



**Hon Mike Nahan MLA
Treasurer; Minister for Energy;
Citizenship and Multicultural Interests**

75 JUN 2015

Our ref: 48-11472

Mr Ken Travers
Chairman
Estimates and Financial Operations Committee
Parliament House
PERTH WA 6000

Attn: Mr Mark Warner
Committee Clerk

Dear Mr Travers

**QUESTIONS PRIOR TO HEARING - DEPARTMENT OF TREASURY
2015-16 BUDGET ESTIMATES**

In response to the Committee's e-mail of 27 May 2015, please find attached responses to the questions prior to hearing, in respect of the Department of Treasury's 2015-16 Budget estimates hearing scheduled for 15 June 2015.

Yours sincerely

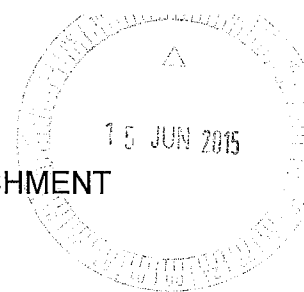
**DR MIKE NAHAN MLA
TREASURER**

Att.

15 JUN 2015

CC: Hon Helen Morton MLC
Minister representing the Treasurer in the Legislative Council

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ATTACHMENT

ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
QUESTIONS PRIOR TO HEARING SUPPLEMENTARY INFORMATION

DEPARTMENT OF TREASURY
2015-16 BUDGET ESTIMATES HEARING

Scheduled date of hearing: 15 June 2015

Hon Ken Travers MLC asked –

- (1) *Does the Department monitor the revenue the Commonwealth Grants Commission assumes WA will collect and the actual amount of revenue that WA does collect?*

Answer:

No. The Grants Commission uses lagged actual data for its assessments. For example, the GST distribution in 2015-16 is based on actual data for 2011-12, 2012-13 and 2013-14. The Grants Commission sources data on State Government finances from the States, the Australian Bureau of Statistics, and the Commonwealth (for detailed information on Commonwealth payments to States).

- (2) *If yes, for each category of revenue collected can you provide the assumed and estimated actual figures for each of financial year from 2013-14 to 2018-19?*

Answer:

Not applicable.

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- (3) *I refer to the increase in the loan guarantee fee and ask how much additional revenue does the WA Treasury Corporation expect to collect from each organisation who will pay the increase in 2015-16 and 2018-19?*

Answer:

The below table outlines the estimated additional loan guarantee fee revenue, broken down by affected entity.

	Indicative Additional Guarantee Fee Revenue				
	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	Total \$'000
Keystart	30,298	31,074	31,826	32,285	125,484
Local Governments	4,258	4,438	4,618	4,798	18,112
Universities	1,497	1,396	1,345	1,242	5,480
Total	36,053	36,908	37,789	38,325	149,076

- (4) *Will the increase impact on the dividend paid by Keystart to the Housing Authority?*

Answer:

No impact on the dividend paid by Keystart has been assumed in the 2015-16 Budget estimates.

- (5) *If yes, what is the impact?*

Answer:

Not applicable.

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(6) *What are the estimated impacts on the State finances from selling part of the Keystart loan book?*

Answer:

As the size of the loan book to be securitised and the likely pricing has not yet been determined, the impact on the State's finances is unknown. However, the major impact will be a reduction in the State's gross borrowings.

(7) *Was any work undertaken during Mr Buswell's time as Treasurer on the possible sale of either all or part of the Fremantle Port?*

Answer:

Yes.

(8) *If yes, what specific work was undertaken?*

Answer:

A desktop analysis and a scoping study report were undertaken that included within the scope:

- evaluating the suitability for sale and optimal sale value;
 - assessing the impact on stakeholders;
 - conducting informal market sounding; and
 - developing an outline asset sale plan.
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(9) *Who undertook the work?*

Answer:

Ernst and Young were engaged by the Department of Treasury.

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- (10) *What modelling work has been undertaken on financial impacts on the State finances of the sale of Fremantle Port?*

Answer:

The desktop analysis and the scoping study by Ernst and Young looked at the potential proceeds from a sale and the impact on the State's balance sheet.

As noted in the Treasurer's 2015-16 Budget Speech, no provision has been made for the anticipated sale of assets. Publicly releasing indicative estimates of the potential sale value prior to receiving bids has the potential to harm the State's bargaining position and ultimately reduce the sale proceeds received.

- (11) *What preliminary modelling work has been undertaken on financial impacts on State finances of the potential sale of:*

- (a) *the Forest Products Commission;*
- (b) *a portfolio of Government Regional Officer Housing stock;*
- (c) *securitisation of part of Keystart's loan book;*
- (d) *the State's vehicle fleet, via a sale and leaseback arrangement;*
- (e) *various Government-owned office buildings, via a sale and leaseback arrangement; and*
- (f) *individual generation assets of Synergy and Horizon Power, and Western Power's non-core assets.*

Answer:

- (a) Ernst and Young conducted preliminary modelling of the estimated proceeds and impact on the State's balance sheet as part of the desktop analysis and scoping study reports. As noted in the Treasurer's 2015-16 Budget Speech, no provision has been made for the anticipated sale of assets. Publicly releasing indicative estimates of the potential sale value prior to receiving bids has the potential to harm the State's bargaining position and ultimately reduce the sale proceeds received.
- (b) KPMG were engaged by the Housing Authority to undertake a scoping study on GROH sale options that included preliminary modelling of potential proceeds.
- (c) Preliminary modelling of the indicative value and impact on the State's balance sheet has been conducted by Ernst and Young as part of a desktop analysis.

- (d) An indicative desktop analysis has been conducted internally by Treasury on the impact of the sale and leaseback of the State's vehicle fleet.
 - (e) Treasury has drawn on a range of sources, including other government agencies and other jurisdictions on the likely benefits, risks and structures for the sale and leaseback of Government-owned buildings. The financial impact depends upon the specific assets and financial arrangements entered into, and this analysis will be undertaken during the next stage of detailed scoping.
 - (f) Treasury has drawn on a range of sources, including other government agencies and other jurisdictions on the likely benefits, risks and structures for potential sale of discrete assets, but the financial impact depends upon the specific assets and those assets are yet to be identified.
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Housing Authority

- (12) *What is the estimated cost of the increase in the Loan Guarantee Fee payable to WA Treasury Corporation on money borrowed for Keystart loans?*

Answer:

Please refer to the answer provided to question 3.

- (13) *Will the increase in the Loan Guarantee levy have any impact on the interest rate Keystart charges home buyers?*

Answer:

No. As indicated on page 95 of Budget Paper No.3, Keystart will retain its existing pricing policy

- (14) *Will the increase in the Loan Guarantee levy have any impact on the dividend paid by Keystart to the Housing Authority?*

Answer:

Please refer to the answer provided to question 4.

- (15) *Will the sale of part of the Keystart loan book have any impact on the risk profile of the loan book maintained by Government?*

Answer:

The impact on the risk profile from a securitisation of part of the loan book will depend upon the amount and risk profile of the loans that are transferred as part of the securitisation. The amount and risk profile of the loans to be transferred are yet to be determined, but the impact upon the residual loan book will be a key consideration.

- (16) *Will the sale have any impact on the interest rate charged by Keystart to homebuyers?*

Answer:

The current interest rate charged by Keystart is based on the average of the four major banks' standard variable interest rate. Given this is a reference to a market rate, it is highly unlikely there will be any change and ensuring that homebuyers are not adversely affected will be a key objective when determining the terms of the arrangement.

Strategic Projects: new WA Museum (BP2, page 584)

- (17) *How many jobs will be created for this project?*

Answer:

It is estimated that 4,250 workers will be directly employed on the new WA Museum project during its design and construction phase.

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- (18) *How many of these jobs are:*
- (a) *direct jobs created as part of the construction;*
 - (b) *direct jobs created when the facility is in full operation;*
 - (c) *indirect jobs related to the construction period; and*
 - (d) *indirect jobs related to the operation of the fully operational facility?*

Answer:

- (a) Please see answer (17) above.
 - (b) This has not been determined by Treasury.
 - (c) This has not been determined by Treasury.
 - (d) This has not been determined by Treasury.
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- (19) *How many apprentices will be employed for this project?*

Answer:

The estimated number of apprentices to be employed on the project will be determined as part of the future design and construction contractor's training plan, in accordance with the State Government's Priority Start Policy.

- (20) *How many trainees will be employed for this project?*

Answer:

The estimated number of trainees to be employed on the project will also be determined as part of the future design and construction contractor's training plan.

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(21) *What was the methodology used to calculate these figures?*

Answer:

As noted above, the figures for apprentices and trainees have yet to be determined, but the methodology to be applied is as outlined in the Priority Start Policy. The estimated 4,250 workers to be directly employed during the design and construction phase of the new WA Museum has been calculated by reference to actual employment data available from other major Government building projects, taking into account the relative scale and complexity of the WA Museum project.

Strategic Projects: new Perth Stadium (BP2, page 584)

(22) *How many apprentices will be employed for this project?*

Answer:

The estimated number of apprentices to be employed on the project is 86.

(23) *How many trainees will be employed for this project?*

Answer:

The estimated number of trainees to be employed on the project is 74.

(24) *What was the methodology used to calculate these figures?*

Answer:

The number of apprentices and trainees reflects the estimated workforce planning commitments of the various head contractors, subcontractors and consultants involved in the design and construction of the new Perth Stadium and Sports Precinct (nPS), including the pre-construction site works (actual numbers) and the State's project management team.

It should be noted that the above figures do not include apprentices or trainees employed for the associated transport infrastructure works (under management by the Public Transport Authority), or during the operating phase of the nPS (not yet estimated).

Strategic Projects: Eastern Goldfields Regional Prison (BP2, page 584)

(25) *How many jobs will be created for this project?*

Answer:

It is estimated that 1,531 workers will be directly employed on the new Eastern Goldfields Regional Prison Project.

(26) *How many of these jobs are:*

- (a) direct jobs created as part of the construction;*
- (b) direct jobs created when the facility is in full operation;*
- (c) indirect jobs related to the construction period; and*
- (d) indirect jobs related to the operation of the fully operational facility?*

Answer:

- (a) 1,531.
 - (b) 19.
 - (c) This has not been determined by Treasury.
 - (d) This has not been determined by Treasury.
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(27) *How many apprentices will be employed for this project?*

Answer:

The estimated number of apprentices to be employed on-site during the construction period is 27, plus 17 apprentices employed off-site. The facilities manager has advised that it may employ a further apprentice during the operations phase.

(28) *How many trainees will be employed for this project?*

Answer:

The estimated number of trainees to be employed on-site during the construction period is 2.

(29) *What was the methodology used to calculate these figures?*

Answer:

Construction data is based on actual staff positions and induction records. The facilities manager's estimated operational employee numbers are based on bid details. The Department of Corrective Services' estimated operational employee numbers are based on its staff profile for the new facility.

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