

Chair; Mr Terry Redman; Mr Mark McGowan; Mr Ian Blayney; Dr David Honey; Amber-Jade Sanderson; Mr John Carey; Dr Tony Buti

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**Division 16: Primary Industries and Regional Development — Services 1 to 5, Regional Development, \$344 707 000 —**

Ms L.L. Baker, Chair.

Mr M. McGowan, Premier representing the Minister for Regional Development.

Mr R. Addis, Director General.

Mr N. Grazia, Deputy Director General, Industry and Economic Development.

Ms M. Taylor, Chief Financial Officer.

Mr P. Gregson, Manager, Portfolio Support.

Mr C. Thurley, Chief of Staff, Minister for Regional Development.

[Witnesses introduced.]

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

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the Premier to clearly indicate what supplementary information he agrees to provide, and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 31 May 2019. I caution members that if a Premier asks that a matter be put on notice, it is up to the member to lodge the question on notice through the online questions system.

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

**Mr D.T. REDMAN:** Premier, I refer to page 205 of budget paper No 2, volume 1. The 2019–20 budget estimate for delivery of services is just over \$163 million. I assume that that is the best figure for what might be called the core appropriation to the agency. Can we have the split between regional development and primary industries of that core appropriation? What are those numbers?

**Mr M. McGOWAN:** Mr Addis can assist with that.

**Mr R. Addis:** Obviously, the way that the appropriations are structured in the overall budget is somewhat complicated, so the explanation is not easy. The best-placed person to answer that is the chief financial officer. I ask Ms Taylor to give her best attempt.

**Ms M. Taylor:** The budget for the Department of Primary Industries and Regional Development is based around the new agencies. All previous agency information has been amalgamated into the new agency of DPIRD. The best breakdown of the various budgets and service appropriations is in the service summary table on page 209. The breakdowns are based on the various services listed there, with the majority of primary industry's services included in services 6 and 7. Some agricultural and primary industries appropriations are included in services 1 to 3 as well, but we cannot break those down into primary industries and regional development.

**Mr D.T. REDMAN:** Do those numbers include any royalties for regions funding?

**Mr M. McGOWAN:** I will ask Ms Taylor to answer that.

**Ms M. Taylor:** The figures on page 209 do, yes. The ones on page 205 do not; they are just purely —

**Mr D.T. REDMAN:** I am looking at the numbers on page 209, which was your reference to services 6 and 7 —

**Ms M. Taylor:** Yes, they would include royalties for regions.

**Mr M. McGOWAN:** I will answer that. The member might recall that in 2014, the administration of the department and regional development commissions under the last government was funded out of the royalties for regions budget. That, no doubt, is reflected here.

**Mr D.T. REDMAN:** This is further to the same line of questioning. The budget papers refer to \$131 million in additional expenditure —

**Mr M. McGOWAN:** What? Where?

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**Mr D.T. REDMAN:** On page 5 of the *Economic and Fiscal Outlook*, there is a headline figure from government that shows \$131.5 million in additional expenditure by the Department of Primary Industries and Regional Development.

**The CHAIR:** I think that is in budget paper No 3, is it, member?

**Mr D.T. REDMAN:** Yes.

**Mr M. McGOWAN:** Can I seek your clarification, Chair? Do we deal with only this division or do you allow questions to be asked on other parts of the budget?

**The CHAIR:** No. We do not allow questions about other parts of other divisions, Premier. However, I think that we were asked where in the budget this information was, so it needs to be in the division of regional development.

**Mr D.T. REDMAN:** Chair, I have just secured a response that there is royalties for regions money in this, and that that would make reference to the Department of Regional Development, or a component of that, under this division. The government has committed an additional \$131.5 million to the Department of Primary Industries and Regional Development, which includes some royalties for regions funding, yet I see no significant increase from previous budget figures in the primary industries component of the forward estimates on page 209. I would have thought that would have encompassed the extra funding the government so proudly highlighted in the budget.

**Mr M. McGOWAN:** I am more than happy to talk about that. I will give an overview and then ask Mr Addis to add anything that I miss.

The government decided during the Expenditure Review Committee process to provide stability for the department. Embedded in that were further cuts to the department, which were left to us in the forward estimates, from memory, of 37 per cent. Clearly, that was very problematic for agriculture across Western Australia. We were determined to support agriculture and to not further cut it, as was embedded by the last government. Therefore, we have decided that we want agriculture to flourish, create jobs and grow the economy. We want to ensure that there is proper support for biosecurity and a focus on accessing critical export markets. Therefore, we are providing that additional \$131 million to support the department and arrest the decline in funding embedded by the last government. The chair of the Kimberley Pilbara Cattlemen's Association, Mr David Stoate, has lauded the Minister for Agriculture and Food and said that she has "stopped the bleeding". That is good. There will be \$131.5 million to support primary industry and agriculture to rebuild the department's scientific capability and capacity, which was severely eroded under the last Liberal-National government. That means that DPIRD will be on a sustainable footing to support agricultural businesses across Western Australia. The department itself, as the member would know, was widely lauded for its agricultural and scientific expertise, and its efforts in accessing export markets and the like. Obviously, what had occurred for 10 years had been very problematic for the department. The \$131 million boost provides a stable full-time employee base of around 1 580, compared with the 1 300 that was forecast under the budget of the Liberal-National government. There will be 280 more people supported in the agency who would have otherwise disappeared, had we followed the forward estimates of the last government. That will mean that these scientists and agronomists will be kept in Western Australia, to provide further support for research and development. Boosting biosecurity defences will be one of the focuses, and growing into Asian markets in particular. There will be continuing support for grains research, on top of the \$20-plus million funding that we provided last year for grains research and development programs. I quoted the Kimberley Pilbara Cattlemen's Association a moment ago. Trevor Whittington, CEO of WAFarmers, has been most excited and congratulatory about what the government has done. I think the agricultural industry is very grateful for what the government has done. I will ask Mr Addis to add any further comments.

[10.10 am]

**The CHAIR:** Premier, did you —

**Mr M. McGOWAN:** I have just asked Mr Addis to add further comments.

**Mr R. Addis:** Thank you, Premier. I concur with the view that has been put that the profile that the Department of Agriculture and Food had been on for probably 10 years has been steeply declining. I think at the start of the previous government it was about 1 600. When it became part of the new department, it was around about 900 to 950. There was a further, I suppose, embedded structural decline continuing for the out years at that point. This has not taken us back to where we were 12 years ago, but it is certainly installing a stable, normalised base to a very large extent. This means that we have some certainty and confidence to build and reconnect to some of the key functions like biosecurity, which I think has been severely tested in recent years, and gives staff some greater certainty than we have been able to in recent years. For the first time in a long time, the department has a stable base to build on and go forward from.

**Mr D.T. REDMAN:** I just seek some clarity. I refer to page 209. The Premier's adviser told me to look at the references to services 6 and 7, which are the agricultural components of the Department of Primary Industries and

Regional Development. That includes royalties for regions funding, which is why it is referenced in this division. There is no significant change from the 2017–18 actual figures under the service summary for both services 6 and 7 to the 2022–23 forward estimates. Is it right that Mr Addis is simply highlighting that the government is simply putting the forward estimates into a holding pattern and backfilling what the Premier argued is a hole, rather than being an additional \$131 million over the forward estimates? I would have expected that, with that \$131 million, there would be a significant difference between the forward estimates and the 2017–18 actual amounts.

**Mr M. McGOWAN:** I will ask Mr Addis to comment in a moment, but I just want to give the member two or three key facts. First of all, the forward estimates we inherited had another 37 per cent cut to the department. We have arrested that. That cut to the operations of the department has been stopped. Farmers appreciate the support, and particularly the export support and the scientific support the department has traditionally provided. That embedded cut has been removed. The second component of it is that the department expects to be able to retain 1 580 employees, as opposed to the 1 300 that was forecast under the last budget of the last government. In other words, 280 people will remain in those export-orientated jobs, scientific jobs or grains research jobs—all those sorts of things in the department—that would otherwise have been lost. We have stemmed the bleeding, as Mr Stoate from the Kimberley Pilbara Cattlemen’s Association has identified. But I will ask Mr Addis to comment further.

**Mr R. Addis:** Thank you. I think the nature of the question is: if there is \$131 million of new money, why are those two lines not going up in the out years? The reason is that there was an embedded trajectory for them to continue to go down when we merged the departments and their constituent budgets. What members are seeing is a stabilisation. It is literally stopping the decline and putting in place a solid, stable base.

**Mr D.T. REDMAN:** The Premier described that the government inherited a 37 per cent drop over the forward estimates. Does that include the royalties for regions money invested in agriculture under the Seizing the Opportunity initiative?

**Mr M. McGOWAN:** I will let Mr Addis comment further, but the improvement in the funding of \$131 million, compared with the forward estimates that we inherited, comprises both consolidated account money and royalties for regions money. Over the course of the eight and a half years that the opposition was in government, the agency that suffered the most was agriculture. I do not understand that, but that is what happened.

**Mr D.T. REDMAN:** I am asking you to be straight with the whole position, and to not just pick the eyes out of it.

**Mr M. McGOWAN:** Yes, but just to put a bit of historical context around that, it was agriculture that went into freefall in terms of its funding and employee numbers. That is well documented and well known. The Labor government has stopped that and provided the support to agriculture to end the bleeding that was occurring and the loss of expertise and skills, and to ensure that the department can continue to employ graduates in agricultural science or the like who are looking for a job in science, agronomy or whatever it might be. But I will ask Mr Addis to expand.

**Mr R. Addis:** Thank you. I think it is true that since the Seizing the Opportunity package came into play, that had the effect of mitigating some of the ongoing decline in consolidated account funding for the old Department of Agriculture and Food. The nature of royalties for regions, though, is that it is time limited and project based and inherently for a period, rather than a stable core. What members are seeing is a reduction in the dependence of the department on those time-limited RforR project-funding bases, and a lot of that was indistinguishable from core operations of the department. As they tail off, we are able to replace at least some of that with normal, stable CA funding, which I think is a substantial improvement for the department in terms of where we have been in terms of certainty, confidence and ability to get on with the job. RforR is still in that. A number of core projects have been rolled forward, so we are not back to what is called a purely normalised CA-based funding model, but we have made significant progress towards it.

**Mr D.T. REDMAN:** Are those RforR projects—I think four are referenced in the *Economic and Fiscal Outlook*—time limited or are they going to be full-time components of the forward estimates?

**Mr M. McGOWAN:** I will ask Mr Addis to respond.

**Mr R. Addis:** Mr Grazia might correct me if I am wrong, but I think they are to the end of the out years. As we move through that journey in time —

**Mr D.T. REDMAN:** So, they are time limited?

**Mr R. Addis:** They are to the end of the out years.

**Mr D.T. REDMAN:** That is the same as the Seizing the Opportunity funding was before. I have old budget estimates figures here that show a good \$60 million or \$70 million in each of the out years right up to 2019–20, which is royalties for regions funds into agriculture. The department is now arguing that the same program, with \$131 million of additional funding, has the same principle applied to it.

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE A — Tuesday, 21 May 2019]

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**Mr M. McGOWAN:** I will ask for some advice on the total number of cuts to agriculture by the former government and I will get that figure if that is possible. I just want to let the member know that the \$131.5 million in additional expenditure reflects a \$116.3 million increase in recurrent spending and a \$15.2 million increase in capital spending. The Department of Primary Industries and Regional Development will receive additional revenues of \$152.3 million across a range of matters, including \$58.7 million in consolidated account appropriation funding, \$39.6 million for RforR programs, \$39 million in external funds, and \$15 million in fee revenue. Therefore, I am advised the total amount is \$131.5 million.

[10.20 am]

**Mr D.T. REDMAN:** Further to that, the Premier just said that a part of the additional \$131 million is recurrent funding, which must be royalties for regions money if it is going into those four initiatives. The very principle that he is arguing about, which is using royalties for regions in a recurrent sense to argue that he has an additional \$131 million, is the same thing we did in our budgets with an extra \$50 million or \$60 million per year—smoke and mirrors!

**Mr M. McGOWAN:** We have ensured that there is stable funding for, in effect, the agriculture department.

**Mr D.T. REDMAN:** But there is not; that is the point.

**Mr M. McGOWAN:** The problem is that I do not think the member understands the forward estimates

**Mr D.T. REDMAN:** The Premier does not understand history. There is no additional funding. His advisers have said that the 37 per cent cut in the forward estimates does not include royalties for regions money. In previous budgets going forward, a component of that \$131 million has been royalties for regions, and the Premier has said it is end dated, which means it can hardly be called core funding.

**The CHAIR:** I think that the Premier understands the question.

**Mr M. McGOWAN:** It is across the forward estimates. Budgets do not go beyond the forward estimates. I realise that the last government did not believe in forward estimates.

**Mr D.T. REDMAN:** Our forward estimates had the same thing.

**Mr M. McGOWAN:** The member asked the question and I am answering it. The member may recall that the former Premier said constantly that he did not believe in forward estimates. Hence, we ended up with the previous government's forty thousand million dollars-plus worth of debt. Through this government's good financial management, we have successfully stemmed the bleeding. We cannot recover everything that the previous government lost. All the savings measures or cuts to agriculture that it put in place over the eight years were difficult to reinstate. But with good financial management, we have stopped the embedded cuts that were in the budget we inherited, and they go across the forward estimates. Mr Addis might add something else.

**Mr R. Addis:** It is clear that there was a very significant decline in consolidated account funding to the previous department of agriculture—no-one questions that. Towards the end of the last term of government, some of that decline was essentially replaced by a very substantial part of the Seizing the Opportunity Agriculture —

**Mr D.T. Redman:** I would argue most of it, but you are saying some.

**Mr R. Addis:** That is right, yes. We ended up with a department that was heavily exposed to RforR. It is absolutely true that this budget result for the department, which for the first time in 12 years gives us a stable basis, continues to have some RforR content, but at a much lower level of exposure than was previously the case.

**Mr M. McGOWAN:** As I outlined before, \$16 million from the consolidated account was put in as part of this, which is very significant.

**Mr D.T. REDMAN:** The Premier's advisers referred to page 209, services 6 and 7 of the agriculture component. There is a reduction in funding for the other components. I assume that the Premier is arguing that agriculture has had a boost, but that regional development, as a part of the Department of Primary Industries and Regional Development, has had a reduction.

**Mr M. McGOWAN:** I do not know to which line item the member is referring.

**Mr D.T. REDMAN:** I refer to page 209 and the top table headed "Service Summary", which lists seven services. The Premier's adviser said that agriculture is largely services 6 and 7 in that table. The other services that come under the regional development component of DPIRD largely reflect a reduction in funding.

**Mr M. McGOWAN:** I cannot see it. It looks like it is going up to me.

**Mr D.T. REDMAN:** For service delivery 1, the actual in 2017–18 is \$197 million, moving in the out years to \$144 million, \$127 million and \$138 million. For service delivery 2, the actual in 2017–18 is \$97 million, which reduces from \$92 million in the current budget year, 2019–20, to \$71 million, \$63 million and then \$68 million.

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Funding for service delivery 3 starts at \$21 million and moves down to \$14 million and \$15 million in the out years—there is a reduction.

**Mr M. McGOWAN:** As the member will recall from when he was in cabinet, specific projects come to an end. There might have been funding for a specific capital project—whatever it might have been—that came to a conclusion. That would explain the reduction.

**Mr D.T. REDMAN:** So it is now Water Corporation and school buses.

**Mr M. McGOWAN:** I am happy to go into that if the member likes.

**Mr D.T. REDMAN:** I did not think that was a question, but that is all right.

**Mr M. McGOWAN:** When the member spoke, he put an inflection at the end; that implies a question.

**The CHAIR:** I did not take it as a question, Premier. Do you wish to respond to the inflection?

**Mr M. McGOWAN:** I am more than happy to go over the sorts of things that we are spending royalties for regions funding on. I recall before the election the then government said that we were going to abolish royalties for regions. The only person who I have heard say that he is going to abolish royalties for regions is the Leader of the Opposition—members opposite might recall that. We have kept royalties for regions and we are spending it very wisely. Under the royalties for regions program are an enormous number of good projects to which we have committing funding. They include funding for a whole range of schools across Western Australia, road projects, some incentive schemes for employers, regional arts, keeping the Country Age Pension Fuel Card, some specific Collie projects considering the issues surrounding the coal industry, and some national parks across regional Western Australia. It might interest the member for Geraldton to know that \$7 million has been allocated to build a state-of-the-art marine finfish nursery in Geraldton—a great project—which will add to the rebuild of Geraldton Regional Hospital. There are numerous other projects. During the course of the next three hours I am more than sure that I can go through all of them.

**Mr I.C. BLAYNEY:** I refer to page 183 of budget paper No 3.

**Mr M. McGOWAN:** The member has to find a line item in the division. I do not have that paper with me.

**Mr I.C. BLAYNEY:** The page I am looking at does not have a line item.

**Mr M. McGOWAN:** If the member goes to the actual division and finds something that kind of relates, he can ask me a question using that reference. Otherwise I cannot answer because it is outside the standing orders.

**Mr I.C. BLAYNEY:** I want to refer to royalties for regions expenditure. I refer to page 183 and the line item “Boost Grains Research and Development Support”.

**Mr M. McGOWAN:** The member has to relate it to a part of the division.

**The CHAIR:** Is the member referring to page 183 in budget paper No 2?

**Mr I.C. BLAYNEY:** I might have to defer my question and reference it back to the other page.

**The CHAIR:** Certainly, member. I give the call to the member for Warren–Blackwood.

**Mr D.T. REDMAN:** Page 183 of the *Economic and Fiscal Outlook* contains a whole section on royalties for regions. I am absolutely surprised that the Premier, who is looking after the regional development division, would come into this chamber and not have the most documented part of the budget papers that refers to royalties for regions; he has not got the documents here.

**Mr M. McGOWAN:** I can only go by the standing orders.

**Mr D.T. REDMAN:** On page 183, a number of items refer to various programs that the Premier has highlighted as the royalties for regions agriculture component of the \$131.5 million that he has called core funding. Can the Premier, by way of further information—unless he wants to go through it now—outline what royalties for regions funding in table 1 refers directly to agricultural projects and are included in what he describes as the core component of the department of agriculture component of regional development funding?

**Mr M. McGOWAN:** I seek your advice, Madam Chair. I do not want to avoid the question, but the member has to ask me about the actual division. If he finds a line item in the division and refers to that, he can ask the question; otherwise he is not following standing orders.

**The CHAIR:** The Premier is right. We need to link any general other issues that the member finds in the budget papers back to the division that we are talking to. The member has cited that we are on page 183.

**Mr D.T. REDMAN:** Further to that point, for as long as I can remember, since the inception of royalties for regions by a Liberal–National government, there has been a section 7 of the *Economic and Fiscal Outlook*. It has been part of the deliberations of the estimates hearings right through history, and I would have thought that this is no different.

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[10.30 am]

**Mr M. McGOWAN:** I will give you a little bit of advice. It does not take a great deal of dexterity to find a part of the actual division and talk about that and then refer to the other section. Otherwise, you are breaching the standing orders. I am a stickler for the protocols and conventions of this place.

**Mr D.T. REDMAN:** On page 205 then.

**Mr M. McGOWAN:** Aha! Right.

**Mr D.T. REDMAN:** In volume 1 of the *Budget Statements*, reference is made to spending changes to core funding at the bottom of the page.

**Mr M. McGOWAN:** The vibe! We are onto the vibe!

**Mr D.T. REDMAN:** There is a list totalling \$141 million. Under the Premier's strong advice, I refer him to —

**Mr M. McGOWAN:** Which page? Is it page 205?

**Mr D.T. REDMAN:** Yes.

**Mr M. McGOWAN:** Which bit?

**Mr D.T. REDMAN:** Down the bottom of the page, it refers to core funding and a number of programs. I am interested in what component of that core funding is royalties for regions. By extension, there is a list of royalties for regions projects on page 183 of the *Economic and Fiscal Outlook* that refers to various initiatives. I am interested in what component or what projects are included in the core funding of the agency, which the Premier and the director general described to me in my last question, and how many of the projects listed there are agriculture-related projects.

**Mr M. McGOWAN:** The core funding at the bottom of page 205 is the money that was put into the budget by the last government since 2013–14 to fund the operations of the department. That is a continuation of the core funding that the Liberal–National government put into fund the operations of the department. Considering the member tried valiantly —

**Mr D.T. REDMAN:** If I can interrupt, Premier, that is a spending change.

**Mr M. McGOWAN:** The director general advises me that he got that wrong. Delete that. I will get the director general to provide some advice.

**Mr D.T. REDMAN:** That is a good idea.

**Mr R. Addis:** I will refer that to the chief financial officer.

**Ms M. Taylor:** The core funding that is provided there is part of the capability review, so it is part of the \$131 million. It is \$141 million because that is the base to fund the agency into the forward estimates. A reduction brings that down in relation to the funding of our core systems. We were carrying money forward from previous years, so that comes off the \$141 million to get to the \$131 million total that we have been using.

**Mr M. McGOWAN:** I go back to the member's initial question. As I said, the member tried valiantly to find a way to ask about that. The components on page 183 about agriculture are the Asia market success program; the boosting grains research and development support program; the digital farm program; the boosting biosecurity defences program; the agricultural sciences research and development fund; the Gascoyne food bowl, which looks as though it is coming to a close; and the help grain growers to better manage risk program. As I said before, the \$131 million is about half consolidated funding and the other component is sourced from royalties for regions and other sources.

**Mr D.T. REDMAN:** Can we confirm, then, that there are in fact four programs on page 183 of the *Economic and Fiscal Outlook* that refer to royalties for regions—funded programs—that is, Asia market success; boosting grains research; boosting biosecurity; and agricultural sciences research and development fund—and which are part of what the Premier describes as core funding of the agricultural component of the Department of Primary Industries and Regional Development?

**Mr M. McGOWAN:** The advice I have is that the Asian market success, boosting biosecurity defences, boosting grains research, and development support are all funded from royalties for regions. I repeat that half the increase of the agriculture component of the department has come from the consolidated account to arrest the bleeding.

**Mr D.T. REDMAN:** Is that being picked up by a reduction in the component applied to the regional development activities of DPIRD, as distinct from additional consolidated funds from elsewhere?

**Mr M. McGOWAN:** I do not understand the question.

**Mr D.T. REDMAN:** The Premier just said that there is a consolidated fund component of the increase in what he described as the core funding of the agriculture component of the department. Has that been funded from a commensurate reduction in the consolidated fund applied to the regional development activities within DPIRD?

**Mr M. McGOWAN:** The answer is no; it is new money.

**Mr D.T. REDMAN:** Why is that point not reflected in the forward estimates, or global figures, of the appropriations to DPIRD?

**Mr M. McGOWAN:** I will get the director general to correct me if I am wrong, but I think what has happened is that we inherited cuts across the forward estimates and they are no longer there. We have reinstated the funding that was there before to ensure that the director general did not have to, by whatever means, get rid of 280 people.

**Mr D.T. REDMAN:** That point is right, but it does not include the Seizing the Opportunity funding of the last government throughout the forward estimates.

**Mr M. McGOWAN:** I do not understand that question, but I repeat, there were embedded —

**Mr D.T. REDMAN:** I am talking about the global allocation to agriculture. The figures the Premier is highlighting do not include the Seizing the Opportunity component of the last budget that the Liberal–National government did, which went out to 2019–20, the current budget year.

**Mr M. McGOWAN:** I will explain it as clearly as I can. There were embedded reductions in the agriculture component of the agency of 37 per cent, which would have meant at least 280 jobs would be lost. The reinstatement of the consolidated account and the \$39 million in the programs we outlined before, plus some other measures, has meant that those 280 people who would have lost their jobs or not been employed have been saved. I will ask Mr Addis to elaborate.

**Mr R. Addis:** I think it is true to say that if it were not for these measures to stabilise the overall department's resource base, essentially, significant cuts would have been required in both the pre-fisheries and pre-regional development resources. As part of integrating the departments, fairly substantial savings have been made through turning three lots of corporate services and so forth into one. I think it is in the order of 80-odd FTE. That saving essentially has been redirected towards part of underpinning the overall resource base, so it is probably a better picture than the \$131 million indicates.

**Dr D.J. HONEY:** That is four budgets ago, which is an interesting comparison. I refer to the service summary table on page 209 of volume 1 of budget paper No 2. It has been alluded to a little by the member for Warren–Blackwood. There is a \$67 million drop between 2019–20 and 2020–21, and in 2021–22 it is a \$27 million drop, so there is a \$94 million drop in expenditure.

**Mr M. McGOWAN:** Whereabouts, I am sorry?

**Dr D.J. HONEY:** I am referring to the total cost of services at the bottom of the service summary. There is a total of \$94 million going from 2019–20 through to 2021–22, which must represent a significant drop in the provision of those programs, as was pointed out in items 1 to 5. What is the nature of those? What stops and what is reduced?

**Mr M. McGOWAN:** I will let Mr Addis elaborate, but just so the member knows, the agency itself undertakes a range of projects that are lumpy. A project will conclude and therefore the spend will drop. When an agricultural channel, a marina or whatever it might be is built, there is a big spend and then it drops. That explains this bumpiness in the total cost of services, but I will ask Mr Addis to explain.

[10.40 am]

**Mr R. Addis:** I think you have covered it perfectly. Examples such as the capital commitment to the Ord and the Port Hedland Spoilbank projects are cases in point, where it particularly impacts on the regional development services. That is the nature of that change.

**Dr D.J. HONEY:** Is it not reasonable, though, to expect that other programs will replace those? I notice there seems to be a variation across agencies, which the Department of Primary Industries and Regional Development cannot answer for. The Premier probably can for the other agencies, and other agencies do flatline for those same sort of issues. But here it shows, I think, a false position of a substantial cut in the budget when really that is not a reasonable expectation. There will be other programs to replace those; otherwise, the expenditure in regional areas is forecast to drop quite substantially.

**Mr M. McGOWAN:** They may come along, and each year things change. Sometimes there is underspend; sometimes there is overspend. That is what occurs, and what makes it lumpy. We do not spend money just for the sake of making the budget figures look smooth for someone taking a cursory glance at them. Would you like to add anything, Mr Addis?

**Mr R. Addis:** Yes, I think the key behind those fluctuations year to year is the choices that the government makes about which delivery agency to use for some of those larger capital projects. Sometimes that will be our organisation, which will inflate our spend in that year. Sometimes it will be another agency. In the case of the out years, the last couple of years, some of those decisions are yet to be made, and we cannot really budget for that in

a smooth way. But the overall spend from the royalties for regions program is programmed and stable, irrespective of which agency is responsible for delivery.

**Ms A. SANDERSON:** My question relates to division 16, page 206 of budget paper No 2, volume 1, under the heading “Significant Issues Impacting the Agency”. Paragraph 3 refers to the Western Australia Industry Link and the Local Content Adviser Network. Can we have an update on the work that the local content advisers are currently doing in the regions?

**Mr M. McGOWAN:** I thank the member for the question. We have dedicated local content advisers in each of the nine regional development commissions. The network was established—therefore, there must be at least nine of them—to support regional suppliers and contractors; to link to government procurement opportunities; to work with those local contractor and supplier businesses across the regions; to influence and support the implementation of the Western Australian industry participation strategy, the Buy Local policy and the Aboriginal procurement policy, which are three things designed to ensure that there are more jobs out of government projects across regional Western Australia; and to support local content outcomes through the royalties for regions funding. Since 1 July 2018, the network has assisted regional contractors with the Western Australian industry participation strategy or WAIPS. It has completed 13 regional local content roadshows attended by 500 participants and businesses, more than 2 400 interactions with businesses to support them, and has provided support to Aboriginal businesses for the promotion of the regional Aboriginal business capability fund. It has also provided a range of regionally based tender briefings, regionally based supplier and buyer awareness programs and improved access to tender information. A regional business does not necessarily have the big tender operations of a city business and the big corporate people on the hunt for these sorts of things. Although that regional supplier might be just as good and high quality, sometimes it needs support to understand the rules and how to win. We are determined to try to provide the opportunity for more local businesses to win, especially across regional Western Australia, including Aboriginal businesses, because that is one of the ways out of disadvantage for Aboriginal people. That is what these people in the development commissions are designed to do.

**Mr D.T. REDMAN:** I am sure I can find a reference in the documents, but on page 184 of the *Economic and Fiscal Outlook*, which refers to the royalties for regions program, there is an item referring to “WA Open for Business”, funded in the forward estimates at \$24.1 million. Can the Premier outline who is looking after that now, and its current role, location and activity so far?

**The CHAIR:** You need to link it to a budget paper, member.

**Mr M. McGOWAN:** I repeat: it has to be a line item in the budget. This is the way budgets have been dealt with in this house for 120 years.

**Mr D.T. REDMAN:** Page 205 of budget paper No 2, volume 1. At the top, there is \$163 million under the budget for 2019–20 for delivery of services. Within that, there is a component that is being spent on WA Open for Business, which is a royalties for regions–funded program. Can the Premier outline the role of that program, who is looking after it, its location and its activities so far?

**Mr M. McGOWAN:** The WA Open for Business program is to compete for agrifood investment dollars for the establishment of an agrifood-specific investment, promotion and facilitation office. Across the budget, that is \$24 million.

**Mr D.T. REDMAN:** Who is looking after that, Premier? Who has charge?

**Mr M. McGOWAN:** I will defer to Mr Addis to answer that question.

**Mr R. Addis:** It is part of our newly-integrated industry and economic development pillar. It sits within our agrifood and trade activities under the stewardship of Liam O’Connell. It runs a range of initiatives. It picks up some of what the former Department of Regional Development was doing and some of what the former Department of Agriculture and Food Western Australia was doing. Niegel, do you have any comments to add to that?

**Mr N. Grazia:** The director general has pretty well covered it. The activity span is trade and market access and inbound and outbound delegations. It does have very much an agrifood focus, and it does some facilitation and investment attraction work as well.

**Mr D.T. REDMAN:** Does it have a shopfront? Is there scope for farmers and agencies who work in the space to be able to engage with it?

**Mr M. McGOWAN:** I might get Mr Addis to answer that question.

**Mr R. Addis:** It has become more part of our integrated approach within that pillar as I described, so it is not a standalone shopfront in the way that the member has described, but it is very engaged with the sector, particularly in the value-adding space. The member may be familiar with a number of initiatives, including the

recent value-adding attraction grants program, which has been very well received. It is very engaged with businesses in that space and I think is garnering very good support, and certainly is helping us to understand the challenges and opportunities of value-adding in agriculture.

**Mr D.T. REDMAN:** If a farming business in my electorate wants to export, for example, who does it engage with? Is it not able to engage with this group?

**Mr M. McGOWAN:** I will let Mr Addis answer that question.

**Mr R. Addis:** It would depend on the nature of the firm in question, but certainly there are a few front doors. One is the Great Southern Development Commission, which the member will be very familiar with. The other within our remit is the ag, food and trade part, but obviously that is working very closely with the Department of Jobs, Tourism, Science and Innovation, and their overseas trade office network, which is in the process of becoming much more connected across the key agencies. I think that the offer is clearer from a DPIRD point of view and is becoming more connected to the broader state government approach.

**Mr I.C. BLAYNEY:** I refer to page 205 of budget paper No 2, volume 1, and the heading “Geraldton Marine Finfish Nursery Facility”. Having spoken to the industry, I am curious: does the government consider that this investment will give us enough supply for the projected demand from both Huon Aquaculture and Indian Ocean Fresh at the Abrolhos Islands?

[10.50 am]

**Mr M. McGOWAN:** The answer to that is yes. I am quite excited by this. I think it provides some diversity in the midwest economy. It is something new that the state can do. If the member for Geraldton has not done it yet, my advice to him is that it would be a good thing for him to go to Tasmania and look at what is done there. Has the member done that before?

**Mr I.C. BLAYNEY:** No. It is on my list.

**Mr M. McGOWAN:** It is really good. There are a couple of companies in Tasmania, but, coincidentally, I visited the Huon Aquaculture facility. It is extraordinary. I could not quite believe what I was looking at when I saw the fish swimming around in the sea cages. The scale of it and the numbers of fish are just breathtaking. There are tens, if not hundreds, of thousands of giant salmon swimming in a cage. Obviously, salmon would not work here, but we have identified that yellowtail kingfish would. Obviously, the government has to invest to underpin that, and \$7 million is a lot, but the advice we have is that, yes, it will meet the needs of both. It will underpin that industry—and it is a real industry. It is an exciting thing for Geraldton and for jobs. When I went to Tasmania, I was told that it was either the second or third biggest industry in the state. Tasmania has not had a great history of attracting new industries, but tourism and the aquaculture industry are two examples that have worked very well over the past 30 years. Tasmania does it better than anywhere I have ever seen, including anywhere else in Australia. I think we have attracted a very good company in Huon and I hope it will go very well for the member’s electorate. If he wants any help with a visit, please let us know; we would be only too happy to help him.

**Dr D.J. HONEY:** I want to ask about shark funding, which is referred to on page 206 of volume 1 of budget paper No 2. Three line items in the table at the top of the page relate to sharks, including the SMART drum lines, the Surf Life Saving Western Australia aerial and beach patrols and response, and the shark hazard mitigation, which I assume relates to the ankle devices. That funding cuts out in 2021–22. I wonder what plans the government has to mitigate the risk of sharks to the public.

**Mr M. McGOWAN:** The Minister for Fisheries can probably better answer the member’s question than I can. All I will say is that the SMART drum line trial, which stands for Shark-Management-Alert-in-Real-Time, is a trial to see how it works and whether it makes a difference. Obviously, it makes a difference in terms of tagging; we know that. How it pans out and what it will achieve will be scientifically assessed at the end of the trial. The Chief Scientist, Peter Klinken, has been engaged to undertake that assessment. There is a whole range of other initiatives, as the member knows. It is not easy to provide guarantees or certainty to people when they surf, swim or dive. We cannot provide that certainty, but we do what we can. That is what those programs are for. The funding for them comes mainly under the fisheries portfolio in the Department of Primary Industries and Regional Development. There may well be other arrangements under that budget heading that the Minister for Fisheries can deal with on Thursday.

**Dr D.J. HONEY:** I can understand that for the trial of SMART drum lines, but I would have thought it was reasonably foreseeable that there would be a requirement for ongoing support for the aerial and beach patrols and response from Surf Life Saving WA. I think it is unlikely that we are going to suddenly magically solve this problem. I would have thought it would be prudent to include that as a forward estimate.

**Mr M. McGOWAN:** The reason for that is that there is a two-year contract with Surf Life Saving WA and obviously those contracts are renegotiated. Like the member, I expect—in fact, I am positive—it will continue,

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but clearly there will need to be further negotiations about price and things like that. It is something that I had some experience with at the start of the season last year. I think Surf Life Saving WA is quite committed to keeping people safe. The Surf Life Saving WA aerial patrol is not just about sharks; it is about all sorts of issues to do with safety in the water. As the member knows, far more people drown than are taken by sharks—by a long, long way. Aerial patrols are also an important part of trying to keep an eye on that aspect.

**Dr D.J. HONEY:** As a surf lifesaver, I certainly recognise that; however, during renegotiations, it would not be likely that the contract would change much, so, again, I would have thought it would be a prudent budgetary measure to carry indicative funding into the forward years rather than leave it vacant as it has been.

**Mr M. McGOWAN:** Sometimes if the government does that, it sets a price that reduces the bargaining position of government. I suspect that that is why an amount has not been put in the budget for that. I will let Mr Addis comment further.

**Mr R. Addis:** I make the comment that the mix of shark-related activities has changed quite a bit over the years as we try different things and respond to different pressures. We expect that it will continue to evolve. I can assure the member that from the point of view of the Minister for Fisheries and the department, it remains of the highest priority.

**Mr J.N. CAREY:** I refer to the ongoing initiatives on page 206 of budget paper No 2, particularly community resource centres. I note the \$5 million in the budget for this year and in the forward estimates. I am asking about community resource centres. One of the known programs delivered through the community resource centres is the regional traineeship grants program. How many traineeships have been delivered so far and how many will be delivered into the future?

**Mr M. McGOWAN:** We wanted the CRCs to have a greater training aspect than they do, particularly in some communities. Sometimes because of the size of the communities, there are limited training opportunities. The new regional traineeship grants program makes available 45 traineeships in regional Western Australia. The Minister for Regional Development established the new regional traineeship grants program to make sure that more training is available across regional Western Australia. I am sure the member for Perth would appreciate that enormously! The program continues to be available to all community resource centres and now to 23 smaller local government authorities that do not have access to a CRC—it has been expanded beyond the CRCs. There is \$2 million per annum for the program, and grants of up to \$30 000 are available on a competitive basis to provide training, skills and employment opportunities in regional and remote Western Australia. It provides opportunities for training in the regions, whether in skills diversification, upskilling people in the workforce or kickstarting a career. There has been good uptake from local government and those communities that previously did not have access to a program of this nature. We have seen strong regional interest in the program, with there being an emphasis on small business, tourism, community services, a range of skills, automotive servicing, and library and information technology services. It is a new program that this government has brought in to make sure that people in regional WA, particularly in smaller communities that did not have access to training previously, get that access.

[11.00 am]

**Mr D.T. REDMAN:** I refer to page 205 in volume 1 of budget paper No 2. The global figure for delivery of services is \$163 million. I am sure a component of those funds is sourced from the royalties for regions fund, which is referenced on page 249 of the *Economic and Fiscal Outlook*. It is stated under the heading “Royalties for Regions Fund” —

Receipts and payments in 2018–19 have reduced by \$319 million compared to the 2018–19 Mid-year Review due to delays in project spending and associated revisions to the timing of payments.

Could the Premier provide what projects have been delayed, and any other associated revisions in the timings of payments that are referenced in the budget papers?

**Mr M. McGOWAN:** I will let Mr Gregson comment in a moment, but sometimes, as has been the history of these programs, there are underspends. The total budget across the forward estimates remains at over \$1 billion a year. Sometimes, as the member found in government, there are underspends because contracts are not issued or sometimes contracts come in lower than expected. That happened to a school in Carnarvon—we were able to build the school at a cheaper price than was estimated initially. I thought that was a good thing, but the member for North West Central seemed to think that was a bad thing. We built the school. There are underspends. I think the member’s interpretation of the figure might be incorrect—I think it is significantly smaller than that—but I will ask Mr Gregson to comment.

**Mr P. Gregson:** The member is correct. There was a \$319 million reduction, but that was related to appropriation, not expenditure. Appropriations into the fund are conducted annually by Treasury. The amount reflects the cash needed by royalties for regions to disburse the correct budgeted amounts to agencies and other organisations. In the past, funds could be transferred into special purpose accounts, Western Australian Treasury Corporation

accounts, and also to government agencies. That is not necessarily there to be spent in that particular year. The reduction between last year and this year for 2018–19 of \$319 million was made up mainly of two items. The first was cash from agencies of about \$122 million. They reduced their RforR holdings, which means we did not need to appropriate more from Treasury back into the fund. Also, there was an expenditure reduction of \$197 million, so, again, there was not the need for more appropriation from Treasury into the royalties for regions fund. There are a couple of reasons for that reduction of \$197 million. Probably the major one was a reduction in the cost of delivering some major infrastructure items because of the economic cycle that we are in. Some of those major capital items come in a lot cheaper than was previously thought, so those funds were obviously available to go back into the fund to be spent in other areas of the regions. There is probably some slower uptake of the beginnings of some projects that took a little longer than we thought to get those off the ground.

**Mr D.T. REDMAN:** Will the Premier undertake to give me, by way of further information, an itemised list of the nature of those \$197 million reductions referred to by Mr Gregson?

**Mr M. McGOWAN:** It is very difficult to do that. I want to outline something to the member so that he understands the history of this program. The underspend in 2008–09 was \$138 million, which was 41 per cent of the total budget. The underspend in 2009–10 was \$388 million, which was 60 per cent of the entire budget. The underspend in 2010–11 was \$390 million, which was 43 per cent of the entire budget. The underspend in 2011–12 was \$678 million, which was 45 per cent of the entire budget. The underspend in 2012–13 was \$159 million, which was 14 per cent of the entire budget. The underspend in 2013–14 was \$235 million, which was 18 per cent of the entire budget. The underspend in 2014–15 was \$102 million, which was 10 per cent of the entire budget. The underspend in 2015–16 was \$10 million, which was one per cent of the entire budget. The underspend in 2016–17 was \$50 million, which was six per cent of the entire budget. The underspend in 2017–18 was \$121 million, which was 13 per cent of the entire budget. The underspend in 2018–19 is \$143 million, which is 15 per cent of the entire budget. In other words, there is a history of significant underspends for a range of factors. I think that is because we are currently getting good contractual outcomes because of the competitive nature of the marketplace. In 2009–10, the underspend was \$388 million, which was 60 per cent of the entire budget.

I am told that the most up-to-date estimate of what the underspend will be in this financial year is \$197 million, which is about half of what it was in 2010–11; in fact it is a third of what it was in 2011–12. That is just the nature of these things—they go up and down. I look forward to the member for Warren–Blackwood’s press release: the total budget for royalties for regions is more than \$1 billion each financial year. That is what will be spent. It might be spent more in a coming financial year than in the current one. There might be more than \$1 billion in a future financial year than in this financial year.

**Mr D.T. REDMAN:** Mr Gregson referred to what made up the underspend of \$197 million. Is the Premier able to provide it to me by way of further information?

**Mr M. McGOWAN:** Mr Addis advises me that it is very difficult to provide that.

**Mr D.T. REDMAN:** The Premier just cited a range of underspends. There were underspend provisions in the budget figures. Is the history that the Premier just cited net of those underspend provisions?

**Mr M. McGOWAN:** No; that is the underspend. If I can go to the biggest one, 2011–12, the underspend was \$678 million, which was 45 per cent —

**Mr D.T. REDMAN:** It is not net of the underspend provisions. The whole idea of having an underspend provision in the budget was to account for that.

**Mr M. McGOWAN:** No. The total budget was \$1 493 million—I assume because of the iron ore price. The total spend in that financial year was \$815 million. The underspend was \$678 million, which was 45 per cent of the budget.

**Mr D.T. REDMAN:** The balance of the royalties for regions fund is \$1 billion, which has been consistent for the last couple of years. Whatever underspends occur will simply spill back to the consolidated account. Regarding the \$197 million underspend this year—net of the underspend provisions, because we are talking about the actual projects—I assume the Premier is referencing the projects rather than a dollar value because there are underspend provisions in the budget finishing up in this current budget. I am assuming that spills back to the consolidated fund and supports Metronet.

**Mr M. McGOWAN:** Whatever happens is consistent with what happened before; that is, the underspends were far greater under the last government than they are now. If I can just comment on Metronet —

**Mr D.T. REDMAN:** The Premier made no comment about the underspend provisions. There is a budget allocation against a range of items that went well over, in many cases, the allocation of the royalties for regions fund because of the underspend provision. If we calculate the underspend, it is probably \$1 billion plus a couple of hundred million dollars that the Premier is referencing it against.

**Mr M. McGOWAN:** The position is entirely consistent with what occurred under the last government. Under the last government, the iron ore price went so high that there was additional money in the account, or, I assume, there was a problem with ramping up in the early years. Under this government, the cycle means that we get better value when we allocate money. Just on the member's Metronet comment, I point out that most of it is funded by the federal Liberal–National government, which is a good outcome. I know Christian Porter was campaigning on it.

[11.10 am]

**Mr D.T. REDMAN:** It is smoke and mirrors.

**Mr M. McGOWAN:** Just to repeat, it is entirely and exactly consistent with what happened under the last government.

**Mr D.T. REDMAN:** The Premier does not understand the underspend provisions that have been made in the budget, including the current budget. He is giving me a figure for what has been underspent—referenced against what? Is it referenced against the project allocation or referenced against —

**Mr M. McGOWAN:** Under the last government, it was referenced against the amount that was originally in the RforR budget.

**Mr D.T. REDMAN:** For projects, which is well over the allocation of royalties for regions funds—it is well over the \$1 billion figure.

**Mr M. McGOWAN:** Even if it was \$1 billion, let us look at 2011–1. The actual expenditure was \$815 million. In 2014–15, the actual expenditure was \$898 million, which is significantly under \$1 billion.

**Mr D.T. REDMAN:** In the existing financial year, there is nearly \$200 million of underspend in royalties for regions funds, which is 20 per cent.

**Mr M. McGOWAN:** In the Liberal–National government years, the underspend was 60 per cent in one year, 43 per cent in another and 45 per cent in another.

**Mr D.T. REDMAN:** Net of the underspend provisions?

**Mr M. McGOWAN:** The director general's advice is that it is exactly the same as it is now.

**Mr I.C. BLAYNEY:** I refer to page 205 of budget paper No 2 and the table outlining “New Initiatives”. I refer specifically to the line item “Fitzroy River Management Plan” under the election commitments. Can the Premier tell us what the outputs are from this work? Will they result in a public report or a public document? Is this work related to agricultural development on Fitzroy River?

**Mr M. McGOWAN:** Obviously, we are committed to a Fitzroy River national park—hopefully, everyone is. I will ask Mr Addis to elaborate.

**Mr R. Addis:** Thanks, Premier. The core commitments are the establishment of a Fitzroy River national park, the completion of a water allocation plan for the valley and an essential land use and development framework for the valley. All three of those commitments are well in train. Negotiations and conversations with traditional owners, the broader community, pastoralists and other interested stakeholders are well advanced. We have engaged a stakeholder convener to make sure that those conversations are effective. Absolutely; throughout the course of the next year or so there will be clear public deliverables in each of those three core commitments. Broadly, the process is going fairly well.

**Mr I.C. BLAYNEY:** Premier, in budgetary terms, \$1.4 million is not a huge amount of money to decide how much water is available for agriculture, the nature of agriculture that may be undertaken there, the work on the national park and the environmental work, I assume. Is the government relying on that sum of money to answer all those questions?

**Mr M. McGOWAN:** I will ask Mr Addis to comment.

**Mr R. Addis:** In short, simple terms, that is not the only resource that is being dedicated to the things that the member described. A substantial body of work has been completed by CSIRO, which resulted in a pretty comprehensive overall land and water resource and use assessment. That came out about six months ago. I am sure the member is familiar with that. The Department of Water and Environmental Regulation, through its existing water assessment resources, is largely doing the water analysis work that is required to underpin that deliverable. Similarly, the Department of Biodiversity, Conservation and Attractions is doing the work to define and negotiate the establishment of a national park. That money is really for the things over and above the normal delivery-type activities, which includes things like the stakeholder convener. There is funding for the Martuwarra Fitzroy River Council, which is largely a traditional owner representative group for this process. It is certainly not by any means the total resource that has been dedicated to this initiative.

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**Mr I.C. BLAYNEY:** From what Mr Addis just said, am I right to think that the government is comfortable with what was written in the CSIRO's report about the amount of water that can be taken from the Fitzroy River?

**Mr M. McGOWAN:** I will let Mr Addis comment.

**Mr R. Addis:** From memory, the CSIRO report indicated that the potential water availability in the whole system, including groundwater and service water, was up to, I think, 1 600 or 1 700 gigalitres a year. The state government has not reached a definitive view, and that is the whole point of ongoing consultations with Fitzroy River valley stakeholders, but it signalled early on that it is not of a view that the allocation is likely to be of a similar magnitude to that pointed to in the CSIRO report. To put it in perspective, at the moment the total water allocation is in the order of six gigalitres for the whole valley for existing water allocations, of which, effectively, zero is used. The government is looking to take a much more moderate and stepwise approach to the water allocation process and has talked about up to around 600 gigs as being a useful frame to start the conversation. Clearly, that has to be worked through with the stakeholders, which includes pastoralists, traditional owners, Indigenous pastoralists, the broader community and environmental stakeholders et cetera.

**Mr I.C. BLAYNEY:** Is it the government's intention to, if you like, fund a serious scientific study to determine a safe amount of water to take from the Fitzroy River for agriculture or is that amount going to be determined by other means; and, if so, what might those other means be?

**Mr M. McGOWAN:** The advice I have is that the Department of Water and Environmental Regulation does that analysis, makes the assessments and undertakes the examination. Obviously, as we have seen with the Murray–Darling basin—frankly, they got it wrong there—we have to be very careful about these things; we do not want to get these things wrong. I will let Mr Addis comment.

**Mr R. Addis:** I think that is right. The Department of Water and Environmental Regulation is doing that water assessment work as part of a water allocation plan, and clearly there are concerns about not going down the same path as some of the major irrigation systems in the east. But, at the same time, as I pointed out, the level of water extraction in the Fitzroy Valley is effectively zero now. We are not anywhere near approaching a risk situation, but we will take an appropriate and careful approach once the government has reached the end of the work that is currently in train.

**Dr A.D. BUTI:** I refer the Premier to page 217 of budget paper No 2, and to the table titled “Details of Controlled Grants and Subsidies”, which provides a long list of grants. Can the Premier give an update of the grants that have been made under the scheme and whether any of them have been announced?

[11.20 am]

**Mr M. McGOWAN:** On page 217, that is for the regional economic development scheme to support development in regional communities. A total of \$28.85 million in royalties for regions funding has been allocated to deliver the regional economic development grants program over five years. That includes an additional \$5 million in this budget. RED grants, as they are known, provide an opportunity to focus on community-led projects that will boost regional economies, create jobs and add vibrancy to communities. By investing in a variety of regional initiatives, the state government is helping to grow WA regional areas into thriving and sustainable communities. Funding has been allocated equally across all nine regions. The program will be managed by regional development commissions. In 2018–19, \$6.25 million was made available for the first round of the RED grants program. Grants of up to \$250 000 were available for individual projects that promote sustainable jobs, partnerships, productivity, skills and capacity as well as stimulating new investment in industry diversification. RED grants are available to local governments, training institutions, not-for-profit organisations and registered businesses. The successful RED grant projects from round one have been approved and announced by the minister for eight regions, with grants for the Kimberley to be announced later this week. The RED grants program is a small grants program for all sorts of small industry enhancement projects across regional communities. In my view, strangely, often the smaller grants programs promote more activity, happiness and enhancement than some of the bigger grants programs. I have always found that some of the smaller things that we do to enhance activity are better than those in which the government pays for everything.

**Dr D.J. HONEY:** I refer to page 206 of budget paper No 2, volume 1. In the table “Spending Changes”, there is a saving of \$13 million from the Albany wave farm. However, on page 183 of budget paper No 3, in the table “Royalties for Regions Expenditure”, the estimated actual for 2018–19 is \$4.2 million, the budget estimate for 2019–20 is \$1.1 million and the forward estimate for 2020–21 is another \$1.1 million. Now that that project has been stopped, what is that additional expenditure for?

**Mr M. McGOWAN:** The wave energy project had two components. One was the tender process that resulted in Carnegie Clean Energy successfully winning the tender for the wave energy technology development project. The second component of \$3.57 million was for the University of Western Australia to establish the Wave Energy

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Research Centre. That is continuing. The WERC has staff who are working in a facility located on the site of the old train station near the Albany waterfront. Obviously, when Carnegie could not deliver, which was unfortunate, we withdrew the money that had been allocated for the remainder of the project. However, the upside is that the remaining money, \$14 million or thereabouts, has gone towards a cancer treatment facility in Albany, which I suspect the people of Albany will appreciate.

**Dr D.J. HONEY:** If no facility will be operating in Albany, what is the nature of the research that is being carried out?

**Mr M. McGOWAN:** I will let Mr Grazia comment.

**Mr N. Grazia:** I do not have the details in front of me on the specific scope of work that UWA is undertaking, but it has been undertaking work to understand the wave energy resource and geotechnical aspects of the location. It is also in the process of receiving data from Carnegie on the work that had been funded by the state such that it can be made available to the wave energy and marine industries more broadly.

**Dr D.J. HONEY:** Has the financial assistance agreement with Carnegie and UWA been completed?

**Mr M. McGOWAN:** It has been terminated.

**Dr D.J. HONEY:** What about with UWA?

**Mr M. McGOWAN:** That is continuing.

**Dr D.J. HONEY:** Has the financial assistance agreement been completed?

**Mr M. McGOWAN:** As I said in my opening comments, the arrangement with UWA, which has some outstanding researchers as I understand it, continues. Continuous research activities are being undertaken in wave and marine renewable energy development.

**Mr D.T. REDMAN:** But that agreement was altered; it was changed.

**The CHAIR:** Sorry, member. You will need to get the member for Cottesloe to ask that question.

**Dr D.J. HONEY:** My colleague has made me aware that the agreement has changed. I wonder whether it has been finalised or whether there is ongoing expenditure?

**Mr M. McGOWAN:** The advice I have is that the financial assistance agreement is currently being varied to make the necessary adjustments to ensure that it can operate as a standalone project or bring significant benefit to the state.

**Mr D.T. REDMAN:** I refer to page 205 and the budget estimate of \$163 million for the Department of Primary Industries and Regional Development. I am sure a component of that is royalties for regions funding. I refer now to page 183 of the *Economic and Fiscal Outlook* and the line item “Industry Attraction and Development Fund—Collie”. Can the Premier confirm that the \$42 million in the out years of 2020–21 and 2021–22 is a redirected budget allocation for a solar farm and a biomass plant in Collie?

**Mr M. McGOWAN:** The answer is yes.

**Mr D.T. REDMAN:** Did the agency and/or the minister seek any expressions of interest for the solar farm or biomass plant prior to it being canned?

**Mr M. McGOWAN:** It is under a different agency—the Department of Jobs, Tourism, Science and Innovation—so maybe that question can be answered this afternoon. However, the idea was widely promulgated, if I can put it that way. If industry had come forward with a project that stacked up, with the appropriate business cases and the like, it could have accessed that money. Apparently, that did not happen, so that is why the fund has been converted to a broader industry attraction fund.

**Mr D.T. REDMAN:** I have two questions: Was a business case done for those projects? Who is the minister responsible for those projects?

**Mr M. McGOWAN:** Does the member mean for the biomass project?

**Mr D.T. REDMAN:** The solar farm and biomass plant.

**Mr M. McGOWAN:** There was none. As the member would know, Collie is the centre of energy creation—the centre of the grid, as it were. The idea was that because of the decline in demand for coal and the increase in demand for other forms of energy, we would do something very imaginative to take advantage of Collie’s natural strengths. That was an election commitment, and we allocated an amount of money to it. However, the reality is that there was no take-up and so the fund was converted to look for other economic development opportunities.

[11.30 am]

**Mr D.T. REDMAN:** Further to that, Premier, you said there was not any take-up of that. That suggests to me that some sort of proposal was put out. Is that correct?

**Mr M. McGOWAN:** I will let Mr Addis comment.

**Mr R. Addis:** I thank the Premier. The oversight for the funds to which the member refers was until recently under the carriage of the Department of Jobs, Tourism, Science and Innovation. My understanding—it might need to be clarified and confirmed with the Department of Jobs, Tourism, Science and Innovation in its session—is that a preliminary assessment was done. I do not think that would amount to a business case-type level of work, but out of that work it became clear that it would make better sense for the Collie community to expand the scope and not be confined to just those initial targets, for want of a better word. That is the effect of the change that is being made. It is not to exclude the sorts of projects that were originally on the list, but it is to say that we could look at other options if they have more promise.

**Mr D.T. REDMAN:** I am assuming that those funds, because of the backflip on the election commitment, are now back in the Department of Primary Industries and Regional Development as a project?

**Mr M. McGOWAN:** The answer is yes.

**Dr D.J. HONEY:** I refer to the table headed “Service Summary” on page 209 of budget paper No 2, volume 1, and also page 11 of budget paper No 1, where near the top, in the second paragraph, is a reference to \$900 million for wastewater and drainage projects in regional Western Australia. I cannot see any equivalent of that in the service summary table on page 209 of budget paper No 2. Is it possible to specify what projects comprise the \$900 million investment in regional water and wastewater projects?

**Mr M. McGOWAN:** Can I just clarify: is the \$900 million contained within this division?

**Dr D.J. HONEY:** The reference to regional projects is contained within this division. I am looking for an omission, because we have a summary of those projects on page 209, in the service summary table, but it does not seem to reflect any spend on regional water projects totalling \$900 million. I am trying to understand the difference between the two.

**Mr M. McGOWAN:** We think it is under the Water Corporation. The Water Corporation generates its own capital spend and is a business. That is why we suspect it is not contained within this division. Obviously, the division on the Water Corporation will be coming up and the member will be able to question the Minister for Water to his heart’s content.

**Mr D.T. REDMAN:** I refer to page 205 of budget paper No 2. The global figure for the Department of Primary Industries and Regional Development is \$163 598 000. I am sure a component of that is royalties for regions funds. Historically, I know that a little is spent on district allowance payments. Page 275 of the *Economic and Fiscal Outlook* refers to subsidies that are paid to various agencies. Historically, the former Department of Regional Development had run a regional price index project to understand the cost of living in various locations and used that as a tool to allocate a district allowance to government employees in various areas. Is that still operating? When was the last time a regional price index was calculated? Does royalties for regions, in fact, fund the district allowance, as it traditionally did?

**Mr M. McGOWAN:** As I understand it, it is the same arrangement that was in place before. The funds are distributed from royalties for regions to each agency for some district allowances. Mr Gregson might be able to comment further on that.

**Mr P. Gregson:** There are two parts to that. There is the survey that is done every two years to calculate the cost of living in the regions, and there is the actual distribution of payments to agencies that obviously get passed on to —

**Mr D.T. REDMAN:** When is that survey being —

**Mr M. McGOWAN:** The member has to ask his questions through me. Why does he not let Mr Gregson finish and then ask the question?

**Mr P. Gregson:** The administration line item in the budget is what contains the district allowances, so it is not broken up in chapter 7. Each agency gets a portion of that regional allowance distributed to it, and that is the second component.

**Mr D.T. REDMAN:** Further to that question, when was the last time the survey was done for the regional price index, and when is it likely to be done again?

**Mr M. McGOWAN:** The advice I have is that a new one is due to be done this year. My expectation is that the cost of living will not have grown by as much as it did back in the early parts of this decade.

**Mr D.T. REDMAN:** Further to that, Mr Gregson referred to the district allowance payments that come out of the royalties for regions fund as being in the administration line item on page 193 of the *Economic and Fiscal Outlook*. Will the Premier undertake, by way of further information, to provide me with each of the components of the

administration fund highlighted here which are, in fact, district allowances for each of the budget years in the forward estimates?

**Mr M. McGOWAN:** By way of supplementary information, I am happy to provide the member with the regional workers' incentive allowance payments from the Department of Primary Industries and Regional Development for this budget and the last four budgets, if that is easy enough to be obtained.

**Mr D.T. REDMAN:** For the forward estimates period?

**Mr M. McGOWAN:** For the forward estimates and the four years of forward estimates leading up to this point, so that there is a fair comparison.

*[Supplementary Information No A3.]*

**Mr D.T. REDMAN:** Further to that, that was a district allowance in response to the regional price index survey. There was also a separate fund that went to the Western Australia Police Force for the south west of the state. Is that included in that administration fund, and will it be provided as part of what the Premier has just highlighted?

**Mr M. McGOWAN:** I have just outlined what I will provide, which was the regional workers' incentive allowance payments for the four years leading up to this budget, and for the forward estimates, so that we are clear about that. The advice I have is that it is \$2.5 million this year and \$2.5 million for each year across the forward estimates.

**Mr D.T. REDMAN:** Is that the police regional incentive scheme?

**Mr M. McGOWAN:** It is the regional police incentives.

**The CHAIR:** Was that not additional supplementary information?

**Mr D.T. REDMAN:** No.

**Dr D.J. HONEY:** Premier, I refer to the table headed "Spending Changes" on page 205 of budget paper No 2, volume 1, and the line item "Core Business Systems Replacement". Can the Premier please outline what that comprises and what benefits the department expects out of that? If there is a quantified benefit, I would be very interested to know.

[11.40 am]

**Mr M. McGOWAN:** It integrates corporate services, payroll platforms and the like between the amalgamated agencies in order to generate savings, which makes sense if one thinks about it. When a range of agencies come together, some of those corporate affairs and payroll roles and the like can be integrated to generate savings that can be put into service delivery. That is what this is about.

**Dr D.J. HONEY:** The Premier said it is likely to generate savings. Do we have any estimate of savings from the department to justify the expenditure?

**Mr M. McGOWAN:** I will let Mr Addis respond.

**Mr R. Addis:** When three agencies plus the relevant other related organisations, which includes the nine commissions and the Rural Business Development Corporation et cetera, are brought together, there is a need to upgrade, integrate and pull together the more consistent practices. One of the core ones is to have a common platform for each of the key corporate services functions—human resources, finance, payroll and document information management. This essentially brings all the disparate platforms into one. It is causing our staff significant inefficiencies at the moment as we work through those teething pains, but it will ultimately deliver a much more modern approach to our corporate services that will be more efficient and effective. In the integration of corporate services across all those agencies so far, the re-engineering dividend is about 80 full-time equivalents, which, as I described earlier on, has essentially gone into strengthening the underlying budget situation for the whole organisation. We have not done a detailed cost-benefit analysis of the systems integration per se because it is part of the whole integration of corporate services and, indeed, the department. In that significant saving of FTE alone, I think one can see the pretty substantial benefits year in, year out.

**Dr D.J. HONEY:** The director general said there was a saving of 80 FTEs. Did I hear that correctly? Has that been absorbed into other parts of the agency?

**Mr M. McGOWAN:** The benefit is from the areas of corporate affairs, payroll, HR, computer management and IT services—all those sorts of things. Eighty of those positions will now go to delivering frontline services in agriculture, working in regional development commissions or anything of that nature. It is an internal reallocation to deliver better services and spend less on back-office functions, which I would have thought everyone would think is a good thing.

**Dr D.J. HONEY:** The other part of my question—maybe I will ask other questions about it later—is that surely that provided an opportunity to achieve the voluntary targeted separations from the agency.

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**Mr M. McGOWAN:** The targeted separation scheme is voluntary and people could apply. If someone in that area applied and there was no further requirement for them to work there, that was probably a good outcome. I disagree with the idea that this agency spends more on back-office functions than service delivery.

**Mr D.T. REDMAN:** I refer to the global figure on page 205 of the regional development —

**Mr M. McGOWAN:** The member is very fixed on that figure.

**Mr D.T. REDMAN:** I have been directed by the Premier to make sure I reference it. I refer to the allocation of \$163 million and royalties for regions. On page 276 of the *Economic and Fiscal Outlook*, a line item in the table refers to royalties for regions funds into remote, essential and municipal services. I note the transition from the consolidated fund, which previously paid for these services, to royalties for regions. What is interesting is that \$62.1 million has been allocated to those services in 2019–20, and the allocation in each of the ensuing years in the forward estimates is only \$56.6 million—a reduction of some \$6.5 million. Why is there a reduction in funding to remote, essential and municipal services between the current budget year and the 2020–21 budget and following years?

**Mr M. McGOWAN:** I have been advised that this is a contribution to what the Department of Communities does. This does not show the full picture. Based on the advice that I have been given, it appears to be \$56 million this financial year and in each of the financial years going forward—a total of \$224 million. This is a contribution. The Department of Communities provides a component and I assume that other agencies do as well. This is not the totality.

**Mr D.T. REDMAN:** Are any capital funds included in that or is it straight-out recurrent operating expenditure?

**Mr M. McGOWAN:** The Minister for Community Services will have a better answer about that, but it assists in providing power, water, waste management services, planned maintenance and breakdown services, water quality testing and powerhouse fuel. It also provides capital replacement and critical upgrades or replacements for the provision of essential and municipal services, including power, water, wastewater and sewerage, and local government-type services including the provision and upkeep of roads, airstrips, parks, household rubbish collection and removal, community administration and remote swimming pool management. Therefore, it does have a capital component.

**Mr I.C. BLAYNEY:** I refer to page 206 of budget paper No 2, volume 1, significant issues impacting the agency, and specifically paragraph 5 at the bottom of the page. Am I right in assuming that \$48 million is the government's contribution to the research partnership; and, if so, what is the total value of the partnership work, and is it possible to get a list of projects that make up the partnership?

**Mr M. McGOWAN:** The Department of Primary Industries and Regional Development and the Grains Research and Development Corporation have a long history of partnering in grains research and development projects since GRDC's creation in 1991. On average, DPIRD has historically received approximately \$15 million per annum for grains R&D from GRDC. I recall in one of the briefings about us providing this support that, despite the decline in rainfall, the productivity per hectare has gone up multiples because of the extraordinary research that has gone on. DPIRD and GRDC worked together during 2018 to develop new projects for a direct negotiation co-funding commitment of up to 10 years—five years with an option for another five. A suite of six new projects with a total commitment of \$48.3 million across their lifetime was announced in February 2019. The investment includes \$22.5 million in cash from GRDC and \$25.8 million in both direct funding and overheads from DPIRD, but it is only about half the expected direct-negotiation investment from GRDC of around \$10 million per annum in agronomy, farming systems, soil management and nutrition. The Department of Primary Industries and Regional Development's funding commitment includes \$22 million to overcome soil constraints and develop transformational soil technologies. A further \$3 million will help examine new opportunities for the WA grains industry, including a fresh approach to matching genetics for early sowing opportunities for oats, canola and lupins in key environments. The total investment from the Grains Research and Development Corporation and DPIRD in 2018–19 is \$14.9 million by directly funded projects with DPIRD or through third party projects with which DPIRD collaborates. The current estimate for 2019–20 is approximately \$10.8 million. Negotiations are ongoing and further investment will flow as new research and development projects that address WA grains industry priorities are contracted with GRDC. Collaboration with GRDC enables the leveraging of government investment to ensure targeted research happens on the ground in WA. I can give members a list, by way of supplementary information, of which projects and programs are being funded. I am happy to provide that, but the department might provide a bit more detail. Would the member like me to get the supplementary allocated first?

[11.50 am]

**Mr I.C. BLAYNEY:** Yes.

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**Mr M. McGOWAN:** I am happy to provide advice as to the programs and projects funded for grains research under the item for the \$48 million scientific research partnership with the Grains Research and Development Corporation.

[*Supplementary Information No A4.*]

**Mr I.C. BLAYNEY:** I want to clarify that the government's contribution is \$48 million spread over four years and the GRDC's contribution probably matches that. Would that be right?

**Mr M. McGOWAN:** The GRDC contributes \$22.5 million in cash and DPIRD contributes \$25.8 million.

**Mr I.C. BLAYNEY:** Is that over a year?

**Mr M. McGOWAN:** I will let Mr Addis answer that.

**Mr R. Addis:** The projects range from two and a half years up to five years, so it is a staggered approach, but it is delivered through the department, if that makes sense.

**Mr I.C. BLAYNEY:** I am sorry; I had a flu needle yesterday and I am a bit slow on the uptake today. Is the \$48 million research partnership the total cost of the research partnership or is that the state government's contribution to the partnership?

**Mr R. Addis:** It is the total cost of the partnership, of which the state's contribution both in direct costs and overheads is \$25.8 million. The GRDC's contribution in cash is \$22.5 million.

**Mr I.C. BLAYNEY:** I refer to page 183 of budget paper No 3 and the line item, "Building Western Australia Grains Research and Development Capacity", about a quarter of the way down. I assume that is what this is referring to, which is \$12.5 million a year, or a total of \$50 million. Is that the same project?

**Mr M. McGOWAN:** I will let Mr Addis comment.

**Mr R. Addis:** No, my understanding is that it is not. I think the \$12.5 million the member is referring to is part of our commitment that underpins negotiations for the remainder of the program that we hope to achieve with GRDC.

**Mr I.C. BLAYNEY:** Where is the \$48 million in these budget figures?

**Mr R. Addis:** My understanding is that there is a line item of \$50 million, I think—is that right, Cole?—for grains research and development. Our contribution to the partnership that has been referred to comes out of that line item.

**Mr I.C. BLAYNEY:** What about the balance?

**Mr R. Addis:** The balance is left to underpin the further negotiations, which I referred to earlier.

**Ms A. SANDERSON:** My question relates to page 206 of budget paper No 2, volume 1, and community resource centres. Is the Premier able to provide an update on the new regional traineeship grants program?

**Mr M. McGOWAN:** I think we have done that.

**Ms A. SANDERSON:** We have done that question. I apologise.

**Mr M. McGOWAN:** The member for Morley needs to pay attention to the member for Perth. He is very interested in regional development.

**The CHAIR:** That means there is no question from the government. We are going straight to the member for Warren–Blackwood.

**Mr D.T. REDMAN:** I refer to page 205, which makes reference to a global figure, which I am sure contains royalties for regions funds, and part of that is for administration. On page 192 of the *Economic and Fiscal Outlook*, there is quite a big jump from the 2017–18 actual expenditure of \$68.5 million to the 2018–19 estimated actual expenditure of \$78 million. Can someone explain that jump, please? There is then a reduction over the forward estimates.

**Mr M. McGOWAN:** Which page was that again, sorry?

**Mr D.T. REDMAN:** On page 192 of budget paper No 3 there is a line item under administration. We referred to it a little while ago and referenced the district allowance being a component of that. When I look across the numbers there is a jump of just short of \$10 million from the 2017–18 actual expenditure to the 2018–19 estimated actual expenditure. Then it comes back to \$75 million in the budget year of these papers and then down to \$70 million and to \$71 million over the forward estimates. I am looking for an explanation of the volatility.

**Mr M. McGOWAN:** We understand it has something to do with some of the issues surrounding the Ord and some up-front money to do some of the environmental compliance work, which was lumpy, and that has been done. I will ask Mr Grazia to comment.

**Mr N. Grazia:** I just wanted to add that I do not have a specific explanation of the variation in front of me. These things are often made up of a number of components. But the item that stands out for me that comes to mind is the

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE A — Tuesday, 21 May 2019]

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near \$10 million allocation to the department, as the Premier described, which is for environmental compliance work on the Ord, with DPIRD now having proponent's responsibilities for the Ord.

**Dr D.J. HONEY:** I refer to page 210 of budget paper No 2, volume 1, and the table for service 1, "Regional Industry and Community Development Investment Facilitation". I have a couple of questions on that table. The first question relates to the full-time equivalents employees. The FTE budget in 2018–19 was \$207 000 compared with an actual expenditure of \$396 000 in 2017–18. The estimated actual expenditure is \$390 000, which is a reduction of \$6 000. Was that a real budget number, and what was the target for voluntary reductions in the department?

[12 noon]

**Mr M. McGOWAN:** I will let Mr Addis comment, and he can farm the question out, if you excuse the pun, to someone else here!

**Mr R. Addis:** I will ask the chief finance officer to comment on that.

**Ms M. Taylor:** I can explain the variance between the FTEs. The department continues to develop its financial modelling for the attribution of our costs, incomes and FTEs to those different services. The allocation of costs, incomes and FTEs by service for the 2018–19 budget —

**Dr D.J. HONEY:** I am sorry, Chair; I cannot hear.

**Ms M. Taylor:** For the 2018–19 budget, the service allocation was done at high level and changes of limited integration of our core systems has made it very difficult to get that information out. Therefore, this year, we have made incremental improvements in doing the allocation of those costs and services, particularly as we have now started to bed in some of the structure of the new agency. That has resulted in a large discrepancy. The 2019–20 budget is a more accurate allocation of FTEs to this service compared with the number of FTEs in 2018–19.

**Mr R. Addis:** The only additional comment I would make is that as we integrate primary industries that are significantly involved in the regions with the former regional development task, we see that effort that used to be devoted to, for instance, agricultural and fisheries industries development, is relevant to the regional development task. That is part of the reason we see a fairly high level of resource committed to that space. But it does not take away from the point Ms Taylor made that the prior year estimates were not that reliable. How is that?

**Dr D.J. HONEY:** I will gloss over that one. Premier, I go forward to 2019–20, and there is a reduction of 26 FTE in the department. Does that come from any particular area? How is that expected to be achieved?

**Mr M. McGOWAN:** From looking at the *Budget Statements*, it appears to jump around a bit. I will ask Ms Taylor to comment on the member's question.

**Ms M. Taylor:** Regarding the drop in FTE numbers to the out years, the FTE across the department is projected to be 1 580 in the final out year. As we work through our structural design, we will move our FTE allocations to that total of 1 580 in the out years, and this is reflective of the change that is likely in this service.

**Mr M. McGOWAN:** As we said before, people move around inside the agency. It is an amalgamated agency of a whole bunch of organisations, so people move around inside. We have reinstated 280 people whose positions were going to be cut.

**Dr D.J. HONEY:** In summarising the answer, does the Premier think there will be general efficiencies that will enable the 26?

**Mr M. McGOWAN:** In the 2018–19 budget, it is 207, so it depends which one you want to look at. It could be seen as a 160 increase. In any event, the number moves around inside the agency, as it does in every organisation.

**Dr D.J. HONEY:** I think the 207 was a glitch. Further to that table, there is an efficiency indicator of 26.17 per cent, which goes to zero per cent. I will ask some more questions later on performance indicators. Sorry, Premier, I should have referred to the table at the bottom of page 210 of budget paper No 2, volume 1. The notes at the top of page 211 indicate, if you like, that the benefit is moving to service 2, but, on looking at that, I would say that it becomes almost a meaningless measure in that it is looking at the cost of that service as a ratio of the total sector income, which, surely, has to cover things that are not impacted by the department. For example, it includes mining output. There is a statement that there is a benefit of approximately \$20 million. Can I have some greater breakdown of that? I am happy to wait for supplementary information for provision of better proof; otherwise, it disappears completely.

**Mr M. McGOWAN:** I think Mr Grazia might be able to answer your question.

**Mr N. Grazia:** I understand the line of inquiry relates to the efficiency indicator on page 210 where it is budgeted at 26.17 per cent and then estimated at a couple of zeros. Is that correct? I will go to that point. Fundamentally, in the framing of this particular efficiency measure, the intention was to capture co-investment that the agency is able

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to attract to its key services. However, when the efficiency measure was applied against this particular service line, it was recognised that it is not able to capture leverage funding that does not come through the department's books. A lot of the work that the department does in the regional industry and community development space sees the department secure leverage and co-funding into projects managed by other parties and the flow of those funds does not come through our financial statement. Fundamentally, I would say that this is an ill-conceived efficiency measure, and it will require review again for next year.

**Dr D.J. HONEY:** I refer to the middle table on page 211, which shows a measure that is the ratio of the total primary income and which seems also to be a completely meaningless measure. I am sure—I am looking at the Premier as the senior manager for the business—that would not give me any information on the performance of this investment by the government.

**Mr M. McGOWAN:** I am not the responsible minister, for your information.

**Dr D.J. HONEY:** The managing director.

**Mr M. McGOWAN:** I think I am fairly removed from this issue. I will get Mr Addis to comment.

**Mr R. Addis:** I think Mr Grazia will be able to provide a comment.

**Mr N. Grazia:** Again, in the early days of bringing the departments together, these efficiency performance indicators need more work and more attention. The key point is to try to look for the longitudinal changes in trend over time to see whether the department's cost of service delivery measured against a base is showing whether the cost of service is increasing or decreasing. However, I take the point that has been made, but I add that this sort of methodology has been used in former budgets.

**Mr D.T. REDMAN:** On page 205, there is a global figure of \$163 million for royalties for regions. One of the components of that is referenced at the bottom of page 184 of the *Economic and Fiscal Outlook* in the line item "Digital Innovation, Transport and Access to Care" under "Putting Patients First". In the 2019–20 budget year, the figure is nearly \$63.5 million and there is a total of \$238 million over the forward estimates. Is that operating funding, which agency is responsible for it, and, largely, what does it do?

**Mr M. McGOWAN:** A good question; I will get to the bottom of this! There are a series of programs. To comment up front, digital innovation is remarkable. I was recently in a consulting room in a regional hospital where I was working with some nurses in another hospital giving them advice, digitally, on surgery matters. I think for a while they thought I was actually a doctor! I saw how it actually works up close. I do not think they realised who I was. Fortunately they did not take my advice!

The pillars of this include emergency and acute workforce, digital innovation, transport, access to care, health services and health infrastructure. The achievements to date are outpatient telehealth services, to which I referred earlier, which account for approximately 18 200 appointments a year and include plastic surgery; respiratory medicine; haematology; orthopaedic; gastroenterology; mental health; stroke; oncology; ear, eye and oral; pain management; and pre-surgical assessment services. Emergency telehealth services is a fully operational 24-hour, seven-day-a-week service with a number of health sites. Seventy-five per cent of emergency telehealth patients were discharged from a local hospital without having to be transferred elsewhere, achieving the aim of providing emergency health care closer to home. I saw this in operation in a hospital in Halls Creek as well. It basically funds a range of programs that digitally provide effective health care locally with the best of specialists on the other end of the line providing support. That is the principle and the digital service is dominantly what this program does. It is growing significantly. The royalties for regions contribution to the patient assisted travel scheme comes out of that line item, which is \$45 million a year.

[12.10 pm]

**Mr D.T. REDMAN:** So, is \$45 million of that PATS?

**Mr M. McGOWAN:** Yes.

**Mr D.T. REDMAN:** When items like this come through cabinet with a cabinet submission, are they end dated as a program, and, therefore, do they have to go back to cabinet, or is it simply longer term operational funding for things like PATS that keep going?

**Mr M. McGOWAN:** We have Expenditure Review Committee processes, but as far as I am concerned PATS will continue forever.

**Mr D.T. REDMAN:** Just below it is the line item "Emergency and Acute Workforce". I assume that they are RforR operational funding programs that will continue from year to year. They do not have an end date when they are reviewed to see whether they are relevant.

**Mr M. McGOWAN:** They are funded across the forward estimates, but obviously they are reapproved in each budget. Digital health is a good thing; it is something that I think will grow.

**Mr D.T. REDMAN:** I take it that they will be longer term commitments, not dissimilar to paying for the uniform pricing for the water tariff through the Water Corporation, the subsidy for TAFE and the orange school buses. They are longer term commitments that will not change. I assume there is also operational funding for step up, step down facilities and subacute mental health services in Bunbury and Karratha. Those are operational funding programs that will consistently come out of royalties for regions and are unlikely to be end-dated programs.

**Mr M. McGOWAN:** They are new and growing things, to be honest. The member included a new step up, step down program.

**Mr D.T. REDMAN:** I am not going to argue the merits of the case. I am just arguing the source of funding for those projects and that they will be long-term operational funding commitments.

**Mr M. McGOWAN:** I did not say the member was arguing the merits; I said that they are often new things. The step up, step down program in Karratha, Kalgoorlie and Bunbury—wherever it may be—is a new program that we are providing to regional Western Australia. Mental health is an important issue, and I want to ensure that it is appropriately supported in regional communities, where there is less access to some of the services than in Perth. Digital health is a new and growing thing that will continue to grow, and providing secure funding for those areas is important.

**Dr D.J. HONEY:** I refer to page 212 of budget paper No 2, volume 1, under service 5, “Corporate and Business Development Services”. At the bottom of the table are the efficiency indicators, with the net cost of this service as a factor of the Regional Development Commission’s support. What goes into the hourly rate for those services? Is that a labour cost or do other factors make up that cost?

**Mr M. McGOWAN:** RDC support is a measure of the hours worked by Department of Primary Industries and Regional Development staff who support the core business of the regional development commissions. It does not include corporate services staff in DPIRD.

**Dr D.J. HONEY:** What comprises that hourly charge? Is that every single cost for that agency or is it purely a labour cost?

**Mr M. McGOWAN:** It looks like more than labour to me—I might get some advice—because it is \$134.94 an hour. I suspect it is salaries and on-costs; otherwise, those people are being paid exceptionally well.

**Dr D.J. HONEY:** I was going to suggest that my kids change their careers! There is effectively a \$27 an hour reduction from the 2018–19 budget to the estimated actual. Does the Premier know the reason for that substantial reduction from the budget through to the actual, given that it is an hourly charge?

**Mr M. McGOWAN:** I will let Mr Addis answer that.

**Mr R. Addis:** The chief finance officer is most intimately involved in this part of the measure, so I will refer to her.

**Ms M. Taylor:** The hours of work in that service have changed significantly due to the service allocations. The actual number of FTE we applied to that allocation has changed as part of the service allocations that I mentioned in a previous response.

**Dr D.J. HONEY:** Is the chief finance officer saying that that is an efficiency gain effectively through better organisation within the department? Is that a fair summary?

**Ms M. Taylor:** No. I am saying that we have reallocated the FTE around all the services within the department, so some FTE have moved out of this service into one of the other services—probably one of services 1 to 4.

**Dr D.J. HONEY:** Premier, does that mean that we were substantially over-servicing with people for the provision of this service before? I am trying to understand how it could change so dramatically. Obviously costs have been taken out of it, but I assume the same service is being provided.

**Mr M. McGOWAN:** I will let Mr Addis answer that.

**Mr R. Addis:** The member is correct that the same sorts of services continue to be provided and at the same or improving levels. The key point is that the allocation of costs in the first couple of years of a new agency suffer from some of, I suppose, the confusions of pulling organisations together. It is starting to get more mature as we go. I am sure it is not perfectly accurate even now, but the bulk of the change is about that maturing of our ability to measure and allocate more effectively. As I say, it is more a measurement thing than a performance thing.

[12.20 pm]

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**Mr J.N. CAREY:** I refer to the regional telecommunications project listed at the bottom of the table of controlled grants and subsidies on page 217 of budget paper No 2. I wonder what the \$9.15 million for 2019–20 covers. I assume it relates to regional Western Australia and telecommunications coverage.

**Mr M. McGOWAN:** I thank the member for Perth for his deep and abiding interest in regional Western Australia! Telecommunications is a federal responsibility, but we have put significant effort into providing support. We want to provide good digital infrastructure for regional communities. It is obviously important to have decent mobile reception and good internet connections across large parts of regional Western Australia. If regional businesses do not have that, they can suffer. It does not allow farmers to reduce some of their costs so that they can compete in the global marketplace. We are happy to co-invest with the federal government and the telecommunications companies, especially through the Mobile Black Spot Program, to ensure that the regions are not left behind in this regard.

The last round of the program secured 26 new mobile phone towers for regional Western Australia—an investment of \$46 million for the state. The \$9.15 million covers the outstanding projects from rounds 1 and 2 of the program, as well as our contribution to round 4. This morning, the Minister for Regional Development, Alannah MacTiernan, announced a further \$20 million so that the state can participate in rounds 5 and 6 of the program. This new funding will ensure that Western Australia gets its fair share in the new rounds of the federal government’s Mobile Black Spot Program, putting this state in a strong position to negotiate for federal and industry investment. The minister put out a press release this morning on this. I have seen some of the improvements in the Shire of Chapman Valley, where we have installed telecommunications infrastructure. It allows farmers to use telecommunications very imaginatively. It was remarkable to meet the farmers and see it in practice. Farmers can digitally monitor feed, water, fences and gates so they do not have to drive all over their property every day to look at them. This saves them an enormous amount of time and effort and therefore increases productivity. It was a remarkable thing. That is because of these investments. The Shire of Chapman Valley is one area that was a beneficiary, as were many areas throughout the wheatbelt. We are just supporting agriculture everywhere.

**Mr I.C. BLAYNEY:** Aggressively to help members.

**Mr M. McGOWAN:** We are supporting Geraldton so much.

**Mr I.C. BLAYNEY:** I know. It is a good place; it deserves it.

**Mr M. McGOWAN:** It had a rough time there for a while, but it is back on track.

**Mr I.C. BLAYNEY:** When everyone else got the recession we had to have, which went for a year or two, Geraldton got 10 years of recession, so we are used to having to fight for everything.

**Mr M. McGOWAN:** That would have meant that with the election of the Gallop government, sunshine returned again to Geraldton; otherwise, the member’s time frame is out.

**Mr I.C. BLAYNEY:** Let us move on.

**Mr M. McGOWAN:** From 1991 to 2001 is 10 years.

**Mr I.C. BLAYNEY:** I refer to page 206 of volume 1 of budget paper No 2 and to the figure of \$5 million a year for community resource centres. However, on page 188 of budget paper No 3, there is \$13 million a year for the same item. Can the Premier explain to me the difference between those two figures?

**Mr M. McGOWAN:** This is the additional funding that was approved as part of the 2018–19 midyear review to ensure that the community resource centres continue to have the funding that they had previously. Obviously, we have changed the function somewhat to include a significant improvement in training in some of the CRCs and local communities across Western Australia. Currently, there are 102 CRCs across the state, with 41 in the wheatbelt, 13 in the south west and 11 in the great southern region. As I outlined in answer to a question from the member for Perth, there has been a significant improvement in the training aspect of what they do.

**Mr I.C. BLAYNEY:** Can the Premier provide clarification of the amount of funding allocated to CRCs in this budget and the reason for this discrepancy?

**Mr M. McGOWAN:** It is \$13 million a year.

**Mr I.C. BLAYNEY:** CRC funding will remain at \$13 million until 2023. Over that period, the Perth consumer price index is expected to average 2.5 per cent a year. As the budget for the program will remain unchanged until 2023, is it expected that there will have to be cuts in other areas of the program to cover the CPI?

**Mr M. McGOWAN:** As the member knows, it had very significant increases in the budget under the former government. We would like the centres to look at ways of broadening their revenue base, but a \$13 million allocation is significant.

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**Mr I.C. BLAYNEY:** Will some of this funding come out of the Department of Primary Industries and Regional Development budget?

**Mr M. McGOWAN:** It is all funded from the royalties for regions budget.

**Mr D.T. REDMAN:** I refer to page 217 of volume 1 of budget paper No 2. At the bottom of the details of controlled grants and subsidies table, there is a line item for the Western Australian regional film fund. According to the budget papers, it appears that 2019–20 is the last year that the government will fund or support the regional film fund. This money had previously been allocated to Screenwest. Given the proven economic return of this to the state and the industry, what is the justification for this funding being cut?

**Mr M. McGOWAN:** The WA regional film fund, WARFF, provides funding to support screen and film production in regional Western Australia. WARFF was established for the purpose of generating the greatest possible regional outcomes through developing and supporting regional-based business services and talent by developing a coordinated investment strategy into Western Australian regional screen industry activities. I am not sure whether the movie *Breath*, which was filmed in the member's region, was funded partly from it; I think it was. That is subject matter for further consideration by the Expenditure Review Committee. Although it is funded this year, we will consider it again in the budget process.

**Mr D.T. REDMAN:** I take it that there is no commitment in the out years. The Premier is saying that it is subject to an ERC decision for the next budget.

**Mr M. McGOWAN:** That is correct.

**Mr D.T. REDMAN:** So the Premier cannot commit to that fund going forward, but it will be the subject of the budgetary process.

**Mr M. McGOWAN:** That is not unusual. It happens throughout the budget; it is on every page virtually. That is the nature of budgets.

**Dr D.J. HONEY:** I refer to the table of outcomes and key effectiveness indicators on page 209 of volume 1 of budget paper No 2. I want to go through some of the outcomes. If we look at the outcome that regional Western Australia has the investment to grow and create jobs, we see that there is a measure of the percentage of co-investment that the department attracts to industry, which disappears into an unmeasurable figure, if you like, because it is bundled up with the total product of primary production within the state. If we look at the next outcome that regional Western Australia has the technology to grow and create jobs, we do not see any metric for jobs. The metric is the percentage increase of client satisfaction with the department's technology initiatives, which sounds like something out of *Yes Minister*. If we go to the next one, again talking about growing jobs, it has "Percentage of clients satisfied with Department's capability initiatives". I do not want to waste the Premier's time going through it, but if we go through those measures, the metrics that are being used seem to bear little or no reference to the outcome that the government is actually expecting. I am wondering why they are considered appropriate measures.

[12.30 pm]

**Mr M. McGOWAN:** I will let Mr Addis comment.

**Mr R. Addis:** The member's comments are acknowledged. It is clear to senior management at the department that in framing our first crack at outcome-based measures—that is the issues the member has just referred to—we have let them get through, and we have a task ahead of us to ensure they are more pragmatic and useful in monitoring our performance and contribution in future budget years. That is a known problem. We know we have dropped the ball on some of those OBM's.

**Dr D.J. HONEY:** I refer to the heading "Outcome: Western Australia agriculture and fishing protect their biosecurity advantages and integrity", which is towards the bottom of page 209. The budgeted percentage of exotic terrestrial weed, pest and disease threats to be resolved is 60 per cent. Somehow, 57 per cent was attained in 2018–19. Next to "Percentage of invasive aquatic pests and exotic diseases resolved appropriately" is 75 per cent, with no estimated actual, and then it is reduced to 60 per cent. Does the Premier think they are satisfactory measures? I would have thought that these were key areas for the viability of agricultural, horticultural and aquacultural systems, or at least businesses.

**Mr M. McGOWAN:** I will let Mr Addis comment.

**Mr R. Addis:** Clearly, not all threats in this space can be gotten rid of. There is a rate at which we cannot be reasonably expected to get rid of everything that comes into play. Mr Grazia will provide a more complete answer.

**Mr N. Grazia:** The other consideration is the way in which these performance metrics work. They are calculated on a financial-year basis. It is quite frequently the case that a matter may not be resolved in a financial year. The

**Extract from Hansard**

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variation that can be seen—the change coming down to 60 per cent—is the department’s best estimate of what might be achievable in cases being managed within that particular time frame. That also influences the outcomes.

**Mr R. Addis:** We will have our biosecurity people at the agriculture portfolio session this evening. They may be able to provide a more fulsome response to that.

**Dr D.J. HONEY:** I am not sure that it needs a comment: certainly the measure at the very bottom of that page screams out for some remedy.

**Mr M. McGOWAN:** “Acid soils”?

**Dr D.J. HONEY:** Yes, a target of zero per cent.

**Mr M. McGOWAN:** I think that is to try to stop it increasing.

**Dr D.J. HONEY:** Okay; I see—“does not increase in target landscapes”.

**Mr D.T. REDMAN:** I refer to page 217 of budget paper No 2. There is a line item three-quarters of the way down called “Regional Development Commissions—Grants”. Can the Premier explain what that is and whether it is capital or recurrent expenditure?

**Mr M. McGOWAN:** This is \$13.6 million. These grants are all currently administered by the nine regional development commissions. The project breakdown is made up of the following: Collie Futures Fund, \$250 000; Curtin University Jiji program, \$340 000; Donnybrook town centre revitalisation, \$1.8 million; feasibility study for residential colleges at Port Hedland and Newman, \$70 000; Geraldton Universities Centre, \$300 000; goldfields—Esperance art and culture, \$100 000; Halifax business park, \$1.5 million; Mandurah eastern foreshore redevelopment, \$5 million; Minnipup pool, \$200 000; Peel—Harvey estuary, \$117 000; Peel—Harvey grants, \$500 000; Pilbara Development Commission evaluation of Curtin University Jiji program, \$75 000; Transform Peel phase 1, \$78 000; Thomas Little Memorial Hall, \$250 000; Western Desert Lands Aboriginal Corporation Jiji program, \$120 000; and regional grant scheme, \$2.9 million. It is one of many programs. As can be seen on page 217, there are numerous programs that provide all sorts of grants and business support.

**Mr I.C. BLAYNEY:** I refer to “Asset Investment Program” at the bottom of page 213 in volume 1 of budget paper No 2. Item 3.2 states —

\$3 million will be invested in upgrading the Department’s laboratories at its South Perth site to ensure consistency with national standards.

Can the Premier inform us which laboratories are to be upgraded?

**Mr M. McGOWAN:** I will let Mr Addis comment.

**Mr R. Addis:** Essentially, it is our diagnostic laboratories, which are particularly critical to our biosecurity, including quarantine. When a threat needs to be responded to, that is the controlled environment to test pathogens and the like, but it is also quarantine in terms of goods coming into the state. Those facilities at the South Perth site are not modern; it is about making sure they are able to meet spec for the critical functions in that area.

**Mr I.C. BLAYNEY:** Does an investment of this amount indicate that a new headquarters for the department of agriculture is still a long way down the track?

**Mr M. McGOWAN:** There is nothing in the budget for the new headquarters. I know that it has been talked about for years and years. There is ongoing work about what might happen and what the existing land might be used for, but we do not have the financial capacity to do that at the moment.

**Dr D.J. HONEY:** I also refer to “Asset Investment Program” on page 213. Paragraph 3.1 refers to a \$6 million allocation for the Geraldton finfish facility. I also refer to page 183 of budget paper No 3 and the heading “Royalties for Regions Expenditure”. About two-thirds of the way down, there is \$7 million for the line item “Geraldton Marine FinFish Nursery Facility”. Why is there a difference between those two amounts and what else is being funded out of royalties for regions?

**Mr M. McGOWAN:** Is the member asking why it is \$6 million here and \$7 million somewhere else?

**Dr D.J. HONEY:** Yes. It is \$6 million in paragraph 3.1 on page 213 but it is a \$7 million allocation in the royalties for regions funding.

[12.40 pm]

**Mr M. McGOWAN:** The \$6 million is the capital and \$1 million is recurrent.

**Dr D.J. HONEY:** Pardon?

**Mr M. McGOWAN:** The totality is \$7 million. The \$6 million listed is capital and the \$1 million is recurrent.

**Dr D.J. HONEY:** The operational expenditure for that facility.

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**Mr M. McGOWAN:** The total is \$7 million. They are amazing facilities, and this one will be state of the art. I suspect that it will be the best in Western Australia.

**Mr D.T. REDMAN:** Premier, I refer to page 217, specifically to the item two-thirds of the way down, “Pilbara Aboriginal Town Based Reserves—Unallocated”. I am assuming this is part of the remote services reform work that was done by the previous government, which looked at town-based reserves and transitional arrangements. Who has carriage of that resourcing? Can the Premier drill down to where it is at and which communities will be the next targets for engagement?

**Mr M. McGOWAN:** That is a comprehensive question. The Pilbara Development Commission and the Department of Communities have joint carriage of it. They are currently focused on Tjalka Boorda, Irrungadji, Parnpajinya, Goodabinya, Bindi Bindi and Cheeditha.

**Dr D.J. HONEY:** Premier, I refer to page 205, budget paper No 2, specifically to appropriations and the spending changes table. Whilst we have been sitting in the chamber, it has been brought to my attention that the government has made a number of announcements, including the cancellation of the Government Regional Officers’ Housing rent increases; a \$12.2 million allocation towards the upgrade of Collie Hospital, which was announced as a regional investment; and apparently \$20 million is on the table for regional mobile blackspots. Premier, does any of that appear in this budget?

**Mr M. McGOWAN:** Collie Hospital was under administered items. The federal opposition committed to funding the upgrade of Collie Hospital and had it been elected to government, we would have been happy for that to happen. It was not elected so we will fund Collie Hospital. We had to wait to see whether the federal opposition was elected. It would have been a good outcome if a federal Labor government had paid for it. It was not elected so the money to continue the upgrade of Collie Hospital will come out of administered items. As I indicated before, the \$20 million for mobile blackspots is a further rollout of our commitment to accessing federal grants. As I said before, this government has rolled out other components of that to improve coverage across, in particular, the wheatbelt. That \$20.7 million is a further expression of our support for regional Western Australia and farmers getting access to good tele-connectivity. The third example was GROH. The government has decided to defer the increase of rents for Government Regional Officers’ Housing, which was scheduled by the last government. This is an expression of goodwill by the government towards our regional workforce. It is a deferral. Obviously, we are keen to resolve EBA matters and continue with the government’s wages policy.

**Dr D.J. HONEY:** Perhaps the Premier can understand our frustration in that we are going through a process of estimates to review the budget and it appears that substantial changes are being made to the budget on the hop, which makes it very hard for us to ask lucid questions. Is the \$20 million announced for the regional mobile blackspots in this budget —

**Mr M. McGOWAN:** Yes.

**Dr D.J. HONEY:** — or is it additional to the budget?

**Mr M. McGOWAN:** The regional mobile blackspot money is under administered items. This is just ordinary administrative practice. We are rolling out our commitment to access further federal money. It is a continuation of what we have been doing. I repeat that it is very good for the wheatbelt and regional farmers who want better connectivity and technology to make their farms operate more efficiently and effectively.

**Mr D.T. REDMAN:** I refer to page 249 of the *Economic and Fiscal Outlook* and the reference to the royalties for regions regional reform fund, which has a predicted balance of \$70 million at the end of 2018–19. Payments in the following year are predicted to have a closing balance of \$30 million. Is it the government’s intent to retain this fund because there is a commitment to put \$16 million into it, as I understand, in the 2020–21 forward estimates? Indeed, I assume that the government is bringing a chunk of that resourcing to book in the current financial year.

**Mr M. McGOWAN:** What page are we talking about?

**Mr D.T. REDMAN:** I refer to page 249 of the *Economic and Fiscal Outlook* and the royalties for regions regional reform fund.

**Mr M. McGOWAN:** What part of the budget is the member referring to?

**Mr D.T. REDMAN:** Premier, on page 205 there is a global item of \$163 million, of which, I am sure, a component is royalties for regions. Some of that is probably sourced from the royalties for regions regional reform fund, which is a special purpose account set aside for a range of reforms in regional Western Australia. I am interested in the government’s intent with the fund because, collectively, it has been reduced to what is predicted to be a \$30 million balance at the end of 2019–20. Funds are coming from a number of projects to fund it—the government is bringing some of those resources to book from that SPA. I am interested in the future of the SPA.

**Mr M. McGOWAN:** I will let Mr Gregson comment.

**Mr P. Gregson:** The regional reform fund is a special purpose account. Again, the government committed to put \$150 million into that fund. If the member looks at the budget papers, with the last \$16 million injection, the budgeted amount is \$116 million. There is still \$34 million to go into that fund, and that will be drawn down when it is needed. At the moment, it is being cash-flowed for when the projects are operational and need those funds.

**Mr D.T. REDMAN:** I take it that they are largely Aboriginal-focused projects?

**Mr M. McGOWAN:** Mr Gregson.

**Mr P. Gregson:** That money will fund the Kimberley schools project, the north west Aboriginal housing initiative and the East Kimberley and Hedland transitional housing projects.

**Dr D.J. HONEY:** I refer to page 205, looking at the appropriations as they reference royalties for regions. The Premier referred to the administered item line on page 192 of budget paper No 3. Can the Premier give an itemisation of the items? He indicated that that will be used to cover blackspot funding of \$20 million for phones. What other items are included in that section?

**Mr M. McGOWAN:** It is often items that come along. Obviously, the member can see the logic behind the Collie Hospital matter. The reason behind that was that we did not want to commit our money if we could get the federal government to pay for it. Obviously, there has been no change of federal government. The current federal government is not funding upgrades to Collie Hospital—the federal Labor opposition was going to—so we have ensured the funding to upgrade Collie Hospital.

[12.50 pm]

**Dr D.J. HONEY:** Can I say that we welcome the weekend result—an outstanding result for Australia. Can the Premier mention any more of the items included in that section? He mentioned two of them—Collie Hospital and the mobile phone blackspot program.

**Mr M. McGOWAN:** No, I cannot, because often it depends upon exigencies and other matters to do with the federal government and the like. However, I have outlined one, which is Collie Hospital, and explained the reasons for that.

**Dr D.J. HONEY:** What about the \$20 million for mobile phone blackspots?

**Mr M. McGOWAN:** For similar reasons, we had to wait until we knew who had won government nationally. I am not sure what the federal opposition's policy was on the regional mobile phone blackspot program. Perhaps, if it had been elected to government, federal Labor would have paid for all of it and we would not have had to pay for it. That was not clear at the time of the budget. For example, both the federal opposition and the federal government committed money to Laverton Hospital, so we will not have to fund that. We are pleased that that hospital will be funded by the federal government, but we will have to put up some money for Collie Hospital because federal Labor was not elected. That allocation will be for exigencies as they come up, and to be flexible in government and to make sure that we maximise federal money into Western Australia. As I have said in this place many times, one thing I am proud of in my time as Premier is that we have secured enormous amounts of money from the federal government and we leveraged the state's position in the electoral result, so Western Australia will get a much better outcome.

**Mr D.T. REDMAN:** I refer to page 206 of budget paper No 2. Under spending changes, there is reference to Government Regional Officers' Housing. The changes are presumably cuts to that particular program. Can the Premier explain the full investment in the program and the reasons for those changes?

**Mr M. McGOWAN:** The reduction in revenue for associated expenditure on Government Regional Officers' Housing followed a Department of Communities' review into GROH expenditure and the number of houses that will be required by each agency over the budget and forward estimates period. This is a whole-of-government program and is not specifically targeted to the Department of Primary Industries and Regional Development. I do not know the answer, but the Minister for Community Services might be able to answer the member's question. There is a range of variables to this. For instance, I am advised that in some regional communities, rental costs for properties in the private market are similar to those in the public rental market, so maybe as a consequence that has had some impact. Maybe the Minister for Community Services could answer that, but that is all the information we have on that matter.

**Mr D.T. REDMAN:** I assume that they are royalties for regions funds and, therefore, it is a spending change; in other words, it is a figure that is coming off another figure that DPIRD gives to other agencies, presumably for government housing. I am interested in the actual figures because this is a change. The budget paper shows a spending shift, or a reduction.

**Mr M. McGOWAN:** It is a very small change. The spending changes figure in this table is only for this department's spend on GROH housing. As I said, people may be going to the private market because it is competitive.

**Extract from Hansard**

[ASSEMBLY ESTIMATES COMMITTEE A — Tuesday, 21 May 2019]

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**Mr D.T. REDMAN:** I am confused because the Premier mentioned the Department of Communities; yet, if this is about money being spent within the agency, then it is within the agency and not the Department of Communities.

**Mr M. McGOWAN:** I will let Mr Addis comment.

**Mr R. Addis:** It is a small line item on a big budget, but I understand that it is a reduced expectation of spend on the department's GROH bill, essentially. As has been pointed out, it is a very small number—\$250 000 to \$300 000.

**Mr M. McGOWAN:** Somehow it is related to reduced costs and perhaps reduced demand. As I said, the private market in some communities is not as expensive as it was and maybe people are taking up the private market to a greater degree. But it is such a minuscule change that we do not have that information. Maybe the Minister for Community Services can answer that question.

**Mr D.T. REDMAN:** There is a specific reference point in your budget, so can I ask for further information by way of supplementary information?

**Mr M. McGOWAN:** By way of supplementary information, I am happy to provide information on the \$237 000 reduction in the budget estimate for Government Regional Officers' Housing on page 206, and across the forward estimates.

*[Supplementary Information No A5.]*

**Dr D.J. HONEY:** I refer to page 217 of budget paper No 2, volume 1. Three-fifths of the way down the "Details of Controlled Grants and Subsidies" table is the forward estimate for the North West Aboriginal Housing Initiative, which increases from \$1.4 million and \$1.6 million to \$12 million in 2022–23. What is that sudden spike due to?

**Mr M. McGOWAN:** I am interested, too. I will let Mr Addis answer.

**Mr R. Addis:** This program is administered by the Department of Communities, so we are not across the detail. It is a chunky program. When a build of new housing happens under the program, we see significant capital; and, when there is not, we do not. I understand, from a distance, that the former department of housing was using some of its resources to keep the momentum going for the next couple of years, so the drawdown of royalties for regions capital was limited for a couple of years. It will then pick up as the other department's contribution reduces, so half our contribution will go up.

**Mr I.C. BLAYNEY:** I refer to page 217 of budget paper No 2, volume 1, line item "Ord–East Kimberley Expansion Project". The 2019–20 budget estimate is \$4 million, and for 2020–21 and 2021–22 there is a further \$1 million each year. Can the Premier explain what those funds will be used for?

**Mr M. McGOWAN:** They are to finalise the state's obligations from the Ord–East Kimberley expansion project and to facilitate potential economic development opportunities, specifically to enable expenditure of \$1.09 million on contractual legislative and environmental obligations, \$130 000 for the disposal of the Garrjang workers' village, \$7.5 million for the Ord stage 1 tailwater solution and \$1.28 million for further land releases.

**Mr I.C. BLAYNEY:** Is the Premier able to explain more about the tailwater solution?

**Mr M. McGOWAN:** Strangely enough, I cannot, but I will ask Mr Addis whether he can.

**Mr R. Addis:** It is my understanding that there was a pre-existing challenge with the tailwater system at the end of Ord stage 1, which the state was obligated to fix to meet its obligations for the operators of Ord stage 2—namely, Kimberley Agricultural Investment and MG Corporation. This will clean up that pre-existing issue to make what is essentially a condition precedent.

**Mr M. McGOWAN:** Mr Grazia might be able to elaborate.

**Mr N. Grazia:** The department is looking at opportunities to make sure that surplus tailwater coming off the Ord stage 1 development is recycled and used on existing farms or otherwise dealt with. We are in engineering studies at the moment with a view to implementing a solution that will remove that pre-existing problem.

**The appropriation was recommended.**

*Meeting suspended from 1.00 to 2.00 pm*