Division 39: Finance (Except Service 12—Energy Policy and Programs), $612 721 000 —

Mr M.W. Sutherland, Chairman.

Mr C.C. Porter, Treasurer.

Ms A. Nolan, Director General.

Ms J. McGrath, Acting Executive Director, Building Management and Works.

Mrs S.J. Black, Executive Director, Shared Services.

Mr R.L. Alderton, Executive Director, Government Procurements.

Mr W.R. Sullivan, Commissioner of State Revenue.

Mr R. Picardo, Acting Director, Finance and Business Services and Acting Chief Financial Officer.

[Witnesses introduced.]

The CHAIRMAN: The first question will be from the member for West Swan.

Ms R. SAFFIOTI: I refer to page 451 of the *Budget Statements*, "Works in Progress", and government office accommodation. In relation to the cabinet offices, what has been the additional cost of moving the distance learning education group to Beechboro and then Padbury, as I understand it? What does the $31.3 million in 2012–13 entail, and what transfer of staff from the CBD to regional or suburban centres does that include?

Mr C.C. PORTER: I will hand over to the deputy director for those answers.

Ms J. McGrath: In relation to the first question, which was —

Ms R. SAFFIOTI: In relation to Hale House.

Ms J. McGrath: Yes, and the movement of staff. We do not have the details here on the additional costs. The staff will be relocated to Padbury school; that is now being used partly as office accommodation. We could get that information for the member.

Mr C.C. PORTER: That is the cost for the relocation of staff from Hale House.

Mr B.S. WYATT: To Beechboro and then to Padbury.

[*Supplementary Information No B26.*]

Ms R. SAFFIOTI: There is a second part to the question. In relation to the $31.3 million in 2012-13, what amount is included for the relocation to regional and suburban centres?

Ms J. McGrath: The $31.3 million is the balance of moneys for phase 1 of office accommodation, which resulted in about 5 000 staff moving around within the CBD and out to the Optima Centre at Osborne Park. Approximately 900 staff moved out there from within the CBD, and some from East Perth. What was the additional question?

Ms R. SAFFIOTI: And the regional component?

Ms J. McGrath: There was no money that relates to regional areas. The $31 million that is left is for staff transfers within the metropolitan area. That is the end of that program.

Ms R. SAFFIOTI: In relation to the same line item—$11.9 million in 2013-14, $15 million in 2014–15 and $20.4 million in 2015-16—what particular projects will that money be funding? I am happy for the Treasurer to provide that information by way of supplementary information if it is easier.

Mr C.C. PORTER: I am happy for the executive director to answer that directly if she can and, if not, by way of supplementary information.

Ms J. McGrath: Of that line item, $8.9 million will be spent in 2012–13 and 2013–14 to finish the facade of Dumas House. The balance of $43.4 million is for the old Treasury building fit-out of office accommodation, which technically shows on that line but was not part of phase 1.

Ms R. SAFFIOTI: When is the fit-out of the old Treasury building likely to commence?

Ms J. McGrath: Work on the development starts in July. The fit-out would start a couple of years into that and be ready by mid-2016.

[5.20 pm]

Mr C.C. PORTER: My experience on similar projects is that once the office tower starts to take shape, 18 months to two years into that process—so the back third—is when the fit-out occurs into the shell.

Mr B.S. WYATT: Under "Details of Controlled Grants and Subsidies" on page 454, there is an amount of $52 million for the old Treasury building and St George's Cathedral heritage precinct redevelopment. The footnote indicates that that relates to the heritage component of the old Treasury building. Can the Treasurer provide more detail about what that $52 million is for?

Mr C.C. PORTER: I may stand corrected, but the heritage component of OTB is literally the old Treasury buildings in front that will become the hotel development. There is a direct application of government moneys to have that initial work done to heritage standard on the physical building. Is that about the sum of it, Ms McGrath?

Ms J. McGrath: Sort of, yes. The figure of $52 million reflects the state's contribution to the whole old Treasury building and St George's Cathedral heritage precinct. As approved by cabinet, the state was not required to put any capital funding up-front. Instead, the state's contribution to the development comes in the form of a premium component on the rental, or the office leases, over the period of the OTB and the heritage site. The premium components are over and above the commercial CBD rental rates, so in effect represent the amortised cost of the state's contribution towards the upgrade and activation of that site.

Mr C.C. PORTER: Over the 25-year lease, we will pay a premium that is equivalent to $52 million in leasing costs for the two sites.

Mr B.S. WYATT: Is that $52 million seen as a grant?

Mr C.C. PORTER: Yes, that is right. That allows for the heritage work on the old building, and also allows for the extra construction cost on the office tower to make it into a court rather than just a normal block-and-stack office tower. We pay for the extra money it costs to renovate the heritage building and for the costs to build a court rather than a simple office tower now, in terms of amortised increases on the lease over that 25-year period.

Mr W.J. JOHNSTON: How does the Treasurer calculate the underlying rental for the CBD office space?

Mr C.C. PORTER: There is a base calculation as to the per-square-metre commercial cost of office space. When we go to Mirvac and say, "We want a building that looks like this; that has extra high ceilings and extra lifts to get judges to and from", it says, "If we were going to charge a commercial tenant for that, this would be how much it is—X above the commercial rate." That is amortised over 25 years into an up-front payment of $52 million. Ms McGrath, what is the commercial rate per square metre comparative?

Ms J. McGrath: When we move into that building, we will be charged $715 a square metre, and then $180 per square metre on top of that. In total, that is $895 a square metre. The current equivalent cost of that accommodation right now in the CBD is $900 a square metre. By 2014, that will represent a very good rate.

Mr W.J. JOHNSTON: Is that a gross rental or is it rent with outgoings paid on top of that?

Ms J. McGrath: That excludes outgoings.

Mr E.S. RIPPER: How does this accounting treatment affect state debt?

Mr C.C. PORTER: It impacts on state debt immediately—and unfortunately. One of the troubles with public–private partnerships of the type involving the District Court building and what will be the new Supreme Court building at OTB is that the amortised cost of the lease appears immediately even though it is physically spread out over 25 years. There are advantages in the construction and decreased cost thereby on a PPP, but the advantages do not occur, unfortunately, in terms of net debt—one wears the impact straightaway. That is the same with leases for equipment if the lease is on a PPP basis —

Mr E.S. RIPPER: When it is a finance lease.

Mr C.C. PORTER: Indeed. It is one of the unfortunate things about PPPs, and it is pursuant to international and national accounting standards.

Dr M.D. NAHAN: I refer to "Public Utilities Office" on page 442, specifically —

> In April 2012, the Public Utilities Office was established to provide the State Government with advice on energy policy.

Can the Treasurer describe how that relates to the Office of Energy and other advisory bodies related to energy and also whether it is planned to go into other utilities—water or otherwise?

Mr C.C. PORTER: Ms Nolan can offer any additional comment if she pleases, but the question is about how the Public Utilities Office relates to the Office of Energy. The Office of Energy was disbanded. Some of its personnel will go into the Public Utilities Office inside Finance. A view emerged—certainly I held the view—that we were not getting value for taxpayers' money out of the Office of Energy. We considered it better to have a division inside the Department of Finance operating with line managerial responsibility to a director general. The Office of Energy is no more. The replacement body is a division of the Public Utilities Office under the line management of Ms Nolan. I think that is a fair description. We did not think we were getting value for money out of the Office of Energy.

Ms R. SAFFIOTI: In relation to the Public Utilities Office, the historical reports of the Office of Energy do not seem to be accessible now under the Public Utilities Office website. I do not know whether I am missing something. Whenever I try to look for history on energy matters, it is very difficult to find.

Mr C.C. PORTER: I did not realise that. It may be that because the office was disbanded, so was its website. If that is the case, I am sure Ms Nolan can remedy it.

Ms A. Nolan: If that is an issue, it is a mistake or a problem. We tried to ensure that all information pertaining to the Office of Energy was fully available through our website. Our website is somewhat old, so I will go back and re-check to make sure that that information is available. There was certainly no intention to be less than transparent.

Ms R. SAFFIOTI: It seemed a bit odd. That was just a follow-up.

I refer to the "Solar Schools Program" listed on page 454 of the *Budget Statements*. The line item shows an estimated actual of $1.55 million in 2011–12. I assume there was no historical analysis because the office is new. I understand that this program is now shut to schools. How many schools have applications for the program but will not be serviced?

Mr C.C. PORTER: That program is over. I do not know the answer to the second part; Ms Nolan may.

Ms A. Nolan: Notwithstanding that is probably under tomorrow's estimates conversation, so I do not have all the detail here, the member is correct in that the solar schools program has ceased to exist. To date, 49 schools have been approved to enter into contracts. Those contracts will be fully honoured. I understand that about 90 schools have registered but have not received approval to enter into contracts; therefore, their opportunity to do that has ended.

Ms R. SAFFIOTI: By way of supplementary information, can we get a list of those 90 schools that registered?

Mr C.C. PORTER: Yes, I think is the answer to that question. If the member wants to ask that as a supplementary question, we can get that list.

[*Supplementary Information No B27.*]

Mr E.S. RIPPER: I refer the Treasurer to "State Fleet Service" on page 444 of the *Budget Statements.* Has the government maintained the policy of operating the light vehicle fleet on a carbon-neutral basis?

Mr C.C. PORTER: Mr Alderton may have an answer to that question.

Mr R.L. Alderton: I understand, yes, that that contractual arrangement is still in place to operate on a carbon-neutral basis.

Mr E.S. RIPPER: Has the government maintained the policy of requiring most public servants to have four-cylinder vehicles rather than six?

Mr C.C. PORTER: I think I can safely answer that—yes. In fact, as part of savings after the audit committee's recommendations, quite a number of changes have been made to vehicle fleet and vehicle fleet procurement. There are more four-cylinder vehicles than previously was the case, for savings measures as well as carbon issues. The lengths of lease have been extended on most vehicles as well. It is also now government policy to not automatically repair vehicles every time there is minor damage to the vehicle. There have been considerable savings by being a little more austere with respect to the vehicle fleet.

[5.30 pm]

Mr E.S. RIPPER: As a follow-up question: what price per tonne of carbon abated is the government currently paying for its carbon neutral policy?

Mr R.L. Alderton: I will have to supply the answer as supplementary information.

[*Supplementary Information No B28.*]

Mr E.S. RIPPER: I am mainly interested in whether it is above or below $23 a tonne!

Mr C.C. PORTER: It is a good question! We will find out.

Mr B.S. WYATT: I refer to the "Schedule of Administered Expenses and Revenues" table on page 457 and the "Public Swimming Pools — Operating Cost Subsidy" line under the "Expenses" heading. There is an amount of $330 000 for 2012–13 and each year across the forward estimates. Which pools are being subsidised?

Mr C.C. PORTER: Those are not schools; they are apparently local government swimming pools.

Mr B.S. WYATT: Which pools are subsidised, and how does a particular local government authority qualify for that subsidy?

Mr W.R. Sullivan: This scheme is a long-running one; it provides a payment of $3 000 to local authorities who make application, where they are able to demonstrate that they made an operating loss in relation to the operation of their public swimming pool.

Mr B.S. WYATT: So any local government that runs a pool—I would imagine that every single pool being run by local government is making a loss—would just need to apply; are there no requirements to get that $3 000?

Mr C.C. PORTER: My general understanding—I could be wrong—is that the institution of the policy came about at the time that pools were established through local government authorities in regional areas, and those were the pools that were more likely to be running at a loss. The member may be right; they may all run at a loss, but I think that many of the subsidies go out to regional areas.

Mr W.R. Sullivan: They are available to all local authorities, regardless of location. Certainly historically, the ability to turn an operating profit was very much constrained in regional areas due to the lower population densities, but it is open to all local authorities to make applications. To qualify, they need to demonstrate, through provision of financials, that they made an operating loss.

Mr C.C. PORTER: What the member may take from that is that, knowing local government, if they were all operating at a loss, they would all have applied, so there must be some local government swimming pools operating at a profit.

Mr B.S. WYATT: Unless I am getting something horribly wrong here, it is $330 000 at $3 000 a throw; am I missing something? Is there an expense that is not going purely to swimming pools, or are 110 pools being subsidised?

Mr C.C. PORTER: I will ask the executive director to answer again, but I would imagine that those pools that operate at a loss probably operate at a pretty significant loss.

Mr E.S. RIPPER: The $3 000 has not been increased for about 20 years.

Mr W.R. Sullivan: That is correct.

Ms R. SAFFIOTI: I refer to the same table on page 457 and "Life Support Equipment Subsidy Scheme" under "Expenses". I have a bit of interest in this scheme. There are some increases over the forward estimates; is that at all reflective of a change in the amount or type of equipment that is going to be subsidised, or does it purely reflect an increase in the electricity price and/or the number of people who are applying?

Mr W.R. Sullivan: The growth reflects two things. One is an assumed growth in demand as a result of population growth; the second component is to be reflective of assumed increases in electricity tariffs.

Ms R. SAFFIOTI: I have a particular interest in this issue, specifically to a machine relating to sleep apnoea. I understand that a review was undertaken by the federal government of the types of equipment that could be subsidised, which resulted in an increase in the types of equipment that could be subsidised. As I recall it, the Minister for Energy said that a review was being undertaken into whether there would consequently be an increase in the types of equipment that could be subsidised.

Mr C.C. PORTER: If the member puts that question as supplementary information, we will get that information from the Minister for Energy. The supplementary information being sought is whether there has recently been or is currently underway a review as to the types of equipment that can be subsidised under the life support equipment subsidy scheme and, if so, what the results are of that review.

[*Supplementary Information No B29.*]

Mr W.J. JOHNSTON: I also refer to the table on page 457 and the line "Total Administered Income". Obviously most of this is taxation revenue. I note that the amount goes from about $6.8 billion for 2012–13 up to approximately $9 billion for 2015–16, from a base of $6.1 billion. That is a 45 per cent increase, which is much faster than the growth in either population or the economy. Does the Treasurer project an increasing share of the state's revenue being picked up in taxation?

Mr C.C. PORTER: The short answer to that question is transfer duty. At the time of the last budget and midyear review we had certain estimates for transfer duty, and there was a sharp increase in the estimates, so after the decrease in sale and purchase that occurred after the global financial crisis, there was an expectation that the market would improve. The arc of increase looks not quite exponential, but it is a significant increase. In this budget, we had to decrease from midyear review estimates downwards by about $800 million expected take, and that is effectively because the point in time at which it was anticipated that the market would start to produce increased stamp duty has now been pushed further back. The increase is about transfer duty, but that still represents a lower increase than we anticipated at the time of the midyear review.

Mr W.J. JOHNSTON: Land tax appears to be increasing quite significantly as well.

Mr C.C. PORTER: Both land tax and payroll tax are increasing within that increase.

Mr W.J. JOHNSTON: What I am getting at is that I can understand payroll tax increasing; people's wages go up and there are more employees.

Mr C.C. PORTER: Land tax will go up because, again, land values have been very flat, just as the housing market has been very flat in terms of the number of sales. It is anticipated that at some point in the not-too-distant-future, the turnover in sales will increase and the prices will increase, and that will affect at around the same time the price of land and therefore land tax.

Mr B.S. WYATT: I refer to page 439 and the second last line item under "Major Spending Changes", "Works Program Turnover". There is an amount of $192 280 000 for 2012–13. Can the Treasurer give us a bit more information in respect of what that is? It is a not insignificant amount of money.

Ms J. McGrath: The additional work in 2012–13 is additional maintenance work identified and funded by agencies, the continuation of the capital works program from 2011–12, and the commencement of new programs including the Department of Health's southern inland health initiative, which is a five-year, $325 million program that involves upgrades to six hospitals and 31 smaller health facilities, funded through royalties for regions. There are various Department of Health hospital projects, including Carnarvon, Esperance, Exmouth and Onslow, totalling about $90 million. There is also the Department of Education's three-year, $260 million program to transition year 7 students into high school. These are the things that have been identified since the previous budget.

Mr B.S. WYATT: How much of that $192 million in 2012–13 is for the transition of year 7s?

[5.40 pm]

Mr C.C. PORTER: If the member wishes, by way of supplementary information we can get the breakdown of that $192 million, unless we have it to hand. However, in the amount of expenditure, the $340 million on the transition for year 7s, there is a capital and recurrent component to that, and there are recurrent components to training. The capital components are not all spent in 2012–13. I do not know whether our executive director has the answer to that question. If not, we can provide a breakdown of that $192 million by way of supplementary information.

Mr B.S. WYATT: That would be good, if the Treasurer could do that. The $192 million for 2012–13—there is none across the forward estimates—would just be money coming in for the year 7 transition.

Mr C.C. PORTER: I think the description that the member had is that there is also expenditure for the Southern Inland Health Initiative.

Mr B.S. WYATT: Sorry, the total amount—that $350 million.

Ms J. McGrath: Yes, there is $260 million for that year 7 program, but it is over a three-year period, so a portion of that $260 million will be in 2012–13. I just do not have it with me.

Mr B.S. WYATT: Is that a portion of that $192 million?

Ms J. McGrath: Yes.

Mr B.S. WYATT: The supplementary information will resolve that issue.

Mr C.C. PORTER: We will provide a breakdown of the individual items of expenditure pursuant to the $192.280 million indicated for works program turnover in 2012–13.

[*Supplementary Information No B30.*]

Ms R. SAFFIOTI: My question relates to page 439, "Major Spending Changes", the same table referred to by the member for Victoria Park. I refer to the hardship efficiency program, the abolition of which is to help fund the new cost-of-living assistance payment. In relation to the numbers in both the budget year and forward estimates, can the Treasurer provide what number of homes would be impacted by people visiting to help them become more energy efficient? Also, how many people does that reflect? In other words, how many people will no longer be employed or paid?

Mr C.C. PORTER: I would need to provide that by way of supplementary information. Perhaps if I could offer this: the program was in operation for two years. We can give the member a breakdown of the people who were visited; how many people were employed in the scheme; what the outcome was for all the people who were visited. Information is available, which is relatively detailed, about the number of households that were reached and what happened to each household, inclusive of how much of the annual budget for each year was spent and what amount of it went on wages. We can get that information for the member, as I have described.

[*Supplementary Information No B31.*]

Mrs L.M. HARVEY: I am just looking at the figures on page 457 under "Pensioner concessions — local government and water rates". Is it possible to get a breakdown of which proportion of that amount for the estimated actual comes from water rates and which proportion comes from local government rates? Is it possible to get that per local government authority as well?

Mr C.C. PORTER: I think it is possible, and I do not think we need to get it from the local government authority. What we effectively do is direct the money either to the Water Corporation or to the local government authority, which is then attributed as a rebate for the relevant pensioner on their water bill or on their local government rates. We will get that by way of supplementary information. We will provide a breakdown between the amount of expenditure in the budget and out years—the amount that goes firstly to local government pensioner concessions and, secondly, to local government water rates for pensioner concessions.

[*Supplementary Information No B32.*]

Mr E.S. RIPPER: Can I ask whether the Commissioner of State Revenue has an ongoing tax avoidance program and which practices or which industry sectors he will be targeting next financial year as part of this program?

Mr C.C. PORTER: I do not think that falls into the category of operational information. I am sure that he would be happy to volunteer it. He may also want to indicate that there has recently been an increase in the FTE level in that area, because there was a view that revenue collections could be improved with a greater level of scrutiny.

Mr E.S. RIPPER: That is an annual view, Treasurer.

Mr C.C. PORTER: Indeed; it is one of the few areas in which FTE increases are met with a smiling face from EERC, but I will let the commissioner describe that.

Mr W.R. Sullivan: We have had ongoing programs in a range of areas across all of our tax product lines and also our concession lines. It has been supported through additional resourcing, in both investigation resources and also funding of a capital nature to help us improve the operation of our systems. The focus shifts from year to year, but there has been some quite extensive focus in the area of payroll tax as well as in the duties area. We have identified a range of risks that we monitor on an ongoing basis. We work very closely with all revenue authorities around Australia and with the Australian Taxation Office through sharing of information and risks that have been identified under our Taxation Administration Act 2003 and the reciprocal powers arrangements that sit underneath those. In particular, we continue to have a focus in the area of first homeowner grants. As the member would probably be aware from past experience, we check 100 per cent of all grant applications up front. In terms of back-end compliance in meeting occupancy requirements and residency requirements, we continue to check 100 per cent of those. Yes, we are very active. As the Treasurer has pointed out, we have recently had a boost in resourcing to ensure that we can maintain adequate coverage across the various tax and grant bases that we are responsible to administer.

Mr E.S. RIPPER: Purely to assist in encouraging compliance, perhaps the Treasurer could indicate which industry sectors or practices might be subject to particular scrutiny in the forthcoming financial year.

Mr C.C. PORTER: If that information is available, I am quite happy for it to be provided.

Mr W.R. Sullivan: As a matter of course, we are very keen to encourage voluntary compliance. We will be putting on our website our compliance program and areas of focus for the forthcoming year to ensure that the practitioner community and the taxpaying community are very aware of what we will be looking at. That then gives them an opportunity to make sure that their own house is in order.

Mr C.C. PORTER: Commissioner, what will be going on the website?

Mr W.R. Sullivan: We are still finalising the detail for the 2012–13 program, but we could provide it through supplementary information, or the member could go to the website post 1 July. It is totally up to the member.

Mr C.C. PORTER: I am happy for the commissioner to answer if there are things that he thinks will go on the website. No harm is done if they do not go on the website.

Mr W.R. Sullivan: Certainly in the area of payroll tax, we will continue to monitor contract payments. Industries identify themselves generally where there is a prevalence of contractor engagement. Notably and historically, there is a focus on the building and construction area and also in mining and related services. We will continue to look at that quite closely. In the area of duties, without giving exhaustive details, certainly in the area of property developers, we are very keen to ensure on-sales are not occurring without the appropriate duty being paid. Again, we monitor those very closely, hand-in-hand with the commonwealth, given that there are generally large GST implications that may also flow in terms of property development. Ultimately, that is revenue that goes to the states and territories.

Mr E.S. RIPPER: Treasurer, can I just ask a follow-up question? The Treasurer has allocated additional FTEs for compliance activity. Does he have a revenue estimate for this next financial year? What does he expect to gain from this increased compliance?

Mr C.C. PORTER: I recall that there was a revenue estimate based on the increased compliance that might be achieved by virtue of the FTEs. I cannot recall off the top of my head what that estimate was, but I am happy for the commissioner to comment.

Mr W.R. Sullivan: In this year's budget and as a flow-on impact from recent resourcing decisions, in the 2010–11 budget we were given 15 additional compliance resources. The member may be aware, to bring a compliance officer on board—they have very extensive powers—requires quite a bit of training, because we are not prepared to let untrained people out into the community to exercise those sorts of powers. There is not an immediate revenue impact as a result of that. There will be a flow-on impact that will be coming through and will be first felt fully in 2012–13. I would have to check the number, but my understanding was that the figure was in the order of $14 million per annum.

In terms of the current resourcing that is included, the compliance resources will come onstream in 2013–14. However, as the member would be aware, there is not only involuntary compliance but also voluntary compliance. As part of the additional resourcing that we have been given for 2012–13 is funding for three additional customer education officers. Our estimate is that will yield a revenue benefit in voluntary compliance of an additional $5 million per annum effective from 2012–13.

[5.50 pm]

Mr E.S. RIPPER: If those two are added together, the government is looking at $19 million a year extra in the budget from compliance activity.

Mr C.C. PORTER: Essentially. If there is any variation to that, we will inform the member. The underlying point for government, certainly for me as Treasurer and also for the Minister for Finance, is that—the member would be very familiar with this—there is a very rapid increase in the transactional component of the economy in land sales, employment contracts and contracting. As a rough rule of thumb, putting on 15 extra compliance officers has the potential to bring in $15 million extra revenue with a lag effect. That is fairly good value for money when we consider the cost of a full-time equivalent position in compliance. When that was put to me as Treasurer, I considered that the taxpayer deserves to ensure that they are getting the appropriate amount of money out of this explosive amount of transactions that are occurring. It may be that we go back and reconsider whether further compliance expenditure is necessary into the future, depending on how the process flows.

Mr W.J. JOHNSTON: I have a further question on the same topic. Does the minister have an estimate for where the money will come from? Which industry sectors are being targeted?

Mr C.C. PORTER: I do not know whether the calculations are done in that way. I presume that we would look at total revenue, the revenue garnered historically by the additional growth in FTEs, and calculate the matter that way rather than on an industry-by-industry basis. I am not suggesting that we could ad infinitum add on FTE positions to revenue compliance. There would be diminishing marginal returns to our investment at some point if we did that. The advice we have received is that because of the very large increase in transactional revenue sources, extra compliance is definitely warranted at this point.

Mr B.S. WYATT: I refer to page 454 and the line item "State's Contribution to the Underground Power Project". The allocation increases from $4.81 million in 2011–12 to $9.820 million in 2012–13 and then decreases to $4.82 million in 2013–14. There has been some frustration in my electorate and in Lathlain in particular where there was some pushback from people who support undergrounding power, but the average cost has increased so dramatically that they are effectively paying more than houses that were required to pay a few years ago in respect of their impost, their third of the cost for that project. Is that $9.820 million designed to alleviate some of the cost for residents or is it because more parts of Perth are having their power undergrounded?

Mr C.C. PORTER: I will have Ms Nolan correct me if I am wrong, but those figures appear there and then no amount is allocated in 2014–15 or 2015–16. The figures that appear there reflect the continuation of the government policy as it has been. There will have to be a cabinet decision about further allocations in the final out years.

Mr B.S. WYATT: Why is there a significant increase from 2011–12 to 2012–13 and then it goes back down?

Ms A. Nolan: It is the commencement of round 5 of the underground power project. Consequently, the following year is a lower number. It is sort of a biannual process.

Mr B.S. WYATT: Does it not have an impact on the method by which individual residences are charged?

Ms A. Nolan: There is no change in the underlining policies for who it applies to or how those charges are derived.

Dr M.D. NAHAN: I refer to “Office of Shared Services” under “Significant Issues Impacting the Agency” on page 441 of the *Budget Statements*. A decision was made in 2011 to do away with the Office of Shared Services. Could the minister give an estimate of the total cost of that program? I read that all departments will phase out using the Office of Shared Services by December 2013, but is there any residual benefit from that?

Mr C.C. PORTER: I will have Ms Nolan give the member a response in a moment. Ms Nolan has been conducting the wind-down, if we like. The view that I took and the view generally taken by government was that we want to salvage as much of the existing system as we can, but a cost is associated with the wind-down. Savings were anticipated in the out years for agencies that never rolled into the OSS system. The costs associated with the wind-down and the disbandment are available in the budget. I will get Ms Nolan to detail those. In addition, Ms Nolan can talk about the aspects of the project that may survive and be used.

Ms A. Nolan: The total cost of decommissioning in this year’s forward estimates is $196 million. That includes the cost of the decommissioning office within the Department of Finance. It also includes the cost of re-establishing corporate services in agencies. It does not include the depreciation that is associated with the existing arrangements, which is another $141 million. If we include depreciation, the total cost is $337 million. In saying that, we need to remember that that will see the Office of Shared Services totally ceasing to operate by the end of 2013. As we re-establish corporate services in the agencies, although 59 agencies were rolled into shared services, effectively we will see around 20 to 25 service centres established across government. The larger agencies will certainly re-establish their own corporate services, but we are seeing cooperation among some of the smaller agencies to ensure that the cost is minimised. We are doing a very thorough review of each agency’s estimates of what it will cost to re-establish their corporate services and requiring them to undertake comprehensive business case analyses. In doing so, we are encouraging the agencies to work together.

We have also used the government procurement people within the Department of Finance to source those alternative systems as most cost-effectively as possible and we are establishing new common-user arrangements to do that. As a consequence, we will see benefits flow on to agencies that were not rolled into shared services, because they will also be able to access those new common-user agreements.

Mr E.S. RIPPER: On the same topic, I understand that the government’s decision to decommission the Office of Shared Services was based on an analysis of the long-term costs of continuing shared services versus the long-term cost of going back to corporate services in agencies. From memory, the difference in the two figures was about $180 million. I will not necessarily stand by that figure, but that was roughly the difference between the cost of continuing the Office of Shared Services and the cost of corporate services going back to agencies. I wonder whether the government, having made the decision to go back to agencies with corporate services, stands by the figure in the Economic Regulation Authority’s report on the long-term cost of delivering corporate services through agencies. Is there sufficient monitoring of agency corporate services expenses to give the government confidence that in the long term it has made the right decision?

Mr C.C. PORTER: Like the member, I cannot recall exactly what that first report had as the cost differential. If I recall correctly, that first report had indicative costings for two scenarios: one was a partial disbandment which in effect was the continuation of OSS as it was with the organisations that had rolled in, but a stopping of the roll-in and then a complete devolution and disbandment. There were two cost differentials. My recollection is that Ms Nolan’s committee of review looked at the less expensive of those two options and researched its own costings and came up with a slightly different figure. On both figures the option to fully disband was the economically viable option. I can get supplementary information for the member.

Mr E.S. RIPPER: I appreciate the analysis. What I am really driving at is, having made the decision on the basis of this cost differential, how is the government ensuring that the lower figure for the lowest-cost scenario is reached given that there will be information technology projects right across the public sector, each with the potential to blow-out?

Mr C.C. PORTER: I will have Ms Nolan respond, but from a departmental point of view, I have control of the Department of the Attorney General, which did not roll in and provided payroll services for other departments such as the Department of Corrective Services, and it had written into its budget the savings. They had to be taken into account in this process. We are running out of time. I will have Ms Nolan respond to the member.

Ms A. Nolan: Very quickly, the scope of the ERA report included rolled-in and non-rolled-in agencies. The scope of the work we did to look at just those agencies that need to roll out has been thoroughly reviewed. We have a global allocation in the Department of Finance's budget to achieve that.

The appropriation was recommended.

Meeting suspended from 6.00 to 7.00 pm