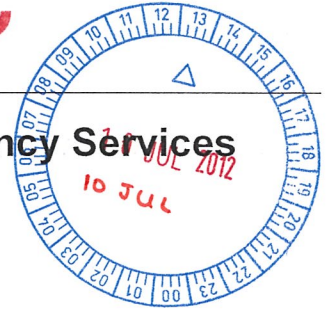




PUBLIC



Treasurer; Minister for Transport; Housing; Emergency Services

Our ref: 24-122285

Ms Samantha Parsons
Committee Clerk
Standing Committee on Estimates and Financial
Operations
Legislative Council
Parliament House
PERTH WA 6000

Dear Ms Parsons

SUPPLEMENTARY INFORMATION – DIVISION 24: TREASURY

Please find attached, a response to the requests for supplementary information at the 2012-13 Budget Estimates hearing of the Standing Committee on Estimates and Financial Operations for the Department of Treasury on Thursday, 7 June 2012.

Yours sincerely

**TROY BUSWELL MLA
TREASURER; MINISTER FOR TRANSPORT; HOUSING; EMERGENCY SERVICES**

Attach

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A1]

Question:

Hon Max Trenorden asked if there is anything unusual that is causing the cost of administering the Gold State Superannuation Scheme to increase over the forward estimates period.

Answer:

There are two main drivers for this forecast increase in the cost of administering the Gold State Superannuation scheme over the forward estimates period.

The first is due to GESB's accommodation lease at Central Park being due for a market rent review on 1 June 2012. GESB expects a significant increase in cost from the current level of \$402 per square metre to approximately \$750 per square metre; causing an increase of approximately \$1.8 million per annum. These fixed costs are allocated across the various superannuation schemes.

The second is due to GESB refining the way in which some administration processing costs are allocated to the superannuation schemes it administers - from a method which allocates costs to membership share, to one which reflects administration effort. GESB advises more administrative effort, and hence cost, is involved with administering the State's defined benefit schemes such as Gold State Super.

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A2]

Question:

Hon Ken Travers asked where does the \$12.5 million project in the Department of Water entitled "Pilbara Cities Initiative" appear in the Royalties for Regions Chapter in Budget Paper 3?

Answer:

The project is included in the Regional Infrastructure and Headworks Fund within the "Pilbara Cities Strategic Infrastructure (Asset Investment)" project (see Budget Paper 3 page 233).

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A3]

Question:

Hon Phillip Gardiner asked what is the correct treatment of the \$12.5 million project in the Department of Water (DoW) entitled "Pilbara Cities Initiative"?

Answer:

The treatment in the 2012-13 Budget is consistent with the Government's position on this project as communicated to Treasury as at the Budget cut-off date of 7 May 2012.

The DoW has confirmed that the groundwater investigation program involves drilling monitoring bores to obtain relevant data to make decisions on groundwater levels and quality. The money spent creates a series of assets (the monitoring bores) that have a useful life of multiple years, and these are capitalised in the DoW's financial statements and depreciated over their useful lives. As such the groundwater investigation program is capital in nature, as reflected in the Budget Papers.

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A4]

Question:

Hon Ken Travers asked what other projects are included in the \$22.9 million proposed to be spent in 2011-12 under the project on page 233 of Budget Paper 3 under the heading "Pilbara Cities Initiatives" and entitled "Pilbara Cities Strategic Infrastructure (Asset Investment).

Answer:

The following table reflects all projects for which expenditure is proposed in 2011-12 on the "Pilbara Cities Strategic Infrastructure (Asset Investment)" project under the heading "Pilbara Cities Initiatives" on page 233 of Budget Paper 3.

| Project | \$m |
|---|---------------|
| Karratha Service Workers Accommodation - environmental enhancement | 2.439 |
| Regional Health Administrative Accommodation | 1.263 |
| WACHS Staff Accommodation Transition Project | 0.938 |
| Hedland Senior High School | 3.350 |
| Combined Pilbara Water Projects - West Canning Basin Sandfire - | 12.500 |
| Combined Pilbara Water Projects - Fleetwood Searipple Village Wastewater Treatment Plant | 0.200 |
| Combined Pilbara Water Projects - Karratha WWTP 2 – Temporary Package Treatment Unit to Facilitate Land Development | 2.230 |
| Total | 22.910 |

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A5]

Question:

Hon Max Trenorden requested comment on why the dividends (and profits) for Verve and Western Power increase over the forward estimates period.

Answer:

The major reasons for Verve Energy's dividends (and profits) increasing are:

- growth in sales volumes of approximately 10% from 2011-12 to 2014-15, partly as a result of the commissioning of the new High Efficiency Gas Turbines and partly as a result of projected increased demand due to the construction of the Mid West Energy Project transmission line;
- short term impacts on costs that contribute to lower profitability in 2011-12 and 2012-13 (and the payment of dividends in 2012-13 and 2013-14). This arises as a result of the accounting treatment for Verve Energy's gas swap arrangement with a private sector counter party. Under the accounting treatment Verve Energy is required to value gas acquired under its gas swap arrangements based on (higher) discounted prices as per Verve Energy's new gas supply contract (due to begin in 2016) rather than the prices under the current contract (which are lower); and
- lower interest costs due to a steady reduction in debt levels over the period.

The major reasons for Western Power's dividends (and profits) increasing are:

- growth in revenue of approximately 27% from 2012-13 to 2015-16. This is based on an assumption around the increase in network tariffs which are yet to be set by the Economic Regulation Authority (ERA) for the period 2012-13 to 2016-17. The growth in revenue is also partly as a result of a higher return on assets (in terms of total value) due to the increase in Western Power's asset base; and
- relatively low growth in operating costs of less than 19% for the same period.

It is important to note that revenue and cost base assumptions will change according to the ERA's final decision on Western Power's Third Access Arrangement, which is expected later in 2012.

Correction:

During the hearing the Under Treasurer made the following statement:

Mr Marney: In the case of Verve Energy, Verve has been receiving payment in line with its costs for some time and through the forward years it receives increases in its revenues—its charges increase—in line with its capital at a rate of return on capital as determined by the Economic Regulation Authority. So in that sense, it does not benefit from the increase in energy tariffs that flow in from Synergy, because it is already at cost-reflective charging in terms of its pricing regime. So the assertion that is associated with the increase in charges is incorrect, because they are already at a cost reflectivity, but there is significant variation in those numbers and I would be happy to give as supplementary.

Please note that the Economic Regulation Authority does not determine the rate of return achieved by Verve Energy. Therefore it would be appreciated if the words underlined could be removed from the transcript.

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A6]

Question:

Hon Ken Travers asked what the long-run borrowing rate was over the period that we achieved the 5.2% earning rate on the PBA (ie backward looking from June 2001 to March 2012).

Answer:

The average interest cost for Consolidated Account borrowings over the period from 2001-02 through to March 2012, after adjusting for a one-off premium of \$3.7 million on early repayment of \$244 million of debt in 2005-06, was 5.16%.

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A7]

Question:

Hon Philip Gardiner asked what is the FTE ceiling in 2011-12 for the top 15 agencies.

Answer:

| | |
|--|---|
| Department of Education | 33,222 (includes operational and non-operational) |
| Department of Health | 33,145 (includes operational and non-operational) |
| Western Australia Police | 7,661 (includes operational and non-operational) |
| Department of Corrective Services | 4,429 |
| Department of the Attorney General | 2,296 |
| Department for Child Protection | 2,216 |
| Department of Environment and Conservation | 1,965 |
| Disability Services Commission | 1,723 |
| Department of Transport | 1,468 |
| Fire and Emergency Services | 1,422 |
| Department of Finance | 1,420 |
| Department of Agriculture and Food | 1,275 |
| Polytechnic West | 1,185 |
| Central Institute of Technology | 1,070 |
| Department of Commerce | 1,030 |

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A8]

Question:

Hon Ken Travers asked for a reconciliation of Royalties for Regions (RfR) spend and appropriation over the forward estimates period.

Answer:

The following table outlines RfR appropriation and expenditure across the forward estimates:

Royalties for Regions (RfR) Program

| | 2011-12 Estimated Actual \$'000 | 2012-13 Budget \$'000 | 2013-14 Forward Estimate \$'000 | 2014-15 Forward Estimate \$'000 | 2015-16 Forward Estimate \$'000 |
|--|--|-----------------------------|--|--|--|
| Deposits into RfR Fund | | | | | |
| Capital | 510,950 | 563,058 | 618,158 | 461,680 | 637,985 |
| Recurrent | 687,625 | 654,767 | 865,117 | 1,097,970 | 1,002,840 |
| Total Appropriation | 1,198,575 | 1,217,825 | 1,483,275 | 1,559,650 | 1,640,825 |
| Disbursements from RfR Fund | | | | | |
| Expenditure Program | 1,205,085 | 1,121,669 | 1,207,879 | 1,079,364 | 949,454 |
| Transfer to Future Fund | 0 | 297,700 | 259,800 | 241,600 | 243,800 |
| Funded through | | | | | |
| Cash balance in agencies | 164,013 | 9,245 | 0 | 0 | 0 |
| Drawdown from RfR Fund | 1,041,072 | 1,410,124 | 1,467,679 | 1,320,964 | 1,193,254 |

Correction:

In response to a question by the Hon Ken Travers the Under Treasurer advised that funds in the Regional Development Fund are outside the \$1 billion cap on funds within the RfR Fund. Please note that the Regional Development Fund sits within the overall RfR Fund and funds in the Regional Development Fund do impact on the \$1 billion cap.

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A9]

Question:

Hon Ken Travers asked what SPAs exist across the sector and what are their latest available balances.

Answer:

Records of Special Purpose Accounts (SPAs) held by government agencies are maintained in their own financial systems and reported on in their individual Annual Reports. Information on all such accounts across the public sector is not maintained centrally by the Department of Treasury.

The SPAs administered by the Department of Treasury, and their balances, are listed below:

| Treasurer's Special Purpose Accounts | Balance As at 7 June 2012 |
|---|------------------------------|
| | \$ |
| Accrued Salaries | 146,094,897.65 |
| Bankwest Pension Trust | 8,121,000.00 |
| Commonwealth Payments For Specific Purposes Account | 452,544,801.63 |
| Departmental Receipts in Suspense | 3,472,803.08 |
| Fiona Stanley Hospital Construction Account | 335,258,819.08 |
| Independent Schools – General Building Grants | 1,818,504.60 |
| Independent Schools – Recurrent Grants Schools Assistance Acts | 61,277.70 |
| Jervoise Bay Infrastructure Development Trust Account | 9,158,186.42 |
| Local Authorities Tax Sharing Entitlements Account | 35.07 |
| Mortgage Monies Under Transfer of Land Act | 76,222.95 |
| Non-government Schools – Other Recurrent Grants | 950,895.00 |
| Public Bank Account Interest Earned Account | 67,085,291.56 |
| Royalties For Regions Fund | 674,073,787.89 |
| Statutory Authorities Investment Account | 144,256,607.56 |
| Tariff Equalisation Fund | 0.00 |
| Indian Ocean Territories | 364,715.67 |
| Perry Lakes Maintenance Account | 5,588,882.40 |
| Toodyay Fire Victims Fund Account | 3,056,472.56 |
| Purchasing Card Common Use Arrangement – Financial Incentive Payments | 6.95 |
| New Children's Hospital | 423,172,000.00 |
| Holding Accounts | 6,340,781,000.00 |
| Departmental Receipts in Suspense – Office of State Revenue | 736.93 |
| Perth's New Major Stadium Construction Account ¹ | 0.00 |

¹ Following the release of the 2010-11 Annual Report on State Finances (in September 2011), the Government announced that \$100 million of the higher than expected surplus outcome would be allocated to a SPA for the new stadium. Consistent with the 2012-13 Budget Papers, this amount will be transferred to the SPA early in the 2012 -13 financial year.

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A10]

Question:

Hon Ken Travers requested advice on the details of the status of the Statements of Corporate Intent for 2011-12 for any organizations required to submit them.

Answer:

The table below lists the agencies that are required to prepare a Statement of Corporate Intent (SCI) with comment on whether the reports have been submitted to the Treasurer and if the Treasurer has provided his concurrence.

**SCIs for 2011-12
(as at 7 June 2012)**

| Agency | Submitted to Treasurer (Y/N) | Concurrence Provided (Y/N) |
|---|---------------------------------|-------------------------------|
| Albany Port Authority | No | No |
| Broome Port Authority | No | No |
| Bunbury Port Authority | No | No |
| Chemistry Centre | Yes | Yes |
| Dampier Port Authority | No | No |
| Esperance Port Authority | No | No |
| Forest Products Commission | Yes | Yes |
| Fremantle Port Authority | Yes | Yes |
| Geraldton Port Authority | No | No |
| Gold Corporation | Yes | Yes |
| Government Employees Superannuation Board | Yes | Yes |
| Horizon Power | Yes | No ¹ |
| Insurance Commission of WA | Yes | No ² |
| LandCorp | Yes | Yes |
| Landgate | Yes | Yes |
| Lotterywest | Yes | Yes |
| Port Hedland Port Authority | No | No |
| Racing and Wagering WA | Yes | Yes |
| Synergy | Yes | Yes |
| Verve | Yes | Yes |
| Water Corporation | Yes | Yes |
| Western Australian Treasury Corporation | Yes | Yes |
| Western Power | Yes | Yes |

¹ The strategic direction in the Horizon Power's draft SCI did not align with the Government's objectives and has not been resubmitted at this time.

² The draft SCI for ICWA was not consistent with the Government's strategic priorities and has subsequently been revised and resubmitted to the Treasurer for concurrence. It is expected that the SCI will be approved shortly

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A11]

Question:

Hon Max Trenorden asked what is the basis used for the increase in the Treasury Administered item related to the Government Insurance Fund (GIF) (Item 41)

Answer:

The partly funded GIF was replaced on 1 July 1997 by the fully funded RiskCover scheme. The Insurance Commission of Western Australia (ICWA) manages the unfunded GIF liabilities of Consolidated Account supported agencies that accumulated prior to 1 July 1997. Claims are paid on an emerging cost basis by ICWA and then recouped from the Consolidated Account through Item 41. The duration for which these claims will continue to exist is not clear but they are considered to be long term (i.e. measured in decades).

The reimbursements to ICWA depend on the timing of claims, which can vary significantly from year to year. Forward estimates for the budget are provided by ICWA and are actuarially based on long-term average annual claims.

LEGISLATIVE COUNCIL – STANDING COMMITTEE ON ESTIMATES AND
FINANCIAL OPERATIONS

Date of Hearing: 7 June 2012

Division No. 24: Treasury

[Supplementary Information No. A12]

Question:

Hon Philip Gardiner asked if the Government has considered a cooperative entity model for its utilities?

Answer:

No consideration has been given to such a model.