STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2022–23 BUDGET ESTIMATES

TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 22 JUNE 2022

SESSION FIVE

DEPARTMENT OF TREASURY

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

Hearing commenced at 4.30 pm

Hon STEPHEN DAWSON
Minister for Emergency Services representing the Treasurer.

Mr MICHAEL COURT
Acting Under Treasurer, examined:

Mr MICHAEL ANDREWS
Assistant Under Treasurer, Strategic Policy and Evaluation, examined:

Mr RICHARD WATSON
Assistant Under Treasurer, Infrastructure and Finance, examined:

Mr ALISTAIR JONES
Acting Deputy Under Treasurer, examined:

Mrs PAULINE BURTON
Chief Finance Officer, examined:

Mr CHRISTOPHER WRIGHT
Director, State Finances, examined:

Mr MATTHEW KEOHANE
Policy Adviser, Treasury, examined:

The CHAIR: I welcome everyone to today's estimates hearing, particularly the witnesses. 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.

Can you just indicate to me that you have read, understood and signed a document titled "Information for Witnesses"? Just a collective nodding of the heads will be fine.

[Witnesses nodded.]

The CHAIR: 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 also elect to hear evidence in private. If for some reason you wish to make a confidential statement, you should request that the evidence be taken in closed session before answering the question.

Members, before asking a question, I ask that you provide the relevant page and paragraph number where possible.

Minister, would you like to make a brief opening statement?

Hon STEPHEN DAWSON: No, thank you, chair.

The CHAIR: We will then move to questions, and I will go straight to the committee.

Hon SAMANTHA ROWE: My question relates to tax reform. I refer to key initiatives on page 6 of budget paper No 3. Minister, are you able to outline the tax reforms and incentives that are mentioned here and how they will boost housing and land supply and also how that will simplify the tax system?

Hon STEPHEN DAWSON: I will hand over to the Acting Under Treasurer.

Mr COURT: There is probably a little bit more information on page 68 of budget paper No 3 on the revenue measures that are contained in the budget. The main queries are in relation to the housing-related measures, which start on page 69. This is basically a tax simplification package. There are various measures that look to assist the property market; the first one being around a transfer duty and basically making the residential business duty the same for commercial property transactions, so that is reducing the burden on those taxpayers and helping to simplify administration, which will reduce transfer duties by about $32 million. There are some other changes around removing the surcharge for paying land tax in three instalments. That will reduce land tax revenue by $2.1 million and benefit up to 12 000 taxpayers. We also have the land tax relief for build-to-rent development. This is an incentive to help developers be more incentivised to look at providing developments that are more suitable for affordable rentals. Then there has been the extension of the off-the-plan transfer duty rebate scheme from 1 June 2022. These measures are really just aimed at trying to simplify the tax system and also provide some incentives around build-to-rent developments and higher density apartments.

Hon STEPHEN DAWSON: If I could just supplement that, there are a couple of other things in the budget, including a new Keystart loan product that is targeted to assist people to purchase medium and high-density units in Metronet precincts and priority urban infill areas. Keystart's income eligibility limits will also be permanently increased to $105 000 for singles and $155 000 for couples and families. We hope that these changes will essentially help more Western Australians into home ownership and also incentive infill projects with greater access to public transport and amenities. There is also money in the budget papers to subsidise the development of residential lots in Kalgoorlie and Karratha of $19 million, along with increasing Keystart's income and property units for the Pilbara, which are different from the metro area. Again, we are hopeful that that will help households in gaining access to finance and then the ones the Acting Under Treasurer pointed out.

Hon JACKIE JARVIS: I am also using budget paper No 3 because it provides a useful overview. Page 1, under highlights, talks about cost-of-living support. It appears also on page 4. Can you provide an overview of what measures this budget contains to assist with cost-of-living pressures in Western Australia?

Hon STEPHEN DAWSON: We certainly have been focused on ensuring that we are easing cost-of-living pressures for WA households. You would understand and be aware that we are delivering a $400 household electricity credit to every household. That household electricity credit will put about $445 million back into the pockets of Western Australians to assist with the rising cost of living from 1 July 2022. That builds on the $600 that was previously provided through the household electricity credit that was delivered in 2020–21 and it is in addition to the indexed energy assistance payment for eligible concession cardholders that will provide a further $318.37 in 2022–23. We are also limiting increases to household fees and charges to below projected inflation for a third consecutive year. Energy and water charges will rise by just 2.5 per cent. We are keeping standard Transperth fares to a two per cent increase. Student fares, which are important to kids across the state, will remain frozen at 70¢. Western Australians in the metro area in particular will benefit from the two-zone fare cap on Transperth fares that was implemented in January this year.

Over the past four years, we have allocated more than $2.1 billion to help keep household fees and charges low and we are delivering on one of our other election commitments—not in your area, but for other regional MPs—which is for regional Western Australians travelling for Perth. They will also benefit from capped-price regional airfares of between $199 and $299 one-way from next month. Of course, we have also provided Western Australian households with free rapid antigen tests. That has been the only program of its kind across the country, and that saves households at least $150. They are some of the things we are doing.

[4.40 pm]

Hon JACKIE JARVIS: The $400 million top-up to the digital capability fund appears on page 6. Obviously, we had $500 million in 2021–22 budget. Can you clarify: is this an additional $400 million? I am wondering why we are doing that so quickly after the $500 million of that fund?

Hon STEPHEN DAWSON: I am happy to answer that. The digital capability fund falls under my responsibility as the Minister for Innovation and ICT. It is in these papers before us. The fund was established to support more strategic and coordinated government investment to improve digital services for households, businesses and across government. Since the fund was established, about $562 million has been allocated to 40 projects across 19 government agencies—public sector entities. The projects that have been funded will help to progress digital transformation in the health system and it will further development whole-of-government cybersecurity digital platforms and analytics capabilities. There are further projects that help to modernise systems for frontline services and case management, audit planning, and safety management. As part of the 2022–23 budget, $249.6 million was allocated from the fund. An amount of $47.9 million went to WA police to help modernise core police applications, decentralise data and to decommission obsolete systems, which we are advised will lead to improved digital services to frontline officers in the community. An amount of $38 million went to the Department of Health as part of their continued rollout of the digital medical records system, and that goes to two additional hospital sites. Then there was $13.1 million that went to DMIRS—Department of Mines, Industry Regulation and Safety—for a new safety management system, again, to replace legacy systems and to help with reduced processing times.

There are also things like a new digital solution for the taxi user subsidy scheme. In the previous session—in DFES—we spoke about Emergency WA. There is funding for Emergency WA to upgrade and modernise the system that was established in 2016. There is funding for a contemporary planning ICT system for Department of Planning, Lands and Heritage. There is further funding for the Office of the Director of Public Prosecutions for an integrated prosecution management and evidence handling system. There is $337.8 million remaining in the digital capability fund, and that will be allocated in future years.

Hon Dr BRAD PETTITT: I refer to page 136 of budget paper No. 2, volume 1, "Wages policy" and the government's public wages policy, at the bottom of the page. I note that the government's wages policy here provides public sector employees with a 2.5 per cent wage increase or, by choice, a one-off payment of $1 000. Given CPI in WA in March 2022 was closer to 7.6 per cent, why are we not using CPI for the government's public sector wages policy?

Hon STEPHEN DAWSON: This is a question that is better asked of the Minister for Industrial Relations, so Minister Johnston. The Minister for Industrial Relations is responsible for the government wages policy. This was announced I think in October last year and funding was provided in the midyear review, if I am not incorrect. This was an announcement made at that time, so the money in the budget before us matches the wages policy. I cannot comment on how it is different from CPI, but this is the wages policy. It is a 2.5 per cent increase per annum, and then there is the extra amount, which is either a $1 000 payment or an additional 0.25 per cent per annum that can be negotiated between government and the various representative bodies.

The CHAIR: Why is it in the Treasury's section of the budget papers?

Hon STEPHEN DAWSON: The wages policy is presented here. Treasury is identifying what the government's wages policy is. The policy has been agreed upon by government. Treasury is just saying what it is.

Hon Dr BRAD PETTITT: Does Treasury not provide advice on how that wage's policy is determined?

Hon STEPHEN DAWSON: Treasury were involved in consultations. What happened this year in relation to the wages policy was the then minister undertook a range of consultation with employer bodies, but also sought advice from outside agencies like, from memory, the Chamber of Commerce and Industry about what a wages policy should look like. Treasury were involved in the process, but it was led by the Department of Mines, Industry Regulation and Safety and, in particular, the Minister for Industrial Relations. The policy was decided by government. The policy is not decided by Treasury, but what we see before us is what the policy is and the fact that there is money in the budget to deliver on the current policy.

Hon Dr BRAD PETTITT: Maybe I can focus on what advice Treasury might have given. Does Treasury in giving its advice to government when it is setting the wages policy provide advice to government, for example, on the economic stimulatory effect to the WA budget and the economy of a higher wages policy? Does that economic modelling form part of the advice that Treasury provides to government as it sets wages policy?

Hon STEPHEN DAWSON: I will ask the acting Under Treasurer to respond.

Mr COURT: The reference the member pointed to in budget paper No 2 in Treasury's *Budget statements*, you will notice on page 134 under "Spending Changes" there is some additional funding in 2022–23 and 2023–24. That is to provide Treasury with two FTE to help support public sector labour relations in assessing any of the productivity-related reforms that agencies might put forward as part of the new public sector wages policy. It really is, as the minister indicated, to provide support across government and to ERC in assessing those negotiations on the new wages policy and to provide costings and advice.

Hon Dr BRAD PETTITT: Do you take into consideration, as part of that advice, attraction and retention?

Hon STEPHEN DAWSON: I will ask Mr Court to respond.

Mr COURT: Principally, that is something that would come through from other agencies, such as government public sector labour relations. They take the lead on the wage policy settings. Our primary role is to provide advice around the costings.

Hon Dr BRAD PETTITT: Also coming back to the first part of my question, do you provide advice on the broader economic stimulatory effect that a wages policy would have, not just in isolation? Is that part of your role in terms of the economic modelling around that?

Hon STEPHEN DAWSON: Mr Court.

Mr COURT: We do provide advice to government on current economic conditions. That, obviously, includes providing assessment on labour market conditions—so, more broadly than just public sector labour market, but the general labour market.

Hon Dr BRAD PETTITT: I will move on. I have a quick question on the climate action fund; page 133, again budget paper No 2, volume 1, item 118. Putting aside $30 million for the climate action fund that has been allocated to boost the existing strategic plan, but we are focusing on the $470 million that has been set aside for future action–related initiatives. It seems that most of this is spent across 2024–25 and 2025–26. What is the reason for delay in using this project allocation in the next two financial years given the urgent need for action on climate?

Hon STEPHEN DAWSON: Mr Court.

Mr COURT: Member, you have pointed to appropriation of the money into the fund. Under Treasury administers statements; this is about appropriating those amounts into the fund. Then the spending out of that fund is provided for. If you look through budget paper No 3 and other agency budget paper No 2 statements, you will see where the money is allocated out over the forward estimates.

[4.50 pm]

Hon Dr BRAD PETTITT: That is correct, and that is my point. It is assumed to be spent across 2024–25 and 2025–26 rather than in the coming financial year and the one after. We have got a lot of money going into this pot but not much of it intended to be spent, and I am just wondering why there is that delay. There is no point putting money into a giant pot for climate expenditure if it is not actually going to be spent on climate action initiatives.

Hon STEPHEN DAWSON: It is fair to say agencies have to make the case for—the government has made a decision to put the money aside. Agencies then have to make the case to spend the money and so agencies have to work on business cases —

Hon Dr BRAD PETTITT: It takes two years to make a case? It is 2024–25.

Hon STEPHEN DAWSON: Treasury has got the money, but they do not decide where the money is spent. It has just been brought to my attention, there is $1.25 billion worth of investment being spent on climate action initiatives and that go from 2021–22 all the way to 2025–26. Some of that will have lead-in times because we are building things, but certainly there is a pipeline of work. I make this point now. The market is overheated in Western Australia at the moment. Every agency that I have been participating in estimates with has indicated that they all struggling to get staff to do the work. It is sensible and right from my perspective that we have a pipeline of work and we do it in stages. The market is already overheated and we cannot get staff and if we are going to put all these projects out in the market at the same time, you are going to cause more chaos and we are going to pay more for projects than we ordinarily would otherwise. What this is here, this $500 million is for decarbonisation and so the business cases need to be worked on now.

Hon Dr BRAD PETTITT: I understand that.

Hon STEPHEN DAWSON: I am just further told they can always be brought forward if needed.

Hon Dr BRAD PETTITT: I have got no problem with things being spent across years and business cases being brought forward. My concern is that the majority of the money is being spent in several financial years' time. In response to your question about an overheated market, there is plenty of low-hanging fruit that is not particularly intensive from a capital investment perspective that could be spent now on lowering emissions immediately. I guess my frustration is that whilst I am very pleased about the $1.25 billion that has been set aside, the fact that most of that is not intended to be spent for several financial years is of concern to me.

Hon STEPHEN DAWSON: Mr Watson, have you got anything else you want to add to the conversation?

Mr WATSON: The timing of those cash flows reflects the expectation about when the state will make investments in the wind farms that are required to allow it to retire the coal-fired power stations. Those initial investments—there is a two to three-year lead time in terms of the planning, environmental approvals and signing off on business cases. I think as the acting Under Treasurer has indicated, there is the capacity to pull forward some of that funding in a future budget process if required.

Hon Dr BRAD PETTITT: That is an interesting point. Do I understand from that that the state will sell, build and own wind farms?

Mr WATSON: That is the subject of the business cases as to the best way to procure those wind farms.

Hon NICK GOIRAN: Minister, if I can ask you to turn to page 236 of budget paper No 3. That has the balance sheet as at 30 June and you will see at the third last line it talks about gross debt liabilities. It appears there that there is a reduction in the budget for 2023 to $30.7 billion from $31.9 billion. Is that explained by the $1.2 billion of repayment of existing debt?

The CHAIR: Acting Under Treasurer.

Mr COURT: That is correct; it reflects the repayment of debt and the borrowing profile and refinancing of gross debt. In effect it reflects that. There is no need essentially for consolidated account new borrowings over the forward estimates.

Hon NICK GOIRAN: If you look still at that line item though, the amount of gross debt liabilities actually increased. It is estimated to increase from $30.8 billion to $31.9 billion. What accounts for that?

Hon STEPHEN DAWSON: I will ask Mr Court to answer.

Mr COURT: It just reflects the profile of the borrowing program in terms of the need for both gross debt and liquidity management. The Treasury Corporation needs to borrow to fund cashflow activities of government and it just reflects that borrowing profile so it increases around an increase in the capital works program and the timing of cash flows that come in, our refinancing and maturities of borrowings. In effect, it is relatively flat; while it has increased, it is relatively flat and reflects that there is sufficient cash flow through operating activities without the need over time to resort to new borrowings for the general government sector.

Hon NICK GOIRAN: I guess my concern is that much has been made of the notion of the government paying $1.2 billion down on existing debt, but it sounds pretty shifty to, in the current financial year, increase the debt by $1.1 billion and then pretend that you are paying down existing debt of $1.2 billion when you are doing nothing of the sort.

Hon STEPHEN DAWSON: Mr Court.

Mr COURT: Mr Wright might have some comments around cash management.

Mr WRIGHT: The movement in 2021–22, which is the increase from $30.9 billion in that third last line to $31.9 billion is driven predominantly by an increase in the value of deposits held. The gross debt liabilities line at the bottom of that table is comprised of the first three liability lines in the upper part of the balance sheet, so that includes deposits held, advances paid and the various components of borrowings. You can see in the deposits held line, there is an increase from $1.3 billion in 2021 to just over $3 billion in 2021–22. The key reason for that increase is the dividends retained in the public corporations sector as part of the 2021–22 budget decision to retain dividends. That is held largely in the public bank account, which is a general government reporting entity, but it is money that is owed back to the public corporations so it represents a gross debt liability for the general government sector.

The other components that you can see in the upper part of the liabilities section, advances are going down a little bit. They are predominantly money from the federal government that has been loaned over years for various things, including for things like public housing. Lease liabilities are more or less flat; there is minor movement there; service concession agreements do not account for much. You can see the gross borrowings, which is the line where consolidated account debt and the borrowings for low-interest loans for non-government schools that are managed by the education department, they are going down a little bit in 2021–22. The key increase there is the large increase in deposits held, which is related directly to retained dividends.

Hon STEPHEN DAWSON: That last line shows net debt going from $22 788 million down to $19 622 million.

Hon NICK GOIRAN: To what extent is this change in net debt attributable to the drawing down of special purpose accounts?

Hon STEPHEN DAWSON: I will ask Mr Wright to comment.

Mr WRIGHT: It is a bit difficult to give a definitive answer. For the value of SPAs in general, they are held in the top part of the balance sheet in the cash and deposits line, which is the topmost line on the balance sheet shown on that page, and in investments, loans and placements. You can see for 2021–22—that is the second column there—that the balances in those two lines are going up fairly significantly, and that reflects the deposits into those special purpose accounts that were announced in the 2021–22 budget, because there were some very significant amounts of money appropriated for that purpose for 2021–22. For 2022–23, you can see there is the beginning of a run-down of those account balances. These are not just the SPAs, but they make up a large proportion of the balances in those two lines. So, in the 2022–23 column, that is the shaded one, cash and deposits are going down from $7 billion in 2021–22 to $5.3 billion while investments and loans are going down marginally by about $400 million. The run-down in those accounts largely represents that movement in cash. It is not exclusively SPAs, but it is largely SPAs. Those balances further run down across the forward estimates as the balances of those SPAs have been forecast to be drawn and spent over time.

Hon NICK GOIRAN: I would like to pursue this more because I am not at all convinced that it is accurate for the government to say that they are paying down $1.2 billion of existing debt. That said, we are now half an hour through our proceedings and we have got the shadow Treasurer here, so I will yield my further questions to him.

Hon AYOR MAKUR CHUOT: My question is to the minister. I refer to page 31, budget paper No 3, and I refer to the $1.2 billion debt repayment referenced in the future box, and I ask how the government debt levels compare with those projected under the previous Liberal–National government and those in other jurisdictions?

Hon STEPHEN DAWSON: Thanks, honourable member, for your question. No surprise, because you would have heard it said many times today, our finances in Western Australia are the strongest in the country. We have got operating surpluses in each year of the forward estimates and the lowest debt trajectory of all jurisdictions. No other state is expected to record operating surpluses over each of the next four years, and no other state is reducing net debt and, in fact, they are forecasting rapidly rising debt levels compared to Western Australia. It is fair to say our finances remain in a strong and stable position because of WA's safe handling of the pandemic and that has secured our soft landing and it has kept our economy open and strong. Our strong economy and the uninterrupted operation of the resources sector has boosted the state's financial position. Our net debt is expected to decline for a third consecutive year to be less than $30 billion for the first time since 2015 and almost $14 billion lower than projected when we came to government. By paying down debt that was incurred by the previous government, we have saved Western Australians more than $2.5 billion in interest costs over the past four years. We are retiring $1.2 million of debt and we are reducing interest costs by a further $130 million and reducing the state's exposure to rising interest rates. This has been achieved despite committing almost $11.2 billion to COVID response measures and a record $33.9 billion asset investment program.

Now, as has been pointed out, our net debt position is expected to remain relatively flat over the forward estimates, and this is in stark contrast to the commonwealth and indeed other states. The credit rating agencies have highlighted Western Australia's out-performance against our domestic and global peers throughout the pandemic and the McGowan government's track record of robust cost control and very strong financial management.

Hon LORNA HARPER: Minister, I refer to page 12 of budget paper No 3. I refer to the $1.3 billion of economic diversification initiatives that are outlined on this page and I ask how the government is investing in the 2022–23 budget to diversify the Western Australian economy.

Hon STEPHEN DAWSON: As you have pointed out, the state budget does deliver more than $1.3 billion of initiatives that help diversify the economy and drive sustainable long-term economic growth and create jobs for Western Australians. So, some examples of that include increased support for the tourism sector, and that includes a $70 million boost to the tourism sector to attract more visitors and to support local businesses and operators. An amount of $41 million is set aside for a range of measures to accelerate recovery of the international education sector. There are initiatives to expand export markets and develop priority sectors, and they include an extra $80 million boost to the investment attraction fund, so that brings the total to $180 million. There was $50 million extra to the industrial land development fund, so that doubles to $100 million; $25 million to the Western Australian agricultural collaboration research partnership; $17 million to expand Western Australia's international trade offices; and $12 million for the WA array program to help identify new mineral resources hidden below the earth's surface.

There is also a range of other industries benefiting from investments, and they include our space sector, business call centres and back-office processing, money for life sciences, critical minerals and clean energy technologies, LNG decommissioning, the potash industry and WA's defence industry. There is also significant investment into our ports and also we are upgrading roads across the state. So, that includes $332 million for a major upgrade at the Geraldton port and $250 million for the Pinjarra heavy haulage deviation to reduce congestion and improve safety. There is $120 million of road upgrades to support the Covalent Lithium mine, and there are also further investments in Lumsden Point in the Pilbara in my electorate; a chemical storage facility in Broome; and money for dredging to expand the port at Port Hedland. All of this comes on top of the $1.7 billion that was invested in economic diversification in the previous budget and also the midyear review.

We are often seen as being a one-trick pony in Western Australia. We are certainly very conscious of ensuring that we are diversifying our economy in the state and creating further opportunities whether it is for new industries or new jobs in this place.

Hon DAN CADDY: I just take you to page 98. I just wanted to —

Hon STEPHEN DAWSON: Budget paper No 3 again, honourable member?

Hon DAN CADDY: Yes—the COVID-19 response. I just was hoping you would be able to outline, minister, or one of your advisers would be able to outline, the initiatives the government has implemented specifically to protect WA businesses as well as households and the community from the broader impacts of the pandemic, but I am particularly interested in WA businesses.

[5.10 pm]

Hon STEPHEN DAWSON: Sure. I am very happy to provide an answer. Obviously, there has been a range of initiatives funded as part of our response to COVID-19. In relation to business in particular, there was $237 million provided in support packages for Western Australian businesses. They were to assist with the transition to living with COVID-19, but also to help those businesses reconnect to the outside world, given our isolation for the last couple of years. That money was provided through various grants and payments—things like business counselling support services, tenant rental relief and support to the higher education, events, tourism, aviation and hospitality sectors. In relation to other initiatives, there was a significant investment in Health—$537 million for various health initiatives. That included things like PPE, PCR testing, COVID-19 clinics, ensuring that our hospitals were ready to respond and were prepared, hotel quarantine, home monitoring via telehealth and, of course, the state-led vaccination program. There was also a significant investment, as you would realise, in RATs—rapid antigen tests. That was a $635 million investment. That included providing free RATs to every Western Australian household. Again, as I think I mentioned in a previous session, it was the only program of its kind in the country. There was also further funding for WA schools for things like the procurement of air purifiers to improve ventilation in our schools, enhanced school cleaning—that enhanced school cleaning was most likely undertaken by small businesses—the supply of masks and additional administrative support in our schools. I think that over the course of COVID-19, our additional spend in relation to responding to it has been about $11.2 billion. Of that, $3.3 billion went to Health, Police and other frontline services, $2.1 billion went to initiatives to boost the economy, and $1.7 billion was business assistance measures—again, some of those grants I mentioned earlier, but also grants for small to medium-sized businesses, payroll tax relief, waivers of business licence fees, electricity offsets and a range of other measures. There was $1.6 billion in infrastructure investment; support to households, including the $600 household electricity credit; and various other community health and safety initiatives. There has been a significant investment, and much of that went to businesses.

Hon DAN CADDY: I had another question. I wanted to talk about investment in the state's future, but the minister went through a lot of that in response to Hon Lorna Harper and I am cognisant that the shadow Treasurer has not had a shot yet, so I am happy to pass.

Hon NEIL THOMSON: My question probably follows on from Hon Nick Goiran and will most likely be picked up by the shadow Treasurer in further detail, but it really goes back to the issue of the public bank account interest earnings on page 3 and the consolidated account borrowings line. We heard from the representative from Treasury about how retained dividends had gone up and that we had an increase in deposits held. I assume that includes all increases in deposits across the board. We talked about $1.3 billion to $3 billion. The first part of my question is: given the discrepancy in the interest rate between the PBA and the CAB, how much is it costing the state each year in net interest by retaining more deposits, as we appear to be doing in this financial year vis-a-vis last year?

Hon STEPHEN DAWSON: I will ask Mr Wright to provide a response.

Mr WRIGHT: To provide a sensitivity for net interest costs, that is something that I do not have at my fingertips here and we would have to do some modelling. There is a cost of carrying to retain cash in preference to, for example, moving to lower borrowings, but without doing a little bit of modelling, and I do not have the numbers in front of me for that, I cannot answer your question fully.

The CHAIR: Is that information available?

Hon STEPHEN DAWSON: It would involve the agency doing some work. The Acting Under Treasurer tells me that they are in a position to do that work and provide it later.
[*Supplementary Information No E1.*]

Hon TJORN SIBMA: My question concerns budget paper No 3, page 299. It is a continuation of table 6.1 outlining a summary of state government social concessions. My interest is in subsidies attributable to the Public Transport Authority. What factors do you attribute to the increase in subsidy payable? Presumably, this is based on some sort of measure around patronage, but patronage has been in decline on that network for some years. I am just interested to know on what basis the 2022–23 figure of $800 million in subsidies for that general fare class was determined.

Hon STEPHEN DAWSON: I will ask Mr Andrews to respond to that one.

Mr ANDREWS: Honourable member, could you repeat the question, please?

Hon TJORN SIBMA: Sure. There is $807.8 million worth of subsidies scheduled for the 2022–23 budget year against that general fare subsidy class. What factors have driven that increase from the previous year and the year before that?

Hon STEPHEN DAWSON: I have been advised that Mr Andrews will have to take the question on notice.
[*Supplementary Information No E2.*]

Hon TJORN SIBMA: Maybe a more general question. Presumably, these subsidies are based on some modelling undertaken by the Public Transport Authority. Is it possible to elaborate on that kind of communication between Treasury and the PTA to determine a point estimate in the quantum of subsidies payable in any year?

Hon STEPHEN DAWSON: Mr Andrews, please.

Mr ANDREWS: Honourable member, yes, there is a lot of work that we do with the PTA in terms of the modelling that they undertake that sets the subsidy. The big factor, like you suggested, is patronage. As you can imagine, patronage has taken a bit of a hit in terms of COVID over the last couple of years. The way that patronage has been modelled by the PTA is that it has set, basically, a glide path over the remainder of the forward estimates, returning back to pre-COVID levels. You will see that patronage picks up and the impact on the PTA operating subsidy is not as much as we go over the forward estimates.

[5.20 pm]

Hon TJORN SIBMA: This might be one that needs to be taken on notice, but for the 2022–23 budget year especially, does that figure include, presumably, the commencement of the Forrestfield–Airport Link component of the overall Metronet project?

Mr ANDREWS: Yes, it does, minister.

Hon Dr STEVE THOMAS: Chair, can I just get an indication of what sort of time frame I might have?

The CHAIR: We are actually going along fine now, so I will give you at least 20 minutes.

Hon Dr STEVE THOMAS: It may well not go around again, so I am just trying to budget my time carefully.

Minister, can I take you to budget paper No 3, and let us start on page 3, which is the key budget assumptions, but there are some similar numbers on page 9, which is the box on economic forecasts. In each case, there is a Perth consumer price index, which on page 9 is just called the consumer price index, which has an estimated actual of four per cent in 2021–22, followed by 2.75 per cent and 2.5 per cent outside of that. Is the government and Treasury standing by those numbers that the consumer price index in Perth is going to be four per cent for the current financial year and 2.75 per cent next financial year or have those numbers been reviewed; and, if they have been reviewed, can you tell us what they are?

Hon STEPHEN DAWSON: Mr Court, please.

Mr COURT: As the member would be aware, we increased our CPI forecast from midyear review to budget to that four per cent. I think there was an earlier comment around the ABS headline CPI released in the March quarter at 7.6 per cent. That is a March on March—so, year on year—rather than an annual estimate. For the four per cent, we work on the annual average for the full year, which reduces some of the volatility that you might have in those quarterly numbers. In annual average terms, the headline CPI in March increased by 5.2 per cent, which came out after we had finalised our forecast for the budget. At that time, I think the latest release inflation rate was 3.5 per cent. We have also, as the footnote indicates, removed the electricity sub index from the forecast because of the $600 electricity credit, and that is distorting the numbers. If you do that, the CPI for that March quarter in annual average terms, excluding that electricity sub index, was 4.4 per cent, so it is relatively close to the four per cent that we are forecasting for this year. I think we have made an assumption that inflation would still be growing but would moderate the following year to 2.75 per cent, and that reflects an expectation, as the commentary in the budget papers indicated, that some of the impacts around COVID supply chain disruptions, weather events et cetera would start to wash through. Obviously, there has been a lot of commentary in recent days around inflation, and that has particularly been around some of the energy price issues that are apparent on the east coast, which are not occurring here, although there could be some imported inflation as a result of that. We have not as yet revised our CPI forecasts. I think we would be waiting for further data releases, and obviously we update our forecasts as part of the midyear review.

Hon Dr STEVE THOMAS: You have sort of said 4.4 per cent if you take out various other factors. Are you standing by the expectation that it will drop to 2.75 per cent in 2022–23 or are you saying that you are reviewing that but you are not going to give us a reviewed number until the midyear review? I am just trying to work out which way you are going with this.

Hon STEPHEN DAWSON: Mr Court.

Mr COURT: The normal practice is to publish updated forecasts as part of the midyear review.

Hon Dr STEVE THOMAS: So we do not get that at that particular point; okay. I notice that you have got the wage price index, too, in your economic forecasts at 2.75 per cent for 2022–23, rising to three per cent. This may have been asked previously, but have you modelled the economic impact of 2.75 per cent and three per cent, three per cent, three per cent on the total wages bill; and, if so, is that information available?

Mr COURT: I would probably need a point of clarification, member. When you say “the total wages bill”, are you meaning for the public sector?

Hon Dr STEVE THOMAS: For the public sector, yes.

Mr COURT: The total salaries cost for the public sector is based on modelling the wages policy and FTE growth that are provided by the agencies. As the minister alluded to earlier, when the new wages policy was announced, we provided funding for that as part of the midyear review. It has been fully accounted for in the budget aggregates in terms of the wages policy and then obviously FTE growth.

Hon Dr STEVE THOMAS: You may not be in a position to answer this, but is Treasury aware of how many EBAs are currently under negotiation or expiring and how many of the government's current proposed policies have been rejected?

Hon STEPHEN DAWSON: I am told it is in the budget papers. Page 54 of budget paper No 3 lists the expiring key industrial agreements.

Hon Dr STEVE THOMAS: So no updates since that point, given that that was —

Hon STEPHEN DAWSON: The only change would have been teachers, which I think there was an announcement on last week. The PTA transport officers have also agreed, but everything else is still outstanding.

Hon Dr STEVE THOMAS: Can I take you then to the Treasurer's special purpose accounts, which is in appendix 5 of budget paper No 3. I am interested in how much has been placed into special purpose accounts by the government since its inception, and particularly in the last two financial years. By my calculation of the new special purpose accounts—I am talking about digital capability, remote community, social housing, softwood plantation, Westport and climate action, even though that theoretically includes softwood plantation—you put in $2.4 billion in 2021–22 and $1.25 billion in 2022–23. Have you got those figures available to you?

Hon STEPHEN DAWSON: I will ask Mr Court. We are going to have to go to Mr Wright instead.

Mr WRIGHT: The majority of the appropriations from Treasury to those accounts are shown on page 133 of volume 1 of budget paper No 2. On that page, you can see the appropriations over the two years to the climate action fund, the appropriations over the two years to the digital capability fund, and the proposed 2022–23 appropriation to the remote communities fund. You can see the appropriations to the debt reduction account, the social housing investment account, the softwood plantation expansion fund and the new women's and babies' hospital account.

Hon Dr STEVE THOMAS: Thank you. I am ultimately going to have to add those up myself as part of that process. Minister, in terms of the money that you have then put away, can I just confirm in budget paper No 3 on page 3 that, on the interest rate assumptions, the public bank account interest earnings are currently expected to be a 1.2 per cent rise and 1.6 per cent, presumably on the back of rising interest rates. The consolidated account borrowings for 2021–22 are assumed to be 2.3 per cent. I note they only rise to 2.5 per cent in 2022–23 and to 2.7 per cent and then start to go down again, which would seem to indicate that Treasury Corp is well insulated from interest rate rises activated by the Reserve Bank. Can you just confirm that those numbers are still deemed to be accurate and that the interest basically on borrowings is effectively not shifting by more than 0.2 per cent over the next four years?

[5.30 pm]

Mr COURT: Yes, they are the interest rate assumptions that we currently have. I am not sure whether you have noticed that in the statement of risk, we provide a sensitivity around a high interest rate assumption just to give a bit of a feel for the materiality of an increase in interest rates. Under that high scenario, we see potentially interest rates going up by 22 to 73 basis points, and that leaves about a $169 million increase in interest on consolidated account borrowings under that high scenario—so that gives you a feel of where interest rates might be going.

Hon Dr STEVE THOMAS: How do interest rates that the government borrows at compare with the Reserve Bank's official interest rate?

Mr COURT: I guess you are looking at the 2.5 per cent, and when it gets to the target cash rate of 0.85, there is a yield on semi-government bonds.

Hon Dr STEVE THOMAS: If the official interest rate moves to four per cent as predicted by the end of this year, have you got any modelling to say what the impact on consolidated account borrowings or the government bonds will be?

Mr COURT: The only modelling we have done is on the statement of risks. Page 61 of budget paper No 3 gives commentary around consolidated account interest cost forecasts and the impact potentially of interest rate increases.

Hon Dr STEVE THOMAS: I take you back to the special purpose accounts in appendix 5. I note that the Premier, who is also the Treasurer, in the estimates committee in that other place made some comments about the use of special purpose accounts, and said that all the expenditure from those special purpose accounts was fully expended over the forward estimates period that is fully projected in the net debt projections. I take into account the comments you made earlier. Minister, can you confirm through Treasury that it is expected that all these special purpose accounts will be fully expended? My question is: how realistic is that, given that you have among those special purpose accounts obviously things like $1.7 billion for the new women's and babies' hospital? Is it accurate to suggest that the money that sits in those special purpose accounts is likely to be expended by the 2024–25 financial year?

Hon STEPHEN DAWSON: I think what the Treasurer said was that it was for those new accounts, being the climate action fund, the digital capability fund and the remote communities fund, that the intention is to extend in the forward estimates. There are other SPAs that have been around for a while and will continue to be around for a while, and there is no intention that that money be spent.

Hon Dr STEVE THOMAS: They are ongoing, and that is fine. You would expect that from the ongoing ones. But then do we exclude the women's and newborns' health service relocation account, which has been listed as a special purpose account? That will be very difficult to get out the door by 2024–25.

Hon STEPHEN DAWSON: It is my understanding that it is literally those new accounts—climate action fund, digital capability fund and remote communities fund—that the intention is to expend in the forward estimates period. The full amount for the women's and babies' hospital will not be expended.

Hon Dr STEVE THOMAS: Is the expectation, then, for example, that the softwood plantation fund at $350 million would be fully expended by 2024–25 or is that potentially another one?

Hon STEPHEN DAWSON: No; it was announced that the intention was that that money would be spent over a 10-year period.

Hon Dr STEVE THOMAS: I was assuming that. I think the comments of the Treasurer needed perhaps a bit more fulsome explanation.

Hon STEPHEN DAWSON: I have not got the words in front of me. I have advisers with me who were there at the same time as the estimates took place with the Treasury in the other place. Their recollection is different. If the official record, *Hansard*, reflects differently, that is a bit of an issue. Certainly, I can confirm that with the climate action fund, the digital capability fund and remote communities fund, that that money be expended in the forward estimates period.

Hon Dr STEVE THOMAS: You may get some questions without notice sometime in the future, just to let you know.

I take the minister to the details of administered transactions on pages 145 and 146 of budget paper No 2, volume 1, recognising that I am going to run out of time fairly soon. This is the actual Treasury accounts. The local government rates equivalent scheme is where corporations are charged local government rates effectively by government on the basis of, presumably, a cost competitive target. How much of that eventually ends up in the hands of local government or is it entirely transferred into the consolidated fund or some other government fund?

Mr COURT: No, the local government rate equivalent is paid by the commercial government trading enterprises to the consolidated account.

Hon Dr STEVE THOMAS: So none of it ultimately ends up in local government coffers unless it is a loan through Treasury Corp?

Mr COURT: No.

Hon Dr STEVE THOMAS: Thank you; that is interesting. Can I also check on page 145 the dividends from government enterprises, obviously remembering that for the current financial year, 2021–22, most trading enterprises were told to withhold their dividends for future work. The Water Corporation is the biggest general contributor for that. I am assuming that the retained dividends are held within accounts within each trading entity and have not been transferred to a general government account. If that is the case, does Treasury have oversight of the total amount of money and where it is being sent? Do we have a total? There were some expectations in estimates, but not necessarily a final figure. We do not have an estimated actual of the savings necessarily; we have estimates for future years. Is there an estimated actual for what was retained with all of those trading enterprises?

Hon STEPHEN DAWSON: Mr Court.

Mr COURT: From memory, I think the retained dividends—I could look it up—was around $2.3 billion. A big portion of that was held by the Water Corporation, and that is going to go towards funding a new desalination plant. The work is still underway in terms of the business case around that project, but it is in the restricted cash, if you like—the cash balance. There have been some projects of a smaller amount funded by some of the other corporations that would be detailed in the budget papers. For example, a small amount of money that Horizon Power has used is retained dividends to fund its utility of the future program, which is a digitalisation program.

Hon Dr STEVE THOMAS: Will that be outlined in detail in either the *Annual report on state finances* or in next year's budget? Is a breakdown of that process available to the community?

Mr COURT: The agency still needs to go through the budget process with a business case of funding requests to spend those retained dividends on approved projects, and those approved projects get reported in the relevant *Budget statements* for the relevant government trading enterprises.

Hon Dr STEVE THOMAS: So next year's budget, potentially—because the *Annual report on state finances* may not have that level of detail?

Hon STEPHEN DAWSON: Yes, that is correct. As Mr Court indicated, some agencies need to go through the budget process, and so the outcomes of the next budget process will be reflected in next year's budget papers.

[5.40 pm]

Hon Dr STEVE THOMAS: Has Treasury done an overview of the economic impact of the building stimulus program to work out what that impact has been not just on the construction industry, but whether that has had an inflationary impact, for example? It certainly, potentially, I would assume, would have had an impact on the time of construction. I suspect that has had an impact on the viability of building companies. That is not to blame Treasury or the government for it; lots of building companies took on projects that they just could not deliver. Obviously, only a part of the building stimulus is state; there is also the federal component. But have you analysed it at all and can you give us some insight into the impacts of that on the construction industry, inflation and the economy?

Hon STEPHEN DAWSON: Mr Court can make some comments.

Mr COURT: As you notice, the building bonus as well as the commonwealth's Home Builder program were designed to support the building industry. They were measures put in place when COVID hit. There were concerns that with the lockdown restrictions, people were not going, or able to go, out to look through display homes and the like. There are 65 000 workers in the residential construction sector, so there were concerns around their ongoing employment. That is why those schemes were put in place quite quickly. They have, as the member alluded to, been very successful in stimulating the home construction market.

There are other factors that have probably also impacted, though, the residential building industry in terms of supply chain disruptions and weather events that have impacts in terms of materials. There have been cost increases in the construction sector. I think the ABS produced a price index increase by about 15 per cent over the 12 months to March and components of that index like steel are up 44 per cent, plumbing products are up 25 per cent and timber is up 22 per cent. There is also, obviously, a very tight labour market, and the skills shortages are also impacting on the building industry. What we are seeing is the completion of homes being delayed from up to 24 months compared with a normal market, which may be nine to 12 months.

Hon Dr BRIAN WALKER: My question refers to volume 1 of the second budget paper, page 145, "Other Receipts", the line item in the first table. The question refers to modelling, however speculative, to predict potential revenue increase from innovative areas, in particular—and the minister knows where this is going—from the cannabis industry. We do not have any idea of the revenue stream that we are currently denying ourselves. I know Victoria did something in 2018 suggesting an overall increase to the state's bottom line of something like $348 million. Obviously, they are not going to be approaching anything like a cannabis business, at least not yet, but the question to the minister and to the department is: are you prepared to look at that, as Victoria has done, to see what sums we are missing out on?

Hon STEPHEN DAWSON: We certainly have not undertaken the work. We have not modelled it. I am happy to bring your suggestion to the information of the Treasurer for him to consider.

Hon Dr BRIAN WALKER: My second question is on page 133. It is the line item 118, "Climate Action Fund". There is a $500 million allocation to the fund. I welcome that greatly—more substantial contributions than in previous years—but going forward there is nothing listed in the forward estimates. Could the minister please unpack where we go from here? Do we now have enough money in the pot to fund the expected outcomes in terms of climate change or can we expect to see further allocations down the track?

Hon STEPHEN DAWSON: As I indicated the intention of government is to expend that $500 million investment in the forward estimates period. In relation to what it is expensed on, though, agencies are required to undertake business cases and for those business cases to be approved through the Expenditure Review Committee of cabinet, and then by cabinet. So the money exists. The money will be spent in the four years, but how it is spent in the four years past 2021–22 has not been identified.

Hon Dr BRIAN WALKER: A further very small last question—again, the same volume, page 132, and the line item "Unclaimed Money Act 1990", three quarters of the way down the page. I understand, and please correct me if I am wrong, the Unclaimed Money Act requires organisations in Western Australia to lodge with Treasury any unclaimed funds they may hold on behalf of an individual after six years. I would have thought that provision would have served to make the act self-funding. How much money is the Unclaimed Money Act expected to bring into state coffers over the forward estimates? What use is the allocation here? It is $1 million each going forward; what is it being used for?

Hon STEPHEN DAWSON: Unclaimed money arises as a consequence of organisations such as private businesses and government agencies that may not be willing to keep money that does not belong to them. Where required, organisations must transfer moneys to Treasury where they are held on behalf of the rightful owner or payee. Only Western Australian–based organisations are required to lodge unclaimed money with Treasury. When such funds are matched to an identified claimant, this item allows for the release of these moneys. This item is difficult to predict with any accuracy with notional allocations included in the budget projections based on trends in recent actuals.

Hon TJORN SIBMA: Hopefully I will be pretty quick. Budget paper No 3, page 62—some commentary around the asset investment program. I take particular interest in the last paragraph, particularly the claim —

> The Government is … taking a considered and proactive approach to managing changes in project costs to ensure that projects continue to represent value for money.

Presumably, value for money in capital allocation terms would mean that there is a threshold of at least a positive NPV or a BCR of 1.0 or above, which would be the threshold for determining whether or not the government presses go on any capital project. Is that a fair summation of Treasury's starting policy position when it comes to surveying agency spends and wonderful proposals?

Hon STEPHEN DAWSON: Mr Court.

Mr COURT: Member, the strategic asset management framework is a document that has business case guidelines. Agencies are required to provide business cases to support any projects or funding for new capital works projects. In terms of a positive NPV or a positive BCR, that may not necessarily be the case if there is a social justification. There is a broader suite of issues that are looked at from a financial and cost–benefit analysis. There is an economic social cost–benefit analysis as well.

Hon TJORN SIBMA: Nevertheless, you would expect those considerations to be enormously consequential if, for example, a BCR on a big project was at 0.36 or 0.45? Would that be fair? You would have to make a very strong social case.

Mr COURT: That is right. The government is the end decision-maker on that based on the business case. Just going back to the reference that is there around value for money, this was in terms of the escalation that may be in when tender results come in. It is looking at a tender that comes in well above the pre-tender estimate, whether that project still represents value for money if it is above, for example, a threshold of 20 per cent higher.

[5.50 pm]

Hon TJORN SIBMA: Nevertheless, there are a few Metronet subprojects which are, sort of, modern iterations or have only recently had some funding attributed to them. For example, I would use the level crossing removal in Victoria Park–Canning. That is about $1 billion in capital spread across the estimates at a BCR that the PTA concedes is 0.36. That is the equivalent of paying a billion dollars to keep $300 million and just giving $700 million away. That does not strike me as being particularly consistent with the overriding policy agenda in a heightened economy. I seek how you reconcile these problems.

Hon STEPHEN DAWSON: This is one area where the government believes there is a social benefit, but it is also a project that funding was provided by the commonwealth government.

Hon TJORN SIBMA: They were very easy marks.

Hon STEPHEN DAWSON: Governments of both persuasions, federal and state, have declared this be a priority and so the commitment is to delivering that.

Hon TJORN SIBMA: That is a fair policy position for any government to adopt, but what that effectively mean is that social considerations in respect of this particular project are worth at least $700 million to $750 million because they are non-financial attributes that the government has priced in at that value. Is that a fair assessment?

Hon STEPHEN DAWSON: I do not know if I can comment on it, honourable member.

Hon TJORN SIBMA: There has to be a rational basis.

Hon STEPHEN DAWSON: I think that assessment may well have been by Infrastructure Australia. I have to say, some of these assessments can often be quite dry and do not take appropriate consideration the social elements or the social benefits of a project. As I said, though, this is a project that has been prioritised by both the state and commonwealth and there is commonwealth funding associated with it, too.

Hon TJORN SIBMA: I take your point about capital co-contribution from the commonwealth, but the commonwealth government has never paid for the operating costs of the capital that they fund. Has the operating cost of say that Armadale line, for example, over the course of the estimates been priced in yet or is that something yet to be determined in consultation with PTA?

Hon STEPHEN DAWSON: Mr Andrews, please.

Mr ANDREWS: Honourable member, no, it has not been costed in at this stage.

Hon Dr STEVE THOMAS: Minister, budget paper No 3, page 4. I note that the total public sector net debt as at 30 June and the 2020–21 actual is $33 482 000 00. I presume that is at 30 June 2021. Can you confirm that and can you tell us how that compares with the total public sector net debt as at 30 June 2017? I am happy if you provide it by supplementary information if needed.

Hon STEPHEN DAWSON: I am told that it is public information and it is available. We are going to see what we have got in our folders now to provide you.

Hon Dr STEVE THOMAS: You might find it in the meantime while we progress.

Hon STEPHEN DAWSON: Sure. If you want to ask another question in the meantime, we can look it up.

Hon Dr STEVE THOMAS: Minister, can I just check then, if you go back to appendix 5 and the special purpose accounts, we heard in budget estimates yesterday that some of these accounts—in particular, if you go to page 291, the Westport account. The Westport account was started at $400 million, of which $1 million was spent in its first year and $13 million potentially will be spent next year. We heard in estimates this week that there is likely to be some years before significant drawdown occurs on that account. Given the difference between the interest paid on debt and the interest received on sitting funds, do have an indication of what it costs, for example, even if you said they are going to spend $10 million a year for the next few years when there is $350 million sitting in that account potentially for one day in the future? What is the cost differential on that account? If that money was taken to pay down debt and a future government looked at funding the

Westport account, in one year what is the saving to government if they paid down debt instead of leaving it in a bank account earning interest? Again, it might have to be supplementary information.

Hon STEPHEN DAWSON: I will ask Mr Court.

Mr COURT: I think that goes to the earlier question on the cost of carrying and we undertook to do some modelling around the difference between the two—between the interest earned and the cost of debt.

Hon Dr STEVE THOMAS: So it will come in a form that we can simply apply to each of those accounts, potentially, to work out what the cost of carrying that in a savings account versus paying down debate is?

Hon STEPHEN DAWSON: We can ensure we provide for it for Westport account.

Hon Dr STEVE THOMAS: Okay. We will start with the Westport account and we can use that as an example.

Hon Dr STEVE THOMAS: Okay. Can I just check then do you have a figure for total public sector net debt at 30 June 2017?

Hon STEPHEN DAWSON: That figure was $31 964 000 000.

Hon Dr STEVE THOMAS: Thank you very much I appreciate your efforts to get information, minister. It is always greatly appreciated.

Hon STEPHEN DAWSON: You are most welcome.

Hon Dr STEVE THOMAS: The net debt basically at 30 June 2017 was nearly $32 billion, which will be slightly less than the expected total public sector net debt for the 2023–24 financial year, which is then expected to rise by about another $1.7 billion over the two last financial years after that.

Hon STEPHEN DAWSON: That is correct. I should point out that there is a significant asset investment program in the budget in the forward estimates years and you can see that taking its toll.

Hon Dr STEVE THOMAS: Yes; point taken.

The asset investment program—you raised a very good point. Generally, the government has now got asset investment projections, according to Treasury, of eight, nine or 10 billion dollars, whereas the government has been unable to get more than $6 billion into asset investment in any year in the past. Are you confident, and is Treasury confident, that you will be able to effectively increase asset construction over the next three years by something like 40 per cent higher than the maximum you have ever achieved in the past? If you do not, if that asset investment does not occur, is that additional money that effectively does not get spent and ends up a bit like the Treasurer's special purpose accounts in a pocket of money—dare I say, a money bin—waiting for expenditure to occur?

Hon STEPHEN DAWSON: Certainly, it is our intention to deliver based on what is in the budget documents before us. Obviously, honourable member, you would be as aware as I am of the significant issues that we have dealt with as a state and, indeed, the world over the last two years with COVID-19 and how it has thrown up all sorts of issues for us to deal with. Certainly, it is our intention to spend that money as is outlined in the budget papers and hopefully we can do it.

Hon Dr STEVE THOMAS: It was my intention to reach six foot, you know, with all the best intentions in the world.

Hon STEPHEN DAWSON: I would have more confidence in the budget papers than you becoming six foot.

Hon Dr STEVE THOMAS: That is outrageous.

I jump back to my old favourite, the debt reduction account.

Hon STEPHEN DAWSON: I need a page number; I am just following you, honourable member.

Hon Dr STEVE THOMAS: Page 282 in budget paper No 3, the debt reduction account. Every year, the debt reduction starts as zero and you put in some money. As I understand it—you can confirm this—it is effectively the GST top-up money to date and then some money from the Insurance Council and one other. Then you take out the GST top-up money, so you basically only reduce debt by half a billion dollars a year, which is effectively ICWA and a couple of other bits and pieces. Can you confirm that that is still the process that you are operating in, which I call "creative accounting" and I stand by my definition without wanting to cause offence necessarily? Can you tell me what happens when it is no longer a top-up of GST but is actually, as will happen for the 2022–23 financial year, simply a GST payment because the floor moves up to 75¢ but ultimately gets adjusted? They are calling it from now on—and your own budget papers say GST—you take out the part of the floor in revenues and you just call it the GST payment. What are you going to run through that account?

Hon STEPHEN DAWSON: I make the point that I think since this government came to office, approximately $7.3 billion has been in and through the debt reduction account so a significant investment has been made into reducing debt.

Hon Dr STEVE THOMAS: Of which $2 billion has reduced debt and the other $5 billion has just been spent.

Hon STEPHEN DAWSON: That compares to $89 million that was repaid under the last government.

The CHAIR: Thank you very much for that. That brings us to an end of this hearing. I thank you for your attendance today, particularly the witnesses. Members, you may submit your remaining questions through the electronic lodgement system, which will close at 5.00 pm on 1 July 2022. 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 20 July 2022. Should you be unable to meet the due date, could you please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons why the due date cannot be met. Thank you once again for attending today. It has been very much appreciated.

Hearing concluded at 6.01 pm