STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

DEPARTMENT OF TREASURY AND FINANCE

ONGOING BUDGET ESTIMATES HEARINGS 2010–11

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
FRIDAY, 10 SEPTEMBER 2010

SESSION TWO

Members

Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich

Hearing commenced at 1.18 pm

MARNEY, MR TIMOTHY
Under Treasurer, Department of Treasury and Finance,
sworn and examined.

TONDUT, MR JOHN
Acting Executive Director, Building Management and Works,
sworn and examined.

The CHAIR: On behalf of the committee I welcome you to the meeting this afternoon. You will have signed a document titled "Information for Witnesses". Have you read and understood this document?

The Witnesses: Yes.

The CHAIR: Proceedings this afternoon are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard if you could please quote the full title of any document which you may refer to during the course of this afternoon's proceedings. And please be aware of the microphones and try and talk directly into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public or media in attendance will be excluded from the hearing. Please note that the uncorrected transcript should not be published or disclosed. This prohibition does not, however, prevent you from discussing your public evidence generally once you leave the hearing. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise budget papers on behalf of the people of Western Australia and the committee values your assistance in this.

Members, if you could please provide page numbers, items and programs in preface to your questions, this will assist the proceedings and Hansard.

Hon LJILJANNA RAVLICH: Under Treasurer, I would like to refer you to the top of page 126 of budget paper No 2, which refers to the release of the final report of the Economic Audit Committee and the role of Treasury as the lead agency in that. I refer to the 18 recommendations that apply directly to policy areas that have been outlined there. How many proposals have been prepared by Treasury for cabinet? I understand that you cannot give us information in relation to what it contains, but I think you could provide the committee with some information on how many submissions have been prepared.

Mr Marney: Thank you. From memory, we have not prepared any formal cabinet submissions at this point. The implementation of the overall program of work flowing from the economic audit sits principally with the Department of the Premier and Cabinet and, as such, cabinet submissions related to the implementation of economic audit report recommendations have been prepared and submitted by the Department of the Premier and Cabinet. I do not think we have submitted any directly under my signature.

Hon LJILJANNA RAVLICH: But you have been a part of the working group on submissions that may well have been prepared to go to Premier and Cabinet, or that Premier and Cabinet was preparing for referral to cabinet?

Mr Marney: Treasury officers are involved in various processes around economic audit report implementation. That is correct.

Hon LJILJANNA RAVLICH: I refer to those 18 recommendations with which the Department of Treasury and Finance are directly involved. I wonder whether you could take on notice and provide to the committee those 18 of the 41 that you are directly involved in, and what is the nature of the expectation of Treasury and Finance in relation to those recommendations?

[1.24 pm]

Mr Marney: I am happy to provide a list of the recommendations. In terms of the expectation, the request to the department is we progress implementation of those recommendations.

Hon LJILJANNA RAVLICH: Let me put it another way: could you give me a progress report on those 18 recommendations that directly impact on your agency, or that your agency has a responsibility for the implementation of?

Mr Marney: I do not have one ready to hand —

Hon LJILJANNA RAVLICH: I understand that. You could take that one on notice. I want to be very clear—in other words those 18 recommendations that are listed there in that dot point that DTF has lead responsibility for and the areas that those recommendations cover, including performance reporting, evaluation, the budget process, asset and project management, utilities, policy, and government trading enterprise governance, the committee would like a progress report on where we are at in respect of each of those 18 specific recommendations.

Mr Marney: I would be happy to provide as supplementary information a list of those 18 recommendations and a brief categorisation as to whether they are at the final stages of implementation, not yet commenced or some variant in between.

[*Supplementary Information No B1.*]

Hon LJILJANNA RAVLICH: I wonder whether you could answer this or whether this may be a question for Premier and Cabinet: I understand that the Economic Audit Committee report was undertaken as part of Treasury's responsibility rather than Premier and Cabinet.

Mr Marney: Correct.

Hon LJILJANNA RAVLICH: Given there were 41 recommendations, I understand that up to date less than 50 per cent of the recommendations have commenced in terms of implementation or work towards implementation. I think only 27 recommendations have not had any work progressed on them.

Mr Marney: It is fair to say that there are various degrees of progression of the recommendations across the board. I do not know the numbers in total as to those recommendations that are not being progressed at all, as you are suggesting. I think that is a question for Premier and Cabinet.

Hon LJILJANNA RAVLICH: That is why I sought clarification. Overall it is the responsibility of Premier and Cabinet rather than Treasury?

Mr Marney: Yes. We had responsibility to deliver the Economic Audit Report to government. We did that. When government considered the report, it assigned key responsibility and accountability for implementation to the Department of the Premier and Cabinet, so they have an oversight role in that regard. We have assigned those 18 recommendations to progress.

Hon LJILJANNA RAVLICH: Are you aware of time frames being set in respect of the implementation of those recommendations?

Mr Marney: It varies across the recommendations. Some of the requests in terms of progression of the recommendation actually go to the issue of scoping of the implementation and scoping of how far do you progress the recommendations; what sort of time frame; what are the resource requirements; and what are the benefits that flow from that? There is a fair bit of work to do to actually firm up the scope of the recommendations and provide government with the necessary information set to make an informed decision on the costs and the benefits of the time frames.

Hon LJILJANNA RAVLICH: In respect to the 18 recommendations that DTF is directly involved with, could you provide the resource requirements in relation to those 18 recommendations together with the time frame if that work has already been done?

Mr Marney: That work has not been done. We are in the process —

Hon LJILJANNA RAVLICH: On any of those 18 recommendations?

Mr Marney: As far as I am aware, that is correct. We are doing some work on specific elements precisely to identify essentially what we have to build into the department's business plan to deliver on those recommendations and the resource requirements that flow with that; if there are resource requirements over and above existing resources. Some of it could be considered core business. The performance reporting framework work, for example, is just core business of the department. It is just providing a direction for that core business. There is no additional resource; it is just what we do.

[1.30 pm]

Hon LJILJANNA RAVLICH: If it is core business and you were already doing it, why was it a matter for recommendation in an Economic Audit Committee report?

Mr Marney: As I just said, what it does is to provide government the desired direction for that core business to hit. On any performance reporting framework there are numerous paths you can go down. The economic audit process, stepping right back from it in that case, tried to understand why it is that we have certain outcome areas that are not performing as well as one would expect across the public service and tried to understand, where there were areas of clear collaboration between agencies required, why that was not happening as a matter of course. One of the conclusions that the committee came to was that their performance reporting framework, which provides you the information set to debate those issues, is not meeting your requirements to have those issues actively and productively debated. It is not providing the information set necessary for government to take decisions to improve those outcomes. So the Economic Audit Committee then went on to recommend specific areas to address to solve that problem. So it provided the context and the direction for the reform of that framework.

Hon LJILJANNA RAVLICH: You might need to take this notice, but for those 18 recommendations, can you provide for me the time frame and the resource requirements? If that information is not available in respect of those 18 recommendations, can you just list that that is the case next to each one of those recommendations?

[*Supplementary Information No B2.*]

Hon LJILJANNA RAVLICH: I just want to touch quickly on the issue of your work with agencies, which is the second point on page 126 —

> … to assess projects on merit to determine suitability for public-private partnerships in the delivery of capital works and/or the management and operation of facilities.

The first question I put to you is: how many projects have been assessed on their merit to determine their suitability for a PPP?

Mr Marney: Of specific projects, there will only be three or four that have been assessed.

Hon LJILJANNA RAVLICH: What are they?

Mr Marney: They are projects such as the Midland hospital, some of the new prison infrastructure —

Hon LJILJANNA RAVLICH: Such as?

Mr Marney: Just in broad terms, the capital program for expanding prison capacity; Albany hospital; I think we examined also Busselton hospital, and the feasibility there; and there was preliminary examination of the new children's hospital. Those are the main areas that have been a focus for us.

Hon LJILJANNA RAVLICH: In relation to those four, did you look at the suitability of a PPP for both the capital works and/or the management and operation of the facilities?

Mr Marney: We extended the full spectrum of options from public ownership and operation through to private ownership and operation, to get a sense of where is the optimum point in that continuum from a cost–benefit perspective for the state.

Hon LJILJANNA RAVLICH: What did you find?

Mr Marney: Most of that work is still in progress and being evaluated. Progressively that work and that of valuation is informed by the procurement process, so it is informed by what the market tells us they are able to do. The other major project —

Hon LJILJANNA RAVLICH: Can I just stop you there? When will this analysis be completed?

Mr Marney: It is completed on a staged basis throughout the procurement process and evaluation for each project.

Hon LJILJANNA RAVLICH: Can you provide for each of those four projects the stages you have gone through and the time frames for the completion of that cost–benefit analysis work?

Mr Marney: Yes. Essentially they will be embodied in the procurement plan for each of those projects. The other project I omitted was the car park facility at the QEII Medical Centre.

Hon LJILJANNA RAVLICH: In relation to these five projects, that work is still under way. As I understand, you have five projects where you have actually had a look at this suitability of a PPP and you are at different stages of the process in each of those five. What we are seeking information on is where you are up to and the date for when your PPP evaluation will be complete.

[*Supplementary Information No B3.*]

The CHAIR: Just before we move off that subject, my ears pricked up at the mention of the car parking facility at QEII, which is somewhat topical in my electorate. Is it a costing exercise?

Mr Marney: At this point we are into the procurement process. We are into the first stage of the procurement process, which is the request for proposal.

The CHAIR: If you are not sure, we could take it on notice.

Mr Marney: I may have to correct it, but I am pretty sure we are in the evaluation of the RFPs at the moment on that project.

The CHAIR: In your experience, how long will it be before the project would start on the ground?

Mr Marney: It depends what comes out in terms of complexities in the RFP. We then have to go to a tender process. So we have got another round of procurement to go. The RFP is really there to flush out what the market is willing to do and how that compares with what we would do ourselves. So it is another step in that evaluation process. Then once we actually evaluate that and decide, with greater certainty, what direction to take, then we would go to firm tender, potentially with a short-listed selection of proponents, and procure the project.

The CHAIR: So, roughly, I would say that we would be looking at quite a considerable number of months.

Mr Marney: Yes.

The CHAIR: Years?

Mr Marney: No, months. We should, hopefully, conclude the procurement process before the middle of next year.

Hon KEN TRAVERS: I just want to follow on from that. The people who could even do RFPs do not automatically become part of the tender process and you will go out for a separate tender process.

Mr Marney: We can short-list. I may stand to be corrected by my esteemed colleague. We initially went through a broad expressions of interest process. We short-listed from there and then went to RFP.

Hon KEN TRAVERS: I must say that listening to the early exchange between you and Hon Ljiljanna Ravlich, I could not quite work out exactly what the framework was that you were operating with in determining whether PPPs would be used. It seemed to be that almost on an individual basis you are doing a cost–benefit analysis. It may be just a different way of describing things. I am trying to understand whether the cost–benefit analysis is the same as a public–private comparator.

Mr Marney: Basically, yes.

Hon KEN TRAVERS: How is it different? A cost–benefit analysis to me may not necessarily be a public–private comparator. I am just trying to work out how the two differentiate. I am interested in knowing whether we are doing public–private comparators and whether those documents will be made public at some point so that people can see whether or not there really is a benefit and examine whether there are benefits to the PPPs.

Mr Marney: The evaluation process that sits behind the PPPs evaluation is exactly that; it is comparing to a public sector comparator what it would cost us to deliver that service by owning the asset and operating the service ourselves within the public sector, relative to the cost of whether either ownership and/or operation were provided by a private provider. That is a crucial and fundamental element in the process.

[1.40 pm]

When I say “cost benefit”, I refer to that process, plus any broader considerations of risk as well in terms of service delivery, continuity, workforce or whatever it might be in a particular area so that we have as holistic a picture as possible as to the relative merits of going down the PPP path as opposed to traditional own and operate within the public sector.

Hon KEN TRAVERS: And those documents, will they become public; and, if so, at what point in the process will they become public?

Mr Marney: That would be at the discretion of government, because those documents obviously, to inform decision making of government, flow through the cabinet.

Hon KEN TRAVERS: So at the moment there is no formal framework or policy about that within the government that you are aware of?

Mr Marney: In terms of the release of the documents?

Hon KEN TRAVERS: Yes.

Mr Marney: I am not aware of any formal approach.

Hon KEN TRAVERS: Certainly in other states, my understanding is when they have gone down this path, those sorts of documents have been, and it is part of the process that they be, made public. I can understand, with the timing of when you make them public, there are important considerations in that. But it is a part of the contracting-out process to have a time line, but you are saying in WA there is not a policy at the moment.

Mr Marney: Not that I am aware of.

Hon KEN TRAVERS: I would be worried if you were not aware of it if it existed!

Mr Marney: We have not done one for a while, so that is why. The previous PPPs that were undertaken were under the previous government. I knew what the previous government's position was on it, having been through that process. Whether or not this government has the same position, I do not know; we will find out. There was a point you raised around that. I am sorry; I have lost it.

Hon KEN TRAVERS: I did want to go on in terms of the car park at QEII as an example. In terms of your analysis of that, at the moment there is one set of parking fees that are charged for staff that park at QEII. In terms of the public sector – private comparator and then also the request for proposal, do you start with a base case of the parking fees being the same as they are now, or is one of the considerations that they can be increased? As part of that analysis, is that a risk factor? You talked about risks. Is that one of the risk factors that you take in—that the risk is reduced if it is run by a private operator rather than the state? The third element is: if you put increases in parking costs on down at QEII, what further modelling do you do for the potential impact on salaries of staff at QEII to compensate them for the increased cost of that parking?

Mr Marney: My understanding is the parking on the QEII site, as with all hospital sites, is governed by policy set by the Department of Health, so the pricing is set by them. We have taken a set of pricing assumptions to feed into the evaluation process in terms of the relative proposals, whether it is owned and operated by government or by an external party.

Hon KEN TRAVERS: As part of the request for proposal and the expressions of interest if you go to tender, will that be a requirement that the prices be set? There was some suggestion that the companies themselves would be able to set the price; I am sure I heard or saw somewhere the suggestion that the owner of the car park would be able to determine the price of the parking that is charged in that new car park. Are you saying that is not going to be the case?

Mr Marney: What I am saying is we use the staff as a starting point. On the existing policy, I would have to get back to you on whether or not there is capacity for the provider ultimately to set prices, but I do not think that is the case.

[*Supplementary Information No B4.*]

Hon KEN TRAVERS: So you are saying that the existing policies will remain in place to the best of your knowledge.

Mr Marney: Yes.

Hon KEN TRAVERS: So any issues about increasing parking costs would need to be taken up with Health in terms of that modelling of what flow-on impact that may mean to compensation of their staff?

Mr Marney: Yes.

Hon KEN TRAVERS: I would have thought in terms of attracting staff, that may become significant.

The CHAIR: This is a general question which actually arose in that hearing we had this morning, but it has come up from time to time. It is about the definition of what re-cashflow actually means. We had a hearing this morning which was actually on disabilities, but we thought we might take the opportunity while you were here to get the definitive definition of what re-cashflow is. Also, is the term used consistently, because it seems to me that there is a degree of confusion about it?

Mr Marney: I would not claim to be the *Oxford Dictionary* on terms such as re-cashflow; however, I can give you my interpretation of that term and probably qualify that by saying it probably means very different things to different people. An agency's version of re-cashflow could be quite different to that held by Treasury and Finance. Treasury and Finance's view of re-cashflow is there is an existing allocation of funds in each year over the forward estimates and the budget year, and re-cashflowing is where you would change that allocation from year to year. If you have got an allocation of $20 million per year, if you wanted to re-cashflow that for whatever reason—you could not spend responsibly the money in the first year—you might shift $10 million to the next year and catch up that expenditure. That is re-cashflowing.

Hon LJILJANNA RAVLICH: It sounds a bit like funny money, or the slush fund that you have in reserve to move it wherever you want to move it because you now can. It just to me brings into question the integrity of the budget if you can just basically interpret the term to mean whatever you want and so therefore move the money around as you see fit. Why has Treasury not come up with a definitive definition of what re-cashflow really means so that every government agency and every director general or CEO across the board actually has a very clear understanding about what the money is and what the money can be used for?

Mr Marney: I do not think it is as much a problem as you are suggesting, because any re-cashflowing, in the Treasury and Finance definition, has to be approved by the appropriate channels within government. It has to go through the Economic and Expenditure Reform Committee. So it does not matter what people call it, they have to have approval to shift an appropriation from one year to the next or a cash balance from one year to the next; they cannot just do it because they feel like it. The controls around re-cashflowing are applied consistently across the agencies in terms of approvals of their cash flows from within years and year to year.

Hon LJILJANNA RAVLICH: I will just make this point: you are the Under Treasurer and you cannot give us a definitive answer —

Mr Marney: I just did. I just gave you a definition of "re-cashflow".

Hon LJILJANNA RAVLICH: You said you do not really care if people have different interpretations of what it means.

Mr Marney: No; but I gave you a definition earlier. I am not quite sure what else you would want me to do that could clarify it further. If agencies have a different perspective of what re-cashflowing is, that is fine. But at the end of the day, the control processes are applied consistently to all funds within the budget to ensure the appropriation is spent as it is supposed to be spent, where it is supposed to be spent and when; and, if there is variation to that, there are processes for the Treasurer to approve those variations or, if it is a material variation, it has to go through the Economic and Expenditure Reform Committee and then on to cabinet for decision.

Hon KEN TRAVERS: When we went to accrual accounting, it was my understanding that part of that was that agencies would be funded for the activities they were required to do and, obviously, if they were not able to meet their requirements, they would be able to carry that over, whereas in the old days you just got your annual cash for your program for that year and there was not that capacity to carry over. Is the re-cashflowing just a book entry of that carryover then? You have now got new mechanisms, as Treasury, to stop them drawing it down, and, under accrual accounting in a pure sense, you would have given them the money and they would have carried it over on their books and then spent it in the following year. It is more about an internal mechanism for controlling the agencies' expenditure, in which case, are we now back to program budgeting?

[1.50 pm]

Mr Marney: The cash versus accrual accounting does not enter into it, because we had the same issues under cash accounting—you would still have agencies apply to carry over unspent cash, as they do to carry over unexpended or drawn down expense limits. So it is not the accounting policy framework that is at issue. Re-cashflowing can be retiming of resource allocations across years of the forward estimates and across the current year, and it can include shifting money from the budget year just gone into the current year if it is unspent. So carryover is just a subset of re-cashflow; it just happens to apply to a prior year. Does that make any sense?

Hon KEN TRAVERS: Well, yes; I guess I am still trying to get my head around it. My understanding of accrual accounting was that part of the whole point of the change to accrual accounting was that if you had a program you could carry that money over between years, and that part of it was about getting away from agencies trying to spend the money before 30 June.

Mr Marney: That was part of it, but —

Hon KEN TRAVERS: I understand from a purely accounting point of view it was also to get a better measure of the true costs of administering programs.

Mr Marney: That was the main —

Hon KEN TRAVERS: But from a government point of view, one of the elements was that it was sold as agencies being given a bit more responsibility to manage their own funding, so that if they had been given a budget allocation this year of $30 million but only spent $25 million, instead of trying to run around and spend $5 million in the last month, June, the agencies could carry over that money and apply it to programs in the following year.

Mr Marney: Which is exactly why having the capacity to re-cashflow is essential. Because you do not want people spending five million bucks in the last two weeks of the year, just to get it out the door, there is that capacity to carry it over. That capacity is still subject to the decision processes of government, because it impacts the expense level for the next financial year and it impacts the Treasurer's advance for that year as well. So it still needs to have the sign-off of government.

Hon KEN TRAVERS: I guess my concern is more do you then start to set up a framework by which agencies—instead of Friday, 30 June and prior to Treasury coming around to sweep their budgets before the budget to see what needs to be re-cashflowed—try to quickly spend the money so that they do not have money that can be re-cashflowed.

Mr Marney: Sorry: is your argument that that still might be an issue?

Hon KEN TRAVERS: That issue of trying to spend it instead of at the time—before it was at the end of the financial year, now I assume there is some point in the budget cycle or the financial year cycle—that you sit down with agencies to go through it and say, "You're not going to spend this money, let's re-cashflow it into the out years." I assume that part of that process would be that you may say to them, "Well, we are not going to re-cashflow it into the out years; you are going to lose it." In which case, you create the situation of agencies spending that money before you come to the process of re-cashflowing.

Mr Marney: Yes, but there is another step in the process and that step in the process is that the appropriations are provided to agencies on a fortnightly/monthly basis. If the agencies are building up a surplus, we monitor that and we will adjust their disbursement so that they do not end up with that pot of cash at the end of the year and say, "Oh well, they are not going to let us carry it over, so we had better spend it." We actually prevent that by managing a disbursement profile.

The CHAIR: Before we move off that entirely and for my clarity, I think your definition was "transferring cash across financial years", but could it simply be that the money was spent on another item in the budget? Would that also fall under a definition of re-cashflowing?

Mr Marney: I would not think so.

The CHAIR: Okay.

Hon KEN TRAVERS: Savings spread over the forward years as well can also be re-cashflows —

Mr Marney: Yes.

Hon KEN TRAVERS: — both expenditure or not —

Mr Marney: Exactly—yes. Or revenues.

Hon KEN TRAVERS: —or overexpenditure; that is, if you ever expend in this year you get it taken or re-cashflowed as a deduction in forward years.

Mr Marney: Yes, and we predominantly re-cashflow for capital projects; that is, for projects that take longer than expected or that are going to be finished earlier than expected, you can shift that money around depending on the project timelines. Reallocation of money for a different purpose is not re-cashflowing.

The CHAIR: Okay.

Mr Marney: That is a reallocation of funds.

Hon KEN TRAVERS: I am interested in page 126 and the government car fleet and the expectation that you will save $42.2 million over the next three years. Also, page 132 outlines your expenditure on the car fleet. One of the things that I am trying to get my head around is: are all government vehicles now managed through the DTF or do some agencies still have their own management arrangements?

Mr Marney: Most government vehicles within the general government sector are managed through the State Fleet facility and the DTF. The non-government enterprises—most of them are managed outside the State Fleet arrangements; for example, Western Power and the Water Corporation manage their own fleets, albeit I think Water Corporation purchases through State Fleet.

Hon KEN TRAVERS: When you say "most"—are there general government agencies that do not manage through State Fleet?

Mr Marney: There may be areas of specific vehicle requirement that we do not manage. I cannot tell you whether, for example, we buy and lease fire trucks.

Hon KEN TRAVERS: Right. But they would be very specialised equipment.

Mr Marney: It would be the narrow specialised stuff—it would not be the normal passenger or light commercial fleet that all agencies rely on us for.

Hon KEN TRAVERS: Turning to page 132, is the income listed the money that is paid by the agencies to you as an organisation for the services that you provide?

Mr Marney: That would be both from the services provided and also income from the sale of the vehicles at disposal.

Hon KEN TRAVERS: Right. How then are you monitoring that you are achieving that 10 per cent savings? I will maybe go back a step. Is it that they have to reduce the actual physical number of vehicles by 10 per cent or do they have to reduce their allocation of expenditure on vehicles by 10 per cent. There is a subtle difference there, but it is an important one.

Mr Marney: Our focus is on the spend—not the number.

Hon KEN TRAVERS: Right.

Mr Marney: But at various points, government has articulated a desire to achieve 10 per cent reductions in both. Primarily, this initiative is part of a multifaceted attack on expense growth; therefore, the aim, from our perspective, is to cut the spend.

Hon KEN TRAVERS: How then do you monitor that the savings are not being made by reducing the amount of vehicles in the fleet? As I understand it, in the past 12 months the cost of leasing vehicles has reduced. I think that I recently read that according to the Salaries and Allowances Tribunal the cost of reducing the vehicle fleet has actually reduced over the past 12 months. So, are agencies then expected to get their 10 per cent over and above that reduction in the cost of the fleet or are they able to incorporate that into their reduction of the cost of the fleet?

Mr Marney: The reduction in the cost of the fleet would predominantly be harvested centrally because it is a reduction in State Fleet's costs rather than agency costs, but we would pass that on in pricing to the agency in terms of lease costs. How do we monitor whether we are achieving the savings? We report regularly to the EERC on vehicle numbers in the department. Each department has a target or a limit to the number of vehicles that declines over the forward years, and we monitor adherence to those limits.

Hon KEN TRAVERS: Are we able to get those reports from the past 12 months and projections for the next two years?

Mr Marney: That is, again, a cabinet document; so you would have to make the appropriate requests.

Hon KEN TRAVERS: You do not internally do anything, other than as part of a cabinet process, in terms of monitoring the fleet?

Mr Marney: We feed that specific issue on what the targets are and whether we are in line with them straight through to cabinet.

[2.00 pm]

Hon KEN TRAVERS: Do you maintain a record, outside the cabinet process, of how many vehicles there are and what the target is that they are required to get? I would be very surprised if you did not.

Mr Marney: Yes, we do.

Hon KEN TRAVERS: Can I get a copy of that?

Mr Marney: Hang on a second. We do have a very detailed list of the numbers of vehicles in each agency, and I am happy to provide the committee with that list. What is at issue is the targets, and those targets are contained in documents provided to government for its approval and, in turn, for its monitoring and management of the fleet.

Hon KEN TRAVERS: We can maybe make that request to the minister about the targets, but if we can get —

Mr Marney: I can get the committee the number of vehicles by department; not a problem.

Hon LJILJANNA RAVLICH: Current?

Mr Marney: Yes.

Hon KEN TRAVERS: The number that were there in August 2009, and how many there currently are in the departments.

Mr Marney: I will give the committee 30 June 2009 and 30 June 2010.

Hon KEN TRAVERS: That would be fantastic.

[*Supplementary Information No B5.*]

Hon LJILJANNA RAVLICH: As a follow on from that, I notice that the second last dot point on page 126 refers to the savings being primarily aimed to reduce the size of the fleet by 10 per cent or 1 177 vehicles. Front-line operational and emergency service vehicles were exempt from the savings initiative and progress as at of March 2010, less than a year into the initiative, indicated that agencies collectively reached more than one third of the state's 10 per cent vehicle reduction target. That is collectively, and it would indicate to me that, independently, there would be some that perhaps have done better than others and there are some that certainly would not have reached that target of 10 per cent. I am wondering whether you could give us a percentage breakdown, or whether that information would be available. I do not think you would be sending it to cabinet, but if you could convert those figures and provide us with that information, it would be helpful.

Mr Marney: In addition to the previous supplementary item, and consistent with it, for the period June 2009 through to June 2010, whether or not the agencies met their vehicle reductions targets over that period.

Hon LJILJANNA RAVLICH: Yes.

[*Supplementary Information No B6.*]

Hon KEN TRAVERS: I am looking at the total cost of the service, the $82 million in 2008–09 that then goes to $94 million in 2009–10, on page 132. Was the $94 million amount prior to the 10 per cent cut?

Mr Marney: That would have been struck at budget in May 2009, so no, that should have incorporated the cut, I think.

Hon KEN TRAVERS: According to your documents here, the 10 per cent fleet reduction came in in August 2009.

Mr Marney: That is the 2009–10 budget.

Hon KEN TRAVERS: It would not have included the 10 per cent cut at that stage.

Mr Marney: It should have. I am pretty sure the 10 per cent cut was part of the budget process in May 2009. The fleet still grows, though. If an extra 100 police are put on a year, a whole bunch of cars will have to be put on. The size of the sector still grows, but the aim was to slow the rate at which it grows in terms of vehicle expense.

Hon LJILJANNA RAVLICH: You are telling us that, on one hand, you are actually reducing it, but on the other hand, it is growing?

Mr Marney: The costs grow.

Hon LJILJANNA RAVLICH: The costs would grow because the number of vehicles would be growing also. Part of that increase in growth would be the vehicles and the costs of the vehicles. Let us get that very clear, because what I am hearing you saying is that, on one hand you have your target to reduce the number of vehicles by 10 per cent, which is some 1 177 vehicles, but you are telling us in the same breath that whilst that is going down, you have growth coming up as a result of adding additional staff who then have entitlement to vehicles et cetera, for operational reasons, and because you are increasing number of cars you are also increasing the cost associated with those vehicles.

Mr Marney: In part, that increase from $82 million to $94 million would reflect an increase in vehicles that are front-line vehicles, which were exempt from the reduction strategy.

Hon LJILJANNA RAVLICH: Could you take this question on notice and provide the committee with the number of cars that have actually grown, or the growth in the number of vehicles since this policy was implemented?

Mr Marney: I think I have already committed to that.

Hon LJILJANNA RAVLICH: Already? Sorry.

Hon KEN TRAVERS: Is that up to agencies to determine, or is there a formal internal government process in which they have to apply to increase the number of vehicles that they have?

Mr Marney: For those that are subject to the target—that is, non-frontline—it is up to them to manage it within their overall target. It is not the case that if they do not reach their target, I tell them that they will not be getting another car; it is up to them to determine how they live within the various constraints that they are faced with.

Hon KEN TRAVERS: So if they get extra money for 100 extra police officers, a component of that extra money would be for vehicles?

Mr Marney: Yes.

Hon KEN TRAVERS: So that is the point at which the government would control the amount of money that is being given to the agency?

Mr Marney: Yes.

Hon KEN TRAVERS: The only control is that they are getting, as part of their overall allocation of money, a bucket of money that is notionally allocated to motor vehicles.

Mr Marney: That is just part of the on-costs.

Hon KEN TRAVERS: If they want to buy everyone a scooter, they can buy everyone a scooter, if they can manage that within their budget, or have 10 vehicles as an alternative.

Mr Marney: Yes; though I am somewhat distracted by the thought of a scooter with a police siren and lights attached!

Hon KEN TRAVERS: I was thinking of the Under Treasurer on a scooter, actually! A very trendy one, I might add!

Mr Marney: The Under Treasurer does not drive a government vehicle, so we need not worry about that! Where there are discrete decisions of government to enhance services in certain areas that are operational and require vehicles, we ensure that we adjust that agency's target to accommodate that decision.

Hon KEN TRAVERS: Right.

Mr Marney: These things have to be rolled forward in a contemporary fashion that allows for service growth in specific areas of government's desired outcome.

Hon KEN TRAVERS: I am still trying to get my head around how we go from a total cost of service of $82 million to $87 million in the financial year just gone. On top of that we have also seen an increase in the income you are receiving going from $93 million to $105 million. How does that reconcile with us achieving a reduction in the number of vehicles in the government fleet?

Mr Marney: I can give the committee a reconciliation on those numbers.

[*Supplementary Information No B7.*]

Hon KEN TRAVERS: Can we get a list of those vehicles that have been classified as front-line vehicles?

Mr Marney: It is pretty much up to the agencies to determine that.

Hon KEN TRAVERS: Would they not need to be signed off by someone? If we are trying to achieve a 10 per cent cut, could child protection workers, for example, go without a front-line car? If they are trying to visit houses with children at risk, they are not going to catch the bus there, are they? Is there a list of vehicles that have been classified? You are saying that they are exempt from this 10 per cent cut.

Mr Marney: I would have to take that on notice. I think the answer is no, there is not a definitive list of what is front line and what is not, because the agencies have been asked to make the savings. If they cannot save it in the number of vehicles, then they must save it in their operating costs of vehicles.

Hon KEN TRAVERS: That says to me that the police would have had a 10 per cent cut and have been told to make it up with the cost of the police vehicles rather than them being exempt in terms of having their budget reduced by 10 per cent.

Mr Marney: In part; they were asked to make up some of those savings in the operating costs of vehicles. Police fleet managers said to me that vehicles were being overserviced. A vehicle would go in for a regular 20 000-kilometre service and come back with seven new tyres, new brakes, new everything. That is what they put to me. That is why we maintain a focus on achieving savings in operating costs, even if the number of vehicles could not be reduced.

[2.10 pm]

Hon KEN TRAVERS: Was the police budget for motor vehicles cut by 10 per cent?

Mr Marney: I would have to check that because there was negotiation around that issue.

Hon KEN TRAVERS: Page 126 of budget paper No 2 states —

> Frontline operational and emergency services vehicles are exempt from this savings initiative.

I am trying to work out how we as a parliamentary committee know which vehicles have been exempt or whether budgets have been reallocated some money to manage front-line services.

Mr Marney: I will get you some supplementary information addressing that question.

[*Supplementary Information No B8.*]

Hon KEN TRAVERS: I do not know what level of detail they went to, but I would have thought police vehicles might have their brakes checked and tyres changed regularly because they can get worn very quickly and their vehicles have a bigger margin for error than the car that drives around the streets and does an average of 20 000 kilometres year in, year out in a sedate environment. A police car could be driving in that sedate environment for half its life and suddenly find itself in high-speed pursuits and we would not want poor tyres or brakes at that point.

Mr Marney: Not only that, but if you have that use of a vehicle, it is always prudent to do a post-pursuit safety check on it as well. At no point would we imply, expect or even accept that safety would be compromised in the pursuit of these targets.

Hon KEN TRAVERS: Why is there a jump in FTEs for this section?

Mr Marney: There is a jump in FTEs because we previously had an outsourced arrangement for some of the vehicle disposal. We have in-sourced elements. I am pretty sure it is vehicle disposal and management. The transfer of activities was outsourced. We were not particularly happy with the service we were getting and the value for money it represented. We felt it was better done in-house.

The CHAIR: I have a couple of questions on the State Fleet relating to vehicles as well. I do not know whether you are able to answer them. It seems to me that the cost factor is the cost of purchase and resale and then you have the running costs. I raise this because it came up via salaries and allowances in terms of what percentage of vehicles, if any, are the lower running cost vehicles. I am thinking particularly of a vehicle that has very good fuel efficiency and all those kinds of desirable features. How does that factor into it? It seems to me that it might be more expensive at one point but your resell would be higher and your running costs would be considerably lower.

Mr Marney: We have a list of vehicles that are basically the menu of choice for agencies. Vehicles may get onto that list on the basis of a number of criteria, one of them being emissions. Obviously, that is highly correlated with running costs but in some circumstances the purchase price of very low emissions vehicles means their whole-of-life cost is considerably greater than other options. We do take into consideration whole-of-life cost. Our choice of what vehicles are made available to agencies is based on the cumulative sum of purchase price, running cost and resale.

The CHAIR: I would be interested to find out some more detail on that, if you have that policy and the way that is laid out. Can I ask you to provide that by way of supplementary information?

Mr Marney: I am happy to provide that.

[*Supplementary Information No B9.*]

The CHAIR: Is that policy set by Treasury?

Mr Marney: It is set by a fleet steering committee, which is chaired by me but also has representatives from the Public Sector Commission and the Department of Commerce—I think they are the two external reps—and possibly a departmental DG rep as well.

The CHAIR: In light of triple bottom line accounting, is cost the only consideration that is taken into account, or are environmental benefits such as emissions also taken into consideration?

Mr Marney: We have policy settings in place for gradually drawing down the emissions of the fleet as a whole, so we have set emissions targets. Vehicles must fall below that target as much as possible before they get on the list. We vary that target progressively downwards. We are driving greater and greater efficiency. As an example, over the past 18 months we had an emissions target level and flagged to the vehicle industry that we were going to reduce it further. At that time one of the major manufacturers could not meet that reduced target. They went away and came back 12 months later, after tinkering with their technology, with a new model that met the new lower targets. It is an example of where we have been able to drive the industry to work a bit harder.

The CHAIR: I would be most interested to see any more detail on that.

Hon LJILJANNA RAVLICH: Under Treasurer, I refer you to the last dot point on page 126 relating to the work of the Gateway Unit. I understand that it undertook more than 45 reviews of projects worth some $9 billion during 2009–10. Could you take this on notice and provide the committee with the 45 itemised reviews that were undertaken?

Mr Marney: Of which projects were reviewed?

Hon LJILJANNA RAVLICH: Yes, the projects that make up this $9 billion. I understand that this process of review involves senior responsible owners—SROs—major projects. At the end of the review there is a traffic light system. Depending on the success or otherwise of the project, a report is made. At the end of it, the agency or the person receiving that report will get a red card to show that perhaps the project is at some risk and the project team needs to take immediate action in order to deal with the deficiencies of the project; they may be given an amber card, which means the project should go forward with actions on recommendations to be carried out before the next Gateway review of the project; or, thirdly, they might get a green response, which would mean that things are going pretty well, so go ahead and proceed with it. Could you identify which of those 45 reviews of the project that were undertaken in 2009–10 received a red project rating, which received a green project rating and which received an amber project rating?

Mr Marney: I will take it on notice, but I do not think I can answer it because the Gateway review reports do not go to me; they go to the project owner. I have no idea. They are a peer review process that is driven towards improving and informing the project owner as to, firstly, the health status of their project and, secondly, where they need to take corrective action. The reports do not come to me, so I do not know which ones are red, green or amber.

[2.20 pm]

The CHAIR: I am just wondering whether it is worth putting that on notice.

Mr Marney: The reports do not come to me, so I do not know.

Hon LJILJANNA RAVLICH: It seems odd to me, I have to say, that we have set up this unit, the gateway unit, that sits within Treasury and Finance. It is about improving the outcomes, if you like, for these projects and at the end of the day there is no consolidation or there is no ongoing monitoring of what happens with these projects. So, you might be able to direct me somewhere else to go to, but it does seem very strange to me that we have got this major announcement, we have got the investment in it and we have got the system set up and at the end of the day there is nowhere we can go to get the sort of results and the feedback that we need to have on the success or otherwise of this particular initiative. I do not know whether anyone wants to make some comments in relation to it, but it would be good if they could.

Mr Marney: The gateway unit is there to facilitate the gateway reviews. It is there to assist agencies identify projects that should be reviewed. It is there to assist agencies identify appropriate reviewers. And often we will fly in reviewers who have worked on similar projects recently in other jurisdictions to spend five days to do the intensive peer review of the project. The value in the process, quite frankly, is from the fact that I do not see it. It is actually changing the culture within the agency to perform better. And it enables people, because I do not get the review, to be fully frank and honest in that process without fear of recrimination, financial punishment from the evil people at Treasury! Did you want to add to that?

Mr Tondut: Absolutely; that is the case. But there is a steering committee at the gateway unit that facilities the process and they have done some work in reviewing the recommendation. I think we could probably provide a summary of the sorts of issues that are raised, but these are the sort of issues that brought the attention of the reviewers to make it an amber or red.

Mr Marney: So, there is that analysis of the systemic issues within projects, and the gateway team is there to facilitate that being addressed progressively; and we take their learnings in terms of those systemic issues and feed those into the seed process as well to try and disseminate the learnings in a non-project-specific way. So, there is no kind of "So and so stuffed up because they did this, this and this", because that is where we have gone wrong in the past.

Hon LJILJANNA RAVLICH: Okay, so if we can have at least the 45 projects that have been reviewed, the information from the steering committee that is available, and also if you could identify for the committee which agency is responsible for which project that then I can go back or the committee can go back to seek additional information in relation to the project rating.

Mr Marney: I am happy to do that.

Hon LJILJANNA RAVLICH: Good.

Mr Marney: But I would request that you take into consideration the underpinnings of the success of the gateway process; that is, people are able to analyse frankly and fearlessly their performances and failings on individual projects. If we get into a situation where we have to provide, say, those gateway review reports publicly, we will very soon find there are not any gateway reviews. So, all I am asking is that you take into consideration the behavioural dynamic that sits behind it.

Hon LJILJANNA RAVLICH: Okay. Let me just say this. This is the committee of the estimates and financial operations. This committee has a very important job, and that is to make sure that the Parliament is kept informed and through the Parliament that the taxpayer is being made aware of how taxpayers' funding is expended through the appropriations and so on and so forth. Quite clearly this is listed as the key achievement under the portfolio of treasury and finance. There is no doubt that it aims to improve the outcomes. At the same time it has undertaken work in relation to assessment of the project. And what I am seeking is information which will enable this committee to better understand the work of this particular gateway unit, and then the decision about what is made public and what is not made public will be a matter for this committee to decide. But I think it has been a reasonable request on my part to seek the information which I have sought from you, Under Treasurer, and which you have given an undertaking to provide to the committee.

Mr Marney: I agree that it is a reasonable request.

Hon LJILJANNA RAVLICH: Thank you.

Mr Marney: I am just concerned that others may take the information —

Hon LIZ BEHJAT: And I think the Under Treasurer's request is also very reasonable to us.

Mr Marney: I am concerned that others may take the information and use it for purposes less good.

Hon LJILJANNA RAVLICH: Are you implying that there is something that you would be fearful of or the agencies would be fearful of or that there is some bad news buried in this? Because I am looking at this from a very positive point of view, rather than from any negative point of view. And what you are alerting me to is the fact that we have got problems in this area and you do not want to make them public. So, it is best perhaps if we just —

Mr Marney: I think that is probably stretching my request, but to protect the integrity of this process as it exists at the moment; that is all I ask.

The CHAIR: Thank you. Your comments are noted.

[*Supplementary Information No B10.*]

Hon PHILIP GARDINER: My apologies for being absent for a period; you may have already covered this. Can I just go back to page 121? I am interested in some of the definitions here, Under Treasurer. The community service obligation payments list electricity, Forest Products Commission, regional power, the Water Corporation and the Land Authority. Can you give me an understanding of what differentiates community service obligations payments from what might be in the next category of listings you have there in relation to subsidies? How do you allocate one against the other?

Mr Marney: I will give you the definition as I understand it but may seek to enhance that definition upon review of *Hansard*, if that is okay with the Chair.

The CHAIR: Sure.

Mr Marney: The subsidies are where government provides funds to achieve the specific outcomes it desires of a commercial entity. Community service obligations are not dissimilar but are more where the commercial activities of a particular entity are provided at a pricing that is, less than commercial pricing; therefore, there is a gap in operating financially and the operating is covered through a community service obligation because government wants that service provided. But I may be able to give you a bit more precision to that definition as part of supplementary.

Hon PHILIP GARDINER: Okay. Can I just kind of help that ongoing process a little bit perhaps? One of the questions that came to my mind was, for example, public transport. I would have thought that a subsidy to public transport is a community service obligation but it is not listed here—the $500 million-odd, for example, we subsidise. And that is not even under the subsidy grants area, I do not think. Why is that excluded?

Mr Marney: I would have to get back to you but I am pretty sure that it is an appropriation that flows through transport. So, it is not a CSO or a subsidy payment from DTF's accounts.

Hon PHILIP GARDINER: And yet the sense of the subsidy to public transport is the same as the sense of the subsidy or the granting to power and water.

Mr Marney: Yes. It is just that the purchasing entity is different. So in this case we are dealing with Treasury and Finance as the purchasing entity.

[2.30 pm]

Hon PHILIP GARDINER: I think I understand what you are saying. I would have thought the preferable position would be to not have a definition based on, if you like, the structure, but more on the nature of what is happening. I am wondering whether that is a consideration that could be taken on board in Treasury. The way I would like to ideally see it is to know where there is a community service obligation in all the things we do where there is not full cost recovery. I guess the same thing could be done for roads because we get some revenue from roads through licensing or whatever it might be, but it is the gap that is the community service obligation, of course.

Mr Marney: I thought we had an appendix in the budget papers somewhere that detailed all the subsidies and community service obligations, but I may be wrong.

Hon PHILIP GARDINER: You may be right. I have missed this particular page in the budget papers. I think it is a very interesting and helpful page.

Mr Marney: Yes, but you will find that same page under the Department of Transport's budget item. I expect that will have a line in it showing the subsidy to the Public Transport Authority, which is the extent of the subsidy.

Hon PHILIP GARDINER: Correct. I have seen that. I would have thought it would be broken out in the same way it is broken out here to provide the total amount of community service obligation payments. This is very helpful, because we all should know what we are supporting and how much.

Mr Marney: As I said, I think there is disclosure of that in the appendices to budget paper No 3 somewhere, but I cannot quite put my hand on it.

The CHAIR: Will you check that?

Hon PHILIP GARDINER: I will check that. Maybe the definition will be interesting and maybe that definition can be reflected upon to see whether it is the best definition given what we are trying to show here.

The CHAIR: Is that supplementary?

Hon PHILIP GARDINER: No, it is really a request.

Hon Liz BEHJAT: I understand what you are saying about the definition of CSOs, Under Treasurer. I can understand then why we see Synergy, Horizon Power, the Water Corporation and the Western Australian Land Authority. But I do not know why the Forest Products Commission is subject to a CSO. Can you clarify that for me. Given Synergy and Horizon Power are there, why would not Alinta be there?

The CHAIR: We do not pay CSOs to Alinta; it is not an entity of government. The Forest Products Commission has a range of activities that are non-commercial in nature; they are more environmental and forest management activities, so they are paid a CSO for those activities to make it transparent that government is actually purchasing a service from them rather than have that weigh down its commercial performance.

The CHAIR: Can you provide detail on how that breaks down?

Mr Marney: Yes, I can.

Hon LIZ BEHJAT: It is a constant figure over the forward estimates, so it does not change.

Mr Marney: A big chunk of it is associated with parcels of debt and debt servicing. The Forest Products Commission carries a parcel of debt associated with protecting our old-growth forest policy. From memory, there were transitional industry assistance packages of various forms at the time of the introduction of that policy under the previous government. There is still a parcel of debt that sits with the Forest Products Commission associated with that. There is also a parcel of debt that sits with the Forest Products Commission for strategic tree plantings and plantings under the national action plan for salinity and water quality. Those are the biggest elements that attract a CSO payment. It is the servicing of those parcels of debt.

The CHAIR: I would like as much detail as I can get on that.

Mr Marney: That is all I have.

The CHAIR: I know; you did very well to have that to hand.

Mr Marney: I will extract the history behind those. Is it particularly those two parcels of debt you are interested in?

The CHAIR: I would like all of them in relation to the Forest Products Commission.

Mr Marney: I will provide under supplementary information a reconciliation of the CSO payment to the Forest Products Commission.

[*Supplementary Information No B11*.]

Hon KEN TRAVERS: Is there a standard cost escalation figure for the building program used across government in preparation for the budget? Is it for individual projects?

Mr Marney: It is a bit of both. For broad estimates across the whole program, we analyse and forecast the trends in the building cost index, and then we reflect those on projects that are not at sufficient stage in their planning and development to actually assign specific costs. Where projects are well defined and planned, our quantity surveyors will provide more detailed and accurate information on the likely explanation.

Hon KEN TRAVERS: When you say "more detail and accurate" is that when you are in that detailed level of construction planning, so would it be just the general cost escalation for something like the netball centre?

Mr Marney: Pretty much.

Hon KEN TRAVERS: The Fiona Stanley Hospital would be at the point, as part of contract prices —

Mr Marney: Fiona Stanley has probably passed that point because we have locked in prices. In fact, we have a guaranteed sum on that so there is no escalation on that project.

Hon KEN TRAVERS: It is all the variations.

Mr Marney: It depends how robust one's view of a guaranteed contract price is. But prior to getting that guaranteed price, we had a fair bit of detail on the design of the facility—how much resource was involved in terms of labour, time and so on so there was more of a quantity surveyor reflection on the escalation of that. But, again, within each project, contingencies are built in. There is a normal sort of assumed rate of contingency. As you move through a project you go from broad escalation to quantity surveyor escalation, looking at drawing on contingencies and then the final sum.

Hon KEN TRAVERS: Can we get the figure you have been using in preparing the budget for the broad escalation figure?

Mr Marney: I am happy to provide the parameter that was used in the budget process, yes.

Hon KEN TRAVERS: I assume you do not have it with you at the moment.

Mr Marney: I do not. Under supplementary information B12 I can provide the detail of the escalation factors underpinning the capital works program estimates for the 2010–11 budget.

[*Supplementary Information No B12*.]

Hon KEN TRAVERS: Is that something you calculate in-house, or something you draw on from out of the DTF or some other provider of those sorts of figures?

Mr Marney: We do both and have addressed some circularity in that process that existed prior to the works business coming to DTR. We use the information broadly from our quantity surveyors and what they are experiencing in the market. But we have enhanced that process with some econometric modelling and forecasting. The forecasting of that building cost index is now done in our economic forecasting area.

Hon KEN TRAVERS: This may not be in the areas you are able to cover today. I am interested in trying to get a sense of where it is going. Over the past couple of years there was a period in which the cost escalations were going through the roof. I do not think you could model them to catch up with them. They then dropped off a bit and, in some cases, some of the main road projects have come in well below. A lot of that was because, initially, a very high cost escalation had been put into the budget. The sense I am picking up is that that pressure on the economy is starting to come back and will again drive quite high cost escalations.

[2.40 pm]

Mr Marney: Obviously there are a number of dimensions to that question, one of which is a request for supplementary information, which would be B13.

[*Supplementary Information No B13.*]

Hon LJILJANNA RAVLICH: It is good that you are giving it out before we even ask!

Mr Marney: Jeez, I am good with numbers, aren't I!

The CHAIR: And letters I noticed as well!

Mr Marney: No, just "B"!

Hon KEN TRAVERS: Would you like us just to leave it that you provide us all with the supplementary information that you think we might want or need!

Mr Marney: But you did ask for the historical data on the building cost index, so we will provide that to you, and I will splice onto that the forecast that was used in the budget so that you can see that context, and any actual data on the building cost index that has been released post-budget.

Hon KEN TRAVERS: I guess that I am trying to get a sense of the —

Mr Marney: Yes, where we are at the moment.

Hon KEN TRAVERS: Within your economic modelling. One of the issues that is often put is that the Western Australian economy can only build so much, there is a capacity limit within it and that we are now actually starting to ramp back up within the private sector, alongside the government sector, where we are hitting that point where we are almost back up to full capacity of the economy in terms of production, particularly capital works. I guess that I am trying to get a sense from your expertise of whether that is an accurate reflection, in which case we may see cost escalations going through the roof again as the price of capital works goes through the roof.

Mr Marney: We are still in a situation where we have favourable tender outcomes relative to our pre-tender estimates, so at this point we are not seeing that kind of cost pressure emerge yet. We are not seeing it in the data yet, either. Generally speaking, although aspects of the construction industry are quite strong, particularly industrial construction—that is, major resource projects—if you look to other aspects, residential and commercial building construction, it is not strong, so the cost pressures are not there. We are kind of dealing with two different sources of information; one is the official across-the-board building cost index set of statistics and the other is our actual performance in the market relative to our pre-tender estimates. Our pre-tender estimates are driven by our quantity surveyors and what they break down in individual costs for a project. So at this point we are not seeing that come through as maybe as strongly as people perceive.

Hon LJILJANNA RAVLICH: Under Treasurer, I refer to page 128 and the third dot point under the heading "Building Management and Works", which goes into the area of the government office accommodation master plan. The dot point deals with the Optima Centre and the transfer of public servants from the CBD into the Optima Centre. My first question is: a lease been signed between the government and the owners of the Optima Centre; and, if so, when was that lease signed?

Mr Marney: Yes, there has been a lease signed. I think it was around March.

Mr Tondut: Something like that; four or five months ago.

Hon LJILJANNA RAVLICH: Who owns the Optima Centre?

Mr Marney: I do not know, but I would hazard a guess that it is a Macquarie development.

Hon LJILJANNA RAVLICH: Could you provide the committee with information on who owns it?

Mr Marney: I can provide details as to who we leased it from.

Hon LJILJANNA RAVLICH: I am interested in who owns it because who you lease it from might be a leasing agency.

Mr Marney: I can provide the contractual party with which we engage to pay money for the occupation of the floor space.

[*Supplementary Information No B14.*]

The CHAIR: In addition to that supplementary information, I am curious if it is known whether that building has an energy rating; and, if so, what.

Hon LJILJANNA RAVLICH: Yes, because that is a part of the reason for the move.

Mr Marney: The building has a four-and-a-half star rating but potential for five, depending on how we function within it. As much as possible, we are driving very hard through this whole-of-government accommodation strategy to maximise the energy efficiency of our footprint. That is not without challenges because it involves some people changing their business practice—that is, the number of printers that you have on a floor—but, as far as possible, we are trying to optimise the opportunity.

Hon LJILJANNA RAVLICH: As a part of the information that you will provide, can you provide the committee, if you know it, information about the relationship between the Herdsman Business Park committee, if you have had interface with them —

Mr Marney: Keep going; we will do it if we can, but it is not ringing any bells yet.

Hon LJILJANNA RAVLICH: It is not ringing any bells. All right. We will just leave that for a moment, then. Were you aware that the Optima building appears as though it is being sold?

Mr Marney: No, and our contract would remain in place regardless of the owner. It is not uncommon for buildings to change hands during the term of a lease.

Hon LJILJANNA RAVLICH: It is if the seller of the building is advertising that government departments will have tenancies within that building. I imagine that that may make them more attractive in terms of the final price.

Hon KEN TRAVERS: It would, but buildings often get resold straight after leases have been signed.

Mr Marney: And that would almost certainly confirm that Macquarie was the initial owner!

Hon LJILJANNA RAVLICH: Because is that the way that Macquarie operates?

Mr Marney: Absolutely, but that is the way the market works; someone takes the risk to actually find the anchor tenant and then having secured that, they capitalise that value.

Hon LJILJANNA RAVLICH: Not a problem. In relation to the savings of moving public servants out there, it is foreshadowed that over a period of four years there will be up to $100 million saved—$25 million annually—from the decentralisation of the public sector workforce from the CBD into a number of locations, as I understand.

Mr Marney: That is savings from the overall accommodation strategy; decentralisation is only one part of that.

Hon LJILJANNA RAVLICH: Does the decentralisation component actually have a figure attached to it?

Mr Marney: It does not have a breakout.

Hon KEN TRAVERS: I assume the other major component of the accommodation strategy is the reduction, from memory I think it is 19 down to 15 square metres per employee. Are you able to give us at least a rough figure of how much of that $100 million is about the reduction in floor space versus the other things like the decentralisation?

Mr Marney: Yes, we will give you an estimate.

[*Supplementary Information No B15.*]

Hon LJILJANNA RAVLICH: In relation to that total saving, which will be the maximum saving of $25 million a year as a result of rationalising, I wonder whether you could give us the cost–benefit that was in fact undertaken for you to reach that figure of $25 million.

Mr Marney: That is really the underpinnings of the lease rates in non-metropolitan areas and the savings you get from consolidating down from 19 square metres on average to 15.

Hon LJILJANNA RAVLICH: All right, but I would just like to see the mathematics of it because you must have come to that final figure of $25 million by undertaking that. Whether it is a comparator or a cost–benefit analysis, does not really matter to me, so long as that is demonstrable.

Mr Marney: Yes, I am happy to do that.

Hon KEN TRAVERS: I guess —

Mr Marney: Sorry, is that supplementary information 16?

The CHAIR: I am feeling redundant!

[*Supplementary Information No B16.*]

[2.50 pm]

Hon KEN TRAVERS: I move that the Under Treasurer be appointed as the Chair of the committee! You could come to all of our meetings then, Tim!

I am interested in the modelling that was done on arriving at the figure of 25 in terms of your projection for growth in rentals. I am a big supporter of decentralisation, but I recognise that if it is done in the wrong way and at the wrong time, it can set back the argument for decentralisation very quickly for a very long time. I will be up-front. My fear is that a rapid level of decentralisation at a time when the Perth property market may be coming into an oversupply and rates are falling off could have a very negative impact for the state in general but also for people to argue against further decentralisation. I am interested in what modelling was done to project what the leasing rates may be in the out years over that five-year period. If you look around Perth, there are quite a few major buildings coming on stream. It may be that they are fully allocated. I assume that your department is leaving a number of spaces and the Department of Training and Workforce Development will be leaving a space East Perth; I do not know who owns that. Will that currently leased building be backfilled by another government department? I will put it all out there as a general discussion.

Mr Marney: As a broad response, one space that is being vacated is Governor Stirling Tower. The owner is decommissioning that building. At one time they were going to knock it over and at another they were going to refurbish it. I do not know where they are at today, but that space is basically out of the market. The East Perth space is a pretty minimal footprint and it is a hotchpotch; it is spread here and there across a couple of different buildings. I think there are five different buildings, all up. We are actually consolidating small parcels of space. In terms of the Department of Training and Workforce Development, similarly, Education will consolidate in the existing space that the Department of Training and Workforce Development will vacate. We are actually aggregating some of the ad hoc parcels of leases that we have all over the place, which tend to be smaller parcels and, therefore, in terms of market take-up, are more readily absorbed by the market as it naturally grows. An important point to note is that although we will be decentralising, at the same time, our footprint in the CBD will not shrink. We will still have the same number of public servants in the CBD over the coming years because the public service is continuing to go grow.

Hon LJILJANNA RAVLICH: What about the staffing cap on FTEs?

Mr Marney: The cap includes growth. As we consolidate, we are actually bringing people in from ad hoc bits, and the CBD presence will remain the same. For example, 140 William Street will be fully occupied by public servants. It will aggregate a number of bits and pieces of existing accommodation.

Hon KEN TRAVERS: I am intrigued by that. Do you have figures or modelling that we can get our hands on?

[*Supplementary Information No B17.*]

Hon KEN TRAVERS: You are talking about an almost 20 per cent reduction from 19 to 15.

Mr Marney: Probably the best source of information is what we have published in our document entitled, for the record —

Hon LJILJANNA RAVLICH: "Government Office Accommodation Master Planning—Discussion Paper".

Mr Marney: Yes. If additional information is required following the consideration of that, I am happy to follow that up.

Hon KEN TRAVERS: I am still intrigued about the broad overview perspective. I do not know what as a percentage—is it 40 000 square metres that you have asked for an expression of interest on?

Mr Marney: It is 60 000 to 80 000 square metres over a five-year period.

Hon KEN TRAVERS: Is that for four sites—two north and two south?

Mr Marney: It is for three or four. The key is to let the market and the planning processes inform us as to where this should best be located. At the same time, as I said, we have taken up 30 000 square metres in 140 William Street.

Hon KEN TRAVERS: Again, 140 William Street is partly for Department of Housing, so that will free up its old building in East Perth. Is that correct?

Mr Marney: No. Other departments will be located there. The Department of Housing will not be going to 140 William Street.

Hon KEN TRAVERS: I thought they were.

Mr Marney: An at one stage they were, but we have restacked it all.

Hon KEN TRAVERS: Right. I would have thought that there would be a fair bit of space left behind. If you are reducing from 19 to 15 as part of that process, it is a 20 per cent reduction. You are suggesting that there will be a 20 per cent growth in government. Without even worrying about the decentralisation of 80 000 square metres, you are reducing the footprint by 20 per cent and suggesting that there will be a 20 per cent growth in government employee numbers over the next five years.

Mr Marney: I am not suggesting that.

Hon KEN TRAVERS: That is why I cannot understand how you can make the claim then that you are not reducing the number of public servants in the CBD.

Mr Marney: That is a bit two plus two equals five, but I understand where you are coming from. The reality is that based on our modelling of our space requirements, we will not be diminishing our footprint in the CBD.

Hon KEN TRAVERS: Is that something we already have down to be provided—the modelling?

Mr Marney: I think that was supplementary information 16.

Hon KEN TRAVERS: Whether that modelling does cover that new office space that is coming on across the board in the city—there is 140 William Street, the new BankWest Tower on the Raine Square site across the road, which is significant number of square metres —

Mr Marney: They are all occupied by BankWest.

Hon KEN TRAVERS: The problem is that that frees up the current BankWest Tower or Central Park building or whatever it is called.

Mr Marney: That is across the road.

Hon KEN TRAVERS: The Governor Stirling Tower will be freed up. When you are building that much extra floor space and putting it onto the Perth market for there to be a depression and a lot of space to be available on the market for leasing, that will drop rents. If you look at the historical system of Perth, we have struggled at times to get property people to invest in Perth because it is very lumpy. There are either very high rates or low rates of rents because there is either a high rate or low rate of occupancy because we do not have a big market. A new building—it is probably not quite like it was in the old days—the size of 140 William Street would have had a significant impact on the lease rates across the Perth market. I want to know whether that is in the modelling.

Mr Marney: I understand the request.

Hon PHILIP GARDINER: My question is allied to the questions that we have been considering. It is to the issue of whether Treasury and Finance has taken in the building aspect and made sure that we do not have an overshooting of costs. I go to page 125 where it says "Leads the Planning and Delivery of New Government Buildings". In 2010–11, there is an amount of $1.2 billion. My first question is how much of that $1.2 billion are commitments that have been made from the time that the accountability is moved from where it was before into the Department of Treasury and Finance? My follow-up question is whether you have a measure of some kind that is showing the results of that move being better than it was historically?

Mr Marney: If I can clarify, is the question about how much of that $1.2 billion is for projects that are not already off the rails? Is that correct? I am sorry; I am just trying to understand—that might have been the wrong way to put it—whether the question was about how much of that $1.2 billion is for new projects that come completely under the new regime of planning.

Hon PHILIP GARDINER: That is correct.

Mr Marney: It would not be much of the $1.2 billion because most of that spend was already committed, except for the Building the Education Revolution program, which was entirely under the authority and governance management of the Department of Treasury and Finance. So, is that the—help me out, John; is it about $900 million?

[3.00 pm]

Mr Tondut: About $750 million of that would have been in that financial year.

Mr Marney: So about $750 million in—was it 2010–11 or 2011-12?

Mr Tondut: It was in 2009-10. The growth between 2009-10 and —

Mr Marney: I think in 2009-10 it was $627 million and in 2010-11 it will be $446 million.

Hon PHILIP GARDINER: That was to do with building —

Mr Marney: The Building the Education Revolution. That is a suite of projects that started under us and will be completed under us. As the audit processes at the federal level pointed out, Western Australia has performed incredibly well in its delivery in terms of time, cost, and the scope of works that we have been able to deliver for the state.

Hon PHILIP GARDINER: We have probably gone as far as we can go at this stage on that.

Mr Marney: But I do take your point, which is, how we will know that shifting this function into the Department of Treasury and Finance has actually made any difference. We have a comprehensive reporting regime around projects in terms of scope, time, and cost relative to original settings. As we go forward we will be able to identify very conspicuously for the government our performance in that regard. The whole reform model was built on an analysis of the performance against those variables. We report to government quarterly on our delivery against those variables, and that goes to cabinet.

Hon PHILIP GARDINER: That covers that one. The first dot point on page 125 contains a reference to the removal of structural impediments to productivity. Can you give me an idea of what you were thinking about there, or maybe what some of the major factors are? It is in the second-last line of that first dot point.

Mr Marney: I think, predominantly, that will relate to a couple of areas of activity associated with the business regulation and competition working group of COAG, which is focusing on things like the mobility of skills across jurisdictions and trade qualifications, and so on. I think there are 26 projects in all under that COAG initiative, aimed at removing regulatory or structural impediments to, if you like, the smooth flow of resources and unnecessary and duplicative regulation. In addition, we have new regulatory impact assessment processes in place that require new regulatory initiatives to be examined for their cost–benefit. There is also the Red Tape Reduction Group report, which was supported by DTF and for which DTF has some implementation responsibilities.

Hon PHILIP GARDINER: Are there any other aspects of microeconomic reform that you think might fall into that, apart from what those measures are?

Mr Marney: They would be the primary measures.

Hon PHILIP GARDINER: The bottom dot point of page 127 refers to the Shared Service Centre and the 12 agencies that are going live.

Hon KEN TRAVERS: As opposed to the dead ones!

Mr Marney: I would love to have a list that should be dead; if only that carried some weight!

Hon PHILIP GARDINER: As we know, there is often a slip between the cups and the lips when introducing new packages of this kind. I am just trying to get a measure of how effective this implementation is—not just how effective, but whether it has fallen pretty close to what the expected cost was.

Mr Marney: How long have we got?

Hon PHILIP GARDINER: Is it one of those?

Mr Marney: No; the simple answer is that the then government considered a review of this project in November 2007, and we recast its budget, its deliverable scope, and its time frames to something that was more realistic than had been found to be the case previously. Having redefined time, cost and scope at that point, responsibility for delivery was assigned to me. Since that point, which was nearly three years ago now, we have remained on budget, on time, and hit every milestone in rolling out what was specified in that revised program of work. That is not to say that there are not tensions in this project; it is a really complex exercise. But we are on time and on budget, and we rolled in our forty-ninth agency on Thursday of last week. We are now working towards our fiftieth agency by the end of the year, which, from memory, is the Department of Commerce, which is quite a large entity and has complex systems behind it.

Hon PHILIP GARDINER: And is fragmented.

Mr Marney: Yes; then we look forward to the Department of Agriculture and Food in about February of next year. Through 2009-10, from memory, we rolled in roughly one agency a month; through 2010-11 through to early 2012 we will roll in at least two a month, so the activity has ramped up substantially. There are three dimensions to this project: the first is getting the software and infrastructure; the second is the transition, which is the roll-in process; and the third is delivering the service on an ongoing basis. In terms of the software infrastructure, we have just about finished the building of all required software, and we will start, through next year, into the process of maintaining and continuing to enhance and refresh the software. The roll-ins I mentioned are on track and we are hitting most of our service delivery targets fairly well, although until such time as all agencies are rolled in, we will not be at an efficient level of critical mass to be able to say that this is a more efficient way at a more efficient cost. It will not be until 2012—possibly before, but more than likely 2012—when we have that critical mass and that we have the volume of transaction through that fixed overhead that means the cost for each transaction is more efficient than it otherwise would have been. That is the shared services snapshot. I have to say that I am extremely proud of what my people at Cannington have been able to achieve in this program because it was not in a good way. They continued to work above and beyond the call to make this thing work and to ensure that the public gets value for money for its investment in shared services.

Hon KEN TRAVERS: When do you expect to have all of the agencies that are to be rolled in, rolled in then?

Mr Marney: On the existing program, I am pretty sure it is early to mid-2012. Having said that, it is a very unusual experience, but I am now actually getting interest from other agencies that want to be added to the list. That may give us a second wave of roll-ins.

Hon KEN TRAVERS: Are not all agencies coming in then? I thought all general government agencies were required to come in.

Mr Marney: There are two other shared service centres—education and health, and police. Education provides services under the old Department of Education and Training to the Department of Training and Workforce Development. There are some issues, and training colleges are a pretty complex network of, kind of, detached entities. It is a question of what is the best way to go forward with providing service to that suite of organisations.

[3.10 pm]

Hon KEN TRAVERS: The issue of paying people—I am not talking about salaries, but people who provide services to government—always used to be payment within 30 days of the invoice.

Mr Marney: The Treasury instruction requires that payments are paid within 30 days.

Hon KEN TRAVERS: Are we achieving that through the Office of Shared Services?

Mr Marney: Through the Office of Shared Services we are achieving payment within six days of receiving the invoice. Here is the tricky bit. We have a standardised procure-to-pay process where people raise a purchase order, the goods are delivered, the invoice goes straight to Shared Services, it is paid—done. However, if people deviate from that standard process, it causes potential delays arising in that payment. So, if an agency says to the supplier, "Actually, no, I want you to send the invoice to me rather than to Shared Services", the agency can then sit on the invoice for 40 days. We cannot pay it if we have not got it. If everyone follows the standard process properly, it is not a problem. We are cranking through multimillions of dollars worth of invoice payments already.

Hon KEN TRAVERS: In that situation, how do you then verify the payment—I mean get someone to authorise the payment, if it is sent directly to Treasury?

Mr Marney: It goes through the procurement system in the Shared Service e-business system, and the requisitioning officer signs off on the purchase.

Hon KEN TRAVERS: So that is all done electronically?

Mr Marney: Yes, it is all automatic.

Hon KEN TRAVERS: Back in the department that purchased the service, someone would be getting it and they would be required to authorise that the service has been provided and verify it that way?

Mr Marney: Yes. I have got—this may be a shock—some reasonably large bills to pay on a regular basis. They will show up on my i-expenses within the e-business system. I get an email notification that I have a bill to process. I go in. I can see who has signed off on it below me, so that I know that my staff has verified the goods are received. If I have any concerns, I can refer it off and get that checked. It comes back. I tick a box. I hit "okay", and that is it.

Hon KEN TRAVERS: If people are claiming that they are not getting paid within the 30 days, is it because the invoice has gone to the agency and the agency is sitting on it?

Mr Marney: I would not be presumptuous enough to say that we are not responsible some of the time, but in 90 per cent of the time it is because the invoice goes to the agency because the agency has explicitly gone around the standard process.

Hon KEN TRAVERS: What would be the circumstances in which they would do that?

Mr Marney: Because that is what they have always done.

The CHAIR: Inertia.

Mr Marney: It is the challenge of change and redesigning business process. The biggest challenge in this whole project—I would say that it is an even greater challenge than the technology challenge—is getting people to change their business practice to a standardised practice. For example, we took a very large agency recently into the full suite of services. That means they go to a HR kiosk online to do their leave, check their pay slips and all that sort of stuff. Now, most agencies are already in a web-enabled environment for that sort of functionality. This agency was still on paper-based leave forms, so taking them from paper-based systems and processes to a very advanced and standardised vanilla technology process is a huge task.

Hon KEN TRAVERS: When do you get Premier and Cabinet rolled in? I am thinking about the issue of getting rid of paper-based leave applications.

The CHAIR: That rings a bell with me, too!

Mr Marney: They are rolled in for aspects. Again, the biggest challenge with Premier and Cabinet is that we have specific requirements around ministerial offices, electorate offices and members' offices, so it is a different ball game again, but we are trialling some specific solutions to ensure that we can find a way for those specific requirements to dovetail into the standardised processes. The easiest thing is credit cards—purchasing cards. No-one should be buying anything for less than five grand by any means other than via the purchasing card. That is because the accountability is great, which is probably why people avoid it, but the processing of it is so efficient.

Hon KEN TRAVERS: In terms of the verification of other payments, if it is all done electronically, is there a separate login system or is it done by general emails?

Mr Marney: No. It is separate, secure login, so I have to use a name and password and all that sort of stuff.

Hon KEN TRAVERS: It is not just done by emails, because lots of people have access to other people's email accounts?

Mr Marney: The email is only for notification so that I know I have got transactions to process in the system. It is my way of, kind of, keeping my work tray understood.

Hon KEN TRAVERS: If ever there was an allegation later on that someone must have gone in and done the processing and verification, is it the same as someone having given away their pin number for a credit card or whatever?

Mr Marney: Exactly. And there are normally numerous points of validation of a transaction. For transactions that come to me, I see the trail of history of who has endorsed it through the chain before I give the final tick and approve the payment. Those controls have been heavily audited. I think in the first year that I inherited Shared Services, there was a qualified audit of our controls. We have done a lot work to address those sorts of issues.

Hon PHILIP GARDINER: Have the 41 agencies fully accepted the processes, procedures and accountability with the complexities that you initially described having the switchover? Once they get into the system, they would probably be fine, but are the 41 agencies pretty well following your expectations?

Mr Marney: No, there is always room for further improvement. The reality of the corporate service back-office function is that, even within an agency, it is probably the most bagged functional area. There are always instances where pay processes fail, leave processes fall, accounts do not get paid or they get double paid. Corporate always cops the brunt of everything. Shared Services is the whole sector's corporate service, so if something goes wrong they are going to get whipped. It is a pretty tough gig, but I would have to say there are agencies that have embraced the reform and have actively driven the change processes. I take Main Roads as a case in point, which actually used elements of the change process to drive the business process change that they were seeking for a long time but did not have everything aligned to achieve it. There are other agencies that are rolled in, but are resisting a little in terms of some of those changes. But, generally speaking, once we get through the teething problems, after 10 or 12 weeks things settle down. There are agencies that are yet to roll-in that are the biggest antagonists against the quality of service from Shared Services, despite the fact that they do not actually receive those services yet.

Hon PHILIP GARDINER: On the history that you have been through where you have to have it in those individual departments to drive it, your experience must have given you some clues about what the best model is for that?

Mr Marney: Yes. We work very hard within the agencies. We start the engagement with the agencies 12 months ahead of their roll-in. We say, "Right, you are rolling in, let's get ready." We work with them over that period, then they are rolled in. We have my officers on the ground in the agency for a period after the roll-in until everything settles down, so they just run around and solve problems. But it requires investment by the agency itself as well, just as they would have to invest if they upgraded their existing enterprise system.

[3.20 pm]

Hon PHILIP GARDINER: Do not worry. I think it is an admirable project but I can see —

Mr Marney: Sorry; it was the question of what is the model that works best. The bottom line is if the head of the agency is supportive and articulates the need for everyone to progress, that is the key. To facilitate that we have a governance council that drives, monitors and holds the whole program, including myself, accountable for delivery. On that governance council are a couple of DGs who are existing clients of Shared Services, and DGs that are soon to roll in. For example, at the moment with Commerce coming up, the Director General of Commerce is on the governance council. They are actually in taking the decisions on the best way forward as part of driving the project for the whole sector but at the same time rolling in their own agency.

Hon PHILIP GARDINER: So that governing council's membership changes as you progress along?

Mr Marney: Yes; and it has evolved over time. Having said that, given we are now over halfway through the roll-in process, I have scheduled a series of workshops over the coming month with groups of directors general to get their feedback direct to me on where they are concerned, how it is going, where it could be improved within the constraints that we are dealing with—constraints being the amount of money we have got to spend on this and the amount of time we have got to do it.

Hon KEN TRAVERS: I had some questions about the procurement processes. One of the fears at the commencement of centralising the procurement and aggregating up the contracts was we would potentially lose capacity in the system within the state of potential suppliers. So, if you roll up and put it out as one big contract, all of a sudden the smaller potential competitors disappear and you are locked into only ever having the one provider of services available to you. What monitoring are you doing to ensure that is not occurring?

Mr Marney: I will ask John Tondut to take carriage of this question. John Tondut is the executive director of Building Management and Works but was previously the executive director of government procurement. A great deal of credit for the success of that reform goes to John.

Mr Tondut: The issue that you are raising is a very important part of developing the procurement strategy for the common-use contracts, which is, I think, largely the area you are talking about. When a new common-use contract is established, the team does a lot of market research to understand the market and often put out a draft request document to test the market's view around the approach before they actually do the tender. As part of the procurement reform program there were around about 45 or so new frameworks that occurred over about a four-year period. Many of those are now starting to come up for their renewal point, so the issues that you raise will be considered again as part of the review process before they are re-tendered. If you have a look across the 45 common-use contract frameworks there would be very, very few that are sole providers. In many cases, particularly where there is a oligopoly-type market, the framework quite deliberately kept it to no fewer than two, and often three, to find that balance between not taking the absolute best price but not being able to get it into the longer term. The contracts that I am aware of that have been re-bid, the learnings from them are producing marginally better outcomes second time around. I am not aware of any examples, and I am sure industry would have told us where we had seriously impacted and created a monopoly, basically. The teams are very, very conscious of not doing that. I think the frameworks that they develop are demonstrating that is not occurring.

Hon KEN TRAVERS: I think Housing and Works have just gone to it. They manage a whole range of individual contracts. They go to a chief contractor, who does the subcontracting out. I do not know whether it fits into your area, I have picked up a degree of concern amongst some of those small contractors that the head contractor is not giving the security of work tenure to be able to keep people employed. They may have had four or five people and would have known that they had a three-year contract and that gave them the security to be able to put people on and keep them on for a period of time. Now they are not getting that degree of commitment from the head contractor, for want of a better term, when the agency tries to aggregate that. Is that something you are involved with as an agency, or will we need to take it up with the individual agencies that deal with that sort of contracting process?

Mr Marney: It is a probably a matter for the Department of Housing.

Mr Tondut: I think it is a housing issue that you are referring to. Housing maintenance, is it?

Hon KEN TRAVERS: They are more government trading enterprises, which definitely would not be yours, but Housing and Works is the most recent one for which I had that feedback from smaller suppliers.

Mr Marney: We do not have influence over the procurement arrangements of the government trading entities. We do get involved in statutory authorities like the Rottnest Island Authority but not the major trading commercial entities.

Hon KEN TRAVERS: The old State Supply Commission had a monitoring role over that, did they not?

Mr Marney: To a minor extent, but we actually picked that up in government procurement, the monitoring component of that through the "Who Buys What" report. That was the main mechanism for that. We still produce that. The State Supply Commission still exists albeit within the Department of Treasury and Finance, so there is still that mechanism there for people to raise issues if they have concerns or complaints. Last financial year we had seven complaints to look at and investigate. Where those complaints are complex, we refer them either to the Ombudsman or to the

Auditor General. Although the State Supply Commission has been greatly reduced, I have not reduced the discharge of those responsibilities.

Hon PHILIP GARDINER: I will take up this related question again: you have explained you do not get involved and more goes back to the individual agencies themselves. What I am referring to is more in the regional areas where, for example, in the North West, Pilbara, the Kimberley and so on there is really a focus on trying to get building and construction and infrastructure up there in the housing areas; the affiliated infrastructure for those communities as well. If there are firms in those remote areas, is there a policy that comes from you or does that still go back to the individual agencies, about whether there is sufficient investigation to ensure that the capacity of those small firms might be good enough to do the jobs which are required for government buildings? I am aware of one instance where someone did establish offices up there and then, I thought very spuriously, was kind of cast out of it on grounds which I thought did not seem to be right nor reasonable. Does that come from a policy or does it come from just the way the other agencies administer it?

Mr Marney: There are a couple of settings in place to address that. I cannot answer on behalf of the Department of Housing. That is not an area of responsibility of ours. There is the "regional buying" policy which sets some parameters around ensuring regional opportunities are realised. We also have to facilitate both the purchase of goods and services and construction activity, and a network of Department of Treasury and Finance officers in regional areas whose job it is to coordinate, aggregate and optimise the buying of government agencies in those regional areas and to have a good understanding of the local market, its capacities, what can be delivered locally and at a competitive price, and what needs to be delivered by external providers outside that region.

[3.30 pm]

Hon PHILIP GARDINER: I sense that I have to take that up further elsewhere really.

Mr Marney: Yes.

The CHAIR: I think we might have concluded with questions.

I will just do the concluding part of this hearing. The committee will forward any additional questions it has to you via the minister in writing in the next couple of days, together with the transcript of evidence, which will include questions that you have taken on notice. If members have any unasked questions, I ask them to submit them to the committee clerk at the close of this hearing. Responses to these questions will be requested within 10 working days of receipt of the questions. Should the agency be unable to meet its due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. Finally, on behalf of the committee, thank you very much for your attendance this afternoon. It has been most useful.

Mr Marney: It is always a pleasure. Thank you.

Hearing concluded at 3.31 pm