

**WESTERN AUSTRALIAN FUTURE FUND BILL 2012**

*Receipt and First Reading*

Bill received from the Assembly; and, on motion by **Hon Simon O'Brien (Minister for Finance)**, read a first time.

*Second Reading*

**HON SIMON O'BRIEN (South Metropolitan — Minister for Finance)** [12.28 pm]: I move —

That the bill be now read a second time.

As members will recall, the government announced in the 2012–13 budget its intention to establish a future fund in order to set aside and accumulate a portion of the revenue from the state's finite mineral resources for the benefit of future generations of Western Australians. The bill I now introduce provides for the establishment and ongoing operation of the Western Australian Future Fund. The broad framework for the future fund as provided for in the bill is as follows.

The future fund will be established with seed capital from the royalties for regions fund, totalling an estimated \$1.04 billion over the period 2012–13 to 2015–16. From 2016–17 onwards, the future fund will be credited each and every year with a minimum one per cent of the state's annual royalty income, which, in the initial stages, is indicatively estimated at around \$65 million to \$70 million per annum. Earnings on the future fund balance will be retained and reinvested in the future fund over the first 20 years of its operation—that is, to 30 June 2032. During this 20-year accumulation period, drawdowns from the future fund are prohibited. The balance of the future fund at 30 June 2032, indicatively estimated at around \$4.7 billion, will be maintained in perpetuity. The income earned on the balance of the future fund after 30 June 2032, indicatively estimated at around \$230 million per year, may be applied for the purpose of providing public works and other public infrastructure in the metropolitan and regional areas of Western Australia. This means that in 20 years' time, our state will be able to apply around \$230 million a year in interest earnings to industrial infrastructure, technology infrastructure, science and education infrastructure, health or research infrastructure—whatever is in the best interests of the state at the time. And future governments will be able to do that each year forever, if they so choose.

The bill provides that the future fund is to be a Treasurer's special purpose account, is to be administered by the Treasurer, and is subject to the normal accountability and reporting requirements of the Financial Management Act 2006. The bill also provides that money standing to the credit of the future fund will form part of the public bank account. With one exception, the future fund can be invested only in accordance with the FMA and associated regulations governing investment of the public bank account. The bill also provides that money standing to the credit of the future fund may also be invested in gold. This restricts investment in the future fund to cash, various debt instruments of high-credit quality and gold. Investment of the future fund will be managed as a separate pool within the overall public bank account by the Western Australian Treasury Corporation and the Department of Treasury. The future fund will target an investment return in excess of the state's cost of debt, which modelling by the Treasury Corporation suggests is both realistic and achievable.

Importantly, the bill includes an entrenching or "manner and form" provision at clause 10, outlining the required manner and form of any amendments to, or repeal of, the future fund act during the 20-year accumulation period. This provision requires that any bill introduced before 1 July 2032 that seeks to amend or repeal specified sections of the future fund act will require an absolute majority of both houses of Parliament to have effect, and is designed to ensure that the future fund balance accumulates for the benefit of future generations as intended and is not able to be used for other purposes or otherwise be tampered with by future governments, unless the "manner and form" requirements of clause 10 are satisfied.

The bill also recognises the contributions made to the future fund by the royalties for regions fund in its initial years. In this regard, the bill requires that the application of the future fund's income from 2032–33 onwards be appropriately divided between the metropolitan and regional areas of the state, with both this division and the purposes for which the income is to be applied in the regions to be agreed by the Treasurer and the Minister for Regional Development.

The Western Australian Future Fund is a financial gift, a transfer of wealth generated from finite resources, from present Western Australians to their children. Pursuant to standing order 126(1) I advise that this bill is not a uniform legislation bill, does not ratify or give effect to an intergovernmental or multilateral agreement to which the government of the state is a party and nor does this bill, by reason of its subject matter, introduce a uniform scheme or uniform laws throughout the commonwealth. I commend the bill to the house and table the explanatory memorandum.

[See paper 5220.]

Debate adjourned, pursuant to standing orders.