

ROYALTIES FOR REGIONS BILL 2009

Consideration in Detail

Resumed from 22 September.

Debate was adjourned after clause 4 had been agreed to.

Clause 5: Subsidiary accounts of Fund —

Ms A.J.G. MacTIERNAN: As we know, the royalties for regions scheme has already been introduced. The purpose of the legislation is, as the member said last night, purportedly to give the scheme longevity to ensure that in the event of the demise of the Leader of the National Party, or the National Party not holding the balance of power in a future Parliament, this scheme, which has been introduced administratively, is enshrined in law. We appreciate that, but I ask the Minister for Regional Development whether he reads this legislation in the same way that we do, particularly this clause. This clause is very clear. It provides for a royalties for regions fund to be established, and then goes on to outline the subsidiary accounts that can be created. A fund is created and then, as part of that fund, a series of subsidiary accounts are set up—the country local government fund, the regional community services fund and the regional infrastructure and headworks fund. There is no definition of these funds in this legislation. I know that the minister has a definition that he uses in his administrative operation of the royalties for regions scheme. Can the minister explain, given the absence of any definitions of these funds, and given clause 5(1)(d), which allows any other account to be set up, how this bill gives any assurance that royalties for regions will continue as an amount of money additional to that which is routinely spent on regional areas? Does the minister acknowledge that the sums of money routinely spent by governments on the provision of services and infrastructure in the regions already exceed 25 per cent of the quantum of royalties? Given that that is the case, how does this clause provide any guarantees in the future that the fund will be additional? What would prevent a future government from simply creating accounts to fund routine infrastructure and service delivery in the regions?

Mr B.J. GRYLLS: I thank the member for Armadale for the points she has made. Clause 5 defines the three funds that are already in existence, having been set up administratively. Those funds are somewhat defined by the fact that they are already in operation, and so can be very clearly defined in what they set out to achieve. Given the very strong focus on royalties for regions, the notion put by the member for Armadale that a future government would simply create new funds for basic health and education infrastructure through clause 5(1)(d) is a particularly jaundiced view of how Parliament would operate. We have intentionally set up the trust to ensure that there is a level of independent oversight of those activities. We would expect that the trust would make very clear in its report on the royalties for regions fund that that is what that future government had done. The Premier, the government and I have no intention of doing that. I would have thought that the goodwill built up with regional Western Australia off the back of this policy and recognition from all that we should do more and better to deliver better government outcomes for the regions would mean that future governments of any persuasion would make the decision that the fund would continue to operate in the way that it has.

Ms A.J.G. MacTIERNAN: Does the minister actually think that the definitions that he might have in his administrative guidelines for these three funds somehow have some legal status? I want the minister to clarify how he sees the mere citing of the titles of these funds as providing any legal guidance to a future government. Surely he does not seriously think that existing guidelines for these funds can somehow be incorporated by reference into the bill to provide some constraint on future governments.

Mr B.J. GRYLLS: The member has spent a lot of time talking about how a future Labor government could undermine the whole fundamental premise of the royalties for regions fund. I simply keep on making the point that my job as Minister for Regional Development is to ensure that royalties for regions delivers benefits to regional Western Australians. We have a track record of doing that, and we will continue to do it. As I have pointed out, a future government will have the numbers in the house to do whatever it will with this legislation if it chooses to, but it would be doing so against the wishes of country people, and with the capacity for the trust created in a later part of the bill to make it clear that that is exactly what is happening.

Mr P. PAPALIA: I share the concerns of the member for Armadale, particularly about clause 5(1)(d) and the fact that another account can be created for any purpose deemed appropriate by the Treasurer. I am not talking about the Labor Party; I actually feel that the minister's own constituents would have concerns if they were aware of the specific details of this bill. The minister is talking about the goodwill that has been engendered in the regions through royalties for regions, and it is true that the minister has garnered a significant amount of positive media as a result of royalties for regions. It is accepted that, on behalf of the regions, the minister has raised the profile of the necessity for a renewed focus on the regions. However, when I talk to people in the regions, I emphasise that the opposition is supportive of royalties for regions, but it should be done in an

appropriate and fiscally responsible manner. Any response the minister gives here that indicates he is simply being sceptical or cynical about the opposition's concerns will do nothing to engender confidence in those who may listen to proceedings or read *Hansard* in the future. I know that the minister is assuming that we are doing this with no other motivation than simply being the opposition, but I actually have serious concerns.

The genesis of this process began with the announcement of the country local government fund last year. The first thing I thought of was what was wrapped around that money to ensure that the outcomes were appropriately strategic in nature. Nothing that has happened since then has given me much comfort in that regard. After my second reading contribution, the minister grabbed me in the corridor as I was passing and said, "We're going to provide so many rules and regulations and constraints on this money that you won't believe it." However, I have not seen that happen. It cannot be denied that the first \$100 million distributed under the country local government fund was shovelled out the door. There was no requirement for any analysis of strategic outcomes or asset management. Questions have been posed by the member for Armadale about what there is to stop the Treasurer from utilising clause 5(1)(d) as a means of avoiding the necessity to have money allocated purely for royalties for regions, as opposed to rebadging any other money that would normally come under another part of the budget. What is to stop the Treasurer from reallocating the name and calling a part of the health budget or the education budget or the police budget royalties for regions?

Mr B.J. GRYLLS: The Treasurer would need to do that with the support of the Minister for Regional Development at the time. He would also need to do that with the oversight of the trust that is being set up. Last night during the debate the member for Kwinana made some very valuable contributions. He demonstrated that he was willing to look at this legislation as an opportunity rather than just a way of having a political debate. He talked about setting up a specific fund for Indigenous Western Australians to ensure that they were the beneficiaries of the royalties for regions plan. Clause 5(1)(d) would allow that. The member for Warnbro has given a range of examples of how clause 5(1)(d) will be used to undermine the very premise of what we are trying to do, whereas the member for Kwinana spoke about how we might actually use it to do good things.

Ms A.J.G. MacTIERNAN: I want to refer to some of the operational points. The idea of royalties for regions funding is that it is money in addition to that provided for in the forward estimates. It is possible to determine that for the first four years. Do I have the minister's attention? Given that, once we get beyond the forward estimates that were in place when the National Party entered into an agreement to form government with the Liberal Party, how can we determine the amount of additional money in the future? That is what we are trying to get a sense of. How do we clarify what this money is additional to? Does the minister understand my point? The original agreement was that the royalties for regions funding would be additional moneys to that contained in the forward estimates. Therefore, by 2013 there will not be any forward estimate that was part of the original agreement. How will the notion of "additionality" be determined?

Mr B.J. GRYLLS: I believe that can be determined by the reporting that will be required of the Department of Regional Development and Lands. A report on the royalties for regions funding will be tabled in the budget and there will be annual reporting requirements. It will be determined by the trust that is being specifically set up to address the exact issue that the member is talking about. It will also be determined by members of the opposition, who will seek to show that election commitments or subsequent commitments have been broken. I do not believe that the concerns the member has raised will happen.

Ms A.J.G. MacTIERNAN: The trust does not do what the minister described. It simply makes recommendations on the distribution of funds between the various accounts that will be set up. I am concerned that the minister is pretending that this bill does something that it clearly does not. I seek some clarification on clause 5(2). It is the minister's view that the Treasurer could set up a subsidiary account only if the Minister for Regional Development agreed to it. That is not my understanding of how these provisions work. In the event that there was a dispute between the Minister for Regional Development and the Treasurer, I am presuming that this matter would go to cabinet, or, in a technical sense, the Executive Council. Will the minister clarify how these accounts will work if there is a dispute between the Treasurer and the Minister for Regional Development? How will the money in the fund be allocated between those accounts? How will that mechanism work? Will the Minister for Regional Development have a veto if there is a disagreement, or will the matter go before cabinet?

Mr B.J. GRYLLS: My understanding is that everything that I have done up until now has received cabinet approval and that everything we will do in the future will receive cabinet approval. I do not envisage the problem that the member has raised.

Ms A.J.G. MacTiernan: I am just trying to find out what the resolution mechanism is if there is a disagreement between the minister and the Treasurer.

Mr B.J. GRYLLS: The mechanism, which has worked up to now, is that the Treasurer, cabinet and I have agreed on these three funds.

Ms A.J.G. MacTiernan: But this is the legislation; it is different.

Mr B.J. GRYLLS: The legislation defines it as the legislation defines it. The member can act under the legislation in the manner she chooses if she becomes a minister in a subsequent government. The legislation, as defined, allows for the creation of an account. If we decided to do that, we would. At the moment, I do not see any need to do that because we have the ability, under the three funds that we have created over the past 12 months, to do all the things that we need to do.

Mr B.S. WYATT: I again bring my question back to the question I asked the minister about clause 5(1)(d), which relates to “any other account”. I note that the budget papers refer to “the fund”, and state —

Prior to the establishment of the *Royalties for Regions* legislation, the fund has been formed as a Treasurer’s Special Purpose Account pursuant to section 10(a) of the *Financial Management Act 2006*.

That fund has three separate accounts. Is the “any other account” referred to in clause 5(1)(d) a special purpose account, as defined by the Financial Management Act?

Mr B.J. GRYLLS: Without having Treasury here to absolutely define that, my understanding is that that is the case. If a new fund is created, legislation would not be introduced for that purpose unless it was decided that it would be good to do that. Under the administrative arrangements, that is exactly the way that we have done this. Once the legislation is passed, it will not require an administratively created account; it is an account formed by legislation. In the future, should that decision be made, I think that the member’s assertion would be correct.

Ms A.J.G. MacTIERNAN: I move —

Page 4, after line 9 — To insert —

- (2) The sums to be allocated to each of the subsidiary funds nominated in subsection (1), including allocations under paragraph (d), are to be specified in the Budget for that year.

In the first year of operation there has been a clear framework set out within the budget for the respective allocations of the royalties for regions money between the various funds. However, there is nothing in this legislation to ensure that that will continue to be the case. We need to bear in mind that this is legislation. We are asking to now enshrine in this legislation a provision that makes it very clear that at the outset of each budget year —

Several members interjected.

Ms A.J.G. MacTIERNAN: It is very hard to keep my concentration.

The ACTING SPEAKER (Ms L.L. Baker): Members, please keep the noise down.

Ms A.J.G. MacTIERNAN: It is very important, particularly given this critical issue of how the funds are to be spent, and the capacity to have each of those categories entirely open-ended and for entirely new accounts to be created, to have at the beginning of each budget year the allocations that are given for each of those funds. It is important to do that for accountability purposes.

I hope the minister does not keep saying, “We did it okay this year.” I know that he did it okay this year. We are not critical of that. We thought the budget papers presented that well. What we are saying is that now that we have this much broader brush in this bill, it is important that we have the basic accountability mechanism of knowing in advance each year which sums are going into which account.

Mr B.J. GRYLLS: The government will not accept the amendment. We believe that the amendment is clearly covered in clause 5(2), which states —

The Treasurer, on the recommendation of the Minister, is to determine from time to time the way in which money standing to the credit of the Fund is to be allocated between the subsidiary accounts.

Debate interrupted, pursuant to standing orders.

[Continued on page 7574.]