

PUBLIC ACCOUNTS COMMITTEE

Fourteenth Report — “Review of Selected Western Australian Infrastructure Projects”— Tabling

MR J.C. KOBELKE (Balcatta) [10.01 am]: I present for tabling the fourteenth report of the Public Accounts Committee, entitled “Review of Selected Western Australian Infrastructure Projects”.

[See papers 4327 and 4328.]

Mr J.C. KOBELKE: The Public Accounts Committee has the role of considering whether the objectives of public expenditure are being achieved or may be achieved more economically. Western Australia is a rapidly growing state, facing huge infrastructure demands to sustain that growth and meet the needs of a growing population. It will not be possible to fund all the good projects required, or desired, with the limited financial resources available to the state. Decision-making processes must be in place to ensure that each dollar spent on infrastructure projects delivers the required outcomes as efficiently as possible. If we fail to follow these principles, lower priority and less effective projects will be funded, while projects of greater benefit to the people of Western Australia will not proceed due to lack of funds. Over several years, state governments have developed a suite of policies and procedures for assessing such projects involving significant expenditure. This is entitled the strategic asset management framework—more commonly referred to as SAMF. The application of the SAMF, or at least adherence to SAMF principles, ensures that there is a clear understanding of what is to be achieved by the project, that the project will deliver the intended outcomes, and that it will deliver real value for money compared with alternative solutions.

The Public Accounts Committee completed a major report examining the planning and delivery of infrastructure projects in 2010, and has begun following up on a number of projects to assess the degree to which the SAMF is being applied, and the benefits being derived from it. This report presents, without findings or recommendations, our observations in relation to four major infrastructure projects in Western Australia—namely, Collgar Wind Farm, the Ord–East Kimberley expansion project, Perth City Link, and the Perth Waterfront redevelopment. Some of these projects have a clearer definition of what is to be achieved than others. It is possibly too early in these projects to have the necessary data to determine how well they are being delivered and meeting their intended outcomes. Of course, when the expected outcomes are poorly defined, it is difficult to have an unambiguous, objective assessment of the degree to which the required outcomes are being achieved. With three of these projects being driven by loosely defined social outcomes, it is near impossible to objectively assess whether the state is getting value for money. An assessment of the value of these projects will be a largely subjective judgement, based on the value an individual places on the outcomes.

I appreciate the contribution made by all members of the committee to the work that went into producing this report. As I indicated, we did not believe that it was appropriate at this stage to have recommendations or findings. A minority report is attached; I regret that although our drafts were available some weeks ago, there was difficulty getting members together to consider them, and therefore we were not able to actually nut out matters that might have been agreed. The two Liberal Party members thought it appropriate that they put their view in a minority report. I regret that that has been rushed, as anyone reading it will see. I am sure the members themselves would have liked more time to polish it up a bit. The committee is most thankful to its two principal research officers who worked on the report—namely, Dr Loraine Abernethie and Mr Mathew Bates—and our research officer, Mr Foreman Foto, for their commitment and professional support to the committee.

I would like to use the remaining time to give my personal views on these projects and what became evident to the committee as it looked into them, and I would like to start with Collgar Wind Farm. Because that is a project that the private sector is providing to a government trading enterprise, it does not have to comply with SAMF, but I think what we saw of how that project was developed and decisions made, it really was following through on the SAMF principles. That is, there was a clear need for Synergy to be able to buy green energy. It needs that renewable energy to meet commonwealth targets; if it does not meet those commonwealth targets, there are financial penalties. It knows that it has to have the required amount of renewable energy. It is also selling green power to its customers, and it needs renewable energy to meet its commitment there. It clearly has a target. It has a procurement process whereby it goes to the market and looks at who can provide that renewable power, and it assesses the value for money for the particular project. So, when a clear product such as electricity is being purchased and a procurement process is laid out, that fits very clearly with the SAMF principles of ensuring that there is value for money. Of course, it is a big project and Synergy is expecting to pay something like \$1.5 billion for energy from that wind farm over its 15-year life. There will always be risks, and it seems that a fair bit of the risk has transferred to the developers of the wind farm, which is certainly in the state’s interests.

There are also risks to the state. Should there be shifts in the market, Synergy really is locked into buying that renewable energy—as much as the wind can generate—for the 15-year life. It really is a take-or-pay-type

contract; I suppose we cannot do any better than that in that marketplace, so it is not a criticism, but it puts a liability on the state. When this first appeared in the budget papers, it was defined as a finance lease. The advice from accounting firms was that it could be seen as an operating lease, and the budget papers showed that \$500 million was taken out of what would have been net state debt. I accept that that was the correct treatment, but it certainly reduces the debt because of that redefinition of a \$1.5 billion commitment that has to be paid from a finance lease to an operating lease.

The next project I would like to comment on is the Ord–East Kimberley expansion project. The Kimberley in the north of Western Australia is a wonderful place. It has a small population, but those people are very creative, particularly in the Kununurra area and the people involved in agriculture there, and they have been very adaptive. They have had to make big moves in the market and in the costs of their production, and I certainly have great admiration for the way they have been able to survive and sometimes prosper in agriculture in the irrigation area of the Ord River. The expansion project consists of two separately funded elements—the \$220 million expansion of the Ord River irrigation area to include 7 700 hectares of new agricultural land in the Ord River valley; and a package of social infrastructure developments in the Kimberley totalling \$195 million. The state is responsible for the expansion of the irrigation area and the \$220 million; the commonwealth is funding the \$195 million of social infrastructure.

This project was not decided upon by using strategic asset management framework principles, but, as the Public Accounts Committee stated in an earlier report, there are times when governments need to make political decisions, and all governments should do so when they see a project that they believe in and/or have made a political commitment to. However, the committee very strongly indicated in its earlier report that when a government makes those decisions or is required to fast-track a decision because a project is very important and necessary, the follow-up should involve as much of the SAMF process as possible to ensure that the government gets value for money and does not waste money.

The Ord–East Kimberley expansion project was clearly a political decision, but when we looked to see how well it was defined and its economic analysis and business case, there was not a lot of evidence. We worked off the political statements made by both state and federal leaders about what this project would achieve, but there was no clear document that stated, “We’re going to spend \$220 million to achieve this particular end”; there is no such statement. Statements were made about the viability of agriculture in the Ord. We were aware from economic reports done some years ago—namely, towards the end of the previous government’s term—that if the existing Ord irrigation area was not expanded, it was likely to decline. The major contributor to that economy is the Argyle diamond mine, and there had been some uncertainty about what would happen with that. It has now made a major commitment to expand and go underground, which, obviously, is important for the economy of that region. However, the economic case for the expansion of agriculture is not well made. We need to define whether it is about agricultural production and the economic base that we are putting in or about the social outcomes we want. Members are very well aware of the huge Indigenous disadvantage in the East Kimberley. There are major social problems, and the \$195 million from the commonwealth is directed at housing and a whole range of projects that provide support for the community to address that social disadvantage. Real issues of social disadvantage that need to be addressed are the low educational outcomes, very much shorter life expectancy, high suicide rate and alcohol problems. The state’s \$220 million is also being sold as going to partly address that. With such ill-defined outcomes, it is difficult to measure what will be the real benefit of that \$220 million.

I will comment very briefly on agriculture. It is very complex and I am no expert, but the value of agricultural production in the Ord irrigation area has risen slightly in recent years. The most recent available figures—for 2010—indicated that the total value of irrigated farm activity in the region was \$122 million. This figure comprised estimates of \$31 million for agriculture and an imputed value of \$91 million for sandalwood. People are hopeful that sandalwood will have a very bright economic future. However, a very long period is required to produce any product that can be sold, so even though sandalwood has been trialled and grown in small amounts for some 20 years, there has been no harvest of sandalwood to date and therefore no economic return. Therefore, if we take the dollars that have flowed from direct produce, the most recent figures indicate that agriculture has produced \$31 million and we are spending \$220 million to expand that. Part of the problem, of course, is that the cost for agriculture in the Ord is quite high. Those costs go to the distance and the need to in some cases use large amounts of insecticides for pest control. Those sorts of costs have made it a real challenge for the farmers in that region. As I said earlier, I recognise the wonderful contribution those farmers have made and how adaptable and inventive they have been in developing new crops and getting their crops to market.

The Ord expansion is very important to create economies of scale because the benefit to the community will be enhanced considerably if there is some processing. If we mill the sugar, cotton, rice or whatever it is, it will create jobs in the local community that will assist in getting employment for Indigenous people. As we know, Indigenous people have not been and still are not interested in being farmers in their own right. They have land

that they will potentially lease to farmers, but there is no history of Indigenous people in the area wanting to be involved in agriculture. Therefore, the benefit to them will come from processing and value-adding industries from the primary production. To do that, we need economies of scale. From most of the figures we saw, when we take the 7 700 hectares of new agricultural land and add it to the land already there, it is doubtful whether we will get the hectares of plantings that will provide the economies of scale needed. Last year, 7 074 hectares were devoted to agriculture and 6 163 hectares were devoted to sandalwood. Every year a considerable amount of land is bought up for sandalwood. A more recent announcement made by the minister, since the work of the committee, indicates that other land going out to the Northern Territory border is being sold. If a developer who will take that land and put in the infrastructure came in, it would potentially solve that problem. The government is spending \$220 million to extend the major channel to a size that allows that further expansion and that is very good, but that \$220 million might end up producing land worth \$40 million or \$50 million because the current price of land indicates that there is not great demand for it. The land that will be opened up is not ready for agriculture; it is not serviced and it will need to be levelled. Therefore, whoever buys that land will also have to commit money to get it to a stage at which they can put it into production.

The issue is that the economics for the commitment of the money are not clear. What is clear is the huge social disadvantage in the area. I put to the house that what is flowing from the \$220 million is not a very great rate of return on how it will deal with Indigenous disadvantage. We saw no evidence of alternative projects being considered that would provide employment opportunities for local Indigenous people, so we cannot judge whether \$220 million would have produced better results if it had been spent creating jobs in other ways, such as land management, housing construction for Indigenous people, maintenance of existing housing or human services. There are a lot of aged Indigenous people, so we need aged care. If the government had put that \$220 million into training Indigenous people to do those jobs, that money would have achieved a substantial amount. But there has been no analysis, as SAMF would require, about whether extending irrigation is the best way to deliver the required services and opportunities to Indigenous people. State agencies and state-funded services in the area do not have clearly set aggressive targets for Indigenous employment. So if some of that \$220 million had gone to say, “Look, we’re going to have 10 per cent of government employees in the area in five years being Indigenous”, that would have delivered quite substantial and measurable outcomes, but the measurable outcomes from this \$220 million are not so clear.

The Perth Waterfront is another project that was a political decision. It is a decision that on both sides of the house we supported, but when we look to the way it is being implemented, I think there is some basis for concern. There is this vague objective of connecting the city to the river; there was no business plan put out, and there was not any sort of cost-benefit analysis for what is to be achieved. Therefore, the state will put in some considerable amount—I am running out of time—and there will be private sector involvement if it comes in, and there is certainly huge benefit coming out of that project. It is still very difficult to see what the objectives of the Perth Waterfront redevelopment are supposed to be and how they will be measured. The real problem I see is if it is not planned well—because there is commitment to say, “Yes, we need a project there”—and there is no engagement with the public. In a project as large and complex as this one, there is the opportunity to get it badly wrong. It is being managed by the Department of Planning, which does not have expertise in these projects, and management will be transferred to the East Perth Redevelopment Authority. But the department has started doing all the planning and engagement. If we suddenly find that there are huge traffic jams all through the city because there is too tight a restriction on traffic on the foreshore, it will have huge consequences for the effective functioning of the whole city. There has not been the openness and transparency to give people a real assurance that those things are being done.

The last one I want to look at is the Perth City Link project. Again it was a political decision. When the Premier wrote to the commonwealth in October 2008 asking for money, he said the total cost was to be \$263 million. That letter indicated that the sinking of the bus station was another project, but money for that was not asked for. The commitment was for \$263 million to sink just the railway. Now the cost is some \$740 million. Again, what are the outcomes? The connection to Northbridge is great, but the commonwealth, through Infrastructure Australia, said the business case was not adequate; it just did not stack up. What we have ended up with is \$740 million or \$750 million to sink 320 metres of suburban railway. That is well in excess of \$2 million a metre to sink that bit of railway. We would all like the city to be connected to Northbridge. We can see the social advantages, but this project is not a transport project. The transport benefits that flow from it are marginal. Therefore, we are spending \$750 million or more to connect to Northbridge without a clear indication of how we measure the outcomes.

MR C.J. TALLENTIRE (Gosnells) [10.21 am]: I am very pleased to speak to the report of the Public Accounts Committee, “Review of Selected Western Australian Infrastructure Projects”. The wise expenditure of public moneys is of course a very important matter. I would like to begin by examining the case for the expenditure of some \$220 million on the expansion of the Ord River irrigation area. The expansion project looked at

establishing an extra 7 700 hectares of irrigated land. That initially sounds like a worthy objective but, when I do the quick sums on that, it turns out that we are spending some \$28 000 a hectare to bring that land into production. That sum of \$28 000 a hectare is a very hefty amount to be spending on land. It raises the question: could the money have been better spent? What is the potential for a return to be made on that investment that the taxpayer is making? Indeed, could it have been possible for this project to be done through private investment? Clearly, the answer is no. Current rates of annual return from land in the area show that the best projections are around sandalwood production. That is a figure of \$1 000 to \$1 300 a hectare.

Food crops are something that many people hope will be produced in great abundance in the Ord River area. Unfortunately, history shows us, and we found in our report, that over the past two years food crop production has had a value of between \$30 million and \$40 million a year. There has not been the breakthrough in a major food crop production industry in the Ord area. I think that also raises lessons about the expenditure of \$220 million of public money.

As indicated in our report, we are prepared to accept that there are justifications, other than the establishment of an industry, for such a large expenditure of public money. One major one would be the betterment of the lives of Indigenous people in the East Kimberley. We know that life expectancy figures for Indigenous people in the East Kimberley are depressingly, tragically low. There are high suicide rates in the East Kimberley. In fact, they are the highest in Western Australia. The 2009 figure shows that some 20 people per 100 000 are taking their own lives each year. There are some tragically stark figures there. Unemployment is also very high. The general poverty rate is tragically high. Housing figures are very low. Perhaps from the expenditure of \$220 million, plus money from the commonwealth, we could have hoped for an improvement—a lifting of the vibrancy of the economy in the East Kimberley that could have had a knock-on effect of improving the job opportunities and prospects for people in the East Kimberley.

My main concern with that approach is that I do not know that we adequately consulted with the Indigenous people of the East Kimberley to see whether this is what they wanted to guide their futures. Did they really want to be involved in the sorts of projects that would come, whether in the construction phase of the irrigation channel, in the actual running of farms that could come into being on the 7 700 hectares or in the existing Ord area, or any of the other activities? I think the general feeling is that Indigenous people were not adequately consulted, and it is not clear whether this is how they would have preferred \$220 million of taxpayers' money to have been spent. They may well have come up with projects that would have had deeper benefits for them and ones that they would have been happier to engage in.

Getting back to the agronomic side of things, it has to be said that the Ord has a history of failed cropping. Often the excuse has been given that it has not been possible to establish the size of the cropping area. We have seen that even this year rice has failed because of a rice smut. We know that sugar mills have struggled because there have not been the production volumes to enable a sugar mill to be established. There are hopes for Bt cotton, but it needs to be borne in mind that the bacteria toxin that is fabricated by a Bt cotton plant kills only two bugs—the bollworm and the budworm, from memory. Many other bugs can attack cotton plants that are not touched by the Bt cotton. There are all sorts of vulnerabilities when it comes to cropping in the Kimberley. I think that is why we have seen this trend towards sandalwood production rather than food crop production. It remains to be seen who is going to buy this land when it comes on the market. I notice that in the last week there has been some change in the structure of the sale plans. There is an indication that people who buy in for this 7 700 hectares will have strong options on future stages—access to irrigation waters that go further to the east. That could well help drive the sale, because we might have been facing a situation in which there were no buyers for this land, certainly not at a reasonable rate. The public needs to know what price people will be paying. My fear is that people will be paying around \$5 000 a hectare for land that has cost the taxpayer \$28 000 a hectare to establish. There are clearly some questions to be asked about the expenditure of public money.

Just before moving on, I would like to acknowledge Peter Stubbs and his team from the Department of Regional Development and Lands, and Francis Bright from the Department of Agriculture and Food, who gave us some excellent advice. Their passion, interest and belief in the Ord area were really quite striking. I respect and admire them for that.

I would like to quickly touch on the Perth Waterfront project as well. That project will have major implications for our city. There is the potential for traffic jams if we get things wrong on Riverside Drive. There has already been debate in this chamber about the need to consider tunnels under Riverside Drive. It is quite striking that when we had a major event like the “Great Aussie Barbecue” during CHOGM, we chose to hold that event on a site that would no longer exist once the Perth Waterfront development has gone ahead. Some real questions need to be asked about the nature of the planning around that particular project. How thought-through has that project been?

The Perth City Link project was another project that we looked at. The report clearly states that the cost of the project has blown out from some \$230 million to \$740 million; that is a major cost blow-out. Of course, the project is about trying to get better linkages between the city and Northbridge. Although we are trying to maintain that river aspect to the city with the Perth Waterfront project, it feels as though we are trying to pull the city in all directions. There are also claims that there is value in the expenditure on public transport infrastructure within the confines of the Perth City Link project, but I think there are some real questions about how useful sinking a short stretch of rail line and the bus station will be in improving transport. In fact, that may in the future limit the ability to expand the bus services, the need for which will of course grow in coming years.

The report presents some very interesting information on major infrastructure projects. The projects symbolise the thinking of a government. The fact that these projects raise so many questions indicates that we have a government that is not thinking through in great detail the implications of major public expenditure.

MR J.M. FRANCIS (Jandakot) [10.30 am]: I will start by saying that I support most of what is in the majority report of the Public Accounts Committee. I will touch on this briefly before I get into the guts of the actual issues. I am getting a bit tired of going through reports written by opposition members of the Labor-dominated Public Accounts Committee. It leaves me no option but to yet again put in a small minority report. It is a pity that we give them an inch and they take a mile and use the Public Accounts Committee for political purposes to make innuendos and little hits against the government. At the end of the day, I understand that they are Labor members and they just cannot help themselves when they are in a trusted position of serving on a committee that really should be politically impartial. But that is life, and I cannot really stand and say that I would do it any differently if I were in opposition and in the same position.

Mr R.F. Johnson: Of course you would!

Mr J.M. FRANCIS: Of course I would. I would have a bit more integrity, minister.

Both the majority and minority reports were a bit rushed. I do not think that is the fault of the government members on the committee. Opposition members dominate the numbers on the Public Accounts Committees. It is their responsibility and their job to ensure that the direction and running of the committee are done in an appropriate manner. I would say that it is not the job of the government members on that committee to help the Labor Party table reports critical of our government. It is not my job to help those members do that. If the chairman of the committee cannot do that without my help, that is his problem; I am sorry.

We have a fairly good working relationship. But, under standing order 274(2), a reasonable opportunity for the presentation of a minority report will be given by the committee to any members who indicate a wish to do so. We did that on Friday. I am sure that I am not going into privileged information, because the agendas are released, but we got less than 24 hours' notice on Thursday evening of a Public Accounts Committee hearing to be held at two o'clock on Friday afternoon. That is just not cricket. The chairman did not know it at the time, but he knows now that I was away. I appreciate that he was accommodating. I spent three days with my volunteers at Nannup. It is no excuse, but the minority submission in this report was written in one day on a sitting day.

Mr W.J. Johnston: Welcome to the real world!

Mr J.M. FRANCIS: Mate, you are not even a member of this committee. Can I use my time without interruption, please? Do you have to be a rude little—all the time? You cannot help yourself, member for Cannington. Can I speak without interruption from a member who is not even on the committee?

Mr R.F. Johnson: Seek the protection of the Chair.

Mr J.M. FRANCIS: I seek the protection of the Chair.

The ACTING SPEAKER (Mr P.B. Watson): Member for Cannington!

Mr J.M. FRANCIS: I want to get on to the guts of the report.

The ACTING SPEAKER: I will protect the speaker, especially as we are dealing with a report by a committee, which is generally presented in sacred time.

Mr J.M. FRANCIS: Thank you, Mr Acting Speaker.

As I said, most of the guts of this majority report are very useful and very helpful.

There is a lot of criticism of travel by committees. I know that a lot of committees, especially those in the other place, spend a lot of time travelling around the world doing some inquiries that we have to question whether people get value for money out of. Value for money for taxpayers should be the first objective when committees decide to travel. The only trip that the Public Accounts Committee took for this particular inquiry was when it travelled to Kununurra. I say to the chairman of the committee that, in terms of value for money for taxpayers, what we learnt in Kununurra about a whole range of things was absolutely outstanding. It was a massive

educational experience for me. I learnt a great deal. We looked at many other issues on the fringe, such as abuse of alcohol by the Aboriginal community in Kununurra, and how we can work towards lifting those people out of poverty. It was a very worthwhile trip and I congratulate the chairman of the committee for facilitating that.

While I am on the issue of Kununurra, I will touch on chapter 2 of the minority report and the Ord–East Kimberley expansion project. The report states —

It is our submission that the best way to lift the living standards of Aboriginal peoples is to give them meaningful jobs and a sense of purpose. The benefits that flow from employment will lift the living standards, not only of the person employed but also of the entire Aboriginal community. Relieving people from the shackles of welfare and turning the tide from dependency, substance abuse and social issues towards a meaningful contribution is a cause that cannot be under estimated.

In considering the criticism of the financial feasibility of these particular projects, I wrote —

It is also worth noting that the Miriuwung Gajerrong people have indicated they are taking up their original 5%, plus they have indicated they are considering purchasing an additional 7.5% share of the agricultural land as is provided in their Right of First Refusal contract provisions.

That is a really encouraging sign. I have always saluted the mining companies and the Andrew Forrests of this state, who are doing far more for practical Aboriginal reconciliation than all the sorry days and social workers will ever do by giving these people meaningful employment and allowing them the opportunity to make a contribution to society.

Dr A.D. Buti: How much of his own money does “Twiggy” Forrest actually put in?

Mr J.M. FRANCIS: At least he is out there doing it.

Dr A.D. Buti: If you’re going to say something, actually find out the details.

Mr J.M. FRANCIS: I seek your protection again, Mr Acting Speaker.

The ACTING SPEAKER: Member!

Mr J.M. FRANCIS: I know that the member for Carine will touch on a few of these issues. I want to also touch on the Perth Waterfront project in my remaining time. We had a few concerns. Generally, as I have said, the guts of the report are a very worthwhile read. But we had a few concerns with some of the statements throughout chapter 4 that we believe were unfairly critical of the government’s proposal and we did not see the evidence to support those observations. Part of the reason for that is that the government did not release information that we knew was commercial-in-confidence, and we accept that as a reasonable proposition and excuse for not releasing all the information. But we did not accept the observation that there was a danger that value-for-money outcomes would be compromised. This is pretty simple. When we look at the \$900 stimulus payments that were provided by the federal government during the global financial crisis, the pink batts project, the school halls project, which was not administered by a Liberal government in other states—there are Labor governments over east —

Mr P. Papalia interjected.

Mr J.M. FRANCIS: Member, I have limited time.

Mr P. Papalia: Name one problem with the school halls in Western Australia.

Mr J.M. FRANCIS: That is my point, member. It was not a problem in Western Australia; I am talking about the eastern states.

Dr A.D. Buti interjected.

Mr J.M. FRANCIS: When we look at the pink batts and all the others —

Dr A.D. Buti interjected.

The ACTING SPEAKER: Members!

Mr J.M. FRANCIS: When we compare those projects with the return for the community and the economic benefit for a state from any project under government investment —

Dr A.D. Buti interjected.

The ACTING SPEAKER: Members, you will have the opportunity to speak if you want to. The member for Jandakot is on his feet.

Mr J.M. FRANCIS: We can compare the return on the investment decisions taken by various governments around Australia, both state and federal, with that of the Perth Waterfront project. If we do the maths, we know that the state government is going to put between \$255 million and \$300 million into that project. The actual

development is somewhere to the value of \$2.6 billion. Any impartial observation of the Perth Waterfront project will show that when we look at \$255 million to \$300 million worth of taxpayers' money being invested for something that will provide \$2.6 billion, it is about 10 per cent of the total project. This is perhaps the greatest economic stimulus project in the state's history—certainly within Perth. A 10 per cent investment to stimulate \$2.6 billion worth of private sector infrastructure investment is absolutely outstanding.

Mr W.J. Johnston interjected.

Mr J.M. FRANCIS: Is the member for Cannington opposed to the Perth Waterfront project?

Mr W.J. Johnston: No; I support the Perth Waterfront project, but the current configuration is a joke. It is a disgrace. It is a waste —

Mr J.M. FRANCIS: That is the member's opinion. He can get up after the member for Carine; I have only one minute left.

The ACTING SPEAKER: Member for Jandakot, you wanted protection from the Chair but you are asking for interjections. Make up your mind.

Mr J.M. FRANCIS: In closing, another example is that the report is critical that the government has not yet funded two key public attractions for redevelopment—namely, the cable car project and the Indigenous cultural centre. This is purely subjective. I would say that the City of Perth had a play with the Perth wheel down there; it was a complete failure. I would say that a cable car will probably be somewhat of an improvement as an attraction. With all due respect —

Dr A.D. Buti interjected.

Mr J.M. FRANCIS: In my last seconds I would say that a Cold Chisel concert on the foreshore at the Perth Waterfront development would be a greater attraction than an Indigenous cultural centre or a cable car. I know what will draw the people. It is all subjective, and that is my subjective observation. Thank you, members.

MR A. KRSTICEVIC (Carine) [10.41 am]: I, too, would like to say a few words about the Public Accounts Committee's fourteenth report entitled "Review of Selected Western Australian Infrastructure Projects". I was also disappointed with the fact that we did not have enough time to go through this report, enough time to discuss it, or enough time to produce a report that the whole committee could agree on. Unfortunately, we were rushed by other priorities such as looking at the Fiona Stanley Hospital and Serco, and really doing the job of United Voice in some cases. It would have been good to have had more time on this report.

When members read about the projects we looked at, they will see they are quite significant and iconic. The Ord–East Kimberley expansion project not only looks at helping Indigenous disadvantaged of the Miriuwung Gajerrong people, but also looks at establishing agricultural pursuits in the Kimberley. One of the things that the inquiry found was not only is land being released now as part of stage 2, but also there is potential for further releases of land because the canals have been expanded. The report mentions that about 62 000 hectares can be expanded upon, and it can go further into the Northern Territory as well. There is a lot more opportunity up there from an agricultural perspective and a lot more opportunity from the point of view of helping Indigenous disadvantaged. It was a bit rough when the committee's chairman said that these projects are driven by "loosely defined social outcomes". When I have talked to people in the street and mentioned the Perth Waterfront redevelopment, I have received some very positive responses from both a social and an economic perspective. I would suggest that most people look at it from a social perspective rather than an economic one. I have not heard anybody in my community say a bad thing about it from that perspective. Likewise, with the Perth City Link project, people have been saying that it has been overdue for decades. When we talk to people about that, they say that that is another project that inspires them and gives them hope that the government is taking note of things the community has asked for for such a long time. Likewise, with the Collgar Wind Farm, when we talk about renewable energy and investment in that sector, the community sees the social outcomes and benefits of renewable energy for our future. All four projects have very strong social outcomes linked to them. They portray very strong images for people about what is happening in this state. They are very positive. This report could have been much more positive in its assessment of those issues. I know the member for Gosnells mentioned wise expenditure by the government. It is a pity he was not in Parliament during the former government's years—we would not be up to \$400 million over budget for the Perth Arena and losing \$500 million through the Office of Shared Services, just to mention two projects that could have effectively built a stadium, let alone done a lot more than that.

I want to touch on a couple of specific projects, the first one being the Perth City Link. I recommend members read the report, specifically the minority report, and also the transcripts of evidence. When members read them, they will get more of an idea about what is really happening with these projects. However, the report leaves out some things. For example, in the executive summary and other statements, the report refers to the cost blow-out

on the Perth City Link, but members have to remember that when the Liberal Party came into government, the federal government at that stage was throwing money away like confetti. The federal government asked the state government to give it some significant projects in Western Australia that had a certain level of planning so it could give us some money. The federal government needed that by October 2008. The state ministers looked at what was in the cupboard, but there was nothing there, or very little. They found this thing, which obviously is a great initiative, called Perth City Link. There were some flimsy documents with a couple of bits and pieces attached to them, and they submitted that. As we know, they did not ask anything for the bus station because there was even less work done for the sinking of that, let alone the rail line. The federal government had to give money away, so it obviously contributed to this project back in October 2008 when that report was submitted. Subsequent to that, being a responsible government with responsible ministers, we said to our departments, "Okay; we've got this Perth City Link project. We've put it in. We've got X amount of dollars from the federal government and we've contributed some money. Can you do some work on this and actually flesh it out to see how valuable this document is and how much work has been done, and how much value it will add to Western Australia?" Of course, when that was done, it was found that there were so many shortcomings that it would not meet the needs of the most basic requirements, let alone the future growth of Perth and Western Australia.

The report indicates there have been some major changes to the scope of the City Link project. Remember, we are starting from a very, very low base here. The five points in the minority report are definitely worth reading in terms of the addition of a new platform, the construction of an additional track, the construction of a pedestrian underpass, the expansion of the underground bus station from 12 bays to 16 bays to allow for the future expansion of public transport, and increasing the engineering strength of the development to allow 30-storey buildings to be constructed over the top. When it is said that the government of the day did not do a great job in estimating the cost of this project, there was nothing to work with at the start. That work almost had to be done from scratch. The changes being made are very valuable ones. The Perth City Link project will obviously also connect the city to Northbridge. Northbridge is in need of a lot of work. A lot of people have not invested in Northbridge for a long time because they are waiting for something to happen. The Perth City Link project is the trigger to make that happen and to obviously expand into Northbridge and further into the northern suburbs. That is a great initiative in itself.

In terms of the waterfront, the member for Jandakot talked about \$2.6 billion, of which the majority is private sector investment. There was a shortfall between \$255 million and \$300 million, which the opposition talked about, but no-one talks about the employment being created as well as the payroll tax, the stamp duty, government charges, fees and charges, tourism and all the other economic benefits it will reap for the community. There is also the connection with the waterfront, the city and Northbridge, creating an iconic opportunity for Western Australia to showcase itself as a world-class destination and a world-class city that allows that opportunity to grow and expand. I think we need to look at it from that perspective.

It is like when we talk about renewable energy initiatives, such as Collgar Wind Farm. The important thing to note is that the renewable energy target in 2001 was 2.16 per cent. In 2007 the federal government pushed that up to 20 per cent, which is an ambitious target that is to be met over 30 years. That is obviously forcing state governments to look at trying to meet those targets. As we know, renewable energy is expensive at the moment. In a lot of cases the technology is not as advanced as it should be or could be. Those targets are going to be difficult to meet without financial pain through that sector. The message I have got from speaking to people is that at some point those targets may need to be reviewed—they may be too ambitious and too difficult to achieve. That is important to note as well. When we look at renewable energy initiatives such as the Collgar Wind Farm and then on top of that look at the other imposts that are being put on us such as the carbon tax, the minerals resource rent tax and now this native title reversal by the federal government —

Dr A.D. Buti: How does the mining resources tax put an impost on the government?

THE ACTING SPEAKER (Mr P.B. Watson): Member!

Mr A. KRSTICEVIC: They are all things that are going to impact on us.

Dr A.D. Buti: Tell us. Don't just say it; explain it!

The ACTING SPEAKER: I call the member for Armadale to order for the first time.

Mr A. KRSTICEVIC: As a state government, we need to take all those things into account.

Dr A.D. Buti: I am just trying to improve the debate.

The ACTING SPEAKER: Member for Armadale, I call you to order for the second time.

Mr A. KRSTICEVIC: Thank you very much, Mr Acting Speaker. I know that the member for Jandakot was attacked quite viciously by some members, so I thank you for your protection.

I think that this report has some shortcomings in terms of putting all the facts on the table, referring to some of the positives and referring to some real situations. I just hope that the Public Accounts Committee does look at those things correctly. With the Collgar Wind Farm, the accounting treatment was mentioned, as was the fact that \$500 million was taken out of state debt because it was not treated as a finance lease but as an operating lease. That was the correct thing to do.

Leave Sought to Make Comment

Mr W.J. JOHNSTON: I seek leave to make remarks on the report.

Leave denied.

Fifteenth Report — “Review of the Reports of the Auditor General” — Tabling

MR J.C. KOBELKE (Balcatta) [10.52 am]: I present for tabling the fifteenth report of the Public Accounts Committee entitled “Review of the Reports of the Auditor General”.

[See paper 4329.]

Mr J.C. KOBELKE: This is the first report tabled by the Public Accounts Committee under its revised process for the follow-up of agency implementation of the Auditor General’s recommendations. The revised process allows for a more direct approach when dealing with agencies and has created significant efficiencies in managing the committee’s workload. One other benefit is the ability to make recommendations directly to ministers to report on specific outcomes achieved by agencies in response to the Auditor General’s recommendations. We are of the view that the revised process, particularly in conjunction with the use of recommendations, will improve the extent of agency compliance.

In general, the Public Accounts Committee was satisfied with the responses provided to us by the agencies. This report acknowledges the responses that agencies have made to the recommendations contained in several Auditor General reports. In some cases the Public Accounts Committee recommends that the responsible minister report back to the Legislative Assembly on their agency’s progress with specific undertakings or reforms arising from the Auditor General’s reports.

In October 2009 the Auditor General reported to the Parliament on the adequacy of the regulation of firearms by Western Australia Police. The Public Accounts Committee was following up on the response by WA Police when media reporting alerted us to significant problems with the computer system used in the firearm licensing process. The Public Accounts Committee held a hearing with WA Police to get advice on the actions being taken to rectify matters. During this hearing with WA Police, it emerged that components of the firearm registry were shut down due to concerns about the integrity of data held in the database. This resulted in over 10 000 individuals being in possession of unlicensed firearms. WA Police assured us that the problems were being addressed, although much work remains to be done. As a result, we have asked the Minister for Police to provide an update on the number of outstanding unlicensed firearm owners and on the stability and accuracy of the WA Police firearm computer systems.

“Information Systems Audit Report” was report 4 of the Auditor General of 2011 and concerned cybersecurity in government agencies. This report relates to the poor state of information security within the Western Australian public sector. We have been concerned for some time about the consistently critical audit reports published by the WA Auditor General on information security, and have taken particular interest in the government-wide policy responses to the problem. The Public Accounts Committee has made specific recommendations to the Premier to inform the house of the policy initiatives addressing these critical issues, and we will be keenly watching developments in the new year.

A further report was the “Second Public Sector Performance Report 2010” on the setting of fees and charges, which was report 12 of the Auditor General of 2010. Most members are aware that if agencies charge above cost recovery, it is basically a tax. If they do not have the legislation to enable them to levy a tax, the charges and the regulations that impose them are ultra vires. The Auditor General’s report indicated that a number of agencies cannot show that the charges relating to certain fees are actually commensurate with the cost of the services for which the fee is raised. In one of our recommendations we have asked the Minister for Transport to report back on whether the Department of Transport has got its house in order and the extent to which it is still exceeding cost recovery with some of its charges. That is a report that under the standing orders is required within three months.

Report 12 of 2010 also concerned royalties for regions and local government spending. The particular issue in that report concerned the accountability for and transparency of the spending of that money. The Department of Regional Development and Lands has put in place an audit process to ensure what is happening there. We have asked the minister to table a copy of that audit review into the country local government fund when it is available. With respect to fees and charges, I skipped over that we will also be asking the Minister for Lands to

table the work that has been done by Landgate to introduce a more effective cost system within the agency. Again, we look forward to that report in the new year.

To wrap up, I wish to express my thanks to the members of the committee for embracing the revised follow-up process. I also extend special thanks to the committee staff, Dr Loraine Abernethie, Mr Mathew Bates and Mr Foreman Foto, each of whom have contributed to the smooth operation of this revised process of the Public Accounts Committee.

MR C.J. TALLENTIRE (Gosnells) [10.57 am]: I rise as a member of the Public Accounts Committee to add my comments to this report, “Review of the Reports of the Auditor General”. I would like to focus especially on the Auditor General’s report relating to the WA Police computer system responsible for the management of firearm licences. I note that there is a very serious problem there. It is totally unacceptable that a report by the Auditor General has found that the management of firearm licences—gun licences—is so out of control that some 10 000 people remain unlicensed and require intervention from police officers and possible action in the courts. We have a very serious problem. A simple question such as whether firearm licences are automatically revoked when a licence holder has a violence restraining order issued against them cannot be answered. I put that question to the minister recently: how many firearm licences were revoked in the 2010–11 financial year because someone had been issued with a VRO? The minister was incapable of answering that question. In fact, the answer that came back was —

In order to ascertain this information, a separate computer program would be required and would take a period of time to undertake. Therefore, WA Police is unable to provide the figures requested.

We have a very serious problem. We have provided some recommendations that we expect the Minister for Police to respond to so that the problems within the gun licensing system are properly addressed.

I now look at report 4 by the Auditor General on cybersecurity titled “Information Systems Audit Report”, which found that a number of agencies had failed to undertake the most basic of staff training on procedures to ensure that information technology security was maintained. In one test conducted by the Auditor General’s staff, USB devices were left lying around the office and invariably the public servants would plug the USB device into a computer, which would immediately send a signal back to the Auditor General who realised that the protocol for the careful use of USB devices was not being maintained. Clearly, some follow-up training is needed, and we will monitor the response to that report and to the committee’s recommendations in that regard. Indeed, the committee believes that the Premier should table a copy of the cybersecurity policy framework developed by the Public Sector Commissioner.

The process used between the Public Accounts Committee and the Auditor General is, I think, a sound one that makes for a careful scrutiny of matters relating to public expenditure and the maintenance of high standards in our public service through our monitoring of the achievement of key performance indicators by the various government agencies.

I conclude by thanking the principal research officer of the Public Accounts Committee, Mathew Bates, and our research officer, Foreman Foto.

MR A. KRSTICEVIC (Carine) [11.02 am]: I, too, would like to say a few short words about the committee’s fifteenth report titled “Review of the Reports of the Auditor General”. I start by acknowledging the wonderful work of the Auditor General, Mr Colin Murphy, and his department. We have had many occasions to meet and discuss our interactions and relationship with the Auditor General’s office and how we work together in terms of process. That has been very beneficial for both parties. The mutually positive way in which we finish up our discussions has resulted in improvements in the process, which means that we have shorter, sharper and, potentially in the future, more frequent reports on the follow-up action of the Auditor General and the departments. I think that this new process has proven to be very beneficial in the production of the first report of this style; it has also resulted in some efficiencies from the committee’s point of view and made things a lot clearer in terms of the work—rather than producing massive reports that are more difficult to deal with on single occasions. I wanted to make reference to that aspect and to the fact that there is always room for more improvement. The committee members are very open to that. I also wanted to say that our research officers and committee members have been very constructive in guiding us through that process. Obviously, there are some areas to be looked at in the report, which contains some recommendations. As always, I encourage ministers to look at those recommendations and respond accordingly. I look forward to receiving those responses.

In conclusion, I thank everybody again for the work carried out over the past 12 months: I refer to the Auditor General, the committee staff and everyone else who has assisted in the process of carrying out the Public Accounts Committee’s responsibility for looking at expenditure in this state.