either a loss of revenue or sitting in the GTEs? The Treasurer is taking my word that it is $4.1 billion, because I tallied it.

Mr B.S. WYATT: It is clear that there will be revenue waivers and also the GTEs are delivering a range of things for the government, which is not unusual. Lotterywest grants are another example.

Mr D.C. NALDER: Given that the "WA Recovery Plan and Other COVID-19 Related Spending" is such a major spending change, why has better information not been provided around it? There is a description for every other spending line under the major spending changes. However, this $4 billion contains no description whatsoever in the major spending changes. Why has it been left out?

Mr B.S. WYATT: As I read to the member from page 87, a lot of the detail about the individual agencies that have responsibility for particular COVID spends is in budget paper No 2. The point I am making is that further detail is there, but the member might need to go to budget paper No 2 to find it.

Mr D.C. NALDER: Unlike every spending change that is listed in budget paper No 2, the same as the recovery plan, there is no description in the documents about those spends but there is a specific line item. It is specific in the description of its title in the spend, but a description is not given in the way that it is given for every other major spending change outlined in budget paper No 3. There is nothing like that in the other volumes.

Mr B.S. WYATT: I think there is. I think budget paper No 2 is reasonably transparent, particularly around when it is a spend as opposed to revenue forgone, and where that spend is happening. The budget papers are just as detailed as any other for the spend under the COVID-19 headings. Ultimately, if the member does not think it is sufficient, there is also the capacity to ask the relevant agency ministers, but I think it is just as transparent as it has been in previous budgets. The member is right that it is a big spend. Anytime there is a big spend by the government with an initiative, it is set out exactly the same as it normally is.

Mr D.T. REDMAN: I refer to page 176 of budget paper No 3 and the royalties for regions expenditure program. There is a line item for the "Country Water Pricing Subsidy". This is not new for the royalties for regions budget because it was put in place when the Treasurer came into government. However, I note there has been a change to this subsidy and in how much is coming from royalties for regions. In the last three budgets, each of the out years slowly brought the funding of the pricing subsidy under royalties for regions—every year's budget brought in another year, but it was moving towards the actuals of the country water pricing subsidy. For a period, a certain amount was paid by royalties for regions and a certain amount was paid out of the consolidated account. Now, for whatever reason, $250 million a year is booked against royalties for regions and the rest of it will be paid out of the consolidated fund. I am interested in why that decision was made, because it does not reflect the trend of the last three state budgets. Why has the Treasurer decided to lock it in at $250 million a year, even though it is not the full Water Corporation subsidy?

Mr B.S. WYATT: I will add to this information with the condition that the member may need to run it past the Minister for Water, who might have a bit more detail. I think we made that decision as it is an appropriate amount of money to support the country water pricing subsidy from royalties for regions. I thought $250 million was an appropriate amount and we anticipate that we will maintain that across the forward estimates.

Mr D.T. REDMAN: In previous budgets, my recollection is that something like $300 million was in the out years, so the decision that $250 million is an appropriate amount was made for this budget, but certainly not for other budgets. Did the Treasurer become enlightened?

[4.00 pm]

Mr B.S. WYATT: The one thing I wanted to ensure was that essential services for remote Aboriginal communities were funded, as they should be funded, from RforR. I know that had an impact, as the member said, of $300 million or whatever it was. We have effectively struck a figure and maintained that.

Mr D.T. REDMAN: Now we have a nice round figure, Treasurer, so the RforR budget over the forward estimates —

Mr B.S. WYATT: Sorry to interject, but as the member points out, of the $250 million a year from RforR and the rest, another couple of hundred million dollars across the forward estimates is from the consolidated account.

Mr D.T. REDMAN: Treasurer, we now have a nice round figure out of a billion dollars across the forwards for this country water pricing subsidy. Out of the royalties for regions program of just over $4 billion, in effect, one-quarter of the royalties for regions program is now being washed out and the spend is no longer constrained by the royalties for regions rules; in fact, just this one item alone frees up a billion dollars across the forwards to be spent on anything in Western Australia.

Mr B.S. WYATT: If we were to pull that out and stick it into the consolidated account, that, of course, would have an impact on the broader finances of the state. We see this as an appropriate way to secure the subsidised country water price. I think it is more than appropriate. We can get fixated on RforR, but it is not just royalties for regions that funds regional WA. I think I made the point in question time that of the $27 billion in capital spend across the forwards, $7.5 billion is spent on infrastructure in regional WA, of which less than 10 per cent comes from royalties for regions. Historically, under the former government, that was well over 20 per cent. To a certain extent there are swings and roundabouts around where the funding comes from, but it is clear that it secures the country water pricing subsidy but does not then limit the capacity for the consolidated account to be tapped for other spends that are needed in regional WA.

Mr D.T. REDMAN: Further to that question, does the Treasurer think that this outcome is the view that the electors had when the Labor Party committed to royalties for regions going into the 2017 election?

Mr B.S. WYATT: We made it clear that we were going to maintain royalties for regions, which we have. But, as I said, we have also increased the spend from the consolidated account considerably. That is something we are proud of and that we will continue to do, if needs be. Royalties for regions has been critiqued in the way in which it was spent under the former government by the member for Riverton. Indeed, the shadow Minister for Finance said on radio last week that he considered some $2 billion of RforR spent under the former government was wasteful. It is also how you spend the money and what you spend it on. Yes, royalties for regions is important, but the broader budget, outside of royalties for regions, has a very considerable spend. Hence, I made that point that of the $7.5 billion in infrastructure expenditure in regional WA, less than 10 per cent is funded through royalties for regions; the rest is funded through the normal operations of government.

Dr M.D. NAHAN: I go back to the minister's transactions operating subsidies and we talked about Synergy.

Mr B.S. WYATT: Sorry, member, I have closed that up. What page is it?

Dr M.D. NAHAN: I refer to budget paper No 2, volume 1, page 151. I would like to explore public transport subsidies. A very large increase is forecast in the subsidy in 2020–21. I assume that large increase from the previous year and forward estimates is something to do with COVID-19. Although there has been a significant increase over the forward subsidy estimate of about $100 million to $200 million a year, I find it very hard to believe that the subsidy in 2023–24 goes down when the Morley–Ellenbrook line opens that year and Metronet is largely operating in full swing. Can the Treasurer explain how he gets a reduction in subsidies when he is opening up new lines?

Mr B.S. WYATT: There would be an assumption around patronage numbers on the public transport network, member. The member is right, the increase in 2020–21 is a result of COVID-related impacts but also bringing to book the operating subsidy for Yanchep and Thornlie–Cockburn as well. I suspect that in the out years, at the very least, we have brought those to book. That would be patronage related in respect of those out years. The Minister for Transport appears before the estimates hearings tomorrow and might be able to provide a bit more detail around that.

Dr M.D. NAHAN: Is Treasury confident that these forecasts are valid? It is significantly increasing patronage because new lines are opening and the subsidy rate on those lines is in the vicinity of 70 per cent and probably more like 80 per cent, but there is a decrease in the overall subsidy. How does that happen?

Mr B.S. WYATT: Yes. We are as confident as we can be four years away from that time frame. I think Western Australians have shown themselves willing to take up public transport when they are confident to do so. I guess we will not know until the 2023–24 annual report whether that assumption has been correct.

Dr M.D. NAHAN: So the Treasurer is adding thousands of new patrons and each one is heavily subsidised, unless there is a complete turnaround in the finances of the Perth Transport Authority, which is not expected. How does that lead to a reduction in subsidies?

Mr B.S. WYATT: Again, I can only assume it is from patronage. The member will have to take that up with the Minister for Transport, who is much better placed to give the detail around those forward assumptions.

Mr D.C. NALDER: I refer to page 68 of budget paper No 3, "Total Transfer Duty", so stamp duties. Given the major policy announcement around the foreign buyers tax, I cannot find any line item that specifically refers to that.

Mr B.S. WYATT: It was an election commitment, but in terms of overall revenue, it is a small component of total transfer duty. Thankfully, the Under Treasurer is here to point me to page 208 of budget paper No 3, under "Transfer duty", the line item "Foreign Buyers surcharge", which forecasts revenue for 2020–21 of $19 million.

Mr D.C. NALDER: Given there is also a 75 per cent rebate on stamp duty and the foreign buyers tax for foreign buyers, the Treasurer has listed that this level of revenue is being raised. Does the Treasurer have any indication of how much in rebates has been given back to foreign buyers in this period?

Mr B.S. WYATT: I have a sneaking suspicion that we do not keep the record on that. In fact, the division for the Department of Finance will be dealt with a little later, so perhaps the member can bowl that up then because the Finance people manage that.

Mr D.C. NALDER: Yes.

Mr D.T. REDMAN: Treasurer, I refer to page 11 of budget paper No 3. We discussed before the area of labour market employment. I wonder whether the Treasurer can give me the total number of jobs in net terms that have been created since Labor came to government in 2017.

Mr B.S. WYATT: I have an interesting note on this that I might reference. A note has been passed to me that the number of jobs as at September was 49 500, so there has been an increase in job numbers since March 2017.

Mr D.T. REDMAN: In net terms since the election?

[4.10 pm]

Mr B.S. WYATT: Yes. It is 49 500. I think it is worth making a couple of points about the difference between how the state and commonwealth budgets account for and assume things. In Western Australia, it tends to be the annual average. In the commonwealth, it tends to be slightly different depending upon what it is. The WA Department of Treasury forecast in the state budget for employment growth is reported in annual average terms. Although employment is forecast to fall, as members can see, by 0.25 per cent in 2020–21, if WA had reported its forecasts in the same way as the commonwealth—that is, in quarterly year-ended terms—it would have reported a 5.4 per cent increase in employment compared with the commonwealth budget forecast of 2.75 per cent. I make the point that even though there is a negative 0.25 per cent forecast in annual average terms over 2020–21, that means that employment is projected to increase by around 70 000 people between the June quarter 2020 and the June quarter 2021. Hence, if we reported that the same way as the commonwealth, it would be a 5.4 per cent increase. That often causes some confusion because the commonwealth will have quite different forecasting, whether it is for iron ore price differences et cetera, because of free on board versus cost of freight or, in this case, how it is reported. I wanted to make that point.

Coming back to the member's specific question, the increase is 49 500, but we expect the raw numbers to continue to increase.

Dr M.D. NAHAN: I have a very quick question. I refer to page 168 of budget paper No 2, volume 1. Has there been a change to the accounting treatment of grants that pass from the commonwealth through the state to other agencies like private schools?

Mr B.S. WYATT: There was in last year's budget. I will let the Under Treasurer provide some information on that.

Mr M. Barnes: The member is correct. A change in accounting standards came into effect last year, and we reflected it for the first time in last year's budget. Under that change in standard, commonwealth grants flow through the state, primarily for local governments and private schools. We used to book that revenue and then book the expenditure when it went out—so it grossed up both sides of the budget. Now we do not recognise it; it just passes straight through.

Dr M.D. NAHAN: Has Treasury adjusted its backcasted aggregates, because it comes to about $2.5 billion in a year? Has this accounting change been backcast for previous years for comparative purposes?

Mr M. Barnes: Yes, member, we have backcast for that change.

Mr B.S. WYATT: I should have mentioned to the member for Bateman that not all of the $5.5 billion recovery plan is captured in 2020–21; some of it is in 2019–20.

Mr D.C. NALDER: The $4.140 billion is over the forward estimates as well. I have one technical question about that $4.140 billion. Is 100 per cent of what is listed under major spending changes in the $5.5 billion?

Mr B.S. WYATT: I can only assume so. Again, I would have to go back and check.

Mr D.C. NALDER: Do all the line items under major spending changes form part of the $5.5 billion and there is nothing else under major spending changes that is in addition to the $5.5 billion?

Mr B.S. WYATT: That is right.

Mr D.T. REDMAN: I should be able to point to something in the budget papers for this. Does Treasury have a unit that manages Metronet or does Metronet-related work?

Mr B.S. WYATT: No.

Mr D.T. REDMAN: There is no particular Treasury unit that assists with that, but it is one of the big spend projects in our state budget.

Mr B.S. WYATT: We do not have a dedicated Metronet team; we have people obviously working on transport infrastructure. In terms of the internal structure, the Under Treasurer will make some comments.

Mr M. Barnes: Member, we structure our budget areas in Treasury by portfolio. A team in Treasury looks after the transport portfolio. Obviously, it is spending a lot of time on Metronet, but is not a dedicated Metronet team; it is just a standard portfolio-based team.

Mr B.S. WYATT: It deals with transport infrastructure.

Mr D.T. REDMAN: What is the slippage in this budget against previous budgets for the work that has been done on Metronet? What has been pushed out? I am aware that there have been time lags, but I do not have a monetary figure against that. I am interested in the numbers under the Metronet banner that have been pushed out in the budget.

Mr B.S. WYATT: Does the member mean in terms of outside the forward estimates?

Mr D.T. REDMAN: The first budget has the spend and where we are spending it. If things are pushed out as the project progresses, the spend has to be moved to the out years. I am interested in the drag that is occurring when things are not done in expected time frames.

Mr B.S. WYATT: I draw to the member's attention the obvious change around the Forrestfield–Airport Link simply because of the issues with sinkholes et cetera, but the budget itself has $5.7 billion for Metronet. There have been a few changes in timing, particularly since we have also brought into the Metronet project projects that were going to be done later. There are three projects in particular. One project is very, very important—the level crossing removal on the Armadale line—and the others are the Byford line, and the Midland station redevelopment project. We have brought forward those projects as an opportunity to try to create more activity in this COVID environment. I am not certain that I have answered the member's question. I suspect he might have to look at previous budgets to answer his own question.

Meeting suspended from 4.16 to 4.22 pm

Dr M.D. NAHAN: I would like to discuss the GST grants a bit and, in particular, explore any discussions the Treasurer might have had with his interstate colleagues. The GST top-up that the Turnbull and Morrison governments have put in have been hugely beneficial for Western Australia. Page 74 of budget paper No 3, under "Projected GST Relativity and GST Share" shows a 60 to 70 per cent increase over the forward estimates and WA's national GST pool. The share might be small, but that is a very large increase in our share, population adjusted, particularly in the context of a shrinking GST pool, at least this year and probably next, or for as long as we are struggling with COVID-19. Have there been any complaints from the government's interstate compatriots about the bountiful harvest that it is having?

Mr B.S. WYATT: I thank the member for the question. Suffice to say, the member will not be surprised to learn that there have been the occasional grumbles from some of my colleagues, but some of the real hostility is left for the Under Treasurer and the Deputy Under Treasurer when they meet their equivalents in other states. Ultimately, as the member would appreciate—I think he said this in his reply to the budget speech—even with a weaker pool than we thought we would have when we put out the midyear review last year, it provides Treasury with much more certainty. We are still net contributors, as we in this room all know. It is no longer a point of friction with colleagues, but they do raise it, and not often in a positive light.

Dr M.D. NAHAN: Has anyone suggested a new review into the methodologies?

Mr B.S. WYATT: No, not seriously. That is a good question because I have been alerted to that. As I said, I think the Under Treasurer and the Deputy Under Treasurer's colleagues in particular would like to see a review, but certainly at the elected level, that has not been proposed.

Mr D.C. NALDER: We are the only state that pays 30 per cent tax on our GST.

Mr B.S. WYATT: Exactly, member for Bateman.

Mr D.C. NALDER: I shift to the assumptions on unemployment and turn to page 2 of budget paper No 3. I am keen to understand this. Obviously, unemployment has dropped to 6.7 per cent yet we are still forecasting an unemployment rate of eight per cent. I assume that that is a reflection of JobKeeper and JobSeeker but eight per cent is obviously an assumed average, so we are predicting that at some point it will spike significantly higher than even eight per cent. I want to try to understand what sort of modelling assumptions have been done to make up that eight per cent.

Mr B.S. WYATT: The member is right. Before I pass to the Under Treasurer, I will respond to a couple of points the member made—firstly, how we account for the unemployment rate versus how the commonwealth does, and also the other issue around the impact of JobKeeper and JobSeeker, which might be a separate question. I will throw that first point of the assumption around the eight per cent rate to the Under Treasurer.

Mr D.C. NALDER: I assume that that is one of the things that is driving it.

Mr M. Barnes: I will make a few points. The Treasurer referred to the different bases of calculation with the way we calculate and the way the commonwealth does. On unemployment, the commonwealth forecast for 2020–21 is an unemployment rate of 7.25 per cent. That is for the June quarter of 2021. Its forecast is that the unemployment rate in the June quarter of 2021 will be 7.25 per cent.

Mr D.C. NALDER: Is that the average over that quarter?

Mr M. Barnes: Yes, just for that quarter, whereas our forecast of eight per cent is the year average across the whole 2020–21 year. That is the first point.

The second point relates to JobSeeker, which is a relevant issue. Based on the September labour force data that the ABS released recently, we have about 97 000 unemployed people in WA. We have about 167 000 people on JobSeeker in WA. That is a difference of about 70 000. That in part reflects the fact that during the COVID period, up to the end of September, the commonwealth removed the mutual obligation requirement on JobSeekers to actively search for work. Unsurprisingly, a number of JobSeekers were not actively searching for work and therefore have not been counted as unemployed. That mutual obligation requirement has come back on, so they now have to start actively searching for work—I think eight jobs a month at the moment. The mutual obligation requirement is back on. If those people cannot find a job now, they will come up in the unemployment data because they have to search for work now. If they cannot find a job, they will be recorded as unemployed. That is a reason we will see ongoing volatility in the unemployment rate for quite some time. That JobSeeker issue is one of the reasons for that volatility and that unemployment rate and it may put a bit of upward pressure on the unemployment rate in the short term.

The participation rate is another factor. As the member knows, the unemployment rate is a function of the participation rate as well. Participation has already rebounded quite quickly. We expect that it will continue to increase over 2020–21. As more people look for work and the participation rate increases, that will put a bit of upward pressure on the unemployment rate unless jobs growth can outpace that increase in the participation rate.

There has been a lot of noise in the labour force data for the past six months, and I think there will be for at least another six months. That noise may put a bit of upward pressure on the average unemployment rate over the year. They are basically some of the factors behind that eight per cent annual average forecast.

[4.30 pm]

Mr D.C. NALDER: I note in the forecast on page 11 that the government is assuming a flatline participation rate over this year and the forward estimates of around 68 per cent.

Mr M. Barnes: It is gradually increasing. In 2019–20, it was 67.5 per cent and it is now 68 per cent in 2020–21, which does not sound like much but it has a significant impact on the unemployment rate.

Mr D.C. NALDER: In the final year of the forward estimates, we are still forecasting a relatively high unemployment rate of six per cent. Prior to coronavirus, we were trending in a way that was below that six per cent. We will not have recovered to pre-coronavirus times. What is driving that in the economic models to suggest that four years down the track our unemployment rate will still be worse than it was pre-coronavirus?

Mr B.S. WYATT: Before I pass to the Under Treasurer to answer that—I am looking to him to see whether I am going into areas about which I do not know what I am talking about, which may well be the case—there are assumptions around higher unemployment. Global disruptions such as this have historically seen higher unemployment rates for longer. I will pass to the Under Treasurer to see whether he has anything more specific to add to the member's question.

Mr M. Barnes: We are really going off that historical experience when we have had contractions or recessions in the past. Unemployment is very quick to increase but very slow to come back down. It is very uncertain, this time around, given the unique situation of this COVID-driven contraction, but it is basically that historically slow response for unemployment to come back down. As the member said, we are forecasting that the unemployment rate will gradually decline to an average of six per cent by 2023–24. Six per cent is pretty much in line with the long run average unemployment rate. The commonwealth has a similar trajectory. It is going down to a forecast of 5.5 per cent by 2023–24. Again, that will be the June quarter of 2024, rather than the year average. It is based on the historical experience that the unemployment rate is generally slow to come down out of a recession.

Dr M.D. NAHAN: What total share of JobSeeker and JobKeeper are in WA?

Mr B.S. WYATT: That is a good question. I will read out some of this document, because I think it deals with the member's question. Data from the Australian Taxation Office shows that 318 507 people in WA were receiving JobKeeper payments in August 2020. There is a footnote saying that JobKeeper payment data by location is based on where an organisation is registered with the ATO and may not reflect where the organisation trades or where its employees are based. The member would be familiar with that. That means that around 24 per cent of employed people in WA were receiving JobKeeper payments in August, compared with almost 29 per cent nationally; it is less than the national number. The number of businesses receiving JobKeeper payments is likely to fall significantly after September. Many firms that initially qualified are likely to become ineligible over time in line with the improved economic conditions. The number of people receiving JobSeeker payments in WA totalled 166 990 as at 2 October—we have more updated figures for JobSeeker than we do for JobKeeper—which is a fall of eight per cent from its peak of 181 348 people in May. The eight per cent fall for JobSeeker in WA between May and early October is the largest fall of all jurisdictions, with reductions across all jurisdictions except, unsurprisingly, Victoria over that period. An 86 per cent increase in WA during the COVID-19 period was less than the 101 per cent increase at the national level. In August 2020, which is the latest common data point, 492 250 people in WA were receiving either JobKeeper or JobSeeker. That is around 34 per cent of the labour force, which is the lowest share of all the states, and below 39 per cent nationally. I make the point that that is in August. A bit has happened since August, but it gives the member that context.

Dr M.D. NAHAN: Were any people in the mining sector on JobSeeker or JobKeeper?

Mr B.S. WYATT: Yes, there were, but a small number by the looks of it. The share of JobKeeper in mining was 1.9 per cent. It is a small amount.

Dr M.D. NAHAN: That is small, but the total workforce is about six per cent or maybe a bit higher nowadays.

Mr B.S. WYATT: Sorry, I am now reading the graph properly. JobKeeper for the mining sector was 1.9 per cent, but of the people employed it was 5.3 per cent. The member is right, it is obviously around six per cent.

Dr M.D. NAHAN: What was the sector most represented under JobKeeper?

Mr B.S. WYATT: Professional services has the largest share.

Dr M.D. NAHAN: Really? What was the share?

Mr B.S. WYATT: The share was 13.3 per cent.

Dr M.D. NAHAN: Maybe the Under Treasurer can help me: what is "professional services"? Is it accountants and lawyers, or somebody else?

Mr B.S. WYATT: I assume it would include those, but it is probably broader than that.

Mr M. Barnes: It certainly includes those, member, as well as engineering, for example.

Mr D.T. REDMAN: I draw the Treasurer's attention to page 5 of budget paper No 3, which is about the Bell Group settlement. The government made the decision to put the lion's share of that into household concessions in the form of payments against their electricity bills. Were there other considerations about how to spread the Bell Group windfall across Western Australia's population?

Mr B.S. WYATT: It is a good question and I guess everybody has an idea of what we could spend $650 million on. I make a couple of points. It was a timely settlement. It has been going for a long time. The previous government tried and we supported that attempt, and, thankfully, we finally got there. Those who still remember the period remember the car registration levy—we are a bit forward, because the Insurance Commission of Western Australia is not here yet, but maybe we will have a similar conversation then—which was to perhaps fill the hole of the then SGIC at the time. It was not just around funding the Bell Group fallout and the Bell Group litigation, hence the view of how to return it the best way we can to Western Australians. Also, the environment of COVID provided a nice opportunity to assist households. We got there fairly quickly, to be frank.

[4.40 pm]

Mr D.T. REDMAN: Was the objective to get a return in some format to all Western Australians and this was seen as a pool for that?

Mr B.S. WYATT: Yes.

Mr D.T. REDMAN: But this does not return it to all Western Australians; it returns it only to those who have a power bill, and, indeed, it does not return it to providers other than Synergy and Horizon customers. I am thinking of homeless people, as an example. Is this measure simply locked in as a concession for this and that is it?

Mr B.S. WYATT: Yes. It returns it to a lot more people than if we had gone through the car registration mechanism. This is almost the only way—as the member quite rightly pointed out—that the state has an insight into almost every household. It is much broader than if we focused only on car registration.

Mr D.T. REDMAN: Will anyone get two lots of $600 because they have two houses?

Mr B.S. WYATT: Yes, they will. Is it perfect? No. I have been watching the not unreasonable calls for means testing, but as much as we can means test it, effectively, we did that earlier on by doubling the energy assistance payments. As the member and everyone in the chamber knows, we do not have the capacity to means test these payments at the state level, so we have done it as much as we can. Yes, there will be imperfections, but they will be minor in terms of the whole spend.

Mr D.T. REDMAN: One extension to the criteria is highlighted on that page and it refers to customers who receive the energy concession extension scheme. I assume that picks up strata groups and/or villages in caravan parks.

Mr B.S. WYATT: Yes.

Mr D.T. REDMAN: Does someone have to be a concession card holder to receive it, or is it simply extended to those recipients? Do they have to get a concession card of some sort?

Mr B.S. WYATT: That is right. If they are on that scheme, they have a concession card anyway.

Mr D.T. REDMAN: The individual?

Mr B.S. WYATT: Yes. I will answer it a bit now, on the proviso that I might need to add more information when the Department of Finance appears, because it is doing the detailed work on it. The vast majority of the amount will go to Synergy and Horizon customers. That is not too difficult. However, some people will need to apply, and we are working that up now because we do not have visibility into their billing arrangements, so they will need to apply to the Department of Finance to get those payments. Hopefully, we will have that online very shortly. Instead of rolling out in November, it might be rolled out for them in December.

Mr D.T. REDMAN: In a strata complex with 200 units, I assume that some of those owners or owner–occupiers will be concession card holders who will get a concession and that will be the pathway for them to get the $600. I assume also that the owners or owner–occupiers in a strata complex who do not have a concession card will simply not get the $600.

Mr B.S. WYATT: The intention is that they will, but we are working on a way to make sure that they can.

Mr D.T. REDMAN: Is the intention that they will all get it?

Mr B.S. WYATT: Yes. Again, I am sorry, but when the director general of Finance is here, she might be able to provide more substance to my answer. I am worried that I have not provided enough information to the member.

Mr D.T. REDMAN: This is not a question of self-interest, but a whole lot of people are off the grid and supply their own energy.

Mr B.S. WYATT: If I can exclude the member, I will, whether he is on or off the grid!

Mr D.T. REDMAN: I know that the Treasurer is doing his damnedest!

That includes pastoralists on pastoral stations, for example.

Mr B.S. WYATT: I will have to take that on notice, I am sorry, or ask me again when Finance is here.

Mr D.C. NALDER: I was going to leave this question until the Insurance Commission of Western Australia appears, but it is probably a Treasury question anyway. I refer to the heading "Details of Administered Transactions" on page 166 of budget paper No 2. The 2020–21 budget estimate is $490 million and in the previous year it was $207 million. Obviously, it was a lot less the year before. I assume that is to do with the Bell Resources case, but it looks like not all of that amount will pass through in 2020–21 and certain parts have passed through in the previous year. I wonder how that could have occurred given that the funds did not arrive until August this year.

Mr B.S. WYATT: Yes, it is Bell related. The Insurance Commission of Western Australia will be appearing. Can the member ask me the question again then and I will put it to the CEO? He will be able to provide a better answer than I can.

Dr M.D. NAHAN: I want an update on the sale of TAB. The budget says that negotiations were put off until 2021. The sale of TAB was tied to the redevelopment of King Edward Memorial Hospital for Women. Is there any update on the expectation of the sale price? Also, if the TAB sale does not go ahead, given the uncertainty of the gaming market, does that mean the government's commitment to King Edward is off also?

Mr B.S. WYATT: No. That commitment around the sale of the TAB was when we expected the transaction would take place. That has been deferred to next year, but our plans for King Edward are no longer linked to the sale of the TAB.

Dr M.D. NAHAN: If the government has delinked it, does that mean the government is still committed to King Edward?

Mr B.S. WYATT: Yes, we are still committed to King Edward. To be honest, I would like to conduct the TAB transaction as well because I think it is in the benefit of TAB to do that, but, unsurprisingly, with the volatility of the share market at the time—although the share market since then has done surprisingly well—there was no appetite among the likely buyers to continue with the sale at the time, and hence that was deferred.

Dr M.D. NAHAN: If the government is still committed to King Edward, where is it in the budget?

Mr B.S. WYATT: We are working on that. I heard only bits of what the Minister for Health said today, but we have planning money for working on that in the budget and, ultimately, an announcement will be made in due course. The planning around it is progressing.

Mr D.C. NALDER: Getting back to the economic challenges in the forecast modelling, we talked earlier about the impact of dwelling investments on state final demand. I want to focus on dwelling investments as a discrete discussion. Obviously, we have seen a spike in growth of 13.25 per cent in 2021–22, but then it falls off a cliff with a 17 per cent decline in 2022–23. We raised that matter during some banter in the chamber earlier this week. Is that purely because of the stimulus coming off and the fact that we have seen a lack of population growth? What is driving the 17 per cent decline in 2022–23?

Mr B.S. WYATT: Clearly, the stimulus is having a big impact on that; hence the change in 2021–22 from 0.75 per cent to 13.25 per cent. The decision to extend the construction date by six months through to the end of next year will have an impact in 2022–23. I am not entirely certain what year, but I will ask Mr Barnes to comment.

Mr M. Barnes: I confirm that that pattern is almost entirely due to the timing of the stimulus impact.

Mr B.S. WYATT: Hence our decision. I will get an update from Treasury about what that decision is. To add to that, because this might help the debate—I have already talked about the pipeline—the significant increase in indicators for future activity is expected to translate to around 18 500 dwelling commencements in 2020–21, which is similar to the commencement levels in 2017–18. This is expected to be followed by a pronounced lift in new and used dwelling investment in 2021–22, reflecting the lag between the sale of land and the eventual construction expenditure. We have pushed that out a bit with the decision announced on Monday. Following the cessation of the grants on 31 December 2020, the number of land sales is anticipated to contract over the 2021 calendar year, reflecting that pull forward and concentration of demand into the second half of 2020.

Again, that is being pushed out a bit. The fall is now likely to be less than that 17 per cent contraction. I suspect it will not offset the entire fall. It will certainly have an impact, but it will not be so sharp.

[4.50 pm]

Mr D.C. NALDER: I am concerned that the decline is greater than the actual benefit derived from the stimulus. Let us assume it is a similar level. Is that just arguing that all this stimulus has done is to bring forward future demand rather than help kickstart the economy to get things going again?

Mr B.S. WYATT: Yes, it would create extra activity. The 38 per cent increase in first home buyer activity has obviously created some extra activity. Two things have happened—a bring forward and some new activity. The population growth projections highlight the fact that it is a bring forward and hence expected to climb. I think I have said in question time a few times that the Governor of the Reserve Bank comes to the Treasury meetings. He is pretty prominent in the media these days in talking about keeping people connected to work. When we were going into the restrictions, both the Housing Industry Association and, I think, the Master Builders Association were forecasting this cliff, if you like, to occur in May this year or even September; it might have been a bit later. We have a very short pipeline in WA compared with other states. Other states have longer pipelines. That was about bringing that forward and, hopefully, the population numbers will be back to a more normalised period by then. I do not disagree with the points that the member for Bateman and the member for Riverton made; there is no doubt that there has been a large bring forward. It was stronger and bigger than I thought. There has been new activity with first home buyers, but the member is quite correct: we need the population to come back to a more normalised level.

Mr D.C. NALDER: The problem in our domestic housing and construction sector will return in 2022–23, which largely suggests that either we will have a problem or further action will be required to at least support it until we get population growth.

Mr B.S. WYATT: Yes. The Under Treasurer might be able to add to that. Vacancy rates might drive some extra activity as well. Even today, it was reported that vacancy rates are now under one per cent. That might produce a response, bearing in mind the lag time for it to build might bring forward some more activity to fill that hole in 2022–23. Does the Under Treasurer want to add to that at all?

Mr M. Barnes: One point we probably have not discussed is the key issue that the industry has expressed to us, which is their pipeline of work—signing people up. When they do the work and spend the money, which is what matters in terms of our forecasts, it is almost a secondary consideration for the industry. They obviously want to sign people up and build up their pipeline of future work. That is what this grant has done, in conjunction with the commonwealth grant. With the forecast strong increase in dwelling investment in 2021–22, the hope is that we will be able to sustain an elevated pipeline for some time. Even though we expect the actual expenditure on constructing houses will decline in 2022–23, it is hoped that the activity happening now will sustain a pipeline into the future, even if not at current levels. They will still have customers on their books even though we expect the expenditure on those houses to fall in 2022–23.

Mr D.C. NALDER: I understand that. I know the building and construction concession had to be extended because I heard those noises in the economy over the previous couple of months. A lot were struggling. There has also been a financing issue. The banks have not been prepared to finance them. There are some challenges there. The decline in dwelling investment will flow through to a reduction in activity at some point. It may be deferred a bit, but there will still be a decline in activity at some point; maybe it will be the following year. Dwelling investment might not correlate directly with the activity, but it is still a decline in activity at some point. The government cannot turn around and claim the growth one minute and ignore the decline the next. A 17 per cent decline following 13 per cent growth, off a higher base, is a bigger decline than the size of the growth.

Mr B.S. WYATT: All things being equal now. Bear in mind that is 2022–23 and the midyear review will update that. The decision to extend the period to commence construction will have an impact on that. Again, it is about keeping people connected to work in the fallout of these restrictions. That is really the big effort around 2020–21 in particular. The commonwealth budget was very much focused on 2020–21 and a lot of its spend in 2021–22 is on infrastructure. By the time we get there, hopefully other factors will have been at play.

Mr D.C. NALDER: My point is that it is a red flag in the future. I want an acknowledgement that there is a red flag here that there may be a potential problem in a certain sector of our domestic economy.

Mr B.S. WYATT: We are all in agreement on that.

Mr D.T. REDMAN: I refer to the key budget aggregates on page 3 of the *Economic and Fiscal Outlook*. I note that there is expense growth of eight per cent in the 2020–21 budget estimate. I suspect there is a chunk of stimulus sitting in that. The COVID response is having a positive impact on expense growth. In 2021–22, we have a pretty significant retraction in that, of 5.1 per cent. This is in the general government sector. I was involved with the Health budget earlier this morning and I did not see any significant drop in the health budget in that particular year. In fact, it is still going up —

Mr B.S. WYATT: Can you point it out to me?

Mr D.T. REDMAN: It is still going up pretty solidly, and that includes the mental health sector, which is also a part of that. I wonder whether the Treasurer could give me a bit of an understanding about this. I know that some of the COVID response concessions, in the form of payroll tax concessions, would be booked as revenue forgone, as distinct from an actual cost in the 2020–21 budget that will come off. The net operating balance is wafer thin. Who is going to get hurt in that drop of 5.1 per cent from the expense side of the ledger?

Mr B.S. WYATT: To a certain extent, the member has partially answered his own question. A lot of one-off spends are driving that. The member is quite correct: we do not expect to see a broad reduction in the spend of government agencies. That is certainly not what will happen. I will give the member an idea of how much the eight per cent is driven by the recovery efforts, which, hence, will drive the negative 5.1 per cent in 2021–22. The headline rate for expense growth is eight per cent in 2020–21, with expenses rising to $32.935 million. These headline figures include the government's response to the COVID pandemic. Excluding the impact of the WA recovery plan and the one-off $600 household electricity credit, expense growth is projected to be about 3.3 per cent.

Mr D.T. REDMAN: That is for 2020–21?

Mr B.S. WYATT: Yes. Take out that recovery and that is what is driving that negative five per cent.

Dr M.D. NAHAN: I would like to get the Treasurer's view on the economic forecasts, which are on page 11 of budget paper No 3. The largest increase promoting growth is in government investment.

Mr B.S. WYATT: Yes.

Dr M.D. NAHAN: My perception is that a large share of the government's investment is from the commonwealth; a lot of it is in construction, particularly rail. It is very narrowly focused on construction activity. It is clear to me from this, and from listening to the media, that there is a significant imbalance in our labour market between the unemployed and the demand for labour. There is a mismatching problem; there are all sorts of problems with it. It has been distorted by JobSeeker and JobKeeper to some extent, but also, historically, when we get an increase in investment of this magnitude—we had it 10 years ago—we import people from interstate, Kiwiland, and, of course, overseas more generally. That will not be the case now. Is the Treasurer concerned, first, that those projects will be able to get the labour that is needed and, second, keep to the budget? We are in a strange position in that the more we spend, the better off we are, because it is all stimulus, and therefore we have higher wages and more costs, which might be good in one sense but it does nothing additional. This is a major weakness in that we are seeing significant shortages of labour already in the construction sector when a large amount of the activity has not yet started.

[5.00 pm]

Mr B.S. WYATT: That is a great question. The member has flagged something that will be an issue globally for the next couple of years. By the time we get to the end of this year when all the state budgets are complete, everyone will be doing the same thing. Even assuming that tomorrow we could travel around Australia restriction-free, as we used to, everyone will be competing for labour. The member is quite correct. That is a risk to the spend profile, particularly for 2021–22, if we are not able to move not just around Australia but also, to be honest, internationally. I think that we can compete for international labour because Australia is a good place to live et cetera, but the member is right; that is a large increase in government investment, and one of the risks will be delivery. There is no doubt about that. Finance will come in at some point, having been given some resources for its infrastructure delivery unit, to try and ensure that we can sequence this better than perhaps historically we have done, particularly in an environment in the next couple of years in which all the states will be heavily into infrastructure. The point the member makes has been well made. Under Treasurer, do you want to add to that for the member's benefit?

Mr M. Barnes: The only other thing is that when we were advising government on the recovery plan, we were very mindful of the issue that the member raised. In terms of the infrastructure component of the recovery plan, which, from memory, is almost half of the $5.5 billion, our advice to government, which it accepted and is reflected in the recovery, was to do a lot of small projects across the state—small, low risk, not complex projects, but refurbs and maintenance projects—precisely because we need the local workforce to do it, not internationally imported skilled labour. On the recovery side, I think that mitigates the risk to an extent. On the big rail projects, and given that other states are in that space as well, that is a valid risk.

Dr M.D. NAHAN: Prior to COVID-19, the government strategy hinged on, as I interpreted it, three things: the expansion of Browse and Scarborough and the associated major investments; international importation of people, students and tourists; and, more broadly, diversification of the manufacturing base. We can forget the last one. Oil and gas is off for a while. International students and tourists are off for a period, and our universities are struggling badly, as they are across the nation and probably the world. What will replace that growth going forward, because that was the government's major policy for growth?

Mr B.S. WYATT: Conversations with some universities suggest that the 2021 intake is—I am not saying awesome—reasonably comfortable with the domestic market, but going forward there will be an issue if there is still an inability to travel into 2022. Perhaps it is fortunate, I do not know, but we have been less reliant on international students than have other states such as Victoria. Clearly, the universities will be feeling that pressure if they cannot replace those international students with domestic students—there is no doubt about that. Again, I am not saying that it has been replaced by domestic but there has been a lot of domestic uptake of university spaces for 2021. This is it. All budgets on the planet are now, I suspect, managing a lot of assumptions around 2021, but what 2022 will look like might be starkly different from what we are assuming here now. There is so much uncertainty. It is interesting—the member for Riverton might have a view on this—that when we look at our assumptions around the consumer price index, global interest rates and inflation, pretty much every country on the planet will be doing exactly what we are doing for the next few years. Who knows what this will look like in a couple of years from now.

The appropriation was recommended.