



**Hon Ben Wyatt MLA**  
**Treasurer; Minister for Finance; Energy; Aboriginal Affairs**

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Our ref: 69-05053

Ms Tracey Sharpe  
Committee Clerk  
Estimates and Financial Operations Committee  
Parliament House  
Perth WA 6000

Dear Ms Sharpe

**2017-18 LEGISLATIVE COUNCIL BUDGET ESTIMATES HEARINGS –  
ADDITIONAL QUESTIONS**

Please find attached supplementary information requested of the Department of Finance and Department of Treasury by Members of the Legislative Council during the above hearings in October 2017.

If there are any queries regarding this information, please contact my office on 6552 5900.

I trust this information is of assistance.



**BEN WYATT MLA**  
**TREASURER; MINISTER FOR FINANCE;**  
**ENERGY; ABORIGINAL AFFAIRS**

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## Estimates and Financial Operations Committee



### Department of Treasury

#### Hon Colin Tincknell MLC asked:

1. Can the Minister advise on the likelihood of any contracts that will be exempted from public listing on Tenders WA to be entered into by the Department in the next 12 months? I refer to contracts that, for various reasons as listed by the Department of Finance, are not required to be advertised or listed publicly but must be recorded on each agency's exemption register and must receive an approved Request for Exemption. How much will these contracts approximately cost and what service or goods will be provided?

Answer:

Where the awarded contract price is \$50,000 and above (including GST), a public authority must publish the contract details on the Tenders WA system.

Where there is no CUA or Agency Contract available, the SSC's *Open and Effective Competition* policy requires agencies to undertake a competitive process through an open tender process (advertising on Tenders WA) for the purchase of products and services valued at \$250,000 (including GST) and above.

Treasury does not expect to award any contracts that meet the criteria for a Request for Exemption from advertising or publishing on Tenders WA in the next 12 months.

2. Can the Minister please supply a detailed listing of the various office locations used by the Department, including information on whether these premises are publicly or privately owned, and any annual rental figures for their use?

Answer:

The Department of Treasury occupies David Malcolm Justice Centre which is privately owned by Mirvac and Albert Facey House which is publicly owned.

Accommodation Annual Rental -

David Malcolm Justice Centre	\$3,097,207
Albert Facey House	<u>\$550,527</u>
	\$3,647,733

Excludes property management, GCN ICT charges, cleaning, electricity and car parking costs.

## Estimates and Financial Operations Committee

### Department of Treasury

#### Hon Diane Evers MLC asked:

1. What steps are necessary in order to pursue a possible change to the ABS determination that Public Transport Authority be treated as a Public Non-Financial Corporation and Commissioner of Main Roads as General Government department, given that they compete for the same funding, support and even users, and noting that the difference in accounting treatment can impact on the decision making with regard to funding the two agencies and their respective capital infrastructure projects?

#### Answer:

The financial statements of the general government sector, the total public sector, and the public corporations sectors, are prepared in accordance with applicable Australian Accounting Standards (AAS) and Interpretations, in particular AASB 1049: *Whole of Government and General Government Sector Financial Reporting*.

In compliance with AASB 1049, where consistent with accounting standards, Government Finance Statistics (GFS) concepts, sources and methods are used. GFS concepts, sources and methods are defined by the International Monetary Fund's Government Finance Statistics Manual, and in Australia, these economic statistical standards are promulgated by the Australian Bureau of Statistics (ABS) in its GFS Manual "*The Australian System of Government Finance Statistics Concepts, Sources and Methods*".

The GFS concepts, sources and methods govern the classification of transactions, along with the sectoral classification of government units, for both public sector economic reporting, and for National Accounts purposes. AASB 1049 defines the sectoral classification of public sector agencies to be in line with the ABS GFS Manual.

The use of these accounting and economic statistical standards is reflected in a decision by all Australian Governments (Commonwealth, States and Territories) to adopt this methodology for the purpose of the Uniform Presentation Framework (UPF) for public sector financial disclosures. The UPF mandates a standard presentation of core financial information that allows comparisons to be made across Australian State, Territory and Commonwealth jurisdictions on a consistent basis.

Treasury periodically requests rulings on classification issues, whether for existing or new transactions and/or units, where such issues may arise. Treasury outlines the classification issue and requests a ruling from the ABS, and provide all relevant information to assist the Bureau in its determination. The State is bound for financial reporting purposes by an ABS ruling. In the unusual event that the ABS is unable to determine a definitive ruling, or where it notes that there are substantive interpretive issues that require further examination, advice may be sought from the IMF.

In the case of the Commissioner for Main Roads, this agency is unambiguously classified as a general government agency, as its operations are financed from motor vehicle taxation collections and central borrowings, while providing non-market public services in the form of roads and related infrastructure.

The Public Transport Authority (PTA) is currently classified as a public non-financial corporation as it provides marketable goods and services against which economically significant prices are charged. The appropriation of a subsidy to the PTA does not of itself change the features of this classification as it applies to the Authority. The GFS Manual notes public transport entities as examples of public corporations and, as with the PTA in Western Australia's current whole-of-government financial disclosures, equivalent public entities in Queensland, New South Wales, Victoria and Tasmania are classified as public non-financial corporations.

Nevertheless, Treasury has requested a review of the classification of the PTA by the ABS.

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## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### Department of Treasury

#### Hon Colin Tincknell asked:

- 1) I am happy to take this on notice. I would like the department to provide a detailed breakdown on how it costed the \$1 000 wages policy. Page 168. I just want a detailed breakdown on how the department costed the \$1 000 wages policy.

#### Answer:

The 2017-18 Budget reported on page 168 of Budget Paper No.3 that the \$1 000 wage policy is anticipated to reduce expenses by \$498 million to 2020-21. This estimate was derived using data for each industrial agreement on the number of employees and expiry date. As each agreement expired, the 1.5% escalation provided under the previous wages policy was removed from the salary base and replaced with the new wages policy. The \$498 million estimate is the net impact of the removal of the 1.5% escalation and addition of costs relating to the \$1 000 wages policy.

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## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### Department of Treasury

#### Hon Colin Holt asked:

1) Back to page 84, you are forecasting your growth of 11.4 per cent in 2017-18 after a decrease of 8.8 per cent in 2016-17. That is a turnaround of over 20 per cent.

a) Can you explain how you have come to that conclusion? It is quite an incredible turnaround.

Answer: 2016-17 gambling tax collections were the lowest since 2007-08. It would be unreasonable to base ongoing forecasts upon what appears to be an outlier year from a collections perspective. The figure forecast in 2017-18 is around 5 per cent below the annual average of the preceding five years.

b) The next paragraph talks about it as an average growth of 7.4 per cent per annum; I assume it is through the same methodology. While I was just talking about one year's turnaround, that is into the forward estimates, so assumptions on how continues to grow at 7.4 per cent into the out years would be useful too.

Answer:

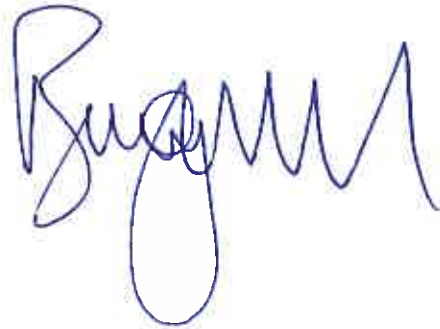
Post 2017-18 gambling tax collections are forecast to return to historic trends subject to the introduction of a point of consumption wagering tax from 1 January 2019. However, it is acknowledged that gambling collections are inherently volatile, particularly with reference to lotteries, given the difficulties associated with forecasting the sequencing of jackpot draws.

2) The last line says that the point-of-consumption tax measure "is expected to raise a net \$52 million over the forward estimates period." I would really like to know how you have arrived at a \$52 million net raise over that period and what assumptions have been made to indicate that. I did ask this of RWWA in their estimates on Monday and they specifically said that I had to ask Treasury, so I am asking for the modelling on how you arrived at a net \$52 million.

Answer:

The estimated revenue included in the 2017-18 State Budget from the introduction of a point of consumption wagering tax in Western Australia is based on modelling provided by Racing and Wagering Western Australia. The point of consumption wagering tax would apply at a rate of 15% on net wagering revenue.

The net estimated revenue includes additional revenue expected to be raised from a point of consumption wagering tax, including from gambling providers located in another State or Territory, less an amount of compensation to ensure that the racing industry is not disadvantaged by the introduction of the tax. This takes into account Racing and Wagering Western Australia's current wagering tax liabilities and the current level of State Government funding, both direct and indirect, for the racing industry. Deviation from the arrangements announced in the Budget under a nationally consistent point of consumption tax may result in a change in estimated net revenue from the measure.

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## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### Department of Treasury

#### Hon Aaron Stonehouse asked:

- 1) Given that you have conducted an impact statement of the effect on unemployment of the payroll tax, can you tell us what those figures are?
- 2) What is the impact of the payroll tax increase on unemployment?
- 3) Can you provide those figures?

Answer (1-3):

The economic impact of the changes to payroll tax will be insignificant given that the increase in payroll tax revenue of around \$135 million in 2018-19 represents around 0.05% of Western Australia's nominal Gross State Product (estimated at \$260 billion in 2018-19).

In relation to unemployment generally, the measure is temporary and the increase in payroll tax from hiring an additional employee is only 0.5% of that employee's salary for businesses with a payroll between \$100 million and \$1.5 billion and 1% for businesses with a payroll above \$1.5 billion. For an employee on average weekly earnings, this equates to around \$447 for businesses with a payroll between \$100 million and \$1.5 billion and around \$894 for businesses with a payroll above \$1.5 billion. It is unlikely that this marginal increase in employee costs will lead to a significant reduction in employment particularly given the size of the employees impacted by this measure.

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## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### Department of Treasury

#### Hon Martin Aldridge asked:

- 1) I would like to go to chapter 7 of budget paper No 3 and page 227. The regional workers' incentive scheme or regional workers' incentive payments I understand fall under the administration line item on page 227 as well as the administrative costs of the Department of Primary Industries and Regional Development. Could you confirm that?
  - a) Would you be able to break down that administration line item for me on supplementary information? Specifically, with respect to the regional workers' incentive, would you be able to break it down further to let me know which agencies are drawing how much money from that incentive?

Answer: The administration line item on page 227 is made up of: the administrative costs of the Regional Development Commissions; the Regional Development activities of the Department of Primary Industries and Regional Development; other administration costs; and the regional workers incentives allowance payments.

A breakdown of the item follows:

Administration Line Item	2017-18 Budget Estimate \$m
Primary Industries and Regional Development -	
Regional Development – operational costs	37.187
Regional Development Commissions – operational costs	22.488
Treasury – Administration of Royalties for Regions program	0.130
<b>Regional Workers Incentives Allowance Payments</b>	
Mines, Industry Regulation and Safety – Administration of Regional Workers Incentive Scheme	0.118
Biodiversity, Conservation and Attractions	0.811
Communities	1.801
Education	3.315
Finance	0.125
Fire and Emergency Services	0.152
Justice	2.098
Legal Aid	0.114
Local Government, Sport and Cultural Industries	0.076
Main Roads	0.276
Mines, Industry Regulation and Safety	0.107

<b>Administration Line Item – Continued</b>	<b>2017-18 Budget Estimate Sm</b>
Planning, Lands and Heritage	0.069
Premier and Cabinet	0.076
Primary Industries and Regional Development	0.567
Public Sector Commission	0.035
Public Transport Authority	0.013
Training and Workforce Development	1.515
Transport	0.234
WA Health	7.974
WA Police	2.212
Water and Environmental Regulation	0.095
<b>Total Administration</b>	<b>81.588</b>



## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### Department of Treasury

#### Hon Colin Tincknell asked:

- 1) Once again, budget paper No 3, page 77 - can the department provide a detailed breakdown of how it costed the temporary progressive payroll tax scale for large employer's measure?

#### Answer:

The revenue for the temporary payroll tax scale was estimated using 2015-16 data on the individual payrolls of each payroll taxpayer in Western Australia. The individual payrolls were increased by forecast wages and employment growth to estimate individual payrolls from 2018-19 onwards. Treasury then modelled the revenue impact of the current and the temporary progressive payroll tax scale on each taxpayer to estimate the additional revenue that would be raised from the new scale.



## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### Department of Treasury

#### Hon Peter Collier asked:

- 1) I draw your attention to budget paper No 2, page 501, which talks about the declining income from gold royalty changes from 2019 to 2020. That is without even the proposed royalty rate increase. If you look at 2019–20 and beyond, it shows that there will be a declining rate of royalty. Are you with me? Sorry, that is the actual commentary. Page 580 is where the figures are. It shows a declining gold royalty rate from 2019 to 2021, and that is without the actual increase in royalty. Can the minister please provide the price, the production and the exchange rate assumptions used in the budget to calculate that royalty rate over the forward estimates?

Answer: The thing that I will need to take on notice is the production volume.

In the 2017-18 Budget, gold production is assumed to decline from 6.2 million ounces in 2017-18 to 4.3 million ounces in 2020-21. The impact of the decline in the production volumes was partly offset by a projected increase in the Australian dollar gold price (a function of the exchange rate and US dollar price assumptions published in the Budget). These are summarised in the table below:

2017-18 Budget Assumptions				
	2017-18	2018-19	2019-20	2020-21
Gold Volume (million troy ounces)	6.2	5.9	5.3	4.4
Gold Price (\$A)	1,605	1,639	1,674	1,715
Royalty Revenue (\$ million)	303	358	329	279

Gold volume assumptions are inherently conservative. They are derived from an annual survey of mining companies conducted by the Department of Mines Industry Regulation and Safety. The forecasts only incorporate production that has received formal approval from a company board and has obtained all the regulatory approvals. Forecast volumes therefore generally exclude potential volumes from yet to be approved new projects, mine expansions, and mine life extensions, resulting in declining production volumes over the forward estimates.



## ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE

### Department of Treasury

#### Hon Steve Thomas asked:

- 1) Minister, I refer you to page 86 of budget paper 3. Under the heading “GST Revenue”, the second paragraph states –

*Western Australia’s continuing low relativity largely reflects the lagged impact of high revenues in previous years from royalties, taxes and North West Shelf grants.*

You may have been expecting this question but I will give it to you.

- a) What has been the total additional general government revenue received in Western Australia over and above the long-term average growth, preferably from 2001–02 to 2016–17? If you do not have an answer, could you put it as supplementary information?

Answer: General government operating revenue is ‘lumpy’ and subject to significant variation, such as from one-off income events (such as the Global Financial Crisis (GFC), or dividends from the sale of assets and from fluctuating profit in public corporations) and changes in Commonwealth funding (such as stimulus funding in response to the GFC, changes in non-government school funding, and the impact of changes in general revenue grants, including the GST and the preceding Financial Assistance Grants arrangements).

Operating revenue grew by an average annual rate of 5.9% over the period 2001-02 to 2016-17, which compares with average growth of 6.8% over the period 1994-95 to 2000-01 (the accrual accounting data for the State’s public sector finances is only available from 1993-94).

Details are provided in the following table.

**COMPARISON TO TREND REVENUE GROWTH**  
General Government Sector - Western Australia

	General government operating revenue \$m	Annual growth %	Average annual growth to 30 June %	Application of trend growth from 2001-02 \$m b	Revenue above trend \$m a-b
1993-94	6,756				
1994-95	7,397	9.5			
1995-96	7,930	7.2			
1996-97	7,908	-0.3			
1997-98	8,590	8.6			
1998-99	9,026	5.1			
1999-00	9,711	7.6			
2000-01	10,687	10.0	6.8		
2001-02	11,123	4.1		11,410	-287
2002-03	11,869	6.7		12,183	-314
2003-04	12,851	8.3		13,008	-157
2004-05	14,333	11.5		13,889	444
2005-06	16,667	16.3		14,829	1,837
2006-07	17,573	5.4		15,833	1,740
2007-08	19,345	10.1		16,906	2,439
2008-09	19,435	0.5		18,050	1,384
2009-10	22,039	13.4		19,273	2,766
2010-11	23,909	8.5		20,578	3,332
2011-12	25,220	5.5		21,971	3,249
2012-13	25,718	2.0		23,459	2,259
2013-14	27,956	8.7		25,047	2,908
2014-15	27,400	-2.0		26,743	657
2015-16	26,485	-3.3		28,554	-2,069
2016-17	26,913	1.6	5.9	30,488	-3,575
<b>TOTAL</b>	<b>396,841</b>			<b>312,221</b>	<b>16,614</b>

Note: Columns/rows may not add due to rounding.

- b) Effectively, the budget papers say that the relativities are impacted upon by revenues, which is obviously the case. What I am looking for is how the increase in general government revenues over time compares with long-term average growth. What I am looking for is a measurement, as it were, of what we call the mining construction boom between about 2001 to the end of the current financial year if possible so that I can have a measure of how much additional revenue above long-term average growth the state received during that period of time. Is that clear enough? Is it possible for that to be provided? It should be a fairly simple calculation.

Answer: See (a).