

**APPROPRIATION (CONSOLIDATED ACCOUNT) CAPITAL 2007–08
AND 2008–09 (SUPPLEMENTARY) BILL 2009**

Second Reading

Resumed from 26 November 2009.

Question put and passed.

Bill read a second time.

Leave denied to proceed forthwith to third reading.

Consideration in Detail

Clause 1: Short title —

Mr M. McGOWAN: If members go to the Appropriation (Consolidated Account) Capital 2007–08 and 2008–09 (Supplementary) Bill 2009 and find the heading of “Public Transport Authority of Western Australia” —

The DEPUTY SPEAKER: Member for Rockingham, we are on the short title and we need to move through the bill clause by clause.

Clause put and passed.

Clauses 2 and 3 put and passed.

Leave granted for schedules 1 and 2 to be considered together.

Schedules 1 and 2 —

Mr M. McGOWAN: In schedule 2, the item for Public Transport Authority of Western Australia shows an increase in capital expenditure of \$28 million. That would have been higher, but it is offset by a deferral of the school bus replacement program. Why has the school bus replacement program been deferred and what is the consequence of that decision?

Mr T.R. BUSWELL: The only information I have is that there was a \$6.7 million saving due to a deferral. I have no further information, but I will table additional information with the other recurrent data that I have agreed to table.

Mr W.J. JOHNSTON: Again, Treasurer, thank you for providing the information that you have this evening. The New MetroRail project under “Public Transport Authority” shows \$30 million and change in additional expenditure. How much of that relates to the out-of-court settlement over the disputed contractual arrangements with Leighton and what advice did the government receive on the settlement, as opposed to continuing the litigation?

Mr T.R. BUSWELL: I am not going to reflect on advice that was provided to the minister or the government about pursuing litigation. The member can pursue that with the minister. The amount of \$30.871 million comprises two components: a \$22.8 million allocation, which was provided to cover settlement payments associated with the New MetroRail project, and another \$8.1 million provided by way of adjustments to project costs as a result of the rise and fall component of the contract. That is all the information I have. Anything more, the member will have to seek from the Minister for Transport.

Mr P. PAPALIA: I refer to page 5 of schedule 2, under the Treasurer’s portfolio area, which shows the capital component of the royalties for regions fund was \$64.9 million. Can the Treasurer give us a breakdown of that capital allocation and where the funds went and, if there were significant capital items, what they were and where that money is going?

Mr T.R. BUSWELL: That was a centrally held provision for royalties for regions. I was asked a question earlier on about royalties for regions and I indicated that there was originally \$337 million of royalties, which was adjusted down to \$334 million, being split into \$269.1 million for recurrent expenditure and \$64.9 million for capital expenditure. As was the case with recurrent funding, I do not have the detail of the breakdown. I was not part of discussions on the way that money was allocated in and out of Treasury. The member will have to refer that to the Minister for Regional Development.

Mr P. PAPALIA: Is the Treasurer indicating that is a paper transfer of that money and it has not necessarily been allocated to capital works? Was it parking the money somewhere so that the books looked better or is this money allocated to some capital expense?

Mr T.R. BUSWELL: I do not have that detail. I will provide that by way of additional tabled information. That will keep half of Treasury tied up for a week!

Mr Mark McGowan; Mr Troy Buswell; Mr Bill Johnston; Mr Paul Papalia; Mr John Kobelke

Mr M. McGOWAN: Under schedule 2, the consolidated account for the year ended 30 June 2009, capital, refers to three or four different agencies, but it does not include some of the capital matters that were contained within the new items of the Treasurer's advance in 2008–09, including education and training, where there was going to be a school capital improvements program of \$48.4 million as part of the government's election commitment. School capital improvements would seem to me to be school "capital" improvements; therefore, I am confused as to why it is not contained within the Appropriation (Consolidated Account) Capital 2007–08 and 2008–09 (Supplementary) Bill 2009 because it was contained in the Treasurer's Advance Authorisation Bill as a capital item when that was passed last year.

Mr T.R. BUSWELL: The member is right; at the time the original Treasurer's advance bill went through, we flagged that education would require \$48.4 million—that is my recollection—to assist in that program. I do not have the reason why education did not need to draw down on that money, but it may well have been because of a slowdown in some other projects that that capital funding remained available within the totality of that budget. I am not privy to the total breakdown item by item of education's budget; all I know is that the \$50 million that it anticipated requiring at the time of the Treasurer's advance last year did not materialise. There is a range of reasons for that. The most likely reason is that other anticipated capital spending requirements did not crystallise and that that money was made available. This is only really if all other avenues are exhausted. That is the best advice I can give.

Mr M. McGOWAN: Would the case be, potentially—the Treasurer might provide me with supplementary information on this—that part of the commonwealth's school building program, which I understand is going on in every school across the state, may well have obviated the need for this capital expenditure, and therefore the state has withdrawn from the field in some respects and is allowing the commonwealth to provide some of the capital works around the state? Therefore, that \$48.4 million is not being spent.

Mr T.R. BUSWELL: I cannot answer that; I do not run the capital works program in education. I can tell the member that there was a commitment to build a range of new schools, which it was anticipated would have required that funding. Obviously, that funding was not required. Have those schools been built? I anticipate that they have been. Regarding how education moves that funding—the member would know it is a pretty big capital works program—I do not have that information. I think the best avenue of advice or information would be through the minister by way of a question. Treasury would not have that information. The best source to go to for that information would be the minister, and I am sure the opposition's shadow minister is on top of that issue.

Mr W.J. JOHNSTON: In the information that the Treasurer provided at the time of last year's Treasurer's Advance Authorisation Bill, an amount of \$7.6 million was allocated to Western Australia Police for new police stations and station upgrades as part of election commitments. It does not appear that that is in the bill before us today; I wonder what happened to that \$7.6 million.

Mr T.R. BUSWELL: Again, it is the same answer, member: either it was not spent or the funding that was spent was sourced from somewhere else within the police capital works budget. I do not have that level of breakdown because it is not actually in the Appropriation (Consolidated Account) Capital 2007–08 and 2008–09 (Supplementary) Bill 2009, so I do not have any notes on it. It may well be that it was not spent on a police station, which had previously been committed to; it may well be that it was, but that that money was made available from somewhere else within the police capital works budget. That would be a matter best directed in due course to the Minister for Police.

Mr R.F. Johnson: The member is better to do it on notice, though.

Mr T.R. BUSWELL: Yes; on notice.

Mr M. McGOWAN: I have a similar question. If we go to the Treasurer's advance 2008–09, I want to put this one on the record as well, corrective services has a new medium-to-maximum-security prison for \$7.5 million and a new juvenile prison for \$7.5 million listed as part of election commitments. I am having difficulty once again finding them in the capital appropriation; therefore, I seek the Treasurer's advice as to what might have happened to that expenditure.

Mr T.R. BUSWELL: It is the same answer. The Department of Corrective Services has a large capital works program. I advise members that the government is definitely building Eastern Goldfields and the Acacia expansion, it is definitely finishing Derby and it is definitely building the young offenders prison. All that is happening.

Mr P. Papalia: What have you done in the Eastern Goldfields?

Mr T.R. BUSWELL: What does the member mean by that?

Mr P. Papalia: You said you are building it.

Mr T.R. BUSWELL: It will definitely be built. The government will definitely build it.

Several members interjected.

Mr T.R. BUSWELL: We do not need to go down that path. I am not privy to the movements of money in and around the capital works program of corrective services. It is a question best directed to the minister. Capital works by its nature is lumpy. Projects may have moved and projects might have been able to be funded out of other sources of funding that had otherwise been anticipated to be spent. I do not have that detail. The cash flow and delivery times for those specific projects should be directed by a question on notice to the relevant minister.

Mr W.J. JOHNSTON: In his second reading speech, the Treasurer made the point that for 2007–08 the capital expenditure was \$2.892 billion and for 2008–09 it was \$1.985 billion, which was \$471 million less than was authorised at the time of the budget and \$1 billion less expended by the new government compared with that expended by the previous government.

Mr T.R. Buswell: Is that data relating to the TAA? That is not total capital spending.

Mr W.J. JOHNSTON: It is exactly what the Treasurer said in his second reading speech. He said —

In 2007–08, capital appropriations amounted to \$2 892.2 million, a net increase of \$9.8 million from the 2007–08 budget estimates of \$2 882.4 million. The unforeseen appropriation of \$162.3 million sought in this bill was offset by underspending of \$208.9 million against other votes and increased expenditure of \$56.4 million authorised by other statutes. In 2008–09, capital appropriations amounted to \$1 985.1 million, a net decrease of \$471.2 million from the 2008–09 budget estimate of \$2 456.3 million.

It basically means that \$1 billion less was spent during this government's first period in office compared with the figure for the last period that the former government was in office. I seek clarification on what was not spent of that \$471.2 million. What did this state miss out on because the government decided to spend less on capital expenditure at that time?

Mr T.R. BUSWELL: I am getting some more data on total asset investment. I am thinking that what we are looking at here is general government capital spending versus total public sector asset investment.

Mr R.F. Johnson: All Treasury was doing was anticipating.

Mr T.R. BUSWELL: No, I am reading from this as well. The point the member is trying to make is that capital spending declined in our first year. Unfortunately, I do not have the latest annual report on state finances, which I will find so that I can provide the member with a breakdown. My suspicion is that there may have been some adjustments, and it would be certainly picked up in the general government sector.

Mr J.C. Kobelke: Does the Treasurer want the quarterly or annual report?

Mr T.R. BUSWELL: I want the annual report. If the member for Balcatta has it, I will grab it and then I might be able to give a more detailed answer before we adjourn tonight. Perhaps members might like to ask further questions while that is worked out.

Mr W.J. JOHNSTON: I will go on to another question while the Treasurer gets his calculator out. Exactly what was the \$15 million allocated to the Forest Products Commission for?

Mr T.R. BUSWELL: I will read from page 20 of the *Annual Report on State Finances* of 2008–09 —

Total public sector spending on infrastructure was a record \$5.8 billion in 2008–09.

I will get some more detail on the breakdown of that. But according to the *Annual Report on State Finances* infrastructure spending in 2008–09 was at a record \$5.8 billion. Obviously there are some compositional shifts between the general government sector and the non-general government sector, but suffice to say that money on capital spending is flowing out the door, has continued to flow out the door and will continue to flow out the door.

As to the \$15 million to the Forest Products Commission, that is a distribution to FPC to assist in covering the impact of reduced sales in 2008–09 and for bushfire damage to state-owned pine plantations in February 2009. I suspect the reason is capital—it would have been a capital injection out of Treasury into the Forest Products Commission.

Mr M. McGOWAN: To clarify that last one: therefore a government trading enterprise has received a payment from Treasury to assist it to meet its ongoing costs because it has generated some losses? That is what that one is, which resonates with other debates we might have had. Back to the revised public housing and land development investment, there is a \$30 million spend there—I am interested in what that might be.

Mr T.R. BUSWELL: I can tell the member exactly what that was for. Public housing is an interesting beast. It has all sorts of interesting revenue generation areas—one of them is land sales. The Department of Housing is one of the largest land developers in this state; namely, through joint ventures. In the 2008–09 financial year land

sales dropped because of a decline in the market. They did not generate the revenue they had anticipated from land sales. We had to top up the Department of Housing's budget to offset that decline in land sales. That top-up involved \$30 million in capital appropriations and \$60 million in recurrent appropriations to the housing authority to cover expected decreases in the level of land and dwelling asset sales during the 2008–09 year. It was really a top-up to pick up on the fact that the property sector had declined in its activity rate.

Mr W.J. JOHNSTON: Returning to the Forest Products Commission and the \$15 million, there is of course, as the Treasurer is probably well aware, criticism of the FPC in that it shows a surplus in its accounts on the basis of revaluations of its standing forests. I understand the Treasurer's answer to my previous question on this topic was that there was a \$15 million allocation made up of two components—one was for fire damage and the other, as the member for Rockingham described it, was for a loss on its part that needed to be made up. Given that the FPC is a trading enterprise and that the \$15 million was an allocation from the general government sector to it to make up for those losses, even though it boasts in the report of being a trading enterprise that operates on a commercial basis and produces a profit from the operations of its forests, it does seem a little unusual that that has been needed given the nature of the FPC.

Mr T.R. BUSWELL: All I can tell the member is what I advised before; that is, there is \$15 million to cover the impact of reduced sales and for bushfire damage. That is all the data I have.

Mr J.C. KOBELKE: I come back to the question that was asked by the member for Cannington. It relates to the reduction in capital spend. The Treasurer simply quoted that it was a record—I accept that. But there actually was a whole range of projects in 2008–09 that were stopped or delayed; therefore there was a reduction. The Treasurer can give an answer now or by supplementary information—can he provide a list of those projects where there was a major reduction in capital expenditure either through a policy decision to delay or simply because the project could not progress as quickly as intended?

Mr T.R. BUSWELL: I think the member has a copy of the 2008–09 *Annual Report on State Finances*. I refer him to pages 20 and 21. It is pretty much detailed there. The member is right: we implemented the capital works audit and some projects were delayed. Notwithstanding that, we still spent \$5.8 billion. It was less than the \$6.5 billion projected at the time of the budget. It is not unusual for capital works to be less than that projected at the time of the budget, but that is explained by major projects deferred and also by agency on page 21 of the *Annual Report on State Finances* for 2008–09.

Mr J.C. KOBELKE: I refer the Treasurer to the Western Australian Sports Centre Trust and the Perth Arena capital funding, not that he needs to practise swinging his boot today; he is going to do that tomorrow. How much of that \$137 000 is a re-shifting of the amount and how much is to do with the cost blow-out?

Mr T.R. BUSWELL: My understanding is that the total amount was to assist with the start of the fit-out cost process.

Mr J.C. Kobelke: So you have committed money for the fit-out?

Mr T.R. BUSWELL: My advice is that there was an endorsement of \$137 000 to the Sports Centre Trust to cover the fit-out costs associated with the establishment of Perth Arena. The fit-out costs will be a lot more than that. That is all the detail I have.

Mr J.C. Kobelke: I suggest that that is not the case. Fit-out costs would be \$20 million to \$40 million.

Mr T.R. BUSWELL: All I know is that that is the amount that was asked for over and above the amount that had been appropriated. I have no detail on whether that is the total amount. Clearly, it is not the total amount for the fit-out, but I suspect that the Sports Centre Trust is starting to do some work on identifying the fit-out costs. As the member well knows, the fit-out cost was deleted from the total cost of the project at an earlier date. He is right; I am not going to deal with that tonight. I will have plenty of opportunity tomorrow to canvass that. The member would have to ask the minister exactly what that money has been set aside for and whether it was an additional appropriation or whether it was a stand-alone appropriation perhaps for a consultancy to assist in beginning the process. That is all the detail I have and I cannot speculate any further.

Schedules put and passed.

Title put and passed.

Leave granted to proceed forthwith to third reading.

Third Reading

Bill read a third time, on motion by **Mr T.R. Buswell (Treasurer)**, and transmitted to the Council.

House adjourned at 9.43 pm

Mr Mark McGowan; Mr Troy Buswell; Mr Bill Johnston; Mr Paul Papalia; Mr John Kobelke
