Division 11: Treasury, $9 305 922 000 —

Mr S.J. Price, Chair.

Mr M. McGowan, Treasurer.

Mr M. Court, Acting Under Treasurer.

Mr R. Watson, Assistant Under Treasurer, Agency Budgeting and Governance.

Mr M. Andrews, Assistant Under Treasurer, Strategic Policy and Evaluation.

Ms A. Jalleh, Assistant Under Treasurer, Advisory Services.

Mr A. Jones, Assistant Under Treasurer, Economic.

Ms P. Burton, Chief Finance Officer.

Ms L. Cook, Senior Policy Adviser.

[Witnesses introduced.]

The CHAIR: The estimates committees will be reported by Hansard and the daily proof will be available online as soon as possible within two business days. The chair will allow as many questions as possible. Questions and answers should be short and to the point. Consideration is restricted to items for which a vote of money is proposed in the consolidated account. Questions must relate to a page number, item or amount related to the current division, and members should preface their questions with those details. Some divisions are the responsibility of more than one minister. Ministers shall be examined only in relation to their portfolio responsibilities.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 2 June 2023. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

Do we have any questions? I give the call to the Leader of the Liberal Party.

Ms L. METTAM: Thank you and good morning. My first question is from page 3, budget paper No 3. I refer to "Perth Consumer Price Index growth". The CPI in the budget is forecast to fall to 3.5 per cent in 2023–24. I note that Perth's CPI figures exclude the electricity subindex as the electricity credits skew those forecasts. If the index was included, what would CPI be over all years?

Mr M. McGOWAN: It would make very little difference because we had an electricity credit in the same magnitude last year.

Ms L. METTAM: Are Treasury's forecasts for next year overly optimistic, given the Reserve Bank of Australia is forecasting it to be over four per cent, or are they structured in a way to assist wage negotiations?

Mr M. McGOWAN: Do you mean CPI?

Ms L. METTAM: Yes, CPI.

Mr M. McGOWAN: We estimate by the end of the coming financial year, the inflation rate for Western Australia will be 3.5 per cent. Currently, we are at 5.8 per cent whilst the eastern states are at seven per cent, so we are significantly lower, which is a great thing. I was able to advise this at the business briefing on the budget I did in Sydney on Friday. We are significantly lower than the other states, which is terrific. The big difference between us and the other states is electricity prices. Our electricity price increases are so much lower than those in the other states. From memory, the increase for Sydney is 25 per cent; for Queensland or Brisbane, it is about 22 per cent; in Victoria, it is around 10 per cent; and for South Australia, it is around eight per cent. I do not have the figure for Tasmania in my head. Overall, the electricity price increases in the eastern states are massively higher than those in Western Australia. In New South Wales, it is 10 times what it is here. That means its inflation rate, naturally, will be higher than that in Western Australia.

Ms L. METTAM: What is Western Australia's increase?

Mr M. McGOWAN: The electricity price increase in the budget for the next financial year is 2.5 per cent. We are predicting an overall inflation rate of 3.5 per cent by the end of the next financial year. Victoria's budget is coming down today. I suspect its predictions will be higher. In New South Wales, it will probably be significantly higher simply because its increase in power prices is so much higher than ours. Its increase in power prices is due to two major factors we can determine. One is that it has little control over it because the last Liberal–National government sold off all its electricity assets. Secondly, the input costs are so much higher there simply because it does not have a domestic gas reservation policy, which, as members know, Alan Carpenter and the government I was a part of in 2006 brought in so that we have much more certainty of supply input. It is a significant difference in the cost of living on top of that. I do not think housing is included, but house prices over there are double what they are in Western Australia.

Ms L. METTAM: I refer to page 9 of budget paper No 3. It states that the state's population was expected to grow by two per cent in 2022–23. I am trying to understand how this growth and the subsequent demand for infrastructure compares with population growth that occurred during the previous Barnett government boom. If population growth is lower than during the previous years, can the Treasurer explain the spending record of $11 billion on infrastructure if the population growth does not support it?

[10.10 am]

Mr M. McGOWAN: I will see whether there is anything more specific I can provide the member, but broadly, population growth of two per cent is relatively high, certainly compared with the last few years because international and interstate borders opened. Having said that, we were one of only two states during the COVID period that had population growth—Queensland and here. Basically, both jurisdictions were relatively COVID free and people left New South Wales and Victoria to come to live here. There were also returning Australians.

Those factors meant that we had interstate migration into Western Australia, for the first time in a decade, during the COVID period. The population growth of two per cent is higher than the long-term average because of the borders reopening and the incredibly strong jobs market.

The increase in the budget for infrastructure over four years is $39 billion, which is very high. That high infrastructure budget reflects the fact that much of our rail program is reaching peak construction. The Yanchep, Ellenbrook, Thornlie–Cockburn and Byford lines will all be generational projects that will avoid some of the issues the eastern states are having with trying to build rail lines. Today, I saw that a rail line in Melbourne cost $150 billion—for one. It was $150 billion for what they call the suburban rail loop. They recently had to even defer or cancel some projects over there because of the incredible cost and because they have such high levels of debt in the eastern states, which we do not have.

The infrastructure program is large, reflecting Metronet, and also the decarbonisation agenda, which is not really related to population growth. That is related to the fact that we will adhere to our national obligations to reduce our carbon emissions. The ageing generation infrastructure and the nature of solar and wind take-up, which is just happening organically, mean that we have to provide better storage options. If we had not done this at some point in time, we would have had to build new coal-fired power stations or what have you at enormous cost in any event. Rooftop solar continues to grow every single day, and that means that the infrastructure investment in batteries and storage, paid for by the government, will be a significant part of the capital works program but, as I said, that is not really related to population growth.

Ms L. METTAM: I reflect on population growth and the Treasurer's visit to Rome and Europe. The Minister for Police was also in the UK, making efforts to attract skilled workers to Western Australia. Does the Treasurer have any figures on the success of those efforts and programs in obtaining or attracting the workers we need?

Mr M. McGOWAN: I went to Rome in June or July last year on the first direct flight. The visit to Italy was not really about attracting workers but was more about promoting tourism and the first direct flights, and meeting Italian businesses that have investments here and encouraging further investment.

When I went to Ireland, it was more about that. I went there for a couple of days, from memory. The Minister for Police went and did similar things, particularly in Britain and Ireland. The advice I can give the member about her question is about some of the measures we have taken in the budget. I do not have figures directly on how many people have come from those places, but measures in the budget include our announcement from before the budget of the $11 million program for $10 000 grants to help visas for particular people working in residential construction. The state-sponsored migration program, which we changed to include a whole bunch more occupations and so forth, reflects the strength of the labour market, which is significantly different from six and a half years ago. Changes to the state-sponsored visa scheme make it easier for skilled migrants to connect with job vacancies here. Obviously, we are trying to attract additional international students who fill a lot of the roles we need. We are doing a whole bunch of things.

I am not sure that we control the number of people who are coming in as migrants. We expect an increase in migrants, obviously, of two per cent, so I suppose we are factoring that into those considerations. We will see a boost in the number of people moving to Western Australia. Obviously, that has other issues. When we attract people to build houses, there is then concern that we already have a lot of people looking for homes, but we have to have people to build homes. It is a bit of a catch 22, really. If we want to attract skilled migrants to build homes, we have to attract them and get them here.

During the COVID pandemic, we saw a lot of changes in the way people lived. A lot of people did not want to share homes anymore. A lot of people moved out of existing arrangements. We saw a lot of relationship separations. That changed the patterns of how people were living, and that has impacted the housing supply. A lot of Australians returned home from overseas because Western Australia was a far safer place to live, compared with living in Britain, Italy or America. Older Western Australians in particular returned home. That affected everything across Australia; even Victoria and New South Wales, which did not have our COVID experience, had lots of people returning home. It affected the housing supply. I went to Sydney last week, and our problem with housing and the cost of housing is nowhere near as dire as it is there, but it is an issue everywhere around Australia, which we are attempting to address through multiple measures.

Ms L. METTAM: Just to clarify, does the Treasurer not have any insight into or idea of how many people will be attracted to move to Western Australia as a result of the seemingly significant efforts by the Minister for Police and the Treasurer to encourage people?

Mr M. McGOWAN: At the midyear review, overseas migration into Western Australia was predicted to be 17 535 for this year, but the budget is now suggesting that for the coming year it will be 36 645, which is a significant increase in numbers.

Mr R.S. LOVE: On page 11 of budget paper No 3, which has economic forecasts for Western Australia, the dwelling investment is forecast to fall in 2024–25 by 7.75 per cent. I am asking about the rebound of 7.75 per cent that is expected the following year. How has the department come up with these investment predictions? What does the Treasurer expect will turn the market around to a positive situation in 2025–26?

Mr M. McGOWAN: In 2024–25, expenditure in the lead indicators in new dwelling investment is anticipated to fall by 7.75 per cent. That reflects interest rate rises and the bringing forward in demand that we put in place during the peak of COVID. This is set to occur at a time when the current backlog of work is expected to be largely complete. Nevertheless, investment is forecast to recover in the final two years of the budget period, supported by growth in the state's population. I think that broadly answers the question.

Mr R.S. LOVE: The building industry would have a period of time with lessened demand and a bit more slack in the supply of trades and materials. Is Treasury forecasting that the government's own work in social housing would in some way be ramped up in that period to match the downturn in private sector demand, therefore providing a better return, perhaps, for the government in its investments?

[10.20 am]

Mr M. McGOWAN: It will assist. Over time, we will construct 4 000 homes as part of last year's budget and this year's budget. Obviously, that will assist, but it will not match the totality of the private sector. Currently, around 27 000 private sector homes are being built. We are not in that ballpark, and no government in Australia is. In terms of new dwelling investment, expenditure is expected to lift through 2023–24 as the current backlog of work is anticipated to sustain the overall level of dwelling investment in the near term. As I said, there is predicted to be a 7.75 per cent decline. We must remember that in terms of the workforce, it is not just about housing investment as people who work in residential housing often work in other areas. The state government's pipeline of infrastructure investment is massive. Then there is the private pipeline of infrastructure investment, which is also large.

When it comes to social housing, I think we have made one of the largest investments in social housing on record. We have invested about $2.6 billion on social housing and homelessness. There is the Bentley residential project; the redevelopment of the Brownlie Towers site; water and land infrastructure for a lot more housing; the regional development assistance program; the Government Regional Officers' Housing program to upgrade houses in regional WA; and Aboriginal remote communities, to which we have allocated $350 million. By state standards, it is a fairly large investment. Intuitively, we just know that as pressure eases and as more housing is completed, people have more confidence to sign contracts. The current boom in residential construction is slowing down other construction. As that eases, builders will be able to deliver more quickly and we will see more sign-ups. That is just market forces operating.

Ms L. METTAM: The Treasurer spoke about this significant investment in social housing. How confident is he that those funds will be expended as outlined? Social housing stock has gone backwards and it has been significantly challenging to compete with the private sector to deliver on these contracts. How confident is the Treasurer in the time frames and that these funds will not just effectively be sitting in special purpose accounts?

Mr M. McGOWAN: For the record, when we came to office, a lot of the social housing was in an awful state and there were ghettos; Brownlie Towers and the Stirling Street flats were some of them. There were others in Fremantle and I think there were some in Carine. There were other examples of social housing that were either ghettos or dysfunctional. Lots of housing stock was completely wrecked. At some point in time a government had to deal with that, so we dealt with it. That obviously led to a reduction in the overall numbers of stock. Basically in numbers terms, if we remove a flat that is a drug den, a property is removed from the social housing stock. If we just look at overall numbers, we can say that the number of social houses has gone down, and that is terrible. On the other hand, my government dealt with a longstanding social issue that was causing huge grief. We dealt with that, particularly Brownlie Towers and the Stirling Street flats. I do not know whether the member remembers the Stirling Street flats; they were pretty appalling. Some of those things were dealt with. That meant that we dealt with some of the social issues, and now we are investing very significant amounts in refurbishments and new builds. We intend to have 4 000 social houses to supplement the stock base and the waitlist demand. We have already provided 1 200 of those and 1 000 are under construction or under contract. The number of houses disposed of is at historically low levels as a result of some of the measures I mentioned, such as demolishing some of these dysfunctional places.

The program itself is over the forward estimates but I expect there will be additional investments in future years. We will continue to invest and more houses will be provided. I would expect that more houses, if not additional, will be completed in the next few years.

Ms L. METTAM: I take it from the Treasurer's comments that the government has no regrets about the speed with which it sold off the social housing stock for these so-called ghettos or social housing homes in an effort to replace them. There was obviously a significant lag, which meant that our stock numbers went backwards. Hindsight is a wonderful thing, but does the Treasurer have any regrets about the government's approach to this matter? We are the rough-sleeping capital of the country.

Mr M. McGOWAN: It all depends on the approach the member wants to adopt to social housing. I do not know if she ever saw Brownlie Towers or if she ever went to Stirling Street flats. I saw both, and they were pretty appalling. As I said, they were dysfunctional and crime ridden, and residents were using huge amounts of drugs and other things. They were ghettos. If the member's analysis of this sort of thing is that it is better to keep ghettos than not, that is something she can argue. On the other hand, at some point in time, a government had to deal with it and we dealt with it. I think we dealt with this longstanding issue in 2018 or 2019, or maybe 2017. We were then able to redevelop those sites. The Bentley redevelopment will have a huge amount of social housing. We will be able to provide more housing over time that is more appropriate and more liveable.

Social housing is never going to be a property on the river in Peppermint Grove, nor should it be, but at the same time it should not be housing where people are cooking meth next door. Social housing is in the middle of that. We dealt with a longstanding issue. I personally think it was a good achievement to remove ghettos. It reduced the overall stock whilst we then built more. I have seen it in Washington, America. Some of the properties are awful; children should not grow up there.

The strategy was, and now is, a pause on sales and demolitions because we have dealt with the worst examples, and we have made a huge investment in refurbishments and a major investment in buying and building new stock, with $2.6 billion across the forward estimates.

The CHAIR: If we can drag questions back to something of relevance in the budget, that would be helpful.

Mr R.S. LOVE: Page 10 of budget paper No 3 has a paragraph that says —

> Capacity constraints within the economy are impacting on current investment activity. Houses … are taking longer to complete due to labour shortages … new demand has also been impacted by elevated costs and rising interest rates.

This feeds into delays and labour shortages. Can the Treasurer explain to me why the government has chosen to develop the very large program that it has put in place for this year instead of deferring some of those expenditures to a time when there is less capacity constraint in the economy? For instance, the shutdown of the Armadale line and the launch of the elevated railway stations will no doubt cause a lot of competition for concrete and other resources. Was there ever any thought that perhaps that could be delayed and pursued at a time when there is less capacity constraint in the overall economy?

[10.30 am]

Mr M. McGOWAN: The member spoke about elevated rail on the Armadale line. The entirety of the Armadale line down to Byford will have 13 level crossings removed. Six level crossings will be removed in the Victoria Park–Cannington area and seven level crossings will be removed in the Byford area. Armadale station will be elevated and there will be five new elevated stations through Cannington and Victoria Park. We received a significant amount of commonwealth funding for all those.

The member's question is: why do we not delay it all? I think I saw on the news last night criticism from the opposition saying that we are not building it fast enough, just so the member knows. The program has been worked up over a number of years to get to this point. We are confident that we can do it at a very, very significantly reduced price compared with the eastern states. The cost of building rail in Sydney is somewhere between 15 to 20 times more a kilometre than it is here. I am very confident we can get this done and that it will pick up some of the slack. As the member can see, economic growth next year will go down to 2.25 per cent and the year after that it will go down to 1.75 per cent. Obviously, there will perhaps be a little more capacity in the economy than there is now. This is about not only making sure the economy remains very robust, but also putting in place a long-term program.

I do not know whether the member is familiar with the level crossings through Cannington and Victoria Park, but they are very debilitating for people who live in that area. The level crossings in Byford are restrictive and access to decent transport is pretty limited. The two components of this project are a little unknown in the broader community, but they will be significant improvements that in time to come will be seen as great projects for the state.

Mr R.S. LOVE: The Premier feels that there will be more construction capability when most of this work will be done, yet the concrete for the elevated railway sections is being poured at the moment, as I understand it, so I cannot see how that will be down the track.

Mr M. McGOWAN: This financial year the growth figures were 4.25 per cent, which is the strongest in nine years. In the next financial year, because of interest rates and because of the fact that more and more Western Australians are holidaying overseas, we expect that the growth figure will go down to 2.25 per cent. That is still amongst the strongest in Australia, but it shows there is extra capacity in the economy. As our immigration numbers increase and our population increases and we have programs to bring in qualified tradespeople, naturally there will be some greater capacity to build things. That is just a reality.

We cannot win because, as I said, I saw on the news last night the opposition complaining that we are not doing it fast enough and now the member is arguing we should do it slower.

Mr R.S. LOVE: Page 34 of budget paper No 3 refers to the additional allocation of $1.4 billion from the commonwealth, largely to transport projects, including Metronet. I am wondering whether Treasury is confident that that will be enough money to complete those projects or whether further cost escalations on those projects before they reach completion are possible.

Mr M. McGOWAN: We have funded some escalation in the costs of some of the rail and road projects. We are not budgeting for further cost increases but we cannot rule them out. As I said to the member, when I was in Sydney on Friday, it was indicated that the cost escalation on two rail projects in Sydney—I think the total distance was 40 kilometres—was $22 billion. The cost escalation on five or six separate projects is somewhere above $1 billion. We will find the detail. The cost escalation on our projects is a bit over $1 billion. That is because the cost of steel has gone up 60 per cent, the cost of concrete has gone up 254 per cent, the cost of ordinary labour has gone up 20 per cent and the cost of specialised trades has gone up 54 per cent.

If we go to page 196 of budget paper No 3, we see $1.2 billion in additional spend on the Morley–Ellenbrook line, the Yanchep line, the Thornlie–Cockburn Link and Bayswater station. Those things are regrettable but unavoidable in the current environment. That is the nature of things. As I said, that is good compared with New South Wales, where two railway projects have gone up by $22 billion. What is happening over there is unbelievable. The Morley–Ellenbrook line has gone up by $528 million; Thornlie–Cockburn by $244 million; Yanchep by $375 million; and Bayswater station by $107 million. The cost per kilometre for the Metro West line in New South Wales is $1.06 billion. The cost per kilometre for the Yanchep line here is $67 million. The cost in New South Wales is more than 15 times per kilometre. For Byford it is $99 million per kilometre. For the Melbourne Suburban Rail Loop East, it is $1.33 billion. It is 13 times per kilometre. In other words, our rail projects are significantly, massively, more affordable. The major reason for that is that we plan ahead. Other states try to retrofit their projects and they try to get through existing suburbs, and then they have to buy properties and tunnel through rock, whereas we plan ahead and build them in ways in which we do not do that. Were we to try to do all this in 20 years' time—although I suspect none of us will be here—the cost would probably be similar to what is happening in Sydney or Melbourne because we would be trying to go through existing areas. When I explained this to those in the investment community in Sydney on Friday, they were gobsmacked by the difference in cost. It is quite remarkable.

[10.40 am]

Mr R.S. LOVE: Just on those extra grants for the increased costs, at the moment the budget document has the Yanchep line at $982 million, yet when the minister was announcing the laying of the track—the Treasurer might have been involved as well —

Mr M. McGOWAN: Yes.

Mr R.S. LOVE: — figures were bandied about of the total cost being $1.1 billion. Can the Treasurer confirm whether that project has blown out by $100-odd million since this budget was written?

Mr M. McGOWAN: The total cost is $1.082 billion, but that includes land acquisition. That is different from just construction costs.

Mr R.S. LOVE: To be clear, the budgeted figure of $982 million does not include the land. Is that the difference?

Mr M. McGOWAN: The budget has $1.082 billion in it, which is the construction plus the land acquisition costs. Obviously, just the construction costs will be cheaper than having land acquisition.

Ms L. METTAM: Is the Treasurer saying that he does not anticipate Metronet to cost more than $11 billion, or is he expecting additional cost blowouts with this project?

Mr M. McGOWAN: Cost increases cannot be ruled out because that is just the nature of the market we are in, but the current estimates are what are there. The member has to remember that we have doubled the number of projects since the original commitment. The original commitment was nine projects; it is now 18 projects. Some of those additional projects we have added are very significant, so it is a much more comprehensive program than it originally was. As I said to the member earlier, and I had the figures wrong, in New South Wales, two metro rail projects totalling 54 kilometres have blown out in cost by $21 billion. That is what is happening there. Our increases are very small—in fact, one-twentieth of that. Our cost increases on the five major projects are one-twentieth of the blowouts on two projects in New South Wales. In large part, not all, these sorts of things explain a lot of the budget positions of New South Wales and Victoria—that is, their ambition in terms of infrastructure and building at a time when it is too late because they should have built decades ago. That partly explains why their budgets are in such dire positions.

Ms L. METTAM: I refer to page 12 of budget paper No 3 and household consumption growth, which is expected to fall to 1.5 per cent in 2023–24, reflecting higher interest rates. What modelling has Treasury undertaken on household consumption if interest rates were to continue to increase? We have had another two interest rate increases of 0.25 per cent each.

Mr M. McGOWAN: The budget is obviously predicated on what Treasury assumes will be the economic position facing Western Australia. Our position is significantly different from that elsewhere, so I suspect that even if there was another interest rate increase, it would have limited impact here compared with other parts of Australia. There are a couple of reasons for that. The first is that our average weekly earnings are higher than anywhere else in Australia, bar the ACT. The second is that our house prices are around half those of New South Wales, nearly half those of Victoria and significantly lower than those of Queensland and South Australia, remarkably. Although the interest rate increases do have an impact, it is not as dire as the impact in the eastern states. I am not sure whether Treasury has modelled another interest rate increase. We assume a slowing in household consumption, which is referred to on page 11 of budget paper No 3. We assume a slowing in household consumption based upon interest rates. We assume they have largely peaked. If there is an increase, I would not think there would be more than one, which I expect would have a very marginal impact in a state like WA. We currently see non-essential spending weakening. Households are also expected to spend less on some one-off items such as vehicles and furnishings, following record levels of spending over the last few years, but there is a spending recovery in domestic and international travel, so people are still travelling. Higher migration levels to the state will also support household spending, so things will even out a little bit. In overall terms, the domestic economy will slow down to a degree, which is the purpose of the interest rate rises. I am not sure that Treasury has modelled other interest rate increases. The assumptions on interest rates are taken into account in the forecast.

Ms L. METTAM: Does the Treasurer still stand by his earlier comments that WA will enter a recession this coming financial year?

Mr M. McGOWAN: I said that the world may enter a recession this year; that was the forecast I provided late last year: major countries may enter a recession this year. That may happen. I understand that some of them already have technically entered some sort of recession. That is why I was saying in the context of demands for wage increases of 10 per cent that it was unwise for us to do anything near that, because it would reduce the state's financial capacity should there be a requirement to spend more in the future should the world enter a recession and Western Australia had to cope with that.

Mr R.S. LOVE: I turn to page 35 of budget paper No 3, which has a discussion of expenses of $963 million for the state's cost for additional participants in the National Disability Insurance Scheme. Can the Treasurer give me an idea of how the numbers of people in that scheme have changed from what was first forecast, and what is now expected to be the continued growth in the state's commitment under the scheme?

[10.50 am]

Mr M. McGOWAN: The state's original budget settings for its National Disability Insurance Scheme contributions were based on the minimum participant numbers in the 2017 transition agreement. In 2023–24, that was 40 684 participants. Since 2021, NDIS participation growth in Western Australia and across Australia has continued to trend higher than forecast, with around 7 700 more Western Australian participants anticipated to access the scheme in 2023–24, bringing the revised forecast to 48 420. In February 2023, there were 47 198 participants in the scheme. Under the transition arrangements, which cap WA's NDIS contributions at its maximum participation—that is 48 420 in 2023–24—Western Australia's 2023–24 contributions are forecast to total $1.3 billion across the forward estimates.

We are in the final year of our six-year transition to the NDIS. Under the terms of the transition agreement, the state contributes 50 per cent of the costs based on the actual number of participants in the scheme up to a maximum cap. That agreement has benefited the state.

Mr R.S. LOVE: What is the maximum cap?

Mr M. McGOWAN: There is no cap on the number of participants in the scheme, but there is a cap on our contribution.

Mr R.S. LOVE: Do we know what that cap is?

Mr M. McGOWAN: The cap on our contribution is 48 420 participants. If the number of participants goes above that, the commonwealth will pay 100 per cent of those above that.

Mr R.S. LOVE: Above 48 420 participants?

Mr M. McGOWAN: Yes; the cap is 48 420 participants, up to which we share the cost with the commonwealth. If the number of participants goes above that, the commonwealth will pay 100 per cent of the cost of those people above that cap.

Sorry; before I said it was $1.3 billion across the forward estimates. It is $1.3 billion for the 2023–24 financial year. That is just WA's contribution. In the budget, we coincidentally put in another $1.3 billion across the forward estimates. Western Australia is making a very large contribution.

Mr R.S. LOVE: The Treasurer mentioned the transition agreement. I assume that when we first signed up, that was agreed for five or six years.

Mr M. McGOWAN: It is six years.

Mr R.S. LOVE: That agreement is due to be renegotiated very soon. What is the expectation of any change? Are preliminary discussions being held? What is the likely outcome for Western Australia?

Mr M. McGOWAN: We are currently negotiating whether we go to the full scheme on 30 June or continue the transition arrangement. Obviously, nationally, there is a lot of flux in this program. At the last national cabinet meeting, it would be fair to say that the commonwealth and the states were very concerned about the dramatic cost increases compared with what was predicted in the program, and how to ensure that the scheme is sustainable. That is why the commonwealth has an ambition to bring the cost growth down to eight per cent a year. It impacts the commonwealth more than us, because the growth in participant numbers over a certain level is its responsibility. When the number of participants goes over the cap, it becomes the commonwealth's responsibility, so the risk is largely the commonwealth's. Having said that, the state has had to put in significant additional money. However, the fact that we entered into a transition arrangement has financially benefited this state compared with other states.

Mr R.S. LOVE: The Treasurer mentioned that we have a better arrangement compared with other states. Are there different arrangements between each state and the commonwealth? Is it just the number of participants, or is there a different arrangement in some other way?

Mr M. McGOWAN: The member may not recall, but I think I signed the transition agreement in 2018 with Christian Porter. I do not know why it was him. Certainly, I made the announcement with Christian Porter. We estimate that because of the arrangement we entered into, we have saved $1.8 billion compared with other states. To a small degree, that partly explains our financial position compared with the other states as well. We have always been more careful about everything than they have.

Ms L. METTAM: What is the time frame for the bilateral agreement? I understand that it has been extended between the states and the commonwealth government.

Mr M. McGOWAN: As I said before, the transitional arrangement is due to expire at the end of next month. We are currently in negotiation with the commonwealth about whether we enter the full scheme or continue with the transitional arrangement. As I said, as I learnt at national cabinet, the scheme is in a great deal of flux, because the commonwealth is trying to arrest the cost growth. I think that the commonwealth is conducting a review that will report in October about how to try to arrest the growth in cost. Its ambition is to bring cost growth down to eight per cent per annum. When we think about it, that shows how the scheme's costs are growing. As was indicated at the national cabinet meeting, it has been a bit of an open-ended scheme. It has had a great deal of cost growth without any real effort to deal with that over the last 10 years, so the commonwealth now has to try to deal with that. As the member can imagine, it is a politically sensitive and fraught area, because it is a service that deals with people with disabilities and their families. That is what the commonwealth is trying to do, and there is a review coming in October that may give it a way forward. We are currently working out whether we transition to the full scheme in July or continue with the transitional arrangement.

Ms L. METTAM: I refer to page 100 of budget paper No 3 and the resourcing for GST reviews. There is $1.6 million for staff to engage in the reviews on the distribution of GST. Are they called "fairness fighters"?

Mr M. McGOWAN: It is a very imaginative name—fairness fighters! I can imagine them out there in the jungle!

Ms L. METTAM: What will the fairness fighters—these staff—actually be doing that Treasury has not already undertaken pre–fairness fighters?

[11.00 am]

Mr M. McGOWAN: That is a good question. From memory, it is $1.6 million for 2023–24 to 2026–27. The commonwealth is undertaking two reviews—one by the Commonwealth Grants Commission and one by the Productivity Commission. The Commonwealth Grants Commission takes public submissions and holds hearings;

it does all those things, so we have to be there with very substantial and significant arguments that are well researched and well prepared. We noted that the former New South Wales government took on board people to argue its case, which we assume will continue. Treasury and I were of the view that it would be irresponsible for us not to do the same, in light of these two reviews. We take heart that the commonwealth government has said there will not be any changes; we expect, but are not certain, that the federal opposition will take the same view. Notwithstanding that, this is, in overall terms, a very small investment to ensure that we can present the best case to all those reviews and have the arguments refined.

The other thing about it, and I queried this, was: would it be worth outsourcing this to an accountancy firm or what-have-you? The Commonwealth Grants Commission and equalisation processes are so technical and inside government that it is actually better to employ people who understand these things and who might have worked at Treasury before. I think Treasury has a view as to whom it might employ who might understand these things very, very specifically, to beef up the existing staff who work on this. There are already four or five staff who work on this; this will add a further three employees, which means we will have a team of five to eight people who will work specifically on GST and Commonwealth Grants Commission issues over the next three years, including providing specific submissions and support for our arguments before the Productivity Commission and the Commonwealth Grants Commission.

[Mrs L.A. Munday took the chair.]

Ms L. METTAM: The Treasurer touched on staff numbers. Can he provide a breakdown of how that $1.6 million will be spent?

Mr M. McGOWAN: The $1.6 million will support the creation of three additional full-time employees for the calendar years 2025 and 2026. That includes a consulting budget of $200 000. In the overall scheme of things, it is a very small investment. If we did not do this and something unexpected or catastrophic happened, everyone would say, "Why didn't you do this?", so this is an insurance mechanism. It is also in place to counter any of the arguments put by the states that are most aggrieved by it. New South Wales, Victoria, Tasmania, South Australia and the Northern Territory are really the big winners out of the GST distribution. They may seek to put submissions in; perhaps all the other states will join forces to put submissions in. I do not know, but I think it is a wise investment to make sure that our arguments are well-researched and well-presented. Certainly, it will help whoever is in government in those years to argue the case publicly as well.

Ms L. METTAM: I understand Treasury had an intergovernmental relations unit that dealt with the former GST methodology and process. I wonder what happened to the people who were in that area previously. Further to that, will any members of the previous team be employed in this team to do that work?

Mr M. McGOWAN: Those people are still in Treasury. We need to remember that GST is just one thing. I think there are, from memory, 52 national partnership agreements across government on everything from health to education. There are also all the capital grants that we share spend on, particularly transport projects and other infrastructure projects across the state. They deal with all those things also. That is a massive task; it is not just a matter of GST. Western Australia's GST share and commonwealth government contributions are actually the smallest parts of our budget compared with any other state. We are more self-reliant than other states, and certainly the territories. Those people deal with all those issues as well.

Ms L. METTAM: Just to confirm, will any members of the previous intergovernmental relations unit, which is still running, given the other issues it deals with, be part of this new unit of fairness fighters?

Mr M. McGOWAN: Well, they will assist. They might be deputy fairness fighters! We will have to work out what sort of badging we provide them with, or uniforms—capes, perhaps! They will be able to assist the new people we bring on. They already have a pretty full load, when you think about it. There are eight people in that area. That group of five to eight works on all these things—as I said, 52 national partnership agreements and all the capital works and so forth. We have been very successful with getting money out of the commonwealth government; we put a lot of effort into it. The ministers have specific tasks to go and ask for commonwealth government money. The Minister for Transport, in particular, has been very good at getting money out of the commonwealth government. That has meant a significant boost to the WA budget, which was not there before we arrived in office.

Ms L. METTAM: Since the Treasurer raised that issue, are any of the commitments made by the commonwealth government to transport and other projects under any risk? I understand a review was undertaken by the commonwealth government and there were concerns that transport or other funding might be at risk.

Mr M. McGOWAN: We discussed this in national cabinet. The Prime Minister and the commonwealth government announced a review of the commonwealth government's infrastructure program across Australia. I think a large part of that was to look at some projects that had had massive costs escalations with limited public benefit. There was one called Inland Rail, in Victoria, New South Wales and Queensland, that has grown in cost by $31 billion—

I kid you not! I think the review was looking at that project. I think it was also looking at Geelong Fast Rail in Victoria and other projects. I note that the other day the Victorian government suspended work on its Melbourne Airport Rail project because of that review. I do not know whether that project will recommence or not, but it was a $15 billion project. The review is looking at all those things.

I queried this matter in national cabinet, and the Prime Minister assured me that Western Australia's projects were not at risk. Our budget assumes a commonwealth government investment of somewhere around $1.3 billion for some of the increases in costs. We expect that that money will come from the commonwealth government in the midyear economic and fiscal outlook towards the end of this year. Our cost escalations have been minuscule compared with those in the eastern states, for the reasons I outlined earlier. Another thing we should be very proud of as a state is that we are able to build things far more cheaply than the eastern states can, and our cost increases have been far, far less, despite COVID and the war in Ukraine, which both created pressure. We have not had the extraordinary cost increases that the eastern states are going through. I note that the prediction in the Victorian budget is that its net debt will hit $165 billion by 2024–25 or 2025–26, which is eye-watering, compared with ours. A lot of that will be the escalation of these projects. We have not had nearly the escalation Victoria has had.

[11.10 am]

Mr R.S. LOVE: I refer to page 67 of budget paper No 3 and taxes on gambling. I understand that in Victoria, Crown casino was found to have not paid all its tax liabilities and had to make a contribution to the Victorian Treasury. Has there been an investigation by Treasury into whether Crown has paid all its due gambling taxes; and, if not, is an investigation likely to occur?

Mr M. McGOWAN: Treasury has not. The Department of Finance has the Office of State Revenue that runs the taxing arrangements across government. The question would be appropriately directed there; Treasury has no knowledge of it. I will defer to Mr Jones to provide more information.

Mr A. Jones: The Department of Finance does not have a role in the collection of gambling taxes. The regulator is obviously the gambling commission. As part of that royal commission response, I think Crown was required to get an external auditor to audit its tax and that was put through that process. Neither Finance nor Treasury has done an investigation into the tax.

Mr R.S. LOVE: That is fine; I can take it up with that department later.

I refer to the services and key efficiency indicators on page 137 of budget paper No 2. Under service 3, "Evaluation and Planning of Government Service Delivery and Infrastructure Provision" it refers to Treasury's role in investigating agencies' operations in areas such as infrastructure delivery. How does the delivery of that service interact with Infrastructure WA? Does duplication occur between Treasury determining what should be appropriate infrastructure delivery and what Infrastructure WA works with and on?

Mr M. McGOWAN: I will let Mr Court comment on that.

Mr M. Court: The Department of Treasury is the custodian of the strategic asset management framework and, as part of that, provides advice to agencies around capital works planning issues. That includes things such as business cases and project definition plans. Any new proposal comes through Treasury for evaluation and advice to the Expenditure Review Committee as part of the budget process. Analysts work with agencies to evaluate all capital works projects and then consolidate that into the government's capital works program, or asset investment program, as part of the budget papers. Infrastructure WA has more of a strategic planning role. Its focus in evaluating infrastructure is around major projects above $100 million. It does a major project assessment and checks that the business case has followed the right processes and has gone through appropriate due diligence. It undertakes a due diligence role. It does not necessarily then make a recommendation as to whether the project should be funded. That is done by Treasury. It is useful to assist in our advice to government around the priority of the investment, to make sure that it has gone through the proper problem definition and has looked at the right options, that the financial analysis is robust and that it has recommended reasonable options and stacks up from a logic point of view. It abstains from then saying that the project should be funded; that is done as part of a prioritisation process by Treasury across government in support of ERC and includes all projects, including those below $100 million.

Mr R.S. LOVE: Would Treasury not consider that Infrastructure WA is in any way approving of a particular project, even if it examines it as a standalone project? As I understand it, Infrastructure WA's role includes coming up with a state infrastructure strategy, but it is also to assess those major projects. If it has made an assessment of that major project, how does that reflect in Treasury's discussions in terms of ERC?

The CHAIR: That has to go through the Treasurer to allocate to Mr Court.

Mr M. McGOWAN: It gives some assurance that the business case has been done effectively for major projects.

Mr R.S. LOVE: I refer to page 135 of budget paper No 2 and commercial advisory. Reference is made to Westport and to Treasury having commenced an independent analysis of options to reduce the state's risks in relation to

Gold Corporation and a number of other matters. Is there a time line for the development of those advisory option discussions and exact costs for each of them? Gold Corp, coal and Keystart's governance arrangements are mentioned.

Mr M. McGOWAN: On 3 April 2023, ERC approved Treasury undertaking an options analysis for the future operations of Gold Corp. Nearly $1 million was set aside for that. We expect a report back to ERC by the second half of this year. The commercial adviser will be appointed by Treasury through the commercial and economic adviser panel. There is a prequalification process for that. The panel has a range of advisers on it. The adviser panel is expected to be appointed later this month. It will look at how to reduce risk exposure; financial impacts on the state and Gold Corporation for any options; identifying any stakeholders who might be impacted; potential impacts on the gold industry; market sounding with potential buyers should it resolve that the best solution is to dispose of other Gold Corporation options; and presenting preferred options to government. There are no perceived notions about the outcome of this process. I think I have answered the detail of what the member asked.

Mr R.S. LOVE: I do not think that was the full answer. I asked about the three processes: Gold Corp, coal and Keystart's governance arrangements.

[11.20 am]

Mr M. McGOWAN: Did the Leader of the Opposition say coal?

Mr R.S. LOVE: Yes, coal. The paragraph mentions three separate matters: Gold Corporation, the negotiations around coal and due diligence on potential changes to Keystart's governance arrangements. I am asking about all three.

Mr M. McGOWAN: That was the Gold Corporation. The adviser's role will be to assist the state with the state agreement extension, which was introduced to Parliament last week. As the Leader of the Opposition knows, we provisioned $19.5 million earlier this year as part of a financial assistance agreement with Griffin Coal. That is where that matter is at. The advisers will assist with that because obviously Griffin has had financial issues for a considerable period. The advisers are assisting the state to ensure we have continued supply. As members know, the requirement for coal-fired generation will diminish naturally over time. Certainly in this state, it will be diminished by the end of this decade. We are making sure that these arrangements support the ongoing generation of power until that point. That is what the state has to do. There have been financial issues for Griffin in particular for a long time—10 or maybe 15 years. It has been an ongoing process.

On Keystart's governance arrangements, the budget contains $2.219 million for work to review the governance arrangements for legal accounting and tax advice as well as internal resources. We are reviewing options to improve governance and reporting arrangements. The Government Trading Enterprises Bill is considered timely to review the suitability of the existing arrangements for Keystart. The priority is to standardise and strengthen accountability and governance across key commercial activities of government, including Keystart. All Keystart's existing functions and lending products are expected to continue to apply, with no operating impact for staff and customers. I understand that, in Australia, Keystart is unique in how it works and operates. It has meant Western Australia has a much higher and stronger first home buyer market than that in other states. We also have to make sure risk to government is limited. That is what this review is about.

Mr R.S. LOVE: I think in his answer the Treasurer gave a bit more detail on Gold Corporation and I gather that there are number of people to whom he will turn for advice. Is there already an existing panel that is used for commercial advice? Given the very unique nature of some of these issues, is that the best approach or might someone outside the Western Australian bubble, so to speak, be able to give better advice?

Mr M. McGOWAN: I will give the Leader of the Opposition a bit more detail on gold. Treasury will appoint a commercial adviser through its commercial and economic adviser panel. The panel has been utilised as advisers have already pre-qualified through an open tender panel selection process. There is a range of advisers on it and all their terms of engagement are pre-agreed, so utilising the panel is a more efficient process. If these panels are not used and we go to some other process, it will take a lot longer. We are expecting to appoint an adviser by the end of this month, which is not for away.

Mr R.S. LOVE: This is an investigation by Treasury. It is not being instigated by the responsible minister but by the Treasurer, presumably, because both are mentioned in the act. What are the terms of reference for the person who is appointed? Will they be made public?

Mr M. McGOWAN: This was decided by cabinet. The options analysis for Gold Corporation will involve detailing the options available to reduce the risk of exposure, identifying the cost benefits and risks associated with the options and identifying a preferred option. There will be a detailed analysis of the financial impacts upon the state and Gold Corp for each option. Any stakeholders that may be impacted will be identified, including potential concerns from stakeholders and options for addressing those concerns. It will identify any potential impacts on the gold industry in Western Australia and how those impacts can be addressed. Should the options analysis conclude that a full or partial sale of the government's interest in Gold Corporation is the preferred option for reducing the state's risk, market sounding with potential buyers, engaging with the commonwealth Department of Finance on Gold Corporation's licence with the Royal Australian Mint and preparing a draft implementation for preferred options will be carried out. There are no preconceived ideas on what should occur. These are the things the options analysis will examine.

Mr R.S. LOVE: The paragraph I referred to mentions that the department is undertaking this analysis to reduce risk and the Treasurer has outlined some of the risks that the state is exposed to. Will there be an attempt to quantify the potential liabilities the state faces under any of the actions currently surrounding Gold Corporation—either the AUSTRAC inquiry or the US code violations?

Mr M. McGOWAN: The Australian Transaction Reports and Analysis Centre review is examining issues going back 20 years or so. It is independent of us so it will report in due course. We allocated $34 million or so to provide upgrades to IT systems and so forth at Gold Corporation to deal with some of the issues that were identified. This review will look at the future of Gold Corp and what the best model is going forward. It has always been advised to me that, historically, Gold Corp had to be kept in government ownership because of the guarantee that was there, which provided certainty for industry and so forth. I suspect the review will work out whether that is still the case or otherwise. The options analysis will look at that and what the best model is going forward. There is one other gold refiner in Australia and it is not government owned. The analysis will look at the best model.

Mr R.S. LOVE: Is it fair to say that what will be examined by the commercial adviser will really just be the governance and ownership of Gold Corporation rather than the operation of it?

Mr M. McGOWAN: The assessment is largely around the risk of ownership to government—whether that is the best option, or what the best option is going forward. It will determine whether there are any other options or whether the existing option is the best way forward.

Mr R.S. LOVE: The Treasurer identified that one argument for the retention of Gold Corporation in the past has been the guarantee. I have also heard him or perhaps the minister talk about its unique status in providing a market for the gold. Will the commercial adviser be tasked with examining whether those are still relevant considerations or will this purely be around risk reduction for the state and Treasury?

[11.30 am]

Mr M. McGOWAN: I think it said that it will examine potential impacts on the gold industry and how they can be addressed in Western Australia. The options analysis will look at all those issues. It is a bit of a unique model in that the government owns it and provides a guarantee. It has operated that way for more than 100 years—something like 108 years. Naturally, it has a risk to government; that is the nature of it. That risk has never been a problem before, but it is worth looking at again, particularly because another refinery in the eastern states is not owned by government and does not have a government guarantee.

Ms L. METTAM: In relation to this point and the supply of coal in the short and medium term, the Premier referred to the state having provided $19.5 million so far to prop up Griffin Coal. When will this end? How long does the Premier anticipate supporting Griffin Coal, and what is the scope of support the state will provide?

Mr M. McGOWAN: We provided that support. Obviously, we will have to keep coal-fired power stations going for the next seven years. I do not want to speculate on what it might cost because it is commercial, and negotiations and discussions are ongoing with the coal companies, particularly Griffin, in relation to all these things. If I start saying figures or otherwise, it may prejudice any such discussions.

The whole energy system in Australia is in transition, and it is in transition here in Western Australia. That is unavoidable. The member might recall that the opposition took a policy to the election that it would close it all down by 2025. It will transition over a longer period, through to 2030, but there will be a transition. That is just the nature of what is happening in Australia and around the world. We have to make sure that we provide a stable energy supply until alternatives that can meet the needs of the community are available. In the budget, we announced nearly $3 billion of initiatives to decarbonise and provide that "firming"—I think is the word—for electricity generation and supply throughout the network.

Ms J.L. HANNS: On page 29 of budget paper No 3, "Chapter 3: Fiscal Outlook and Strategy", the fourth dot point refers to net debt. Western Australia is projected to record its fourth consecutive year of net debt reduction, declining to $27.9 billion. Can the Treasurer explain how the government is able to deliver this reduction in debt and outline how this reduction compares with previous forecasts?

Mr M. McGOWAN: Unlike other Australian states, we are paying down debt. The Victorian budget came out today, and its net debt is now forecast to reach $171.4 billion. By the end of this financial year, our debt will be $27.9 billion. Theirs is climbing to about six times ours, but Victoria has two and a half times our population. Our debt will go down to $27.9 billion, which is $16 billion lower than projected under the last government, and that has a huge interest saving for us, particularly in a higher interest rate environment. We estimate that the overall saving because of the interest reduction will be $4.3 billion. When this government arrived in office, the debt was $35.6 billion and climbing to $44 billion over the forward estimates. It is a significant reduction in debt.

The forward estimates have predicted an increase in debt because we conservatively or very cautiously estimate resources prices, particularly iron ore prices, and we assume that we spend all our asset investment programs. Although the budget might predict an increase in debt over time, the lived experience has been that debt has gone down every year for the last four years. That is just cautious budgeting. In light of what is happening across Australia, being the one place in Australia that has cautious budgeting means that we are in a much better position than anywhere else in the country.

We made investments without adding to debt, so we have managed to set aside money in special purpose accounts for the new women's and babies' hospital; the new decarbonisation initiatives; the new desalination plant; the new plantations, so we can phase out native forest logging; and additional capability in Aboriginal housing. We have been able to do all those things without adding to debt. Over the next four years, there will be $39 billion in infrastructure investment, in hospitals, schools, Metronet, regional roads, decarbonisation and ports across the state. We have been able to provide the strongest cost-of-living support to households of any government in Australia while having the cheapest housing and the lowest electricity price increases.

The other day I saw some commentary that said we had failed on debt; I do not understand that when we are the only government in Australia driving debt down. Debt is $16 billion lower than predicted by the last government and $8 billion lower than when we arrived in office, and the government has had to invest around $12 billion in COVID-related initiatives and cope with big increases in infrastructure escalation caused by the war in Ukraine and COVID. I do not really get that commentary, but some people will be critical just for the sake of it.

We assume that the iron ore price will hit the long-term average of $US66 in the year after next. We assume that the annual average will be $US74 in the next financial year, but we also assume that it will hit $US66 a tonne from November 2023 and across the forward estimates. The risk is all upside. That is what we have done every budget. The member for Collie–Preston was not here, but the government under Treasurer Porter and Premier Barnett put in place a very high assessment of the iron ore price and then spent accordingly. Then, the iron ore price dipped, and their debt and deficits blew out massively. We are not doing that.

We have the highest operating surpluses in Australia. Our operating surplus was similar to the commonwealth's recent overall cash surplus. In dollar terms, theirs was stronger, but considering our population, ours was significantly stronger.

Standard and Poor's has said —

> Western Australia should comfortably beat its own medium-term forecasts and further pay down debt … extending its impressive run from fiscal 2020.

Moody's has praised Western Australia's responsible management, saying —

> … fiscal surpluses will be maintained over the forward estimates … which continues to underscore the stark contrast between the state and its domestic peers

The other day, I met with Moody's in Sydney to put the case for a further improvement in our credit rating. Last year, I met with Standard and Poor's, and our credit rating was lifted in July last year to AAA. We are the only state in Australia with a AAA credit rating from Standard and Poor's. The commonwealth and WA both have that. We are hopeful that Moody's will provide a further credit-rating lift, which will soon take us to the strongest level, and we certainly think that our performance as a state, which is economically and fiscally as good as anywhere else in the world, would warrant that. That is where our debt situation sits.

[11.40 am]

Ms L. METTAM: What is the total amount of royalty income that the state has enjoyed since 2016–17?

Mr M. McGOWAN: We are dealing with this year's budget. I can give the member the total from this year's budget. If she wants to look at past budgets, she can probably find those amounts. It is all on pages 69 and 71 of budget paper No 3. The estimated actual for 2022–23 is $11 158 000.

Ms L. METTAM: What is the collective amount?

Mr M. McGOWAN: I do not have those figures. The member will have to look at past years' budgets. Obviously, royalties have been strong because there has been demand for our products and commodities overseas, in particular iron ore, which is the lion's share of it. Lithium is growing to become the second biggest royalty payer ahead of gold, alumina and so forth. That has been very notable. Royalties have been strong because there has been demand for our products and prices have been relatively high. I do not think they are as strong, certainly in terms of prices, as they were back in the boom period of 2009 to 2012, but they have been strong. We managed to keep the industry open during the COVID-19 pandemic, which was very good for both Western Australia and Australia.

Ms L. METTAM: I have a further question relating to debt. I refer to page 44 of budget paper No 3, which refers to interest savings of approximately $80 million per annum, due to debt being reduced by the government. With debt increasing over the forward estimates and new borrowings required, as illustrated by cash deficits across the forward estimates, can the Treasurer advise whether new or existing borrowings will need to be refinanced over the forward estimates and the subsequent interest costs associated with those borrowings?

Mr M. McGOWAN: The assumptions around borrowings are on page 3 of budget paper No 3 under consolidated account borrowings. It shows the interest rate percentage. As I said to the member, the forward estimates are deliberately pessimistic. We did not want to do what the last Liberal government did and make heroic assumptions and then spend accordingly and blow out the debt and deficit. There is a chart somewhere showing that when the former government came to office, debt was $3.6 billion, and when it left office, it was $36 billion, climbing to $44 billion. I can certainly get that chart for the member if she wants it. We did not want to do that, so we put in pessimistic assessments of our revenue based upon low assessments of the iron ore price and the assumption that we invest all of our asset investment program. That means that there is a strong upside risk. We did that in this budget year. I think it was predicted to be a cash deficit and there is a cash surplus. It is upside risk. It is just cautious budgeting, assuming things might go bad so that we do not spend in a way that is beyond the state's capacity if things do go wrong.

As I said to the member earlier, as announced today, net debt in the Victorian budget was $171.4 billion. Ours is $27.9 billion. There are different situations around Australia. Western Australia is in a far stronger position than any other state or government in Australia. My expectation is that debt will not climb in coming years as the budget indicates, but we are just being cautious.

Ms L. METTAM: As part of the government's cautious budgeting and this cautious process, Treasury must have a figure of what the cost of refinancing would be over the forward estimates and the subsequent interest cost associated with those borrowings, understanding that the government is taking an overly cautious approach, given the significant windfalls that the state has already enjoyed.

Mr M. McGOWAN: If the member turns to page 44 of budget paper No 3, she will see that, in 2022–23, $2.1 billion of consolidated account debt was repaid, which is a significant improvement in savings on interest payments. Again, we are the only government in Australia doing that, although Queensland might have improved.

The financing of our debt is done by the Western Australian Treasury Corporation, which will be here later. That would be the right time to ask that question. I wish to make one point. I met with investors in Sydney on Friday; I was part of a major event with them. There were 80 to 100 investors. I did a presentation on our budget. Officials from the Western Australian Treasury Corporation and the Under Treasurer were also there. The reality is that although it would be fair to say that they were very complimentary about our budget management, it basically means that our borrowing requirements are lower than any other state, so the potential income for those banks and organisations is lower. They like governments that need more debt, and we are not one of those. We are in a far better position than any of the other states.

Ms L. METTAM: Has the government enjoyed over $44 billion in royalties since 2016–17?

Mr M. McGOWAN: I do not know the answer to that; they are past budgets. The royalty income is on page 69 of budget paper No 3. Just looking at it, I could not tell the member, but it is a major income source for the state now, which is terrific.

Mr R.S. LOVE: I turn to page 135 of budget paper No 2, volume 1. I refer to service 3, "Evaluation and Planning of Government Service Delivery and Infrastructure Provision" in the service summary on the bottom of that page. I see that in the forecast for next year, there is a considerable fall of $3 million in that area. Can the Treasurer explain why the government expects to spend less money on evaluating and planning service delivery in 2024–25 compared with this year?

[11.50 am]

Mr M. McGOWAN: Is the member saying it will go from $36.327 million to $33.665 million?

Mr R.S. LOVE: Yes.

Mr M. McGOWAN: Sometimes fixed-term projects expire and that explains those things. I will see whether I can find it exactly. Treasury seeks fixed-term advisory services and some of them come to an end and, as described, there is a lumpy spend. Some of them come to an end and therefore we spend less. This is largely on consultants. It is a reduction in spending on consultants.

Mr R.S. LOVE: Would the service area that is being delivered by that money include evaluation and planning for infrastructure that might be delivered under the resources community investment initiative?

Mr M. McGOWAN: There are some consultancies there. For instance, it may well have related to the TAB sale, which obviously we did not proceed with for a range of reasons. A lot of that is staff providing advice to government and then some consultancies. I do not expect that will be used under the resources community investment initiative. The advice I have is one full-time equivalent will come in and assist with that as part of the budget, and they are funded as part of that.

Mr R.S. LOVE: Will Treasury have a role in evaluating those investments?

Mr M. McGOWAN: A steering committee is chaired by the Department of the Premier and Cabinet. The Under Treasurer is Treasury's representative on that committee.

Mr R.S. LOVE: That involvement is for advice on the appropriateness of some of the investments. Who will have governance of the fund?

Mr M. McGOWAN: The Department of the Premier and Cabinet will have the overarching committee, which is independently chaired by Reg Howard-Smith, whom the member might know, and it will have representatives from the Chamber of Minerals and Energy of Western Australia, Treasury and the Departments of the Premier and Cabinet and Finance, I think.

Mr R.S. LOVE: Will delivery of the projects be down to the Department of Finance or the Department of the Premier and Cabinet?

Mr M. McGOWAN: It is financed with the line agency. Perth Concert Hall will have finance with the Department of Local Government, Sport and Cultural Industries. It is the same with the Aboriginal cultural centre. It is not that dissimilar to the delivery of any other project. Finance has oversight and works with another agency to do it. The initiative is nearly up to $800 million now, so we are hoping for significant further contributions from some parts of the industry. The budget does not allocate any of that money just yet.

Mr R.S. LOVE: Is there an estimate for the amount of money that will be contributed going forward? Is the money being contributed up-front or is it just a pledge at this point? How does it operate?

Mr M. McGOWAN: As the member knows, the six foundation partners announced a global provision that they provide over time. The money will be provided by them as project agreements are signed for the individual projects to which they wish to contribute. I think there are six original projects. We are sort of flexible with what they want to provide or whether they have some other project that they want to particularly fund, particularly with other participants who want to join, as long as it does not have an ongoing cost to government. This is not a cost transfer to government exercise. They can provide those other projects and the oversight committee will examine that. It is independently chaired. Reg Howard-Smith used to run the Chamber of Minerals and Energy and I think he is chair of some of the training organisations out there. The advisory committee will oversee the expression of interest process and will be responsible for matching contributions to projects in consultation with companies and the government. The advisory committee will provide advice to me as Premier for endorsement by cabinet. This will provide a range of great projects for the state without the state having to meet the cost.

Mr R.S. LOVE: To be clear, the state will not accumulate the money in some sort of trust fund arrangement. It will simply turn to the organisations at a given point in time.

Mr M. McGOWAN: That is to be negotiated. We may get contributions up-front and then spend them, as we do as milestones are reached on major building projects; or it may be that we receive the proceeds in arrears. Either way, with the companies we are dealing with, I am 100 per cent certain that they will meet their commitments.

Mr R.S. LOVE: The projects, when selected, will be totally funded by the organisations that are contributing, so there will not be, for instance, consideration of approaching another agency, the federal government or someone else for joint funding. Would that not be entertained?

Mr M. McGOWAN: There are two projects. One is the Aboriginal cultural centre and the other is Perth Concert Hall. Perth Concert Hall has gone for decades without funds for appropriate maintenance being spent on it, which is very disappointing. But the money has not been spent on what is required there. We will have to close it for up to two years to do all the works that are needed and we are going to do it properly. We have allocated $150 million to that. A lot of it will be funded from this initiative, but there is already money from the state, commonwealth and local government there. Again, from memory, there is around $4 million from the City of Perth. There is $12 million from the commonwealth. There is $70-something million or $80 million from the state. We are upping the state's contribution by another $50 million, largely through this initiative, so the total will come to $150 million. The concert hall will be completely refurbished and improved and all the structural issues will be addressed and the West Australian Symphony Orchestra will have a permanent home. It has been a longstanding request from WASO since the ABC studios were closed on Adelaide Terrace maybe 20 years ago. We are going to do it and do it properly. There is already a commonwealth contribution, a local government contribution and a state contribution in there. The RCII will contribute to that.

The commonwealth government has already contributed $50 million to the Aboriginal cultural centre. The state has already contributed $50 million. The rest we expect to be funded from the resource community infrastructure initiative. As the member can imagine, the major miners are keen to contribute to that for obvious reasons. We expect that initiative will be completed towards the end of this decade. Obviously, it has to go through a lot of consultation and business case planning and so forth. The member for Collie–Preston has responsibility for shepherding that project and working with Aboriginal communities. Her predecessor, the member for Wanneroo, was doing that role as well. It is an important project. I am very keen for it to be an iconic building and a huge attractor to Western Australia—I would not say like the opera house because there will never be another opera house, but something we will all be very, very excited about and proud of once it is complete.

[12 noon]

Mr R.S. LOVE: Will the contribution from industry groups take the form of an amount from each of the organisations or have specific organisations indicated that they want to contribute to these projects?

Mr M. McGOWAN: They will have the right to say. It is their money so they will have the right to say which of these initial projects they want to contribute to and the amount, and they can do that in consultation with government and the committee looking at individual projects, but the global amount they will contribute is set. For instance, Woodside might have a specific interest in the concert hall or Rio Tinto—I am speaking advisedly here—in the Aboriginal cultural centre. There are others there. There is the Perth Zoo master plan. We have already put $50 million into redeveloping the Zoo. I love the Zoo; I want to see it focus on conservation initiatives and endangered species, so we will do as much work as we can on that. There is also Telethon, which has a benefit statewide. We also included remote Aboriginal community housing; one, it is in the areas in which the companies operate; and, two, although we put in $350 million, the last federal government withdrew any support. This will allow for the companies, should they wish to allocate a proportion towards those projects—which are not those iconic projects, but still important to do—they can assist with that. There was one other project, but I cannot think of it off the top of my head.

The CHAIR: Can I just make members aware that it is 12 o'clock with two divisions left. We will just push on.

Mr M. McGOWAN: I want to keep going.

Ms L. METTAM: I refer to page 52 of budget paper No 3 and the foreign buyer transfer duty. New South Wales has determined that its foreign buyer surcharge is inconsistent with international tax treaties and is refunding payments. How will this affect payments made in WA? If refunds are to be paid, what impact will this have on the budget?

Mr M. McGOWAN: We are currently monitoring it. It would obviously be a disappointing development, considering anyone who has paid that premium was prepared to do so in order to obtain property here in Australia. We are monitoring the situation. We estimate that in 2022–23 it will raise $22.6 million, and by the end of the forecast period it will rise to $27.6 million per annum. They are the forecasts on the amount. I have had no advice that we need to repay any money at this time.

Ms L. METTAM: Does the Treasurer think New South Wales has jumped the gun?

Mr M. McGOWAN: I do not know. Does the member want me to get started on New South Wales?

Ms L. METTAM: What is the risk here?

Mr M. McGOWAN: It is relatively minor, because the member has to remember that if it only applies to purchasers from New Zealand, Finland, Germany and South Africa, that is a small proportion of international foreign investors in property. It would be relatively minor, but we are monitoring it. I think New South Wales or Victoria first implemented the foreign buyer surcharge, and obviously their property markets have been significantly stronger than ours and have been a significant revenue source for them, so I can understand why they did it. Lots of countries around the world do this. In fact, some countries do not allow foreign property buyers at all. I think the member would find that the public would think it is a relatively fair and just duty or tax compared with any of the alternatives. All the other jurisdictions in Australia are currently leaving it in place and are monitoring developments. As I said, foreign buyers from New Zealand, Finland, Germany and South Africa would be a small proportion of foreign buyers.

Mrs R.M.J. CLARKE: My question refers to page 7 of budget paper No 3 and the cost-of-living package. Can the Treasurer provide some more details on the cost-of-living package and outline how the government is using its strong budget position to support Western Australia households and businesses?

Mr M. McGOWAN: I thank the member for Murray–Wellington. We are providing $750 million in cost-of-living measures as part of the budget. That includes a minimum $400 household electricity credit split over two payments, July–August and November–December, so people will not get it all at once. It is a significant assistance for all households. For those in need of support, there are 350 000 households eligible for the energy assistance payment.

They are people who have a commonwealth Health Care Card, a pension card, veterans' pension card and those sorts things. That is 350 000 households. Including the indexed energy assistance payment, they will receive $826 off their electricity bill. A great many of them are also eligible for a hardship utility grant scheme grant, which has been increased by 10 per cent as well, depending on the circumstances. I expect that once all the state budgets have been handed down we will have the smallest increase in electricity prices by a long way and the most generous support for households, combined with the lowest house prices, the highest average weekly earnings, the lowest unemployment and the highest participation rate. Western Australia is doing well.

For households eligible for the energy assistance payment, the one with a commonwealth card attached to it, it is a $500 credit split over two payments in July and November, and the $326 energy assistance payment, which I think is paid every second month over the entire financial year. That is $826 for those households. One-third of households get $826 and two-thirds of households get $400. That is $750 million worth of benefit. The commonwealth is funding $116 million of that, so we are paying the vast majority of it. That builds on the $400 credit in last year's budget and the $600 credit in the year before. That means there will have been $1 400 to all WA households over the course of the last two years or so.

Small businesses that use less than 50 megawatt hours of electricity a year will be eligible for a $650 credit to their account. That is a significant benefit to small businesses as well. As I said, the commonwealth is funding about one-seventh of all that.

We kept household fee increases at 2.4 per cent. If household fees and charges are not put up, it just builds in big increases in future years, so we have kept them low to avoid those big jumps in future years. The cost of providing services does not stop, but it is more than offset by the household electricity credit and the payment to lower income households by a long, long way.

In overall terms, including the $400 and $826 credits, the costs of a household basket will be lower this year than in 2018–19. I do not know if anyone can think of anything else that is cheaper now than it was in 2018–19; I do not think many things out there are cheaper now, other than state government services. As I said, Sydney has had an increase of 25.7 per cent in power prices; ours is 2.5 per cent.

The seniors cost-of-living rebate will be increased in line with inflation. That will be a boost for people. The hardship utility grant will go up by 10 per cent to $640 per household. For people above the twenty-sixth parallel it will be $1 060 per household. We are providing free public transport on the first Sunday of every month, which will not only help people but also encourage the use of public transport. Once people try public transport for the first time, we are hopeful that they will think, "I could do this all the time. I'll use a train or bus to get to work or go places." It becomes relatively easy when people learn how to do it. We are hopeful that will increase the take-up of public transport. We are spending another $20.7 million on the regional airfare zone cap to support affordable flights for regional residents, following its introduction in July 2022. The fares are capped depending on how far someone is from Perth. I think that the scheme applies to 12 separate airports, from which the cost is capped for regional residents coming to the city. That scheme has had a huge take-up; I cannot remember the exact figures, but it has had a massive take-up. We will be renewing that scheme. It is part of ensuring that the cost-of-living benefits are shared all around the state. We also subsidised water and power in regional communities to the tune of $2.7 billion across the forward estimates to ensure that there is one set of power and water prices pretty much wherever someone lives in Western Australia.

[12.10 pm]

Mr R.S. LOVE: I am looking at page 129 of budget paper No 2, "Grants, Subsidies and Transfer Payments", towards the bottom, item 29, the Noongar land fund account. I note that there is a payment of $2.8 million this year and $5.6 million in the following years. My understanding was that the total amount to be paid under the terms of the agreement was $48 million; is that correct?

Mr M. McGOWAN: In the budget year 2023–24, there is $2.8 million for the Noongar land fund account, going to $5.6 million each year after that. Under the terms of the Indigenous land use agreements that comprise the south west native title settlement, a special purpose account has been established for the Noongar land fund. This will support land, joint management and heritage activities. The settlement commenced on 25 February 2021 and is administered by the Department of the Premier and Cabinet. Through the fund, a maximum of $46 850 000 will be distributed over a 10-year period. I think that might be the figure that the member referred to. Under the terms of the settlement, the fund was established as a Treasurer's special purpose account to meet the obligations under the settlement's ILUAs. Access to annual funding will be determined by budget proposals submitted by state agencies and individual regional corporations established under the settlement. In addition, each of the six regional corporations will access a portion of the land fund each year—$83 000—to facilitate joint management arrangements for the conservation estate within each region. That is basically what it is. I think, as the member said, it is $46.85 million.

Mr R.S. LOVE: This is intended for some freehold purchase of land. Is that the intention of the land trust or this allocation of funding?

Mr M. McGOWAN: It has been established to support land, joint management and heritage activities.

Mr R.S. LOVE: A process has been underway for some time to identify areas of land that are of interest. I think that for many communities, there has been a lack of understanding about how that process is being played out. At this rate, would it be fair to say that we are looking at a number of years before that purchase is finalised? Is there any way that an indication can be given within an earlier time frame to local governments and others about what land will go into that trust?

Mr M. McGOWAN: I think that the Department of the Premier and Cabinet administers this, so I might be able to get the member more detail this afternoon. I do not have more detail than I have already told the member. Native title sits with Minister Buti, but I think the DPC will know about this. I think we are dealing with that division at two o'clock.

Mr R.S. LOVE: I seek a point of clarification from the Treasurer. If we want to talk about funding for state debt, would that be with the Western Australian Treasury Corporation rather than with Treasury?

Mr M. McGOWAN: For the issuing of bonds and the refinancing of loans, yes.

The appropriation was recommended.

Meeting suspended from 12.17 to 12.21 pm