

# **STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS**

**2021–22 BUDGET ESTIMATES**



**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
THURSDAY, 21 OCTOBER 2021**

**SESSION TWO  
DEPARTMENT OF TREASURY**

**Members  
Hon Peter Collier (Chair)  
Hon Samantha Rowe (Deputy Chair)  
Hon Jackie Jarvis  
Hon Nick Goiran  
Hon Dr Brad Pettitt**

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**Hearing commenced at 12 noon****Hon STEPHEN DAWSON****Minister for Mental Health representing the Treasurer, examined:****Mr MICHAEL BARNES****Under Treasurer, examined:****Mr MICHAEL COURT****Deputy Under Treasurer, examined:****Mr RICHARD WATSON****Executive Director, Infrastructure and Finance, examined:****Mr MICHAEL ANDREWS****Acting Executive Director, Strategic Policy and Evaluation, examined:****Ms PAULINE BURTON****Chief Finance Officer, examined:****Mr ALISTAIR JONES****Executive Director, Economic, examined:****Mr DANIEL LINES****Principal Policy Adviser, examined:**

**The DEPUTY CHAIR:** Welcome to today's estimates hearing. The committee acknowledges and honours the traditional owners of the ancestral lands upon which we meet today, the Whadjuk Noongar people, and pays its respects to their elders both past and present.

Witnesses, if you could please state your full name, the capacity in which you appear before the committee, and if you could indicate, please, whether you have read, understood and signed a document titled "Information for Witnesses".

Your testimony before the committee must be complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and broadcast live on the Parliament's website. The committee will place the uncorrected transcript of your evidence on the internet a few days after the hearing. When the transcript is finalised, the uncorrected version will be replaced by the finalised version. This is a public hearing but the committee can elect to hear evidence in private. If for some reason you wish to make a confidential statement, you should request that that evidence be taken in closed session before answering the question. Members, before asking your question, I ask that you provide the relevant page and paragraph numbers.

Minister, would you like to make an opening statement?

**Hon STEPHEN DAWSON:** I do not need to, thank you, deputy chair.

**The DEPUTY CHAIR:** Thank you, then we will move straight into questions. Hon Jackie Jarvis.

**Hon JACKIE JARVIS:** Thank you, deputy chair. Minister, I am just referring to budget paper No 3, right off the bat. On page 4 of that economic fiscal outlook, there is a grey box, "Application of higher

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operating surpluses". I am just trying to understand that in layman's terms. It talks about the pre-election financial projections statement, and that the estimated general government operating surplus has been revised up by \$2.5 billion due to increased iron ore prices and higher tax collections. I am just trying to clarify: that application of higher operating surpluses, is that then saying that that has funded those items that are listed on page 5?

**Hon STEPHEN DAWSON:** That is correct, but I am not sure if the Under Treasurer wants to give a more fulsome response than that.

**Mr BARNES:** I am happy to. Thanks, minister. That is correct, members. The upward revision since the PFPS at budget time to the 2020–21 operating surplus was that \$2.5 billion figure that you mentioned. The final audited surplus for the last financial year actually came in \$200 million higher at \$5.8 billion, but at the time of the budget, it was \$2.5 billion.

The items listed on page 5 are what the government has decided to do with that higher operating surplus. The government has essentially decided to park that additional cash in a series of special purpose accounts for the items listed on page 5 so that we do not have to borrow for those emerging spending pressures in future years; they are all now cash funded. Expenditure against those special purpose accounts will be made over coming years.

**Hon JACKIE JARVIS:** How long can the funds in the special purpose accounts stay in there and be drawn down? Is there a finite time or an expected drawdown time?

**Mr BARNES:** The cash that is currently sitting in most of those special purpose accounts will be spent entirely by the end of the forward estimates period. The key exception to that would be the \$350 million for the expansion of the state's softwood plantation estate. That is a 10-year spend on that item, but pretty much all the rest of those items listed on page 5 are expected to be fully expended by the end of the forward estimates period.

**Hon NICK GOIRAN:** I also would like to yield most of my time to the shadow Treasurer, but I would just like to follow up on something that came out from the last session with the Department of Justice that they said—and I am paraphrasing—was the fault of Treasury.

**Hon STEPHEN DAWSON:** Oh, really? Tell us who said it, honourable member!

**Hon NICK GOIRAN:** In fairness, they did not use the word "fault", but I think there is a bit of a disconnect here. I take the minister to budget paper No 2, volume 2, and the table on page 442 headed "Details of Controlled Grants and Subsidies". I am particularly looking at the second line item, "Criminal Injuries Compensation Payments". The minister will see that the budget was \$31.8 million.

**Hon STEPHEN DAWSON:** I am on page 442; tell me the spot again?

**Hon NICK GOIRAN:** "Details of Controlled Grants and Subsidies" at the bottom of the page, and the second line item, "Criminal Injuries Compensation Payments". The budget is \$31.8 million for the last financial year, but the estimated actual more than doubles that at \$68.5 million. The minister will see that the budget for the current year and the out years is all \$31.8 million. The issue here is that the criminal injuries compensation scheme has historically had three assessors who make these awards. The government has now put on a fourth assessor that was originally intended to be temporary. It is now a permanent position, so naturally there will be a constant flow of awards being made by this fourth assessor. That would have to have a material impact on the quantum of awards that are made per year, and there is simply no way that the budget of \$31.8 million can possibly be attained this year. It will be blown out again this year and in each of the following years. My question is, firstly, is Treasury aware of this; and secondly, what do they intend to do about it?

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[12.10 pm]

**Hon STEPHEN DAWSON:** I will ask Mr Andrews to comment. I think the reason why the honourable member is asking this question here is because Treasury prepared the budget papers and therefore it is an issue that is in your budget papers, so you have to provide an answer.

**Hon NICK GOIRAN:** That is what we were told.

**Mr BARNES:** It is always the other one!

**Hon STEPHEN DAWSON:** That is what Justice said apparently!

I do not think we have anything with us, but I will ask Mr Andrews to provide a response as best he can.

**Mr ANDREWS:** We are working very closely with the Department of Justice around this particular issue. We are well aware of the fact that there has been a significant uptick in criminal compensation claims in 2020–21. As you spelt out, there is a significant difference in terms of what has been provisioned and what the actual was. As you quite rightly pointed out, it is being driven by more assessors and there is a significant backlog. So what we are doing is trying to ascertain what that level is required going forward, both in this budget year and in the forward estimates. That will be addressed as part of the next budget.

**Hon NICK GOIRAN:** There will be a midyear update. Will it be addressed in that process rather than next year's budget? Because that \$31.8 million is just not going to be met; it is going to be blown out.

**Hon STEPHEN DAWSON:** I do not think a decision has been made on where it might appear yet. It is a live issue so it could potentially appear in the midyear review or it could be, depending on how the conversations go, with Justice, but it is a live issue, member. I am not trying to frustrate you; it is a live issue and there is work being done on it.

**Hon NICK GOIRAN:** It is now squarely to the attention of Treasury so no doubt it will be attended to in the fullness of time.

**Hon STEPHEN DAWSON:** You have certainly succeeded in doing that.

**Hon NICK GOIRAN:** Thank you.

**Hon Dr STEVE THOMAS:** Given the very good question from Hon Jackie Jarvis, minister, we might go back to the special purpose accounts, if that is all right with you. We will start on budget paper No 3, page 265 through to page 275. So, 10 pages of special purpose accounts. There are a number of new special purpose accounts. Can you give us an indication of how much of the budget surpluses have been put into brand new special purpose accounts? Can I perhaps have a list of those special purpose accounts and which financial years' surpluses have been deposited into them?

**Hon STEPHEN DAWSON:** I probably cannot tell you how much of the budget surplus has been put into the accounts. We probably can tell you, though, the amount that has been put into those new special purpose accounts. I think the Under Treasurer is best placed to do that.

**Hon Dr STEVE THOMAS:** My calculation is \$3.9-odd billion, but let us see what Treasury has.

**Mr BARNES:** Member, I would refer you back to the feature box on page 5 of budget paper No 3. Those special purpose accounts are the new ones created in this budget—so the climate action fund, the social housing investment fund, the digital capability fund and the Westport special purpose account. Those accounts add up to \$2.4 billion.

**Hon Dr STEVE THOMAS:** So you do not include the women and newborn health services relocation account, because that had nothing in it in 2021–22 but is \$1.787 billion in 2021–22?

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**Mr BARNES:** Member, that special purpose account for the women's and babies' hospital was established, or approved, as part of the midyear review last year. So it was announced as part of the midyear review in December last year. The reason it appears in that appendix that you are referring to is because the appropriation—the \$1.787 billion—is appropriated in this budget in the 2021–22 budget year, but it was announced back in the midyear review.

**Hon Dr STEVE THOMAS:** Okay; so we will need to go into this in a little bit more detail. If you include that in there —

**Hon STEPHEN DAWSON:** It is not new, honourable member, because it was announced previously.

**Hon Dr STEVE THOMAS:** Well, the money is new—the account.

**Hon STEPHEN DAWSON:** Sorry; it is semantics. We are not trying to be unhelpful here. That is just the understanding that because it was previously announced, it is not a new account.

**Hon Dr STEVE THOMAS:** I would never accuse you of being unhelpful, minister.

**Hon STEPHEN DAWSON:** I get accused of it often, honourable member, but not by you!

**Hon Dr STEVE THOMAS:** Let us run through these in a little bit more detail. On page 265 is the climate action fund, which is separate, of course, to the pine plantations, which you have mentioned before. Of the \$166 million, \$50 million is dedicated to hydrogen and \$118 million is dedicated to something else. Do we know what the breakdown of the expected expenditure of that account is?

**Hon STEPHEN DAWSON:** I will ask the Under Treasurer to provide an answer to that.

**Mr BARNES:** Member, the \$118 million that is unspecified, if you like, is a global provision. Since the budget cut-off date back in early August, the government made the decision to cease native timber logging, and as part of that decision \$50 million was set aside for a just transition plan for transitional workers' assistance. That \$50 million just transition plan is funded out of that \$118 million global provision. So that is the first \$50 million of the \$118 million, so there is \$68 million left in that global provision for as yet unspecified future climate-related initiatives.

**Hon Dr STEVE THOMAS:** The digital capacity fund is \$500 million. That is on pages 266 and 267. Of which there are some payments approved—\$13.9 million, \$10.6 million, \$8.1 million and \$3.1 million. It then says a further \$200 million of the fund has been set aside, but those numbers for the payments that are approved here add up to nowhere near \$300 million, so how much of that fund is being specifically allocated and how much is in a—chair, during the debates prior to the election I got into a lot of trouble apparently for calling things “slush funds”, but let us call them “holding funds” for the time being. How much is attributed and how much is a holding fund for as yet unimagined things?

**Hon STEPHEN DAWSON:** I refer you to page 266 where it says, “Payments approved as part of the 2021–22 Budget include”, and there are four elements there. That is \$36 million and then there is \$200 million on page 267 that is set aside for future health sector ICT projects, so that is \$236 million.

**Hon Dr STEVE THOMAS:** But do we know what they are, minister, or are they just potential future projects?

**Hon STEPHEN DAWSON:** I am told they will be considered as part of the midyear review.

**Hon Dr STEVE THOMAS:** That is nearly half of the \$500 million that is set aside in the, shall we say, chair, holding fund. I am not going to call it a slush fund or a blind trust but, you know, let us call it a holding fund. So what is the other half of the holding fund?

**Hon STEPHEN DAWSON:** I think the Under Treasurer tells me that the likelihood is that the majority of the fund may well be consumed at the midyear review.

**Hon Dr STEVE THOMAS:** Right; okay. But we do not know. At this point, though, we have got, effectively, \$36 million attributed out of a \$500-million fund and you are suggesting that we take the other \$464 million on trust?

**Hon STEPHEN DAWSON:** Honourable member, just to be helpful, there is a process that is ongoing across government at the moment in relation to the digital capability fund. Perhaps I will ask the Under Treasurer if he can talk to you about that fund and the process that is ongoing at the moment.

**Mr BARNES:** Thanks, minister. Member, we saw a significant ask coming our way for ICT-related projects across the public sector. The creation of this fund, firstly, set up a dedicated funding source to deal with those requests that we knew were coming. We have not had a dedicated funding source like that up until now. But also, we put in place as part of this digital capability fund a whole-of-government governance structure to enable us to prioritise all of these competing ICT-related projects that are coming our way. That governance structure includes Premier and Cabinet, the Office of Digital Government, Treasury and an independent ICT industry person. At budget time, we did receive a lot of ICT-related business cases. As part of setting up this fund, what we wanted to do was not consider them in an ad hoc way, but refer them to this new governance process, this new prioritisation process, so that we can basically rank them against a set of criteria which have been established. Then, once we had done that through this new governance structure, we will report back to ERC as part of the midyear review and we will say, “You’ve got \$464 million left in that fund. Here’s the ranking of all the projects that have been submitted, and, ERC, we recommend you fund projects 1 through to X.” That is the new process that has been established as part of this fund.

**Hon Dr STEVE THOMAS:** I just note that in response to the question of Hon Jackie Jarvis the suggestion was that a lot of these special purpose funds would generally be acquitted in the next 12 months.

[12.20 pm]

**Hon STEPHEN DAWSON:** I think the answer to Hon Jackie Jarvis was that the funds would be acquitted over the majority of the next four years.

**Hon Dr STEVE THOMAS:** Sorry, you are right—over the next four years. So you would expect that project to be finished in a four-year period, then?

**Hon STEPHEN DAWSON:** We have assumed it will be spent in the next four years.

**Hon Dr STEVE THOMAS:** Okay. Just do not call it the office of shared services, minister. I think that one has already been taken! I just have a couple more, then, before we move off this.

**Hon STEPHEN DAWSON:** Just to clarify, honourable member, we are not creating a new office to do this work. This is work that is being done by various agencies who have made submissions, as the Under Treasurer said, to access this funding.

**Hon Dr STEVE THOMAS:** Can I ask then, on page 271, what sort of overview does Treasury have under the royalties for regions fund, the special purpose account?

**Hon STEPHEN DAWSON:** I am glad you are asking me rather than the Minister for Regional Development.

**Hon Dr STEVE THOMAS:** Oh, that is coming up later. Don’t worry!

**Hon STEPHEN DAWSON:** Treasury has a great deal of oversight of the royalties for regions fund, and this was one of the main differences from the McGowan government to the Barnett government.

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Obviously, John Langoulant, in his special review, indicated that there needed to be more safeguards around the royalties for regions fund, which the state has taken on board. In terms of how it works practically, does the Under Treasurer have more to say?

**Mr BARNES:** Member, yes, the minister indicated that royalties for regions—funded programs or projects are progressed by Treasury through the normal ERC process, so, in that regard, they are no different from any other funding source. We just treat royalties for regions as another funding source. But the spending decision is made through ERC with Treasury advice like any other spending decision that would go through ERC. DPIRD have also seconded a full-time officer to work in Treasury, to work with Treasury officers to manage the royalties for regions budget, so it is a very close collaboration.

**Hon Dr STEVE THOMAS:** Thank you. That is an excellent answer. Can I then ask as a follow-on —

**Hon STEPHEN DAWSON:** As you know, we aim to please, honourable member.

**Hon Dr STEVE THOMAS:** Oh, you are a very, very thoughtful minister.

**Hon STEPHEN DAWSON:** It is a team. It is a team effort today, honourable member.

**Hon Dr STEVE THOMAS:** Excellent work.

Does Treasury overview the business cases developed for royalties for regions projects and plans?

**Hon STEPHEN DAWSON:** The Under Treasurer again.

**Mr BARNES:** Member, typically, we do not work with DPIRD or other agencies in developing those business cases, but we review the business cases once they are submitted and we provide advice to ERC on those business cases.

**Hon Dr STEVE THOMAS:** Excellent! Thank you. Minister, can I ask quite specifically, then, because DPIRD itself is a major recipient of royalties for regions funds, do you receive business cases and audits and reviews on DPIRD projects specifically when you overview the royalties for regions program?

**Hon STEPHEN DAWSON:** Yes, it is just another funding source. It is treated like every other spending decision. So DPIRD have to make the case for the money that they want to access from the fund and then if it is ongoing or they want to roll over something that they have been funding for the last couple of years and they want to roll over the money for another period of time, they have to provide a business case for that rollover and that is considered as part of the ERC process.

**Hon Dr STEVE THOMAS:** And just on royalties for regions, is there also an audit process at the end of the projects, and does Treasury overview any of that, especially given the mention of the Langoulant report?

**Hon STEPHEN DAWSON:** I will ask the Under Treasurer to comment.

**Mr BARNES:** Member, our role is really in setting the royalties for regions budget and in assessing each of those royalties for regions—funded proposals that come to ERC. So we do not play an auditing role. We are not auditors. Our involvement is up front in the setting of the budget and providing advice to ERC on the business cases. DPIRD, obviously, does an acquittal process against the royalties for regions program at the end of each financial year and then they report the outcomes of that acquittal process to Treasury.

**Hon Dr STEVE THOMAS:** Through you, minister. So Treasury does get a report afterwards of the outcomes, not whether that is an audited report? I would be interested to know whether they are audited outcomes—again, particularly because the Langoulant report was mentioned.

**Hon STEPHEN DAWSON:** Sure. I will ask Mr Watson if he can answer that one, please.

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**Mr WATSON:** The Auditor General annually audits the department's administration of the fund, so that is a statutory audit. Treasury reviews program evaluations. When a program is submitted for funding for another several years, there is a requirement for a program evaluation to assess the impact of those programs and that comes through as part of the business case for new funding.

**Hon Dr STEVE THOMAS:** Thank you. Maybe one last one before you give someone else a go, chair. I know I have had a good session.

On page 272, minister, there are two funds: "Social Housing Investment Fund" and "Softwood Plantation Expansion Fund". They are both new funds. If the indication was, as I think it was before, that over the forward estimates the entire \$750 million of the Social Housing Investment Fund was to be, if not delivered, at least perhaps, contracted, and I presume that is the intent that it would be contracted out. Given that the rollout has been remarkably slow to date, with all of the pressures of workforce and materials notwithstanding, is it feasible, then, that you are likely to meet that time frame?

**Hon STEPHEN DAWSON:** The budget assumes that all of that money will be expended in the forward estimates period, but the building of the houses—some of that may well be outside of the forward estimates.

**Hon Dr STEVE THOMAS:** The budget can assume, but it might not be deliverable, potentially.

**Hon STEPHEN DAWSON:** Look, as you alluded to, it is challenging in many respects at the moment. The state's residential construction industry is very busy. But what we are looking at doing is having innovative solutions or innovative approaches to delivering more social housing, so that includes things like modular housing, for example. But it is a challenging time. What we saw was banks not lend for a period of time for new houses in Western Australia, and then, obviously, they are lending again, but we saw thousands of workers who previously lived in other states and territories and FIFO-ed into WA move to Western Australia. There are lots of variables at the moment but, certainly, the intention is that money is spent over the next four years.

**Hon Dr STEVE THOMAS:** One last quick one. Just to jump back to the royalties for regions fund a couple of pages earlier. Does the Department of Treasury keep a running total of what I call the trans-subsidisation but you might, I suspect, call substitutions of funding from the royalties for regions fund banked into the consolidated fund? Is there a substitutions running sheet that you can give us an indication of the approximately half of the funding that is going into substitution?

**Hon STEPHEN DAWSON:** The short answer is no; there is no running sheet. It is all subsumed. It is all business as usual.

**Hon Dr STEVE THOMAS:** You have no figures of the substitution rate—the trans-subsidisation rate?

**Hon STEPHEN DAWSON:** No, because it is all part of the budget. What I can draw your attention to, though, is budget paper No 3, page 207, "Investing in Regional Western Australia". This highlights the record \$9.1 billion asset investment program in the regions over the next four years to 2024–25. In that, that does allude to, as far as I am aware, about nine per cent of that money comes from the royalties for regions bucket of money. The rest of it is from consolidated revenue.

**Hon Dr STEVE THOMAS:** That is the glossy brochure version, minister, rather than the deep down facts.

**Hon STEPHEN DAWSON:** Well, we do not track it everywhere else, but we are aware that of that \$9.1 billion, nine per cent of it is from royalties for regions. The rest of it—so, 91 per cent of it—is from consolidated revenue. It just shows that not only is regional Western Australia getting access to royalties for regions money, but it is also getting a significant investment from the consolidated

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revenue to ensure that regional Western Australia gets access to the services that regional Western Australia needs.

**Hon Dr STEVE THOMAS:** But the Treasury does not keep a running tally on substitution and neither does the Department of Regional Development, according to previous questions, so nobody is actually managing or monitoring the trans-subsidisation process in this state. I would find that very difficult to believe, chair. I suspect it might be one of those things that the minister does not get told.

[12.30 pm]

**Hon STEPHEN DAWSON:** No; honourable member, this is the Under Treasurer telling me. What Treasury does keep a running tally of is every dollar that is spent out of royalties for regions, and that features on pages 216 to 224 of budget paper No 3. But what it does not have is a list, as you have asked for. That does not exist, honourable member, but everything that is spent out of royalties for regions is there.

The other point you alluded to earlier on was the softwood plantation fund. I think you touched on that. I am not sure whether you heard: while the intention is to spend the majority of the money in the other special purpose accounts, for this one, as the Under Treasurer previously indicated—that \$350 million—the intention is to spend that over 10 years.

**Hon Dr STEVE THOMAS:** I did hear that.

**Hon STEPHEN DAWSON:** You touched on softwood briefly, but I did not answer it.

**Hon Dr STEVE THOMAS:** This is not the estimates to ask detailed questions on that fund really! Treasury do not know a lot about planting trees, I suspect!

**Hon STEPHEN DAWSON:** No; we know the money is there and the money should be spent, but in terms of how they are going to spend it, obviously the Forest Products Commission were in earlier this week and perhaps those questions were asked of them.

**Hon TJORN SIBMA:** My questions concern the “Global Outlook”, as it is referred to, on pages 23, 24, 25 and so on in budget paper No 3. I have some interest in the current domestic economy of China and potentially, if not already, the inevitable collapse of Evergrande over there and the potential for spillover effects. How closely is Treasury watching that issue and related issues?

**Hon STEPHEN DAWSON:** I will ask the Under Treasurer to comment on that.

**Mr BARNES:** Member, we are certainly watching that very closely. The property sector in China, we estimate, accounts for anywhere between 25 and 35 per cent of China’s total steel consumption. It is, obviously, a major driver of their demand for iron ore. There are a couple of things going on. The authorities in China are clearly deliberately trying to cool the property market to curb house price growth, particularly in the tier 1 cities. There are policy moves to try to achieve that cooling. Then we have this situation with Evergrande—to be perfectly frank, I do not know how that is going to pan out. I am not sure anyone really does. We think/hope that there will be some kind of restructure of Evergrande. I do not think we will see a government bailout, but more of a commercial restructure. Evergrande has already flagged selling off parts of its business to help it meet its debt obligations. We are keeping a very close watching brief on that, obviously, but exactly how that is going to pan out, I cannot honestly say.

**Hon TJORN SIBMA:** May I ask some follow-ups, minister, on this issue; in a strategic sense, not in a political sense. What forecasts are you relying on in terms of the growth or the deceleration of the Chinese economy, say, over the course of the next five to 10 years? We are, obviously, coming down off some extraordinary and unsustainable growth. This sounds like an oxymoron: any sort of

accelerated deceleration or contraction in the economy, how vulnerable is the Western Australian government's revenue line to a three to five per cent contraction in the Chinese economy over the next 18 to 24 to 36 months?

**Hon STEPHEN DAWSON:** I ask the Under Treasurer to comment.

**Mr BARNES:** If that scenario played out, we would feel the impact of that through the iron ore price much more so than our volumes of iron ore exports. We estimate that about 93 per cent of our iron ore export volumes are safe from a decline in demand from China and elsewhere, because they are such low cost, capital intensive, efficient, high-quality operations, and they continued trading unabated through the previous downturn in 2014–15 in China. Volumes were not impacted at all back then, nor were they through the GFC. I think our export volumes would be largely safe, but with that sort of scenario we would certainly feel it through a reduced iron ore price. As you know, we have what I regard as a fairly conservative iron ore price assumption underpinning the budget, which is an assumed return to the long-run average price of \$US66 a tonne by March 2022. That provides a bit of a buffer against that sort of scenario. The risk would be if such a scenario saw the price dip below that long-run average.

**Hon TJORN SIBMA:** I have some follow-up questions. How much time might I have, chair, because I might recalibrate?

**The DEPUTY CHAIR:** I think there is enough time for you to have 10 to 15 minutes in total.

**Hon TJORN SIBMA:** I might ask about special purpose accounts; it has been a bit of a theme of today. Can I get some clarity, please, on the debt reduction account, which appears on page 266 of budget paper No 3? If I correctly understood the contribution of the Under Treasurer previously, the \$2.7 billion listed there as the balance will be expended over the course of the estimates in debt reduction or is there going to be an element of that which is preserved?

**Hon STEPHEN DAWSON:** I will ask the Under Treasurer to comment.

**Mr BARNES:** Member, the debt reduction account is somewhat different from the other special purpose accounts. It is, essentially, money in and out of that account in the same financial year. The figure you refer to is our GST top-up grant from the commonwealth government which is, I think, \$2.1 billion, from memory, in this current year, plus almost \$600 million in dividends from the insurance commission and the WA Treasury Corporation. If you combine those two things, you get your \$2.7 billion.

**Hon TJORN SIBMA:** May I ask a question there: that, obviously, excludes the windfall gain of the Bell litigation which is presumably already expended, or is that included in this figure?

**Mr BARNES:** It is part of, so —

**Hon TJORN SIBMA:** It is part of this figure?

**Mr BARNES:** Yes. The government has made a decision that the dividends from the insurance commission and the WA Treasury Corporation, which together are \$587 million, will be used to repay existing consolidated account debt in this current year. That is part of that \$2.7 billion. The other \$2.1 billion is our GST top-up grant from the commonwealth. That \$2.1 billion is not being used to repay existing debt, but it is being used to cash fund, and therefore avoid new debt, spending obligations.

**Hon TJORN SIBMA:** I see. Is there a strategic intention on behalf of Treasury to grow the size of that account to provide for that kind of flexibility over the estimates or is this episodic? I am trying to get a sense of what the strategy is here with the utilisation of this account over the estimates and potentially beyond.

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**Hon STEPHEN DAWSON:** Honourable member, that will be a policy decision of government as opposed to a decision of Treasury.

**Hon TJORN SIBMA:** Okay. Presumably Treasury has a sound economic view on the utilisation of that account that the government would consider, minister.

**Hon STEPHEN DAWSON:** Sure; and Treasury makes their views known to government and to cabinet, often.

**Hon TJORN SIBMA:** That is fine. Colour me shocked, minister, but could I ask another question about this fund, please: this might be a future decision of government, minister, so it might be better directed towards you initially —

**Hon STEPHEN DAWSON:** As you know, honourable member, all questions have to be directed to me anyway.

**Hon TJORN SIBMA:** Indeed—all roads lead to Rome, do they not!

The potential sale of the TAB, which has obviously been disrupted for understandable reasons: has the government determined how the revenue of that sale will be apportioned? Should I expect, for argument's sake, hypothetically, 50 per cent of the sale proceeds to be put into the debt reduction fund or is that going to be allocated elsewhere?

**Hon STEPHEN DAWSON:** There has been no decision made by government on that, obviously, honourable member. Hopefully we get squillions for the TAB, but, obviously, we are in a process at the moment and we cannot count our chickens before they hatch.

**Hon TJORN SIBMA:** Yes, but you have the eggs!

**Hon STEPHEN DAWSON:** Beauty is in the eye of the beholder, honourable member.

**Hon TJORN SIBMA:** In seeking an answer that you cannot possibly provide because it is subject to a cabinet process, there is an anticipation that you are going to sell this asset. Is there, more broadly speaking, an asset recycling or whatever policy that the government applies strategically which would lead me to an assumption that, say, 30 to 40 to 50 per cent of any sale would automatically be gifted to this account, or are you basically making these determinations on an asset-sale-by-asset-sale basis?

[12.40 pm]

**Hon STEPHEN DAWSON:** Certainly in relation to the TAB. What we need to do as part of the sale—the decision we made previously was that we ensured that we were able to fund a sustainable racing industry in Western Australia, so we have no idea how much we might receive. Obviously, we started a process in relation to the sale and it was paused. It has been recommenced but we are not in a position to be able to estimate what we might get, and certainly no decision has been made as to where that money might go.

**Hon TJORN SIBMA:** So any question about a prospective time line for determination is probably a waste of my time asking, so I will move on to the next question if I get one, chair.

**The CHAIR:** Yes, Hon Tjorn Sibma.

**Hon TJORN SIBMA:** Thank you. I will use this as a lead-in to an issue that I want to raise as well. On page 273 is the waste avoidance and resource recovery account. The contributing revenue line comes from the waste levy collection. May I ask a dumb question? I have plenty!

**Hon STEPHEN DAWSON:** Ask the question, honourable member; ask the question.

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**Hon TJORN SIBMA:** Does one of the officials here have any liaison with or responsibility for the Office of State Revenue?

**Hon STEPHEN DAWSON:** Yes.

**Hon TJORN SIBMA:** Yes; okay, great. This is my opportunity to bring up an issue with the waste levy collection, and I might put a hypothetical question. If there is a substantiated industry view that there is significant orchestrated systemic waste levy avoidance practice in Western Australia, that obviously comes to the consequence that you are not collecting the full levy. If work has not already been, could I use this opportunity to ask that perhaps the Office of State Revenue liaise with the Department of Water and Environmental Regulation to try to quantify the revenue the state government is missing out on? If I speak to people who operate in the space, they suggest that it is in the order of tens of millions of dollars per annum. I do not know how accurate that assessment is, but I know it is going on, and a lot of people know it is going on, and we are not talking about inconsiderable volumes. That is a request, minister, rather than a question. Could I ask that the Office of State Revenue possibly consult with their colleagues in DWER? We have regulatory system at the moment that commits fraud, if not outright criminality.

**Hon STEPHEN DAWSON:** Certainly, honourable member, we can happily take your request on notice. It has been raised now. The account itself, as you quite rightly alluded to, is the responsibility—certainly, policing the industry is—of the Department of Water and Environmental Regulation rather than Treasury. You have put your request on the table today and obviously Treasury has heard it.

**Hon TJORN SIBMA:** It is part of the loyal opposition trying to help.

**Hon STEPHEN DAWSON:** Indeed, the Under Treasurer has gone so far as to write it down in his notes. What more can you ask for?

**Hon TJORN SIBMA:** This is quite an accomplishment on my behalf. I might just rest.

**Hon Dr SALLY TALBOT:** Minister, I take you to budget paper No 3, which we have spent quite a bit of time on this morning, and to page 11. Would you talk about the unemployment rate? It is clearly a matter of considerable concern. There has been a lot of speculation over the last 20 months or so since COVID-19 hit about what the pandemic was going to do to the employment rate nationally and particularly in Western Australia. Could you just outline what budget paper No 3, page 11, says about the unemployment rate?

**Hon STEPHEN DAWSON:** Last week the ABS released its labour force data for September, which again demonstrated that Western Australia's economy is the best performing in the nation. Our unemployment rate in September fell 0.5 per cent down to 4.1 per cent. Again, it is the lowest in the nation and it is also the lowest rate in almost nine years. The total number of employed people in WA has risen to an all-time high of 1.427 million. We saw an additional 3 600 jobs created in September with a 10 800 increase in the number of people in full-time employment, so again, this is positive stuff. If you contrast that with what is happening nationally, national employment fell by 138 000 people and the unemployment rate nationally rose to 4.6 per cent. That, too, was in the September data. This does not take into account the more than 334 000 people who exited the national workforce due to the COVID-19 Delta outbreak in New South Wales. If these people were captured in the data, the national unemployment rate would have risen to about seven per cent. So that is seven per cent versus 4.1 per cent in this state. In addition, our underemployment rate and our youth unemployment rate are the lowest of all states at 7.2 per cent and 8.2 per cent respectively. We also have the strongest participation rate in the country, and that is 68.8 per cent.

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Since the start of the pandemic, around 44 000 new jobs have been created. That is 44 000 since the start of the pandemic, but, of course, if you go back to the start of the McGowan government, about 122 000 extra jobs have been created over that period of time, which is fairly significant. The increase in jobs aligns with our economic performance throughout the pandemic given our efforts to crush any outbreaks of the virus and to keep people safe and our economy open and strong. There is a positive story to tell there, honourable member. It is important to put this into perspective when you see what has happened in Victoria and New South Wales in particular, but certainly in New South Wales from those figures I have given you today. We have been able to essentially keep our state operating and keep people employed, keep employing more people, and keep people healthy and safe over the past 18 months. On multiple levels there is good news to tell, but certainly in relation to our unemployment rate, that 4.1 per cent is the best in over nine years, so it is something that we should be proud of.

**Hon AYOR MAKUR CHUOT:** I refer to budget paper No 3. My question is about Aboriginal wellbeing. Can the minister please outline the range of expenditure initiatives in the budget that are specifically aimed at improving Aboriginal wellbeing?

**Hon STEPHEN DAWSON:** Obviously Aboriginal affairs is a whole-of-government priority. I know this because I think we put out a press release in this regard: across the agencies and across this budget we have committed about \$374 million to ensure positive outcomes for Aboriginal people and for communities. That money is committed in areas like child protection, environment, women's interests, the prevention of family and domestic violence, community services, education, health, mental health, tourism, justice, water and others. Some of the social and economic opportunities that we are delivering for Aboriginal people include a significant investment in the Aboriginal ranger program. That is a \$50 million program over the next four years. In the first term of government we had a \$20 million program, so that gets a boost this term. We anticipate that \$50 million will employ about 1 000 people across Western Australia, so it is fairly significant. There is \$50 million in the budget for consultation and planning and design work for a new Aboriginal cultural and heritage centre. That will be located near the Derbarl Yerrigan–Swan River. There is \$20 million to implement the *Jina: Western Australian Aboriginal tourism action plan 2021–2025*. There is \$3.5 million dollars for the Gwoonwardu Mia–Gascoyne Aboriginal Heritage and Cultural Centre in Carnarvon. There is \$26 million for the south west native title settlement implementation and there is some money for a new Aboriginal cultural centre planning project, and about \$15.6 million in the budget to help us facilitate negotiations with traditional owners for nine identified reserve proposals, and that includes Indigenous land use agreements.

We are also investing to ensure that we are building stronger community, so there is an investment of \$14 million to continue our Aboriginal community connector programs across 13 locations around the state. There is some money for upgrades to schools, for example, in places like Halls Creek. There was \$5.6 million in the budget to construct and operate a new specialist family violence court in Broome.

[12.50 pm]

That was particularly to support Aboriginal women who have experienced domestic violence as well as provide interventions for perpetrators of violence. There is \$1 million in the budget to expand the successful Better Beginnings program into the Kimberley and Pilbara, and that, again, gives children in remote communities access to increased literacy and early learning. There is money in my own portfolio of mental health, if I can talk about that for a second. There is \$17.6 million in the budget for an Aboriginal social and emotional wellbeing pilot program. There is money to support rapid rehousing for Aboriginal women and children in the metropolitan area. Again, in my own

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portfolio of mental health, there is a significant investment of over \$9 million in the Strong Spirit Strong Mind Metro Project that has been successful over the past few years to enable that to expand across the state. Then there is \$2.8 million to expand women's community health services in the Kimberley, and that includes mental health and family and domestic violence issues, too. There is a significant investment right across the government in this area. As I said, it does not rest with one agency alone. The government believes that every agency has a responsibility to ensure that we are meeting our Closing the Gap targets. We have our Aboriginal empowerment strategy now, too. Collectively, we are all on the same page to ensure that our Indigenous Western Australians actually get access to the services and support as close to home as possible.

**The DEPUTY CHAIR:** Honourable member, do you have further questions?

**Hon AYOR MAKUR CHUOT:** No, I do not, but I would like to give you my reference point—page 83, chapter 5.

**Hon STEPHEN DAWSON:** I just presumed, honourable member, that it was general throughout budget paper No 3.

**Hon AYOR MAKUR CHUOT:** Thank you. That was well answered.

**Hon STEPHEN DAWSON:** Sorry—if I missed the point.

**Hon AYOR MAKUR CHUOT:** No, that was good. I am happy with the answers.

**The DEPUTY CHAIR:** Members of the estimates committee, do you have any further questions? Then I might move back to Hon Dr Steve Thomas.

**Hon Dr STEVE THOMAS:** Thank you, Deputy Chair, you are very generous.

Minister, can we jump to budget paper No 3, page 291, where we deal with public corporations. I note in particular the bottom sentence —

... a \$523 million increase on the estimated \$946 million net amount paid by the general government sector in 2020–21, primarily driven by most GTEs retaining their 2021–22 dividends (totalling approximately \$2.4 billion) for future infrastructure investment.

It would look like \$1.4 billion of that is for the Water Corporation. I assume that the rest is distributed, perhaps, unequally. Some GTEs are more effective than others. Can I ask about the accounting mechanism by which there are retained dividends? Would the retained dividends, therefore, have appeared in the financial statements of the general government revenue and expenditure as dividends previously? By being retained, are they still recorded; and where are they recorded in the budget papers outside of the department? My question is really this: is the budget surplus of the general government accounts reduced in 2021–22 by \$2.4 billion because these dividends have been deferred?

**Hon STEPHEN DAWSON:** The short answer is yes.

**Hon Dr STEVE THOMAS:** In effect, are we saying that if they were not deferred, it would not be a \$2.8 billion surplus in the current financial year, but \$2.8 billion plus \$2.4 billion, which is a \$5.2 billion surplus? Is that how it operates?

**Hon STEPHEN DAWSON:** The decision for GTEs to retain their dividends, we believe, is a responsible one because no additional borrowings are required for the consolidated account over the forward estimates. This is underpinned by net operating surpluses for the general government being sufficient to fund infrastructure for the general government sector. The retention of dividends reduces the need for GTEs to fund infrastructure through additional borrowings. So the

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infrastructure to be funded by the retained dividends will be subject to government approval—I think that is an important point to make.

**Hon Dr STEVE THOMAS:** You and I have had this debate about the debt account every year for however long we have done budget estimates together—four or five years. It is an accounting shift of funds. In this case, can we —

**Hon STEPHEN DAWSON:** Honourable member, it is more than an accounting shift because those agencies may will have to borrow directly and pay interest on those borrowings. Water Corp is a good example. What is not happening with this is that the money is staying with them to enable them to do the planning and work towards implementing those projects that is they want implement.

**Hon Dr STEVE THOMAS:** True, that is one way to do it; the other way to do it would be to take the money as dividends into the consolidated fund and appropriate it back so that funds are transferred in and out. You are not adding to borrowings. It would simply be that you would have to declare as a profit and put it onto your surplus instead of having it retained in the department and kept off the surplus books.

**Hon STEPHEN DAWSON:** You can suggest any way to account that you want to. When you are in the hot seat in the future, you will get to direct or work with Treasury on how they might form their budget papers. In relation to Water Corp, for example, we know that the state will need a new desalination plant in the near future. This allows them to start planning for that and to have the money in their budget and for them not to need to pay interest on borrowings.

**Hon Dr STEVE THOMAS:** Ba-na-na, ba-neh-na.

**Hon STEPHEN DAWSON:** To-mah-to, to-may-to.

**Hon Dr STEVE THOMAS:** This is not the first year that GTE dividends have been deferred. This is a deferment for 2021–22. What were the levels of deferment in 2020–21, 2019–20 and even back to potentially 2018–19 when the iron ore boom started?

**Hon STEPHEN DAWSON:** The point to make is that this is not a deferral. This is the retention of the cash.

**Hon Dr STEVE THOMAS:** Sorry; yes, it is the retention. Okay. Again, ba-na-na, ba-neh-na. Were there retentions in 2018–19, 2019–20 and 2020–21 as well as in the current year?

**Hon STEPHEN DAWSON:** No. I am told this is the first time we have done this because we know there are significant projects on the way, like the Water Corp’s desalination plant.

**Hon Dr STEVE THOMAS:** You do it when you have the huge cash surplus. I fully understand why. That is okay. I suspect we might have done the same thing, and I would expect you to be chasing me in the reverse situation.

Given our short time frame, can I jump to page 241 of budget paper No 3—“total public sector cash flows”. Midway down the page under “Cash flows from investing activities”, cash received for liquidity purposes is around \$8 billion a year, except for the 2019–20 actual which was \$12 billion. Can you give us a quick run-down on where the money is coming from, going to and how it is being acquitted?

**Hon STEPHEN DAWSON:** I will ask the Under Treasurer to answer this one.

**Mr BARNES:** I do not have a detailed reconciliation in front of me, but one material reason for why that 2019–20 figure is so much higher at \$12 billion, as you pointed out, is that 2019–20 included \$1.4 billion in proceeds from the Landgate partial commercialisation. It was obviously a one-off in

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that year, so that drops out in subsequent years. That is a reason. As I said, I do not have a full reconciliation off the top of my head.

**Hon Dr STEVE THOMAS:** Minister, might it be possible to get some additional information on this line item in its generalities, and then around the specifics about why it is varied? I am interested to know how it is accounted for, where it has come from and where it is going to.

**Hon STEPHEN DAWSON:** I am happy for Treasury to provide you with some further information. [*Supplementary Information No B1.*]

**Hon Dr STEVE THOMAS:** That is a pretty genuine question because I could not work it out, either, and I read it all in a fair bit of detail.

Perhaps in the final minute, if we jump to pages 287 to 290 and the “asset investment program”. For example, at the bottom of page 290 is the investment program total at \$8 billion. Slightly up there, the funded by appropriations commonwealth grants of \$1.66 billion. Let us run through it. Under funding from appropriations for 2021–22, is \$2 billion under capital appropriations. Under other funding is agency borrowings of \$1 billion and commonwealth grants of \$925 million. Internal funds and balances is the most interesting one at \$3.145 billion. I am interested to know where those internal balances are coming from. Does that include internal money retained by GTEs? Does it also include commonwealth funds from other sources apart from specific grants? Are there any additional commonwealth funds that might be in that line item? Again, the minister may have to take this on notice.

**Hon STEPHEN DAWSON:** I will ask Mr Barnes to provide an answer to that, please.

**Mr BARNES:** Essentially, member, that item—internal funds and balances—is cash at bank. That would include cash held by the government trading enterprises because this is across the total public sector. That would include cash from any source—retained dividends. It could include that is cash sitting at bank from earlier commonwealth grants that has not yet been expended, or any other source, but potentially it is cash at bank.

**Hon Dr STEVE THOMAS:** Sorry, this is my last one because you have to go.

**The DEPUTY CHAIR:** Make it very, very quick.

**Hon Dr STEVE THOMAS:** Would that include, for example, funds like Metronet funds that might have been previously granted? Would that then be considered an internal grant because it is already in an account somewhere?

**Mr BARNES:** In that case, that would be right. If the grant was received one or two years ago and has not been expended yet and the cash is still sitting at bank, that would be reflected there—correct.

**The DEPUTY CHAIR:** Members and witnesses, that ends the session today. Thank you very much for your attendance. Members, you may submit your remaining questions through the electronic lodgement system, which will close at 5.00 pm on 29 October 2021. Witnesses, the committee will forward the uncorrected transcript of evidence with questions taken on notice highlighted as soon as possible after the hearing. Responses to questions on notice are due by 5.00 pm on 17 November 2021. Should you be unable to meet the due date, please advise the committee in writing as soon as possible before that due date. The advice is to include specific reasons why the due date cannot be met. Once again, thank you very much for your attendance.

**Hearing concluded at 1.00 pm**

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