**Division 11: Treasury, $11 378 424 000 —**

Ms R.S. Stephens, Chair.

Mr M. McGowan, Treasurer.

Mr M. Barnes, Under Treasurer.

Mr M.J. Court, Deputy Under Treasurer.

Ms P. Burton, Chief Finance Officer.

Mr R.K. Watson, Executive Director.

Mr M. Andrews, Executive Director.

Mr A. Jones, Executive Director, Economic.

Mr D. Lines, Principal Policy Adviser.

**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 Treasurer 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 Treasurer 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 Treasurer's cooperation in ensuring that it is delivered to the principal clerk by close of business Friday, 1 October 2021. I caution members that if the Treasurer 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.

[Witnesses introduced.]

**The CHAIR**: I give the call to the Leader of the Opposition.

**Ms M.J. DAVIES**: I refer to page 4 of budget paper No 3 that shows the key budget aggregates. I am looking at net debt as at 30 June across the total public sector. Can the Treasurer advise what the net debt was in March 2017 when the Labor Party took government—the actual figure?

**Mr M. McGOWAN**: We are just trying to find it, but, obviously, we are dealing with the 2021–22 budget. When we came to office, we were dealing with four-year forward estimates. At that point in time, it was $34.28 billion, with the forward estimates climbing to $43.7 billion by 2019–20. That was up from $5.6 billion when the former government came to office. I think I know where the member is going, so from 2008 to 2017, it went from $5.6 billion to $34.28 billion, with the forward estimates taking it to $43.7 billion by 2019–20.

**Ms M.J. DAVIES**: I appreciate that. I am just wondering, if the answer cannot be provided today for the level of debt as at March 2017 —

**Mr M. McGOWAN**: I just did provide it.

**Ms M.J. DAVIES**: Was that the figure $34.28 billion?

**Mr M. McGOWAN**: Figures are provided for only these dates. At 30 June 2017, debt was $34.28 billion. As I said, according to the forward estimates, it would climb to $43.7 billion by 2019–20, and it was $5.6 billion in 2008.

**Ms M.J. DAVIES**: I appreciate that. Across the forward estimates in these budget papers, we see net debt going to $35.9 billion. The Treasurer and I have had this conversation previously. There was a significant amount of noise from the then opposition when we were in government about those levels of debt being unsustainable. What is the difference in the Treasurer's view between the $36 billion of debt in the forward estimates compared with the $34 billion of debt that the government started with that the Treasurer said was unsustainable?

**Mr M. McGOWAN**: I am pleased the member asked that question. To explain the trajectory again, in 2008, when the Barnett Liberal–National government came to office, the state was $5.6 billion in debt. By the time that government left office, the state was $34.28 billion in debt, which is a sixfold increase, climbing to $43.7 billion across the forward estimates. As we know, the trajectory of that government was on an unsustainable pathway. We are the only government in Australia that has paid down debt from that pathway.

I make two points. We reduced it from the pathway it was on by 26 per cent, and, secondly, the size of the economy is significantly larger now. We have also had to deal with a worldwide pandemic and we have had to invest $9 billion throughout that process. When we add those things together, we see that Western Australia has had a remarkable economic and financial performance. It is the envy of Australia certainly, but it would also be the envy of the world. We are in both a cash and operating surplus this year, so we are paying down debt.

**Ms M.J. DAVIES**: Has a decision been made within government or Treasury about what is a level of sustainable debt? The government is on a trajectory of increasing debt over the forward estimates. Is the government going to get it down to the levels that it inherited and then maintain its spending program? How is it managing that over the forward estimates, because it is going up?

**Mr M. McGOWAN**: It is relatively stable. I remind the member we are in the middle of a worldwide pandemic and economies and finances are crashing all over the world. Our debt levels declined this year as they did last year and the year before. We are at a 60 per cent net-debt-to-revenue ratio, compared with Victoria which has a 200 per cent net-debt-to-revenue ratio in its budget and New South Wales which has a 130 per cent or so net-debt-to-revenue ratio in its budget. When we came to office, the net-debt-to-revenue ratio was the worst of all the states and now it is the best of all the states. Reducing debt in the midst of what is going on, with a $9 billion COVID spend, plus managing to keep our economy open and everything operating and functioning and, therefore, producing revenue for the state and commonwealth, has been a pretty amazing effort, by international and national standards, and all Western Australians deserve credit for that.

[9.10 am]

**Ms M.J. DAVIES**: So I am very clear, has the government had a change of mind on the importance of paying down debt and is it happy for those figures across the forward estimates to continue to go up?

**Mr M. McGOWAN**: I think the Western Australian Treasury is the envy of all the Treasuries around Australia, and the envy of all the Treasurers around Australia, because of the position we are in. Our debt comes down this year.

**Ms M.J. DAVIES**: But it is going up over the forward statements.

**Mr M. McGOWAN**: Yes, and there are a few reasons for that. One is that we have a large COVID spend. The second is that we budgeted very conservatively, fortunately, on the iron ore price. The third is that we have pushed out some of the capital works program into the later years so that we do not overheat the market right now. They are the reasons for it. I will give the member another quick statistic. Our net debt as a share of gross state product is stable across the forward estimates at 11.5 per cent, 11.5 per cent and 11.4 per cent in the final year of forward estimates. The commonwealth's net debt as a share of gross domestic product, which is the comparison, is at 40 per cent, so it is four times ours, proportionately. I absolutely assure the Leader of the Opposition that when I have my Zoom meetings with the other Treasurers, they are both highly envious and agitated about the position Western Australia is in because our financial position is so much better than theirs.

I will give one further comparison. From 2008 to 2017, the last government increased net debt when in office by 600 per cent. This government has reduced debt from the trajectory it was on by 26 per cent. We are probably one of the very few governments in the entire world that has been able to do that.

**Dr D.J. HONEY**: The Treasurer quoted the debt projections, but what were the revenue projections, across the period that he compared it with, that he inherited from the previous government? He quoted the debt projections, but the other part of debt is clearly revenue, so what were the revenue projections across that period as well?

**Mr M. McGOWAN**: We are dealing with the 2021–22 budget. The member is talking about the revenue projections in 2016.

**Dr D.J. HONEY**: The Treasurer discussed the —

**Mr M. McGOWAN**: I was asked.

**Dr D.J. HONEY**: Yes, the Treasurer discussed the debt projections going across that period of the former government and this government's performance. What was the revenue projection going across that same period? Clearly, just comparing the net debt, when in fact he is comparing a substantially reduced revenue projection, as he is very well aware, does not paint the full picture and does not show any measure of the performance of his government.

**Mr M. McGOWAN**: The *Pre-election financial projections statement* in early 2017 had state revenue at $26.941 billion. In 2017–18, that grew to $28.754 billion, which was a 6.7 per cent growth. The following year, it grew to $30.02 billion, which was a 4.4 per cent growth, and the following year, 2019–20, it grew to $31.378 billion, which was a 4.5 per cent growth. State revenue was growing at rates two to three times the consumer price index.

**Dr D.J. HONEY**: The Treasurer would concede that in relation to the comparison of what the debt was likely to be, the income the government has received is substantially higher and, in fact, that additional income accounts for all the difference and a bit more in that period.

**Mr M. McGOWAN**: No, I do not accept that. The growth in spend over the course of the last Liberal–National government annualised was 6.4 per cent. Our annualised spend growth up until the pandemic was a third of that, which is incredible because no other government in Australia has been able to do that.

**Dr D.J. HONEY**: In 2020–21 alone, the additional income is $10 billion above the projected forecast. It is a phenomenal increase in revenue across that period.

**Mr M. McGOWAN**: Yes. Just on that, obviously the pandemic has had all sorts of consequences. The iron ore price going up to the levels it went to was nothing we could predict, but we managed to keep the mining industry open, unlike our competitors, such as Brazil. That was a victory for our management of the pandemic and the rules and arrangements we put in place. Our spend also went up significantly, but not to the degree of other states or the commonwealth. That is because we have kept COVID-19 out. The commonwealth government's spend growth was incredible—there was an astronomical and unforeseen growth in spend by the commonwealth. We did not do that. As I have said before, our COVID-related measures have totalled $9 billion. But a government has to spend money, and we also got an increase in revenue. However, revenue is, by nature, volatile, as we have seen with the drop in the iron ore price. Every morning I look at it, it is lower. It is down to $US94 a tonne; three or four months ago it was at $US240 a tonne. Our revenue is incredibly volatile.

**Ms M.J. DAVIES**: Further to that, because the Treasurer has raised the issue of the iron ore price, it is now below the $US121 forecast that is in the state budget. What does that mean for the budget as it goes forward?

**Mr M. McGOWAN**: I will let the Under Treasurer comment in a moment. It is outside our control. The iron ore price often overcorrects, so it comes down perhaps more than it should and goes up perhaps more than it should, which apparently is the nature of the iron ore market. It has a significant effect on our revenues, which will no doubt have a significant effect on our budget. I will ask the Under Treasurer to provide the exact details.

**Mr M. Barnes**: It is a little early to draw any clear conclusion at this stage, given the comment the Treasurer just made that the iron ore price tends to overshoot both on the way up and on the way down. All of our budget forecasts are based on year average prices, so it is the average over the course of the financial year that matters. In that regard, the $US121 assumption for 2021–22 that the member mentioned is, of course, an average for that financial year. In this financial year to date—so for the first two and a half months of this financial year—the iron ore price has averaged about $US173. To achieve the year average of $US121 that is in the budget, the price would need to average around $US106 for the remaining nine months of the year.

**Ms M.J. DAVIES**: So that will not be known until the end of the year; is that correct?

**Mr M. Barnes**: That is correct. There is speculation. In a report yesterday, HSBC, a major global investment bank, unsurprisingly significantly revised down its iron ore price forecasts. Interestingly, it has revised it down for 2021–22 to within a dollar of our $US121 forecast. Previously, it had a much higher forecast.

**Ms M.J. DAVIES**: To $US121, long term?

**Mr M. Barnes**: Yes, it revised down its forecast for the 2021–22 financial year to about $US122 a tonne, so within a dollar of our forecast. It previously had a much higher forecast. It is speculating that in the lead-up to the Winter Olympics in Beijing in February, the steel production controls in China could well continue as the government tries to reduce emissions. Along with a couple of other factors, that could potentially see the iron ore price fall to $US70—that is its speculation—but then likely rebound post-February after the Winter Olympics. It is where we end up by 30 June next year that really matters. We will make another assessment in December as part of the *Government mid-year financial projections statement* based on current prices and updated forward contract prices at that point in time. The $US121 assumption will change at the midyear review.

[9.20 am]

**Ms M.J. DAVIES**: Will it go down?

**Mr M. Barnes**: It is likely, but I cannot say for sure at this stage.

**Mr M. McGOWAN**: I had never heard of it before but the building company in China, China Evergrande Group, is making everyone around the world nervous because obviously the building industry in China is a significant purchaser of the steel that is made from the iron ore that is delivered from the Pilbara.

**Ms M.J. DAVIES**: I am trying to understand. The price of iron ore in the budget is $US121. Is it correct that the spend is booked for this year around that estimate?

**Mr M. McGOWAN**: The budget is based on an estimate of $US121.30 this financial year.

**Ms M.J. DAVIES**: What will it mean for the budget if the price falls in terms of that spend? Will it change this year if the price falls?

**Mr M. McGOWAN**: The budget is the budget. We budgeted on the basis of $US121.30. We will not know where the iron ore price will go; it may well bounce back up. It bounces around. We have taken a very conservative approach across the forward estimates. All the advice we received was that there was an upside risk with what we have done with the iron ore price. In terms of our spend, our budget is our budget. I will hand over to the Under Treasurer.

**Mr M. Barnes**: The only other comment I would make is that the iron ore price is just one variable, albeit the largest.

**Ms M.J. DAVIES**: It is very significant.

**Mr M. Barnes**: Another significant one is the Australian dollar–US dollar exchange rate. One would expect that if the iron ore price continues on this downward trajectory and stays low, everything else being equal, the Australian dollar would come off as well. Typically, that has been the case in the past. A lower Australian dollar actually boosts our royalty revenue and acts as a bit of a natural hedge to a declining US dollar iron ore price. That has certainly been the case in the past. How that pans out in the future, I do not know at this stage but that is one of the potentially offsetting variables in the budget.

**Ms M.J. DAVIES**: I have a different question, but along the same lines. I refer to the key budget aggregates on page 4 of budget paper No 3. It includes $1.5 billion in recurrent spending to deliver the government's 2021 election commitments. From memory, I recall the Treasurer pointing out that the government was being fiscally prudent and not baking in expenditure based on a one-off windfall, so a significant increase in the iron ore price or that amount that the government has been delivered in one go. As I said, there is $1.5 billion in recurrent spending. Could the Treasurer explain that to me, because if that is not "baking" it in over the forward estimates, what is it? Have I given the wrong reference?

**Mr M. McGOWAN**: The total of the election commitments across the forward estimates is about $2.7 billion. Of that, $1.3 billion or thereabouts is recurrent spend. Most of that is in the areas of health, education, mental health, additional police officers and those sorts of things. I remind the member that our election commitments are about one-tenth the value of the opposition's.

**Ms M.J. DAVIES**: I am paraphrasing, but in the discussion that was had at the time the budget was brought down, the government acknowledged that the significant increase in revenue was due to one-off events and it was not going to bake that into the budget over the forward estimates—but $1.5 billion of that is election commitments from recurrent expenditure.

**Mr M. McGOWAN**: It is around $1.3 billion. The member should bear in mind that the total recurrent spend is about $130 billion across the forward estimates. That is one-hundredth of the total spend. The recurrent spend is predominantly being used in the areas of paramedics, firefighters, mental health staff, health staff in hospitals and additional services like improvements to the patient assisted travel scheme—a whole range of things. As I said, in comparison with past elections and certainly in comparison with the opposition's spend, it is about one-tenth.

**Dr D.J. HONEY**: What contributor is the Metronet project to the total net debt across the forward estimates? I recall that in 2017 the forecast cost of that project was $2.945 billion. If we look at total expenditure—moneys that have been spent plus moneys in this budget—I understand that it is over $7 billion. Can the Treasurer elucidate on the contribution of that to the net debt, please?

**Mr M. McGOWAN**: If the member looks at page 168 of budget paper No 3, he will see the Metronet spend. I have a couple of points to make. The total across the forward estimates is $5.673 billion, of which $1.833 billion is from commonwealth funding and a range of other funding sources—land sales, the metropolitan region improvement fund and things of that nature. When we deduct that, the obligation on the state is somewhere between $3.5 billion to $4 billion to build 15 major projects that will transform our city. The original commitment for Metronet is a lot less than it is now. We have expanded the number of projects by five or six, maybe seven, over the last few years in conjunction with the commonwealth. To compare it with what was there in 2016 is not a fair comparison because six or seven new projects have been put in there. A lot of those projects will create development opportunities around train stations, they will remove level crossings and they will provide access to rail to communities that previously had no public transport. It is a project that will stand the test of time for decades, if not centuries, to come. I remind the member that some of the rail projects in New South Wales cost tens of billions of dollars—for single rail lines. We are constructing 15 major projects at a net cost to the state of between $3.5 billion and $4 billion.

**Dr D.J. HONEY**: Is the Treasurer saying that if we ignore any additional scope, the total cost for the project as originally scoped in 2016–17 is essentially within that roughly $3 billion estimate, or has there been substantial growth in the cost of that scope?

**Mr M. McGOWAN**: It is roughly similar. It is not that different. The reason I say that is that we received far more commonwealth funding than we were expecting because we worked with the commonwealth. It was very keen to come on board. I do not know whether the member has noticed but I make announcements with Steve Irons about rail lines all the time. I have done it with Christian Porter, and I did it with Malcolm Turnbull. It is not unusual for the states and the commonwealth to work together. To get nearly $2 billion out of the commonwealth is a great achievement and a great outcome for the state. I thank the commonwealth for it. It has been great to work with it on that.

In terms of the other projects, it is not an easy comparison to make because we have expanded the scope of the projects. They include the removal of level crossings; the elevation of train stations; funding the high-capacity signalling program, which we need to do so that trains can run in proximity to each other; and the expansion of the railcar acquisition program. Members might recall that Mike Nahan, I think, made an announcement in 2016 or thereabouts that his government had to replace the A-series trains, and then it abandoned that project. It was a very ugly set of stories. With our new railcar manufacturing facility in Midland, we will obviously replace the railcars on the A-series trains. We are going to put in place new car parks at Greenwood and Mandurah stations, a new train station in Lakelands, and remove the level crossings on the Armadale and Midland lines. None of these things was part of our original plan. It is just expanding significantly. For what we are spending versus what other states spend to get what they get, it is a great set of projects that will be a huge improvement for the state for decades, if not centuries, to come. I was driving through the member's electorate the other day, and the level crossings there are problematic; I experienced a couple of them. Obviously, over time, level crossings removal is a good thing.

[9.30 am]

**Dr D.J. HONEY**: I could not agree with the Treasurer more, as I mentioned in my reply to the budget speech. In relation to the additional federal funding, with all due respect, that does not change the total cost of the project; it simply changes the source of the income. The original budget did not include that, so it seems that there has been almost a doubling of the cost of the original scope of this project, regardless of whether the federal government has contributed money. Like the Treasurer, I welcome the federal government spending money in Western Australia, but that does not alter the fact that the actual cost of the project has increased substantially. I guess my concern for the state is that the cost could expand even further. We have heard that because of the pump-priming at the federal and state levels, capital project costs are increasing by 20 to 30 per cent. Does Treasury actually expect this cost, as it is published in this budget, to be accurate, or can we expect further increases as well?

**Mr M. McGOWAN**: The member made a couple of points there. He is correct: we have secured a large amount of federal funding, which is terrific. We worked cooperatively to achieve that. I would like to thank former Senator Cormann, and Ben Morton, Steve Irons and everyone else who helped make that happen. The scope has expanded, which obviously has increased the cost of all the projects, because there are more projects. When you do additional projects, there are cost increases. We have to remember that these projects all employ lots of people. It is not as though we are doing something that does not have a net economic benefit. The construction industry and the earthmoving industry are thrilled. When I was up at the Yanchep extension, I met a bunch of fellows up there who were putting limestone blocks in place in large numbers; there were tractors, cranes and everything else. There are huge job opportunities for lots of people, and there are lots of apprenticeships as part of that as well.

In terms of cost increases, obviously the construction market has heated up since this program was originally put in place. Construction costs went up, and the cost of steel went up significantly, too. There are obviously cost increases associated with that, but these things are not within the state government's control. The cost of steel coming out of Japan, China or Korea has gone up significantly, in accordance with the iron ore price. As steel prices go up, iron ore prices go up, so we have been the beneficiaries on one hand and paid a price on the other.

**Dr D.J. HONEY**: Related to the growth of that project, the subsidy for the Public Transport Authority across the forward estimates does not show any significant growth. In fact, if anything, there is a slight decline. Given that the network is expanding and typically all fares are subsidised, as well as the government's two-zone maximum fare cap, is that a realistic budget assumption on the subsidy side and, by corollary, the revenue side, for public transport? I thought there would have been a substantial increase in the appropriation for the Public Transport Authority.

**Mr M. McGOWAN**: There are a range of reasons for this. There is an operating subsidy for the Forrestfield–Airport Link, the Yanchep rail extension and the Thornlie–Cockburn Link, for four years, of $273 million. As the member knows, there is a significant operating subsidy for public transport, whether it is buses, rail, the *AvonLink*, the *Prospector* and the *Australind*, or Transwa; that is just a fact of life, here and everywhere else across Australia and probably across the world. That is part of it. Another reason it goes down over time is that there is an up-front requirement for cleaning, and there is an assumption of lower patronage because of COVID. I do not know if the member has seen it, but there is a lot more cleaning going on for all those services. There is an assumption that, over time, a lot of that will unwind, which makes sense. That may need to be revisited, depending on what happens, but there is an assumption up-front that there will be additional cleaning. I will ask the Under Treasurer to explain the other reason behind it.

**Mr M. Barnes**: The total operating subsidy to the PTA in 2019–20 was about $901 million. That increased to just over $1 billion in the 2020–21 financial year. That $100 million increase is primarily a reflection of the factors the Treasurer mentioned around the need for an additional operating subsidy because of COVID-impacted patronage and additional cleaning costs on the public transport fleet. But the member is correct that, over the whole forward estimates period, we are projecting that that operating subsidy will come down a little over the next four years. One of the reasons is that the COVID-related operating subsidy is front-ended in the forward estimates, and we assume a return to normality from 2022–23. That may or may not be the case, but that is the assumption in the forward estimates.

The other issue is that a decision was taken back in the 2018–19 budget to fund regional school bus services from 2021–22 onwards out of royalties for regions. That subsidy, which was previously provided from the consolidated account to the PTA, will be funded by royalties for regions from 2021–22 onwards. That is another reason for the declining operating subsidy to the PTA over the forward estimates.

**Dr D.J. HONEY**: What is the magnitude of the bus subsidy that is being transferred into royalties for regions?

**Mr M. McGOWAN**: It is $80 million per annum.

**Ms M.J. DAVIES**: I just seek some clarity on that, because that has appeared in the royalties for regions budget for some time—the subsidy to the PTA. Did I mishear? I thought the Treasurer said it was a new subsidy.

**Mr M. McGOWAN**: I will let the Under Treasurer explain.

**Mr M. Barnes**: That decision was made back in the 2018–19 budget, but it takes effect from the current financial year. The member will have seen that in the forward estimates of the royalties for regions program for the last couple of years, but it will only take effect from this year.

**Ms M.J. DAVIES**: Is it the first time that the subsidy to the PTA will be coming from royalties for regions?

**Mr M. McGOWAN**: Yes.

**Ms M.J. DAVIES**: So the subsidy for the school buses has always come from consolidated revenue to the PTA? Is this the first time this has ever been done?

**Mr M. McGOWAN**: I will let the Under Treasurer explain.

**Mr M. Barnes**: That is correct, member. Up until this financial year, that subsidy has always been met from the consolidated account.

**Ms M.J. DAVIES**: I presume there is a business case to apply that subsidy from royalties for regions?

[9.40 am]

**Mr M. McGOWAN**: It is not really a business case. A business case is used when we want to build something or enter into a major construction contract. This is a budget funding issue.

**Ms M.J. DAVIES**: How was that then decided? How was that request made?

**Mr M. McGOWAN**: The decision was made by the Expenditure Review Committee three years ago.

**Ms M.J. DAVIES**: But it is in the budget right now, and it is for the forward estimates today.

**Mr M. McGOWAN**: It was a 2018 decision.

**Ms M.J. DAVIES**: Correct. My question is: what is the justification for taking it from royalties for regions given that it has always come from consolidated revenue?

**Mr M. McGOWAN**: It was an ERC decision, and, as I have said many times before, it ensures that the school bus subsidy for regional children and regional operators continues.

**Ms M.J. DAVIES**: As with all those funds, Premier—I know royalties for regions has been relatively stable at around about $1 billion—it has the potential to go up and down: the royalty rates go down, so the total amount in the budget or the forward estimates could reduce; that is the nature of it.

**Mr M. McGOWAN**: It would be very unlikely to go below $1 billion. There would have to be a significant collapse in our royalty collections for that to happen.

**Ms M.J. DAVIES**: I am struggling a little bit with the argument that the Premier wants to make it secure. How is it not secure given it is something that government has always paid for from consolidated revenue and governments of both persuasions have prioritised?

**Mr M. McGOWAN**: The first half-hour of the Leader of the Opposition's questions was about how the iron ore price is volatile and what we are doing about dealing with the financial position the state faces and all that sort of thing. Obviously, we wanted to make sure that some things were fully protected. Royalties for regions money is fully protected and secure because it is one-quarter of royalties capped at $1 billion. When our royalty collection is roughly $12 billion, it is secure—so it means that the bus subsidy program is totally secure.

**Ms M.J. DAVIES**: I go back to the question the member for Cottesloe was pursuing—the assumption that Public Transport Authority usage will return to some degree of normality in 2021–22. Obviously, some sort of modelling has been done by Treasury in terms of the PTA and the government in general. I do not know; I am trying to figure it out. There was a lack of assumptions around COVID in the budget, when there were quite specific assumptions in last year's budget around opening up the state on its return to normality. I am trying to understand how that assumption has been made and what has been used to make that assumption.

**Mr M. McGOWAN**: Is that around public transport?

**Ms M.J. DAVIES**: Around the PTA and transport usage, yes.

**Mr M. McGOWAN**: I will ask the Under Treasurer to comment in a moment, but the latest figure I have was that we have recovered to over 85 per cent of pre-COVID patronage. We are doing everything we can to make it grow. A moment ago, the Liberal Party mentioned the two-zone fare cap. That will mean that people in the outer suburbs and, indeed, in regional WA—in the Peel region—will be able to more easily access public transport at an affordable rate. We expect, and certainly hope, that our numbers will grow. Apparently, we have had the greatest recovery of public transport usage of any state in Australia, which probably makes sense considering we have been one of the most COVID-free states in Australia. Under Treasurer, do you have comments?

**Mr M. Barnes**: There are two things. One is the point about the enhanced cleaning of the public transport fleet. The budget has it continuing for the 2021–22 financial year, but not beyond at this stage, so that is the cleaning issue. Patronage is something we are monitoring quite closely. The most recent data we have, which is effectively for the last week of August, shows that SmartRider patronage is back to 84 per cent of pre-pandemic levels, so it has certainly recovered quite well. We are projecting that that recovery will gradually continue over the forward estimates. That is what I meant earlier by the comment about the return to normality over the forward estimates.

**Ms M.J. DAVIES**: Thank you for the answer. Underlying all of that is the assumption that we will be returning to some degree of normality next year.

**Mr M. McGOWAN**: I think a better way of putting it would be that it is difficult to budget about something that is totally uncertain. We did not want to put in money for cleaning or what have you that might not be needed on the basis that we then have to pull money out. We will put in money for cleaning or COVID-related measures if required at that time. Hopefully, they will not be required, but what I have learnt over the last two years is that we never know what is and what is not required.

**Dr D.J. HONEY**: I refer to employment and workforce growth on page 18 of budget paper No 3. I see there is a forecast of 34 000 jobs in 2021–22. I am interested in the robustness of that estimate for two reasons. One, as the Premier will well understand now, is that our population had a significant growth because of expatriates returning to the state. About 50 000 expats returned to the state of Western Australia and about half a million across Australia overall. The overall return of expats to Australia was about 450 000.

**Mr M. McGOWAN**: A lot of people left.

**Dr D.J. HONEY**: I am intrigued by that. In any case, it looks like immigration will be restricted across the forward estimates. I am assuming that that job growth figure is pretty well a traditional job growth figure. I am wondering where Treasury thinks those workers will come from. My real concern is the prospect of expats leaving once immigration and travel return to normal, but also that we will not necessarily see that level of growth. That seems like an optimistic forecast in employment growth. I am sure that jobs will grow; I am sure there is demand for jobs, but unemployment is now below five per cent. We could say that unemployment is effectively at practically zero. My concern is that those employees will not be available. Obviously, that is a major constraint on growth of the economy. Certainly, in every region or community I visit, I am told by all businesses that their single greatest restraint on growth is the availability of employees.

**Mr M. McGOWAN**: To answer broadly, our employment level has risen to 1.42 million Western Australians employed in August 2021. That is 2.9 per cent or 40 200 people above pre-COVID levels. That is the strongest recovery of any of the states by quite a margin. The unemployment rate that came down last week was at 4.6 per cent but that reflects also a participation rate of around 69 per cent, which is way higher than anywhere else in Australia. If we had the other state's participation rate, we would be down to two point something. We are around three, which is incredibly strong.

In terms of the prediction, Treasury does estimates every single year about employment predictions. Its estimates over the last couple of years have been under; that is, we have had stronger employment growth than was predicted. This is 34 000 or 2.5 per cent over the coming year. Where will we get people from? Obviously, people graduate from high school, people leave university and people graduate from TAFE, and we do not have immigration at this time really. When the member says that we have had significant population growth, people have been returning from overseas. They all seem to want to buy a house, but also a lot of people have left to go home to wherever it is. There has been interstate migration into Western Australia in net positive terms for the first time in about eight years. That has delivered about 3 000 or so people. All these things have combined to create a very strong property market, which is reflected all over Australia. People have gone into property in huge numbers. The prediction is 34 000 jobs. If we achieve that in the current environment that will be a great outcome. Other states are nowhere near that.

[9.50 am]

**Dr D.J. HONEY**: Premier, in regional areas, in particular, it seems as though the most significant portion of growth in the workforce has been people from overseas coming into those jobs and communities. That is certainly what I have observed across all regional areas. Is there a forecast on overseas migration into the state in the figures?

**Mr M. McGOWAN**: The estimate in the budget, or the estimate that we can provide, is that net interstate migration this year is 3 672, which reflects last year's estimate as well. As I said, that is the first time that has happened in eight years, because normally more Western Australians go east than eastern staters come here. That is a good sign. That will stay around the same number in the next financial year and drop slightly over the two final out years. There is still net interstate migration into Western Australia from the east. It is very hard to get people from the east to come west; they all seem to go north–south or south–north. It is hard to get them to come west, but this is a good sign. Obviously, we did things around interstate fly-in fly-out to enforce some movement here. In terms of overseas migration, last financial year, it was net negative—7 382 people were lost to overseas. This year we will lose 2 407 people to overseas. Over the forward estimates it is 4 563 in 2022–23, 14 390 in 2023–24 and 21 624 in 2024–25. Treasury has done those estimates. A lot of this is educated guesswork—is it very well educated guesswork, is it not?

**Mr M. Barnes**: It is very educated guesswork.

**Mr M. McGOWAN**: It is very well educated guesswork based upon what we can read from the commonwealth in a COVID environment.

A very interesting statistic is that our natural increase last year was 17 027; this year it is predicted to be 18 655. Those lockdowns are doing their work! In 2022–23 it will be 15 898, in 2023–24 it will be 15 352 and in 2024–25 it will be 14 892. For last year and this year, the natural increase was significantly above a normal year. I think we all know the reason for that!

**Dr D.J. HONEY**: I have a further question. Thanks, Premier; that is really interesting information.

**Mr M. McGOWAN**: Do you want me to explain further!

**Dr D.J. HONEY**: No. My only concern around that is that 18 and four is 22, plus four is 26 so it is a bit shy of 34 000—8 000 shy. In any case, the Treasurer is confident. He has explained the basis of that, which is great.

**Ms M.J. DAVIES**: I want to talk about the wages policy, which is mentioned on page 132 of budget paper No 2, and how the government's decision to bring forward wages policy might interact with its decision to bring forward the review and the interplay between what has happened with the iron ore price? Was it a bit hasty to bring that forward? The government made the decision to bring it forward. I am not advocating one way or the other, but the government decided last year to stick to its guns, which was based on modelling across the forward estimates. In this budget, the Treasurer states that the government will bring the wages policy review forward and it will be completed before going to a CPI-increased model, potentially with negotiation, by the end of the year. Is the government concerned about embarking on that given what has happened to the iron ore price and the finances?

**Mr M. McGOWAN**: We have had the toughest wages policy of any government in Australia in living memory.

**Ms M.J. DAVIES**: I agree.

**Mr M. McGOWAN**: We certainly have the toughest wages policy of any government in Australia currently. We have held that for four-plus years and we are the only government in Australia in surplus, with the biggest surplus of any government in any state's history. Therefore, we have decided to bring forward the wages policy review. We have not made a decision on what that wages policy review will be. Obviously, the falling iron ore price is a sobering reminder that the wages policy must be reasonable. I think it is a good reminder for all of us, including government, workforce, business and everyone else. I am sure that it will be taken into account as part of the review. When revenue sources are volatile, we must be careful about these things, as the Leader of the Opposition well knows. What occurred over the period 2008 to 2017 is a salutary lesson.

**Ms M.J. DAVIES**: Is there any possibility that when the government gets to the end of this review, which I think is marked to be done by the end of this calendar year, it will decide to stick with the $1 000?

**Mr M. McGOWAN**: We will see what the review throws up. The expectation is that the wages policy will change in light of everything that has occurred. The iron ore price shows how we have to be careful about how much it will change, but the review will undertake all that work. I understand that as part of the review, a range of the meetings have been conducted over the last couple of weeks.

**Ms M.J. DAVIES**: In the budget papers it says that a CPI-based wages policy would be introduced "subject to economic circumstances at the time". What will the modelling for shifting to a CPI-based wages policy look like in terms of the impact on the bottom line for the state government across the forward estimates?

**Mr M. McGOWAN**: I will let the Under Treasurer comment on that.

**Mr M. Barnes**: Built into the forward estimates is a global expenditure provision for the likely or possible outcome of the wages policy review, for obvious reasons. Given that is a live negotiation or review consultation process, we have not disclosed the size of that provision. But the existence of the provision is disclosed in chapter 5 on page 160 of budget paper No 3. We have incorporated a provision for the likely or possible outcome of that review, but we have not disclosed the quantum of that provision.

**Mr V.A. CATANIA**: Has the wages policy affected the ability to attract and retain, say, nurses and police, which obviously are two critical pieces of the COVID situation? Has the wages policy that the government has undertaken impacted on the attraction or retention of nurses?

**Mr M. McGOWAN**: I do not think so. I know lots of police, nurses, teachers and so forth. For people wanting to work in the public sector, there are a range of advantages. One is security and quality of employment. A lot of public service jobs are very good and provide meaningful work. I think for a lot of people, there are balances and considerations in what they do, but permanency and security of employment is a very valuable thing. There is a lot of volatility around the world, as the iron ore price shows. As the pandemic has shown, there is a lot of volatility out there. Look at what is happening in Melbourne at the moment; it is incredible. A lot of people in Melbourne are in insecure work, whereas people working in the public sector in Western Australia are in very secure jobs.

**Mr V.A. CATANIA**: Back in 2006, 2007 and 2008, there was an exodus of teachers and police into the resources sector because we were going through a boom. There is a similar sort of boom in construction and higher wages now. Has the Treasurer noticed a shift in those people working in the public sector going across to the resources sector like we saw in 2007–08?

[10.00 am]

**Mr M. McGOWAN**: We have seen growth in both the health workforce and the police workforce. Over the last year, the health workforce has grown by around 2 000 workers. The police workforce has grown by over 1 000 actual police officers, not including support staff. We are actually seeing growth in those two sectors. These are always the arguments to run. The wages policy review will consider all these matters. I might add, and this is an important factor—the member may have read about it in the paper today—that the cost of buying a house and paying off a mortgage in Western Australia is around half that of Sydney or Melbourne, whereas the wage rates are very competitive. There are lots of advantages to living and working in Western Australia. One is that a person can basically buy and own their own house in half the time—probably less than half the time if interest is taken into account—of a person living in a comparable city along the east coast.

**Mr V.A. CATANIA**: Is that a net growth of 2 000 workers in the public sector?

**Mr M. McGOWAN**: No, I said Health. It grew by 2 150 between March 2020 and March 2021. Obviously, we have put in place more nurses and health employees to cover the situation that we face.

**Mr V.A. CATANIA**: When Labor came into government in 2017, I think it had a policy to reduce the public service by 3 000 workers. Has the government achieved that goal or has there been an increase in the number of public servants working in the public sector?

**Mr M. McGOWAN**: Which line item is the member referring to?

**Mr V.A. CATANIA**: I am talking about the wages policy.

**Mr M. McGOWAN**: I am sorry. The normal practice is for the member to refer to a line item.

**Mr V.A. CATANIA**: I will come back with a line item on that one—sorry. I refer to page 160 of budget paper No 3, industrial agreements. The government's policy back in 2017 was to reduce the public service by 3 000 workers. Has the government achieved that goal or has there been an increase in the public service numbers in contrast with the government policy set out in 2017?

**Mr M. McGOWAN**: Page 160 refers to industrial agreements and the wages policy, which I am happy to answer questions on. However, standing orders indicate that the member has to have a line item before I discuss other matters. I look forward to a line item.

**Mr V.A. CATANIA**: I am happy to find that line item and come back to the Treasurer.

**Dr D.J. HONEY**: I refer to page 39 of budget paper No 3. An underlying assumption in the table headed "Total Public Sector: Summary Financial Statements" is the total number of public sector employees. Does Treasury have a current statement on the total number of public sector employees and also a forecast across the forward estimates?

**Mr M. McGOWAN**: The total figure is 127 785 full-time equivalents across the appropriation-funded agencies. That does not include the government trading enterprises.

**Mr V.A. CATANIA**: We have found the page that we were looking for in reference to the government's public service policy back in 2017 to reduce public servant numbers by 3 000. I refer to page 39 of budget paper No 3 and the table headed "Total Public Sector: Summary Financial Statements". Has the government met that target or has the public sector grown over this period of time?

**Mr M. McGOWAN**: The voluntary targeted separation scheme is on track to deliver 2 946 of the originally planned 3 000 separations. The total savings as a consequence is $526 million across the forward estimates to 30 June this year.

**Mr V.A. CATANIA**: The government has nearly achieved that targeted reduction of public sector workers. Has public sector growth occurred in general?

**Mr M. McGOWAN**: Yes, it has. Voluntary targeted separation schemes happen over progressive governments. We had five rounds of this sort of thing under the last government. The scheme basically means that a range of people whose roles may not be needed anymore or may not be required, agree to leave. A net 3 000 or so people go, but then we also have employment. We have to employ additional teachers in classrooms because more kids come into schools or we have a huge demand on the health system and we have to put in place additional nurses. We also have a particular program to put more people into the approvals agencies. We are employing in areas of need whilst, at the same time, some people are leaving. This is not unusual. It happens in business and government; it happens everywhere. It is not like we just get the total number of public sector workers and reduce it by 3 000 workers. But had we not done this, the number of people employed by the public sector would be 3 000 higher than it currently is.

**Mr V.A. CATANIA**: The Treasurer said that $526 million has been saved through 2 946 public servants leaving the public sector through natural attrition, taking redundancies and so forth. If, as the Treasurer said, the public service has actually grown, has there been a saving or not?

**Mr M. McGOWAN**: There has been a $526 million saving as a consequence of this scheme.

**Mr V.A. CATANIA**: Is the Treasurer saying that despite the increased number of teachers or people working in the approvals agencies, which has obviously increased the number of public servants, the government has still saved $526 million?

**Mr M. McGOWAN**: Through this program there is a saving of $526 million.

**Dr D.J. HONEY**: The anecdotal information coming back from public servants is that many of the public servants who received redundancies waited out the six-month period during which they could no longer be employed by the public service and are now re-employed in the same or a similar job to the job they held before. How can the Treasurer demonstrate a real reduction in numbers given that that reduction would have been targeted at certain agencies? Did we actually see a reduction in those agencies where redundancies were targeted, or were people just paid a lot of money and the number of FTEs stayed the same or increased?

**Mr M. McGOWAN**: This program started four years ago. We had 3 000 targeted redundancies for people whose positions may not have been required or who wanted to take advantage of the opportunity and their position could then be abolished. But at the same time, the public sector still has to employ people. Of the additional public sector staff employed, 80 per cent have gone into what are broadly termed frontline positions, which are found in hospitals, schools and those sorts of places. This is not unusual. As to who got employed where, I do not have that information. Perhaps the member should have asked the Public Sector Commissioner when she was here yesterday. We do not have information as to who was employed where. If the member wants to bring specific examples to us, please do. I remind the member that we have a massive employment program of additional police officers and additional nurses, because they are positions we need to fill. The member is trying to have his cake and eat it too. On the one hand he is saying we should employ more people and do more in health and police and so forth, and on the other hand he is saying "do not employ more people". It is hard to win.

[10.10 am]

**Dr D.J. HONEY**: The Treasurer gave me a figure earlier of 127 785 FTEs, which I assume is the 2020–21 actual. Does the budget assume workforce numbers going across the forward estimates; and, if so, what are the forecast FTEs across the forward estimates, please?

**Mr M. McGOWAN**: Budget paper No 2 does not provide an estimate into coming years; it only provides an estimate up until this year. The number, as I said before, is 127 785. Bear in mind we have had a program for workers who are renewed every single year to become permanent employees. I have met many who have been renewed every year for 10 to 20 years in schools and what have you. This will give them permanency. No doubt that will influence the figures. The member would probably understand that that is a reasonable thing to do when a person's job is funded across the forward estimates and their position is regularly renewed.

**Mr V.A. CATANIA**: Of the 2 946 public servants who have taken redundancy under the policy, does the Treasurer have a figure on how much those redundancies have actually cost? Out of that 2 946, does the Treasurer have a breakdown of the reasons they have left the public service and a cost associated with that? I am happy to take the answer as a supplementary, if the Treasurer does not have that information.

**Mr M. McGOWAN**: We do not have that information by agency. If the member wants to put a question on notice, feel free.

**Mr V.A. CATANIA**: Is there a chance to provide that information by way of supplementary?

**Mr M. McGOWAN**: I would encourage the member to put a question on notice.

**Mr V.A. CATANIA**: This is estimates. The Treasurer cannot answer the question, so it would be worth putting it as a supplementary.

**Mr M. McGOWAN**: It is the member's call.

**Mrs J.M.C. STOJKOVSKI**: I refer to budget paper No 3. At the end of page 6, the Treasurer will find the heading that commences "WA Jobs Plan: local manufacturing and production". Can the Treasurer please outline the wide variety of initiatives in the 2021–22 budget to support economic diversification in Western Australia?

**Mr M. McGOWAN**: Thank you, member, for that question. Obviously, this is a matter about which we have done a great deal to diversify and provide training opportunities. Since we came to office in 2017, about 120 000 new jobs have been created in Western Australia. This is despite the global pandemic. We obviously have the strongest and most successful economy in Australia. We have put in place a huge investment in initiatives to support our economic diversification. We are investing in initiatives such as $105 million for a state-of-the-art film studio and screen production facility in Fremantle, which will create a new industry. I note Sydney and Melbourne, and I think Brisbane—maybe the Gold Coast—have something similar, so this will be a great addition. As the member knows, the demand for content is massive now. That will be a good employment generator there, and "diversificator". We have $100 million for the investment attraction and new industries fund. That is going to focus on new and emerging industries; potentially cybersecurity, battery manufacturing, hydrogen, or whatever it might be. We have a $50 million hydrogen fund on top of that, which is designed to leverage opportunities in hydrogen. The $50 million industrial land development fund is about reduced lease rates for projects of strategic importance. We are establishing the WA jobs task force, which I will chair, and we are bringing back various manufacturing industries. There are many examples, but I suppose the stellar example is the Bellevue railcar manufacturing and assembly facility in Midland.

On top of that, there is $15 million to establish the local manufacturing investment fund, which is about refurbishing and maintaining, and potentially manufacturing, iron ore railcars here in WA. We have set aside $350 million to expand the state's softwood plantation estate, which is running out. That is a great initiative, and it will support the construction market. That is part of our $750 million climate action fund across WA, which has all sorts of renewable energy initiatives and the like. There is $200 million to improve the agricultural supply chain in the wheatbelt, midwest, great southern and goldfields–Esperance regions, particularly around transport; $15 million to strengthen biosecurity defence and response capability, which I answered questions about yesterday during Regional Development. That is for additional staff to deal with biodiversity threats to the state. There is $10 million to establish the Peel food technology facility in Nambeelup, and to promote food manufacturing here in WA. We have $50 million for the expansion of the Aboriginal ranger program—that is, jobs for Aboriginal rangers on country. The Aboriginal tourism action plan has $20 million attached to it, and there is $44 million to upgrade a range of parks across the state. People visiting Mt Augustus or Karijini will see some important upgrades in infrastructure for cycling and walking facilities, which will no doubt make them more attractive to tourists. Lots of exciting initiatives are underway.

**Dr D.J. HONEY**: I refer the Treasurer to page 127 in budget paper No 2 and appropriations, expenses and cash assets. The Synergy Corporation subsidy drops dramatically in 2021–22. I assume that is because that subsidy transfers across to royalties for regions. Are there any other assumptions in the budget —

**Mr M. McGOWAN** interjected.

**Dr D.J. HONEY**: I am happy to —

**Mr M. McGOWAN**: Keep going, member.

**Dr D.J. HONEY**: I will, but I will put it another way. Could the Treasurer please explain the roughly $500 million drop in that line item going forward? While we are discussing Synergy, is there any assumption about further writing down the value of Synergy's assets at Collie—its coal-fired power stations—given that Bluewaters power station, which is a much more modern station than the Muja stations, has publicly stated that it has put its book value at zero dollars?

**Mr M. McGOWAN**: I do not think it has anything to do with royalties for regions and Synergy. Horizon Power covers most of the state and a big subsidy is delivered—not all, but it is a big subsidy. I do not think there are any implications there, but I ask the Under Treasurer to comment on the member's question.

**Mr M. Barnes**: As the member observed, the operating subsidy to Synergy is expected to decline significantly, from about $878 million last financial year to about $387 million this financial year. The big factors behind that were two COVID response measures. Both of those were reflected last financial year. The first of those was the $500 electricity credit for small businesses and charities that were customers of Synergy. That was in response to the January–February lockdown. That $500 electricity credit cost about $40 million last financial year. That was a one-off. That drops out, obviously, in 2021–22. The bigger factor was the $600 household electricity credit. Synergy received an operating subsidy last financial year of $590 million for the household electricity credit, which reduces to $27.5 million this current financial year. It is just the tail end of paying out that $600 household electricity credit. Those two big one-off COVID response measures heavily inflated Synergy's operating subsidy last financial year.

[10.20 am]

**Dr D.J. HONEY**: The operating subsidy in 2019–20, before the COVID response, was $573 million. What is the reason for the reduction post that? Also, I am interested to know whether there are any further assumptions around writing off the value of Synergy's assets in Collie.

**Mr M. McGOWAN**: I will ask the Under Treasurer to comment.

**Mr M. Barnes**: I might actually ask Mr Watson to answer that question.

**Mr R.K. Watson**: Asset writedowns are part of Synergy's annual audit process. The value of the asset base is assessed each year. The Auditor General looks at that assessment as part of the audit opinion. No writedown is reflected in the budget papers largely because the audit of Synergy was not finalised until after the budget cut-off. If there is any writedown in the asset base for the 2020–21 financial year, it will be reflected in Synergy's annual report, which will be released sometime in the next month.

In relation to the operating subsidy in 2019–20, I do not have the information at hand to explain why it is larger than what is projected in 2021–22.

**Mr M. McGOWAN**: I will ask the Under Treasurer to comment further.

**Mr M. Barnes**: As the member pointed out, the 2019–20 operating subsidy is elevated. The two factors for that 2019–20 operating subsidy would be the government's immediate response to COVID in the first half of the 2020 calendar year, so the second half of the 2019–20 financial year. The two measures were a one-off doubling of the energy assistance payment to households on means-tested concession cards. Previously that payment was around $300; it was doubled to around $600 and that obviously inflated the 2019–20 operating subsidy to Synergy. The other factor was the $2 500 small business electricity credit which, again, would have been reflected in 2019–20 as part of the immediate response to COVID.

**Ms M.J. DAVIES**: I refer to page 96 of budget paper No 3, resourcing to support government priorities, and to page 97, budget paper No 3, major projects directorate. How have these evolved? There is increased funding to the tune of $9.2 million within Treasury, as I understand it, and a major projects directorate will be established within the Department of Finance. My tallying of both those entities is $35.2 million over the forward estimates. How will those two functions work together, because my reading of last year's budget was that there was no such role for Treasury, in particular. It had its portfolios split and it was managing government expenditure without a special directorate, but now $9.2 million has been added. What are the roles and the FTE that is applied to that?

**Mr M. McGOWAN**: They are two different things. Resourcing for Treasury is $9.2 million across the forward estimates. Treasury has not had a significant funding increase over many years. Obviously, it is a very important agency in government and it is important that it continues to do its role in the way that it is required to, but I will let the Under Treasurer comment on that. The major projects directorate is within the Department of Finance and it is in order to get our very significant capital works program done to the best that we can. It is $30.6 billion across the forward estimates. It is designed to make our capital works program as efficient and as efficiently delivered as possible. That is what that is. It is really a question for Finance as to how it is using that money. I will let the Under Treasurer comment on resourcing for Treasury.

**Mr M. Barnes**: That is right—there is quite a distinction. Finance's role with a new major projects directorate is explicitly around the delivery of infrastructure projects; Treasury does not have an infrastructure delivery role. This is funding to support our core oversight and advisory role, including across major projects. Given the record size of the asset investment program in this budget, the government is really stepping up its oversight of major projects, including the establishment of a major projects subcommittee of the Expenditure Review Committee. Treasury is driving that increased oversight role and increased reporting by agencies on their progress against the delivery of major projects. It is not a delivery role; it is an oversight and advisory role to support the ERC and the new major projects subcommittee of the ERC. They are quite different roles. The other part of that $9.2 million for Treasury is to help step up our support for the public sector as a whole in financial management training—bringing the public sector up to speed on developments in accounting standards or the *Treasurer's instructions*, those sort of things. That is about half of the $9.2 million. Really, it is lifting our core role.

**Ms M.J. DAVIES**: Within that $9.2 million, have individuals been employed specifically for communications, public relations, stakeholder management and those sorts of external outward-facing roles? What is the breakdown of the FTE?

**Mr M. McGOWAN**: I will let the Under Treasurer answer that question.

**Mr M. Barnes**: There are none of those roles; these are all internal, what I would call normal Treasury roles. The $9.2 million funds 13 additional FTE.

**Mr M. McGOWAN**: Across four years.

**Mr M. Barnes**: That is correct. Those 13 FTE are spread across our core business units within Treasury. They are basically analyst and accounting positions. None of them are communications or external stakeholder management functions that the member mentioned.

**Mr M. McGOWAN**: I think the Under Treasurer should explain how this is the first significant funding boost in many years.

**Mr M. Barnes**: It is the second in nine years. Treasury is a fantastic agency to be in and it is a fantastic agency to head up, but one of the downfalls is that we have to lead by example and that often means not putting in budget submissions for many years. That finally caught up with us. This is only the second time in nine years that we have had a budget injection—and we needed it.

**Mr G. BAKER**: I refer to page 11, budget paper No 3, economic outlook, and the dot point that refers to the sharp rebound in retail trade and strong business growth, which is of great interest to the people of South Perth. Can the Treasurer please expand on the current conditions in the Western Australian economy, in particular, the latest job figures?

[10.30 am]

**Mr M. McGOWAN**: This is obviously a very important issue. We have worked very hard to stop the spread of COVID-19 into Western Australia and to crush any outbreaks when they have occurred. That has allowed us to have one of the freest and most open economies in the world. We have seen the alternative, which is Victoria. I must say that the images of Melbourne I saw yesterday were beyond disgraceful—just shocking stuff. Apparently, it is all happening again today. Even though they have an earthquake going on, these people are out doing the same thing again. It is an appalling, disastrous, shocking and awful thing that people are doing in Melbourne and they are bringing disgrace on themselves and their families. I do not know what the police over there will do, but I think the police have been remarkably restrained in their conduct with these fellows. We will see what happens today.

Here, of course, we have not had the extensive lockdowns or the massive economic dislocation that Victoria and New South Wales have had, so that means that in addition to our COVID response and a range of other things, we have had a massive improvement in our jobs situation. In August, we saw 12 300 new jobs created. Since coming to government, we have had 120 000 new jobs created. Our commitment was 50 000, so we exceeded it by 140 per cent or thereabouts. In August, we saw an increase of 0.9 per cent in the jobs market, which is remarkable. Employment nationally fell by 1.1 per cent, led by New South Wales. We have had the strongest recovery in employment since the start of COVID-19 of any of the states. The unemployment rate is now at 4.6 per cent and the participation rate is 69 per cent, which is the strongest in the country by a long, long way. Those two figures combined mean, obviously, we have the strongest jobs market in Australia.

The Australian Bureau of Statistics' National Accounts show that WA's state final demand increased by 4.3 per cent in 2020–21. That is the strongest growth of all the states and the highest growth in eight years; we are well above pre-COVID levels. We have had record growth in retail spending. Household consumption is up by 2.6 per cent. The building bonus has underpinned growth in dwelling investment of over 27 per cent in 2021–22, but there has been a further increase in approvals, by the way. Our mining industry continues to operate and has delivered

4.3 per cent growth in business investment, which is projected to pick up to 9.7 per cent into 2021–22. What we did in mining has kept the industry open during a very, very successful and prosperous period whilst there has been demand around the world as other governments stimulate. Brazil did not have the same measures and we have seen the consequences. By our efforts, we have managed to ensure that the industry stays open and, therefore, the success is there for not only Western Australia, but the entire country, for whom we provide enormous revenue above and beyond anyone else by a long, long way.

**Mr V.A. CATANIA**: Did the Treasurer say 129 000 jobs have been created over the period in which Labor has been in government?

**Mr M. McGOWAN**: I said 120 000.

**Mr V.A. CATANIA**: Is the Treasurer able to provide a breakdown of where those jobs are and what industries they are in. We hear a lot about these jobs, but it would be nice to see a breakdown.

**Mr M. McGOWAN**: It is Australian Bureau of Statistics data, so the commonwealth has the figures. We rely on its figures, but my impression is that it is spread across both cities and regions. The economy in regional WA is incredibly strong. The biggest problem with employment is having enough people for the jobs out there, which is a serious problem. I have had shopkeepers and tourism operators and plumbers and the like raise it with me. It is not an easy problem to solve, but it is a much better problem to have than the alternative, which is mass unemployment, which is what other states and countries around the world are going through.

**Mr V.A. CATANIA**: I refer to page 128 of budget paper No 2, volume 1. Under "Appropriations, Expenses and Cash Assets", halfway down the page is the line item "Parliamentary Superannuation Act 1970". Is the Treasurer able to provide who is still left on the old parliamentary superannuation scheme, which was concluded towards the end of 2001? Does the Treasurer have a list of members of Parliament who are still on the old parliamentary super scheme?

**Mr M. McGOWAN**: I do not have that list. It would be an appropriate question for the Government Employees Superannuation Board. Discussing individuals' superannuation is not something I am going to do. I would not do it for an employee of the state or anyone else.

**Mr V.A. CATANIA**: My understanding is that the Parliamentary Superannuation Act 1970 is under the member's portfolio as Treasurer still. Does the Treasurer believe that the old parliamentary super scheme that ended for members of Parliament in 2001 should end for all members of Parliament? If we talk about being open and accountable and saving money for the state, does the Treasurer think that the old parliamentary superannuation scheme, which is very lucrative, should end for those members of Parliament who are still on that old scheme?

**Mr M. McGOWAN**: Superannuation is always governed by the commonwealth.

**Mr V.A. CATANIA**: The Treasurer says that it is governed by the commonwealth but when members of Parliament back in 2000 made a decision to end the parliamentary superannuation scheme, it was a decision by this Parliament, so this Parliament has the ability to end the Western Australian parliamentary superannuation scheme. Will the Treasurer end it at the end of this term for those few remaining members who are on this lucrative superannuation gravy train?

**Mr M. McGOWAN**: As I advised the member, superannuation law is governed by the commonwealth.

**Mr V.A. CATANIA**: Is the Treasurer saying that the Parliament of Western Australia cannot end the lucrative parliamentary superannuation scheme? By my calculations, about three members of Parliament are still on the old scheme, including the Treasurer. Will the Treasurer end it so that everyone in Parliament is on the same superannuation scheme, which is something that I think the public expects all members of Parliament to be on?

**Mr M. McGOWAN**: As I said, it is governed by the commonwealth.

**Mr V.A. CATANIA**: Can I make this quite clear? The commonwealth government allows this lucrative parliamentary super scheme for Western Australian members of Parliament, of whom three are left on the system, and it is the one that can end it. Is that what the Treasurer is saying?

**Mr M. McGOWAN**: I have answered the member's question.

**Dr D.J. HONEY**: I refer to page 129 of budget paper No 2. In the table on that page, there are a number of items under the title "Other". Will those items be expended in the 2021–22 budget year?

**Mr M. McGOWAN**: Where is this?

**Dr D.J. HONEY**: To be specific, in the table on page 129, under "Other", items 111, 112, 113, 114, 115 and 116 are all budgeted in 2021–22. Will they be expended in 2021–22 or will those items be expended over the forward estimates?

**Mr M. McGOWAN**: I think the member will find that these are, for want of a better term, future funds. These amounts of money are set aside largely for important projects in future years. The debt reduction fund will not be expended, though. Maybe I will ask the Under Treasurer to comment more fully. The climate action fund, the digital capability fund, the social housing investment fund, the softwood plantation expansion fund and the new women's and babies' hospital account will be expended beyond the forward estimates, so they go longer than the forward estimates. Those allocations of money are for projects that will go into the long term. The member might recall that when I read in the budget, I said words to the effect of: these amounts of money are to set us up for the future, using our success of today. We do not expect the women's and babies' hospital to open until 2027 and the softwood plantation fund is a 10-year investment. As we can see, some of them are set up for the longer term, but I will ask the Under Treasurer to comment on how the debt fund interacts with that and any other matters he may wish to raise.

[10.40 am]

**Mr M. Barnes**: Working down that list, the $2.1 billion that is shown in 2021–22 for the debt reduction fund is our GST top-up payment from the federal government this current financial year. That gets paid into the debt reduction account and back into the consolidated account to avoid taking on new borrowings. That is being used for debt avoidance this year. We are using the cash to fund infrastructure projects rather than having to borrow for those projects. The following item in the list is the climate action fund, and $50 million of that $168 million is for renewable hydrogen, which will be fully expended over the forward estimates. The other $118 million includes the $50 million recently announced for the Just Transition package. That will also be expended over the forward estimates, as will the remainder of that provision. All of that $168 million in the forward estimates will be expended.

The $500 million for the digital capability fund will also be fully expended over the forward estimates period, as will the social housing investment fund. Approximately $120 million of the $350 million for the softwood plantation expansion fund will be expended over the forward estimates. This is a 10-year program to regrow the softwood planation estate. Of that $350 million, about $120 million will be expended in the next four years and the rest over the remaining six years. For the women and newborn health service relocation account for the new women's and babies' hospital, that $1.787 billion is cash sitting in a Treasurer's special purpose account. It is not yet expended over the forward estimates period. The Department of Health is working on a project definition plan for that project and that will come back to government as part of the 2022–23 midyear review. At that point, when that project definition plan is approved, the spending associated with that cash will be reflected in the forward estimates.

**Dr D.J. HONEY**: Is that a usual accounting practice in the budget? If we look at any other budget items, projects such as Metronet will definitely go beyond the forward estimates. We do not see just one single item in one year; we see that money expended over the forward estimates, and clearly it will go beyond the forward estimates. Why has this been done for these projects? My concern is: is this simply a way of reducing the size of the forecast surplus? I would have thought that for each of the areas explained, if the money was going to be expended across the forward estimates, that would be listed across the forward estimates rather than included as a lump sum expenditure this year. Why was that done for these cases and not for any other item in the budget?

**Mr M. Barnes**: There is an important distinction here. This table is for appropriations. These are appropriations from the consolidated account into the various Treasurer's special purpose accounts, or mini future funds, if you like. The appropriation is made in the 2021–22 financial year, and that is what this is showing. This is moving the cash out of the consolidated account and placing it in these special purpose accounts in 2021–22. That is why they are showing up as a lump sum amount in 2021–22. Elsewhere in the budget papers, the member will see the spending of those amounts across the forward estimates. The spending of those amounts for all of them except the women's and babies' hospital—the digital capability fund, social housing investment fund and softwood plantation expansion fund—is reflected elsewhere in the budget papers across the forward estimates period. This is just the initial appropriation into those special purpose accounts.

**Dr D.J. HONEY**: How much has that impacted the stated surplus for 2021–22?

**Mr M. McGOWAN**: This has not impacted the surplus. As I have said repeatedly, surplus is predominantly used for funding a capital program, so the surplus is used to fund these, if you like, across the forward estimates without adding to net debt. In my view at least, these are all very good projects that help set up the state for the future. They cover residential construction, women having babies often in difficult circumstances, people who need social housing, making sure that the public sector can cope with changes in digital requirements and also cyber attacks, and a major fund to put in place measures around renewable energy on the edge of the grid and hydrogen and the like using the climate action fund. These do not actually impact the surplus. We outline at page 4 of budget paper No 3 all of these funds and how we are using the financial success of today for tomorrow's projects.

**The appropriation was recommended.**