

**STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

**ONGOING BUDGET ESTIMATES HEARINGS 2010–11**

**DEPARTMENT OF REGIONAL DEVELOPMENT AND LANDS**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
MONDAY, 9 AUGUST 2010**

**Members**

**Hon Giz Watson (Chair)  
Hon Philip Gardiner (Deputy Chair)  
Hon Liz Behjat  
Hon Ken Travers  
Hon Ljiljanna Ravlich**

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**Hearing commenced at 2.37 pm**

**DUNCAN, HON WENDY**

**Parliamentary Secretary to the Minister for Regional Development and Lands,  
sworn and examined:**

**ROSAIR, MR PAUL**

**Director General, Department of Regional Development and Lands,  
sworn and examined:**

**KERR, MR ALEXANDER**

**Chief Finance Officer, Department of Regional Development and Lands,  
sworn and examined:**

**PUMPHREY, MR RON**

**Acting Director Lands, Department of Regional Development and Lands,  
sworn and examined:**

**ROWE, MR MICHAEL**

**Acting Director, Strategic Policy Division, Department of Regional Development and Lands,  
sworn and examined:**

**SLATTERY, MR COLIN**

**Director Major Regional Projects, Department of Regional Development and Lands,  
sworn and examined:**

**The CHAIR:** On behalf of the committee, I would like to welcome you to the meeting this afternoon. Before we begin, I am required to administer either an oath or an affirmation. If you would like to take the oath, there are copies of the Bible in front of you.

[Witnesses took the oath or affirmation.]

**The CHAIR:** You will have all signed a document entitled "Information for Witnesses". Have you read and understood that document?

**The Witnesses:** Yes.

**The CHAIR:** Thank you. The proceedings this afternoon are being recorded by Hansard reporters. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you may refer to during the course of this hearing for the record. Please also be aware of the microphones and try to talk directly into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that the uncorrected transcript should not be published or disclosed. This prohibition does not, however, prevent you from discussing your public evidence generally once you have left the hearing. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia, and the committee values your assistance this afternoon. Members, it would assist Hansard if, when referring to the budget statement volumes or the consolidated fund

estimates, you could please give the page number, item, program and amount in preface to your questions.

Just before we start, I also note that the answers that were provided to questions asked prior to this hearing have been made public, so the committee is able to refer to them during the hearing this afternoon.

I think Hon Ken Travers may have some questions.

**Hon KEN TRAVERS:** I do. I will go to budget paper 3 to commence with. Listed there is the northern towns development fund, with \$7.5 million for this year's expenditure, and then flowing out over the out years. In previous budgets, there have been amounts estimated to be expended. I am referring in particular to page 157. It also comes within your general budget allocation, but that is the only place where I can find it actually mentioned in the budget papers. In last year's budget paper 3, it was estimated that \$500 000 would be spent in 2008–09, and then \$10.5 million in 2009–10. Can someone explain to me whether any money has been expended from this fund yet; and, if not, why that money has not been spent when it was expected to be spent over the last financial year?

**Hon WENDY DUNCAN:** The northern towns development fund has got \$40 million in it over four years for the development of local plans driven by local communities, and to support infrastructure investment growth in the regions. As to how much has actually been spent, in reference to your question, Hon Ken Travers, I will refer to the director general, who can give you an indication.

[2.43 pm]

**Mr Rosair:** No money has been spent against that fund in 2009–10 or 2008–09. It has been deferred into the out years. Part of that fund has been realigned to creating the Pilbara Cities office, which is a line item in the 2010–11 budget. Part of that has been developing a Pilbara Cities vision and a Pilbara Cities framework. Once the Pilbara Cities office has been established, we will be working with the relevant stakeholders and local governments creating structure plans and regional plans for all those northern towns from the Kimberley and the Pilbara and down into the Gascoyne. As the parliamentary secretary mentioned, it was for the development of local plans to assist local governments implement some of those major developments that are happening up there. I might also ask our director of major regional projects to elaborate on that.

**Mr Slattery:** Planning on the north west funds has been undertaken by the Department of Planning this year. There will be expenditure this year. Beyond the creation of the Pilbara Cities office, funding is also going towards a range of planning activities for the Gascoyne, Pilbara and Kimberley coordinated by the Department of Planning.

**Hon KEN TRAVERS:** How much do you expect to spend this year?

**Mr Kerr:** For northern planning we have \$3 million allocated for 2010–11. The remainder of it will go towards the Pilbara Cities office.

**Hon KEN TRAVERS:** How much is going to the Pilbara Cities office?

**Mr Kerr:** A total of \$4.498 million.

**Hon KEN TRAVERS:** And \$3 million for?

**Mr Kerr:** For northern planning projects.

**Hon KEN TRAVERS:** Have you established the criteria for accessing these funds yet?

**Mr Rosair:** As you will note, the major centrepiece of the 2010–11 budget is our Pilbara programs. Over the life of the Pilbara Cities initiative, nearly \$1 billion worth of funds is being assigned to Pilbara infrastructure and service elements over the next four to five years. In doing that, the government decided that it was necessary to establish a Pilbara Cities office, which will be headed up by Chris Adams, who commenced about two weeks ago to establish that office. Up to 12 people

are employed as part of the office support. That office will work with the Pilbara Development Commission and other stakeholders such as the local governments in the Pilbara.

The Pilbara Cities office will implement a number of initiatives. One will be working through the four local governments to implement their town development plans, which is part of the Pilbara revitalisation plan, an \$80 million program. There are some unallocated funds in the Pilbara Cities program that are yet to be distributed. They go into the out years and include 2010–11. The process for that is that the Pilbara Development Commission has a steering committee made up of the chair of the Pilbara Development Commission and members of the Pilbara Development Commission board and also Chris Adams as now the Pilbara general manager. Propositions will be put forward by expressions of interest. We have just had a round of expressions of interest for initiatives within the Pilbara. Each local government will be able to put forward proposals under that process as well. Centrally, we have a director generals group made up of all the director generals key to the Pilbara Cities initiative, such as the Director General of Health, Education, Indigenous Affairs, Regional Development and Lands, Sport and Recreation, Water and others who will then vet those submissions that come out of the Pilbara Development Commission as to whether they fit with a statewide strategic program and whether they will be able to be funded recurrently in an operational sense. We have a governance arrangement for the allocation of new funds from that program.

Having said that, I will hand to the director of major regional projects, who will talk about some initiatives that are already on the ground and running.

**Hon KEN TRAVERS:** With all due respect, my question was about the criteria and whether you have established them. I was not after the broad-ranging answer that you have just given. Have you established criteria for this fund? I take it from the answer you have just given that you have not and nor do you intend to. Is that correct?

**Mr Rosair:** We do have criteria for the fund. In fact, all royalties for regions programs have a set of criteria that each submission is assessed against.

**Hon KEN TRAVERS:** That is my question. If the answer is yes, can I have a copy of the criteria for the fund please?

[2.50 pm]

**Mr Rosair:** Did you want to add to that, Colin?

**Mr Slattery:** Yes, I might add to that if I may. The funding that is currently being allocated is towards specific planning activities such as the Department of Planning's funding, so that is things like the storm surge line and so forth that are critical for developing the Pilbara Cities plan. There is no specific, say, open category grant funding, if that is perhaps what you are referring to. This is to fund all the essential planning and so forth that is associated with the Pilbara Cities and also to be available for other planning as happens for the Gascoyne and the Kimberley. All funding that is provided by royalties for regions is assessed against criteria which relate to the objectives of royalties for regions and the principles of royalties for regions and its normal business case. But are you suggesting that there might be funding for, say, open access programs?

**Hon KEN TRAVERS:** I am asking whether, for the northern towns development fund, any criteria have been established for its expenditure.

**Mr Slattery:** Yes, there have, but in relation to the Department of Planning's work, a series of activities have been —

**Hon KEN TRAVERS:** Can I get a copy of the criteria that have been established for the northern towns development fund?

**Mr Slattery:** We can certainly provide you with a copy of the activities which have been —

**Hon KEN TRAVERS:** If there are criteria, why can you not provide me with a copy of the criteria?

**Mr Rosair:** This is important. We will provide criteria that every proposition that is put forward under royalties for regions is assessed against, which we can provide, and the process for doing that. In addition to that, we will add further information specifically to the northern towns development fund, which revolves around the Western Australian planning committee and their planning and infrastructure programs that complement those criteria that will also access the fund. There are two avenues to accessing the northern towns development fund.

*[Supplementary Information No A1.]*

**Hon KEN TRAVERS:** If I can go back to where you started with my questions, in the 2009–10 budget you estimated that you were going to have spent \$500 000 in 2008–09 and that you would spend \$10.5 million. Can you tell me what it was that you actually thought you were going to spend the \$500 000 on and the \$10.5 million, and why it was not spent?

**Mr Rosair:** Are you referring to page 157, Sir?

**Hon KEN TRAVERS:** That is what you are now allocating. I am actually looking at what you had in last year's budget—at page 187 of last year's budget—where your estimated expenditure for 2008–09 was going to be half a million dollars and your estimated expenditure in 2009–10 would be \$10.5 million. I am trying to find out why that money was not spent and what it was you thought you were going to spend it on that you have not spent it on.

**Mr Rosair:** Is this the northern towns development fund?

**Hon KEN TRAVERS:** Yes.

**Mr Rosair:** I am just trying to find that line item. It was \$500 000 in —

**Hon KEN TRAVERS:** In 2008–09, \$10.5 million in 2009–10, and then you were going to do \$10 million in 2010–11, \$10 million in 2011–12 and \$9 million in 2012–13.

**Mr Rosair:** It was originally allocated in 2008–09. They were the original cash flows that we put in the 2008–09 budget with the plans that we would start our northern towns development planning with that particular cash flow, as you have just outlined.

**Hon KEN TRAVERS:** And so?

**Mr Rosair:** And so it has been delayed while we then spent time in working with the Department of Planning and the other officers involved who identified the planning model that was necessary, and consequently the cash flows changed as a result of that. Do you want to add anything?

**Mr Slattery:** Only that now we do have a plan in place for the expenditure of money, which is the Pilbara Cities and the Department of Planning's north west planning. That funding is now mapped out into the future. The delay, as you said, was —

**Mr Rosair:** I think contributing to that is that the WA Planning Commission was setting up regional planning groups in the Pilbara, Kimberley and Gascoyne and the implementation and setting up of those committees was somewhat delayed until 2009–10. In applying the planning money from the northern towns development plan, we were awaiting an infrastructure plan and a planning framework, which are being completed for the Pilbara, where we can apply the northern towns development fund. You are on that Pilbara planning, Colin.

**Mr Slattery:** Yes. It has not been finished yet, but it is getting very close to being finished.

**Mr Rosair:** We have been staging our cash flows in accordance with the WA Planning Commission's planning framework for those three regions.

**Hon KEN TRAVERS:** So where does that money get held pending its expenditure at the moment?

**Mr Rosair:** That would be held in the special purpose account. That is in the special purpose account attracting interest for royalties for regions funds.

**Hon KEN TRAVERS:** Are there any other projects like that where you have had to recashflow them?

**Mr Rosair:** There are a number of projects. One example—and we can move on to a few others in a moment—is the Ord. Two hundred and twenty million dollars was identified for an Ord irrigation expansion in 2008–09, and you will notice the original cash flow is somewhat different to what it is now. That is due to the fact that we had much clearer identification of the contingencies and the project details, and we have now also issued a contract where we have got a far better defined cash flow for the remainder of that program.

**Hon KEN TRAVERS:** How are you managing your cap on the special purpose account?

**Mr Rosair:** The cap on the special purpose account, as you know, is managed through the legislation. There is a \$1 billion maximum in the special purpose account and the Treasurer will not cause any more than \$1 billion to be credited to the special purpose account at any one time. That is managed by Treasury.

**Hon KEN TRAVERS:** Has all of this year's allocation to the special purpose account been transferred by Treasury or is it still held by Treasury at the moment?

**Hon WENDY DUNCAN:** No. The amount that goes into the special purpose account from this year's allocation will be, because royalties are only received on a monthly basis, actually transferred into the account throughout the year as the money comes due. It is not actually put in in one lump sum up-front.

**Mr Rosair:** From 1 July 2010 the special purpose account had \$415 million of credit. There is \$817 million to be credited into the account for 2010–11, and that will be drawn down on a monthly basis in accordance with the cash flows that we identify.

**Hon KEN TRAVERS:** So on 1 July there was \$415 million?

**Mr Rosair:** Yes, credited to the fund.

**Hon PHILIP GARDINER:** Can I just follow up on that question? What is the budgeted end amount expected to be on 30 June 2011?

**Hon WENDY DUNCAN:** The budgeted end amount for what—the special purpose account?

**Hon PHILIP GARDINER:** For the special purpose account.

**Hon WENDY DUNCAN:** I am not sure that there is a figure in the budget for that because that amount will be dependent on what comes out in the midyear review and on the flow of expenditure during the year, how projects progress and also other factors that influence how your expenditure is undertaken during the year. Maybe one of the officers may be able to give you more detail as to that.

**Mr Rosair:** Firstly, I am ascertaining are you asking what is the actual expenditure as of 30 June 2010.

**Hon PHILIP GARDINER:** No. What is the expected balance to be in the special purpose account in 2011 based on what is expected to come in from royalties and what is expected to be going out in relation to the growing commitments that are being generated?

**Mr Rosair:** Going back—I will get one of my officers to elaborate—\$415 million is in the account. The budget for 2010–11 is \$817 million, so that comes to in the order of \$1.2 billion. The expectation in our 2010–11 budget is to spend the whole \$890 million. If that expectation is realised, I should imagine that the credit to the fund will be in the order of \$360 million.

**Hon LJILJANNA RAVLICH:** Through you, parliamentary secretary, I wonder whether it is possible for us to get a copy of the special purpose account and its transactions over the last 12 months or the last financial year. I imagine the special purpose account is just like any other

account, apart from yours is much healthier than my personal account; it is nowhere near \$1 billion. But never mind; it is only figures. What this committee would find very, very helpful in terms of understanding the workings or how this account is transacted is to have a look at the monthly statements of that account. I would imagine that is already somewhere in a file on someone's desk, so therefore I cannot see any hardship in terms of presenting the committee with that information. That would certainly give us some confidence, I think, in terms of what this account looks like, how it is used and so on and so forth, to make sure that we can be fully accountable for the expenditure of public moneys.

[3.00 pm]

**Hon WENDY DUNCAN:** I thank you for that question. I can see no problem with that, but I will defer to my financial officer and he can answer more specifically.

**Mr Kerr:** The special purpose account is held and managed at Treasury, who organise all the disbursements to the agencies. I just want to give you a bit of background of the operation of it. What happens is that we go and, through myself and Colin, we prepare a disbursement profile, which basically advises Treasury when we require funds to be disbursed to the agencies, and that is based on their advice to us as to when they need funds to go against projects. As to how Treasury manage that fund, whether it is a notional account, if you like, or a separate bank account, I am not sure. We have received a statement as to the transactions that have come out of the fund. I will go and ask a question as to whether it is a separate bank account, and that I can provide in that form, but otherwise it may just be a statement of accounts that do get audited.

**Hon KEN TRAVERS:** Unless you have it established as the agency, I would be very surprised if it was a separate account.

**Mr Kerr:** I would think so, too.

**Hon KEN TRAVERS:** It would just be a book entry, but I would have thought you would maintain a book entry yourselves as to what is in the account and what should have been.

**Mr Kerr:** No, we do a checking reconciliation at year end to match back to it, because we administer the fund. We do check back to make sure that we agree, back to what the SPA balance should be, and we do have those records, but as far as the actual transactions, that gets done at Treasury.

**Hon LJILJANNA RAVLICH:** If we can have both, because what you are saying is that you actually verify the drawdown from Treasury as a check mechanism, so to speak, and that makes perfectly good sense, because we all do that at home—or we should.

**Mr Kerr:** Yes, the disbursement profile that I was talking about should balance back to it.

*[Supplementary Information No A2.]*

**Hon KEN TRAVERS:** When you make payments out of the fund or, is that on authorise Treasury to make payments out of the fund, is that on an in-advance basis or once agencies have done the work they recoup from you?

**Mr Kerr:** Yes, it is basically around the mark where the funding is due, so if they have a large bill that they cannot cashflow themselves, then they will ask for the money in advance, and it should align itself closely. The intention is that it aligns closely with the expenditure, so the timing could be a little bit different.

**Hon KEN TRAVERS:** Would you have a list of funding you paid out to agencies prior to them having expended the money?

**Mr Rosair:** One of the things is that we disburse money in accordance with their original cashflows. That money goes out into those agencies. It also goes out to local government and it also goes out to the regional development commissions on a disbursement profile as they are expecting

to spend it. Then we get our reports back quarterly about how much is expended, and that will give us an indication of how much they have spent against their disbursement profile. Now, at the end of June we require those quarterly reports, and they need to provide those quarterly reports by the end of September. They need to provide them in an audited fashion. And then we will know how much money they have spent against their disbursement. Then we can clearly tell how much money they have got in cash in hand in their agencies. So it is drawn out of the special purpose account into their agencies but they have not spent it. So we can provide that information in that fashion.

**Hon KEN TRAVERS:** If we can get that as well.

**The CHAIR:** Yes, I think Mr Kerr just wanted to add something.

**Mr Kerr:** Just one more thing: agencies have a particular directive from Treasury to disclose the royalties for regions cash as a particular item of restricted cash, so in their annual reports and annual financial statements they will be disclosing those amounts as well.

**Mr Rosair:** Just one more thing to add: also, money that remains in the special purpose account attracts interest, which, under the act, is credited to the fund. So we are very keen that money is only drawn down at the time of expenditure, because whilst it is held within agencies' recurrent budgets it does not attract interest. So it is in our interest to try to get those profiles as closely aligned to actuals as possible, and that is what we have been working on over the last 12 months to try and achieve.

[*Supplementary Information No A3.*]

**Hon KEN TRAVERS:** I just wanted to be clear. So the most recent reports will also include the money that has been allocated to local governments and whether or not it has been spent in the information that you provide.

**Hon WENDY DUNCAN:** The money for local governments in the most recent year was just the money towards strategic planning or capital works planning. The money from local governments from the previous 2008–09 will be reportable against it, but the result as to how that expenditure has gone will actually not be available until September this year when we get there audited results back in, and then we audit their audits, and so it is probably not until the end of this year that we will have a definitive figure as to how the expenditure has gone with local governments. Perhaps my financial officer might be able to add to that.

**Mr Kerr:** It is basically consistent with commonwealth programs where they have the same reporting limitations. It does take time to get these acquittals, but that is quite correct: we will get the quarterly acquittals at the end of September and prepare a report.

**Hon KEN TRAVERS:** So you will not get the 30 June acquittals until the end of September?

**Mr Kerr:** Yes, and we have to allow that time.

**Mr Rosair:** Once they have gone through their auditing processes locally.

**Hon WENDY DUNCAN:** Local governments each have to have their acquittals audited, and then they come to us and we audit them.

**Hon KEN TRAVERS:** So what is the information you are indicated earlier you are going to provide to us for agencies—what you have actually given them?

**Mr Kerr:** Yes.

**Hon KEN TRAVERS:** So not what they have spent.

**Mr Kerr:** We will not have that.

**Hon KEN TRAVERS:** You will not have that until September.

**Hon WENDY DUNCAN:** Yes, and we will not have an audited opinion on that until later still—to probably closer to December.



**Hon KEN TRAVERS:** But they will be already audited by their own auditor?

**Mr Kerr:** Yes.

**Hon KEN TRAVERS:** Will we be able to get a copy of that at the end of September, then?

**Mr Rosair:** You are asking for an unaudited copy—unaudited from our point of view.

**Hon KEN TRAVERS:** Yes.

**Mr Rosair:** Can we take that on notice?

**Mr Kerr:** It would be dependent on them providing the information.

*[Supplementary Information No A4.]*

**Mr Rosair:** Under our financial assistance agreements and MOU, each agency is to report their expenditure against their disbursements within 90 days of each quarter. That is when we get it. The question is: can we give you a draft report of that whilst we finalise our own internal audit of those figures?

**Hon KEN TRAVERS:** My final question is: how much of that money has actually been allocated into the fund in the 2010–11 financial year by Treasury? You said you had \$415 million on 30 June or 1 July, but how much of that has actually been added in to the fund for the 2010–11 financial year?

**Mr Rosair:** The \$415 million.

**Hon KEN TRAVERS:** So is that this year or is it a carryover from last year?

**Hon WENDY DUNCAN:** Sandy looks like he has got a response.

**Mr Kerr:** So the funding that would be credited into the fund in 2010–11 is \$454.5 million in recurrent funding and \$363.3 million in capital funding. That is the amount for royalties estimates due to the fund, which is \$817 million, and then on top of that we intend to spend \$80 million out of the \$415 million, that is to the credit of the fund. We intend to expend more.

**Hon KEN TRAVERS:** Right. So what was carried over in the fund of 30 June?

**Mr Kerr:** The \$415 million.

**Mr Rosair:** Do you want to know the breakdown of the \$415 million?

[3.10 pm]

**Hon KEN TRAVERS:** What I am trying to understand is that at 30 June there was \$415 million in the fund that had not been disbursed.

**Mr Kerr:** Exactly.

**Hon KEN TRAVERS:** How much money are you expecting to have added in the 2010–11 financial year?

**Mr Kerr:** Two amounts—\$454 million and \$363 million, so the \$817 million will go into the fund during the year; and then we intend to have \$800 million.

**Hon KEN TRAVERS:** Right; and my question is—how much of that \$817 million has actually been allocated into the fund so far?

**Mr Kerr:** None as yet.

**Mr Rosair:** We have not drawn any down.

**Mr Kerr:** None has gone into the fund as yet.

**Hon LJILJANNA RAVLICH:** But you cannot have more than \$1 billion, according to you. If you add up \$415 million and \$817 million, it is more than \$1 billion.

**Hon WENDY DUNCAN:** Yes, but this year's allocation of \$817 million actually has not been put into the special purpose account yet. The first payment has not been received, so money that is being expended out of the fund at the moment is out of that \$415 million, and that is funding that has been committed in previous financial years.

**Hon LJILJANNA RAVLICH:** Are you saying, parliamentary secretary, that the \$817 million will not actually be put in until the \$415 million has flowed through or run down?

**Hon WENDY DUNCAN:** Probably not all of the \$415 million. The \$817 million will come in as and when it is due for projects for which it was earmarked.

**Hon KEN TRAVERS:** When do you get the interest on that money then?

**Hon WENDY DUNCAN:** I will have to defer to Mr Rosair.

**Mr Rosair:** As soon as it gets into special purpose accounts, it starts incurring interest. It is in our interest to get this interest! It is in our interest to get the special purpose account filled up with the \$817 million as it comes in on a monthly royalties basis as soon as possible.

**Hon KEN TRAVERS:** When do you expect your first payment into the fund for this year?

**Mr Kerr:** We have not arranged that with Treasury as yet.

**Mr Rosair:** But as Colin mentioned earlier, the royalties are calculated on a monthly basis. We would be endeavouring to get those calculations drawn down at that time.

**Hon KEN TRAVERS:** We are already into the second month of the financial year.

**Hon WENDY DUNCAN:** Only a week, Hon Ken Travers.

**Hon KEN TRAVERS:** Yes, a week, but it is all interest going missing, parliamentary secretary.

**Hon PHILIP GARDINER:** I agree. I think there should be almost an automatic monthly credit for the royalties coming in based on the amount of royalties the state receives. Is that not part of the arrangements with Treasury?

**Mr Kerr:** Yes, there is a time lag in Treasury calculating the actual royalties. We are talking to Treasury. There are a few options. You can do it based on a time line of when the royalties actually come in. Because some of the royalties are calculated quarterly and some monthly, there are spikes during the year, and things like that. Should the royalties going into the fund match those spikes? And things like that.

**Hon PHILIP GARDINER:** Is this still unfinished business in negotiations with Treasury?

**Mr Kerr:** Yes.

**Mr Rosair:** The other question that we need to negotiate with Treasury is that the fund is credited with the estimated royalties; that is, the estimated funds in the budget papers. That \$817 million is already known, so it is not necessarily tied in with actuals at the moment. One of the other ways is we could have an agreement to draw down \$50 million a month as a standard and then get topped up as the actuals come in.

**Hon KEN TRAVERS:** I was about to make that point. I am surprised there is even a debate about trying to cash flow it to the royalties being received, because it is not based on the royalties that are received; it is based on the royalties that were estimated at the time of the budget.

**Mr Rosair:** Yes.

**Hon KEN TRAVERS:** Regardless of what happens to the royalties now, you should get into that fund 25 per cent of what the budget estimated would be the income for this financial year.

**Hon WENDY DUNCAN:** The other thing to keep in mind, Hon Ken Travers, is that the Royalties for Regions Act was only really proclaimed at the end of March, so the arrangements for the

management of the funds under that act are now being bedded down. Prior to that, the royalties for regions funding was managed through Treasury and the cabinet process and economic —

**Hon KEN TRAVERS:** With all due respect, the content of the act was known well in advance of March. It might not have been proclaimed until March, and we still wonder why it took so long to proclaim it.

**Hon WENDY DUNCAN:** Hon Ken Travers would be the first one to be onto us if we pre-empted the act being proclaimed!

**Hon KEN TRAVERS:** I am saying that you could have been preparing for the proclamation of the act because it was sometime after the passage through Parliament that the act was proclaimed.

**Mr Rosair:** The other point to make is that the act states it is the Treasurer who credits the fund and not our minister. In some ways we are reliant on the Treasurer to credit the fund. We endeavour to negotiate that profile as best we can, but it is also credited in accordance with Treasury managing its own cash flows and crediting the fund. They are not going to credit us \$80 million worth of royalties if they have not received it, for instance.

**Hon LJILJANNA RAVLICH:** It would be fair to say that what we are talking about here is who actually gets the interest. It would also be fair to say that it is perhaps something the Treasury would rather have for itself than hand over to the agency.

**Hon WENDY DUNCAN:** Correct again.

**Hon LJILJANNA RAVLICH:** It would also, I suspect, be a matter that has seen some correspondence between the minister and the Treasurer and, indeed, between the Treasurer and the CEO of the agency we have here before us today. Whilst it may just seem a simple matter, five per cent interest on \$1 billion is a substantial sum of money. It really is about who gets that money, I am assuming; is that correct?

**Hon WENDY DUNCAN:** Correct.

**Mr Rosair:** As of 1 July this year the fund has been credited \$47 million in interest, which will be dealt with at the midterm review—this was after the budget papers—so it is a \$47 million credit to the fund. The member is right; it is certainly in the interests of the royalties for regions fund to have the fund as close as it can to the realised royalties as possible.

**Hon KEN TRAVERS:** Otherwise it makes a nonsense of that requirement for the interest to be held by the fund if you do not put the money into the fund until you are ready to draw it out.

**Mr Rosair:** Yes.

**Hon LJILJANNA RAVLICH:** What is the excuse given by Treasury to your agency for why it does not want to sort this matter out?

**Mr Rosair:** I do not think it is necessarily a case of sorting this matter out. I think that Wendy touched on the fact that the legislation is now formally in place. Before that, we did not credit the SPA fund directly; now it is. I think Treasury's intention is to load the money as soon as the royalties arrive. I do not think there is any debate as such yet. We have not heard of a debate. It is certainly a very good point that we need to be a bit more strident in ensuring our entitlement is realised as soon as those royalties come in.

**Hon LJILJANNA RAVLICH:** Would you be aware of any correspondence?

**Mr Rosair:** No.

**Hon LJILJANNA RAVLICH:** Have you as the CEO —

**Mr Rosair:** I have not engaged in any direct correspondence on this particular matter.

**Hon LJILJANNA RAVLICH:** What about your chief financial officer?

**Hon WENDY DUNCAN:** Our director of regional projects.

**Mr Rosair:** We regularly meet with Treasury officials.

**Mr Slattery:** Yes, we do regularly meet with Department of Treasury and Finance on a range of royalties for regions issues. We are actively discussing with them mechanisms on how various different deposit models would work, whether it be a monthly or quarterly basis, so we are hoping to come to a landing very quickly on that so that we can maximise the funds going into the SPA to earn the interest and be reinvested.

**Hon PHILIP GARDINER:** Hon Ljiljanna Ravlich and Hon Ken Travers have already covered my query, and I am right behind them in making sure that Treasury does not have a lend of us—of the royalties for regions account!

**Hon KEN TRAVERS:** It is the difficulty of being in coalition!

**Hon LJILJANNA RAVLICH:** Have you received a reply from Treasury to your correspondence, because it would be very interesting for this committee to see what sort of the response you are actually getting from Treasury on this matter and whether, in fact, the goodwill is there that we are told is there or whether there is an alternative agenda being played out here? I wonder whether it is possible to get copies of that correspondence for the committee to be able to have some confidence in what we are being told about the real motive of Treasury in this matter.

**Hon WENDY DUNCAN:** Hon Ljiljanna Ravlich, I will just establish with my officers whether there is some correspondence: you are saying that there have been meetings with Treasury officers, but is there formal —

[3.20 pm]

**Mr Kerr:** I do not think there is any formal correspondence.

**Mr Slattery:** No; I mean, it has been officer-to-officer discussions. There has been no formal correspondence. As soon as you enter into that, it is the formal position of the agencies. It has not reached that yet. But we will be pursuing that with some vigour.

**Hon KEN TRAVERS:** Well, you can tell them that you have been getting a hard time from the estimates committee!

**Hon PHILIP GARDINER:** Uniformly.

**Hon KEN TRAVERS:** You had better get a move on!

**Hon WENDY DUNCAN:** We need some correspondence. I thank you for that, but I do not think that there is any.

**Hon LJILJANNA RAVLICH:** Can we ask that you actually check to see whether there is, because there is lots of correspondence. Can you just check to see whether there is correspondence in respect of this particular matter?

[*Supplementary Information No A5.*]

**Mr Rosair:** The only point that I did want to make was that we have been reliant on the legislation where it does say that “the Treasurer is to cause”, which means that legally he must credit the fund. The question is, the timing of that credit.

**Hon PHILIP GARDINER:** Yes.

**Hon LJILJANNA RAVLICH:** Well he must, but he may well have it in his plan to do in three years’ time. He would be legally within his rights, because all he would have to say is, “Of course I intend to do this; it is my intent, exactly.”

**Hon KEN TRAVERS:** When the act was being written, from a policy point of view what was the expectation—you are an alliance, not a coalition—of the National Party as to when the money

would be paid? When we passed the bill, I have to say, I expected that the money would be put in at the start of the year—that is the whole point of getting the interest—and would then be drawn down throughout the year.

**Hon WENDY DUNCAN:** We certainly expect the money to be deposited in a timely manner, and I think that that will occur once the intricacies of how it is going to happen are determined. We will be making sure that it comes through —

**Hon KEN TRAVERS:** Good.

**Hon WENDY DUNCAN:** —regularly and on time.

**Hon KEN TRAVERS:** My recollection when we had a discussion about the legislation and the fund in the house and in this committee—that is, a separate inquiry—was that that was the expectation, because of the cap. For example, if you have \$415 million this year, you could not put more than \$585 million in at the start of the year. But it was always my expectation that you would get the \$585 million, but that you would not be able to draw down the last \$300-odd million until you had actually spent that money.

**Mr Rosair:** I think that that might have been the expectation, but the act is silent on that matter, and that is where we are going into the administrative arrangements.

**Hon WENDY DUNCAN:** The other part of the arrangement, I guess, when talking about the alliance, is that there was also a commitment on our part to ensure that the AAA credit rating was not jeopardised. So the funding will be—will need to come into the special purpose account according to the cash flow of the government. We would not expect the whole of the \$817 million on 1 July if those funds had not already been received; that is, if it was going to jeopardise the government's AAA credit rating.

**Hon LJILJANNA RAVLICH:** Are you saying that you manipulate the figures to ensure that you pose no risk to the AAA credit rating?

**Hon WENDY DUNCAN:** Not at all. No; it is not a case of manipulating figures. It is a case of responsible cash flow management. The amount has been calculated. The amount is 25 per cent of the royalties. It is determined in the budget on the estimated amount. In negotiating how the money is put into the special purpose account and delivered to the royalties for regions' projects, we must keep in mind the AAA credit rating of the state government.

**Hon LJILJANNA RAVLICH:** When we receive the accounts for the special purpose account, I imagine that the deposits will be there; that the deposits will show up.

I really want to understand how all this and how royalties for regions works. Sitting on this committee, going through the education budget, the health budget, the transport budget and everyone else's budget, it seems as though royalties for regions funding is everywhere—in fact, to the point that one might argue that it is funding those things that were historically funded through the agencies themselves. I just want you to walk me through a couple of points: for example, you might be aware that royalties for regions is funding the Clontarf colleges. In 2010–11, there is an allocation of \$1.64 million for that. In 2011–12, the allocation is \$1.68 million, following —

**The CHAIR:** Could you give us a page number?

**Hon LJILJANNA RAVLICH:** I cannot. I want to understand why it is in the education budget and why I cannot find it anywhere in the regional development and lands budget, and how this money is caused to be transferred into these agencies? By what means does that happen?

**Hon WENDY DUNCAN:** The Clontarf colleges have proven to be a great way to encourage Indigenous students to get along to school, to achieve and to —

**Hon LJILJANNA RAVLICH:** Yes, we know; we help set them up.

**Hon WENDY DUNCAN:** The issue of how the funding is managed and the question you are asking is: does it come through the Department of Regional Development and Lands on its way to the Department of Education or does it go directly to education?

**Hon LJILJANNA RAVLICH:** Yes. The way I would read it, parliamentary secretary, this is royalties for regions' money, which should be reflected somewhere in the royalties for regions budget, but that ends up in the education budget, but there is no evidence of the transfer of that money from the regional development budget, if you like, to the education budget.

**Hon WENDY DUNCAN:** Yes.

**Hon LJILJANNA RAVLICH:** This is a very small example, because if I look at the education budget alone we have hundreds of millions of dollars worth of funding that has been provided through royalties for regions that I cannot track back to the regional development budget. I think that I should be able to track it back.

**Hon WENDY DUNCAN:** I will ask the financial manager to explain the exact mechanism of how that works. When we fund royalties for regions projects through the various other agencies, it is done using the memorandum of understanding and is based on the agencies developing a business case that stacks up as far as the cost and the sustainability of the projects. But as to the actual flow of funds and where you can find them in the budget documents, I will hand over to Sandy.

**Mr Kerr:** It is on page 156 of chapter 7 of budget paper No 3. I will just explain how the budget side of that works. The whole royalties for regions expenditure budget is disclosed in chapter 7. Like the Department of Education, the Department of Regional Development and Lands has certain programs within that fund that we administer on behalf of the government. So you will see those projects specific to us in our budget and you will see Clontarf colleges and Foodbank, specific to education, in the education budget. But if you want to see the whole royalties for regions' expenditure budget, chapter 7 is the one to show that.

**Hon LJILJANNA RAVLICH:** Thank you.

**Hon KEN TRAVERS:** Following on from that: how do you establish what is over and above existing expenditure in a program like that? Or in any of those; like the funding for WAITOC, for instance. How do you establish that? I mean Tourism WA has been funding WAITOC for a number of years. How do you establish what is over and above existing expenditure?

**Hon WENDY DUNCAN:** If you take WAITOC as a particular example, its funding was in fact not being continued. In fact, in that case, that is a finite amount—it is not ongoing funding—for WAITOC to enable it to build up its organisation to a sustainable level. In the Tourism WA strategic plan, Indigenous tourism is identified as one of its core platforms, but it had not been funded sufficiently up until now. They made a submission to the Department of Regional Development and Lands because Indigenous tourism is critically important to regional development. So that is how that program was funded.

[3.30 pm]

**Hon KEN TRAVERS:** So any government plan, when it was initially commenced, had a finite period attached to it. At the end of that finite period, your view would be that it is okay for royalties for regions money to come in and pick up the funding for that program?

**Hon WENDY DUNCAN:** No, not necessarily; the bottom line is that projects that are funded by royalties for regions are projects that have to be identified as ones that are given local priority with local input and local decision making. One of the reasons that royalties for regions is putting funding into these areas is that it needs to be timely and sufficient. A lot of the funding that was ostensibly in the budget and in the out years for other agencies' expenditure never managed to find its way into the current year's expenditure. With the development of places like the Pilbara and the Kimberley, in order to get those other services up to speed to cope with the other developments that

are occurring in the region, royalties for regions is being offered to sort of top up the agencies' budget in order to encourage them to bring that project forward to a point where —

**Hon KEN TRAVERS:** That will guarantee that every regional project gets pushed back from now on, will it not?

**Hon WENDY DUNCAN:** I think that pretty good checks and balances go on in the consideration of these projects. The ones that were funded for the government agencies were ones that had been through the whole process; the budget had been determined. They were definitely ones that were not going to be funded, but were deemed to have high priority to achieve the goal of royalties for regions, which is to provide the necessary infrastructure and services to make regional Western Australia the place where people want to live, work and invest.

**Hon KEN TRAVERS:** Just as another example, I refer to the new Merredin K-12 school. As I understand it, there is about \$6 million coming from royalties for regions, \$6 million from the Department of Education and, I think, \$3.4 million from commonwealth funding. How was it determined who would pay what share of that school?

**Hon WENDY DUNCAN:** The Merredin situation is, I guess, a unique situation in that there was funding intended to upgrade the high school and the primary school separately, and a new model was developed to create a far better educational institution in Merredin. How the actual division of funding was determined, I would have to defer to one of my officers.

**Mr Slattery:** We have a unit within our team which is governance reporting and evaluation. They look at the business cases that are proposed by agencies for new projects, such as the Merredin one. They look at the existing plans. Education does have a good capital works program across the state, so they took that into consideration as to what their actual plan was and then looked at what they were trying to achieve as additional work for Merredin, and that is also part of the schools program that will be developing more with the Department of Education across the state. Our analysis of it shows that, yes, what they were proposing was above and beyond what would normally have been undertaken, and —

**Hon KEN TRAVERS:** So how did you establish that?

**Mr Slattery:** By analysing the capital works program that had already been established and also looking at what was being proposed in terms of what should have been, or could have been, provided for the community, both from the Department of Education and from our own —

**Hon KEN TRAVERS:** So how much were they proposing, and how much did they originally have allocated in their budget for the upgrades?

**Mr Slattery:** I think originally they had—I would have to provide some supplementary information—approximately \$5 million for the upgrades, in conjunction with the \$3.4 million from the federal government.

**Hon KEN TRAVERS:** So that included or was plus?

**Mr Slattery:** Plus, but I will have to confirm that.

*[Supplementary Information No A6.]*

**Hon KEN TRAVERS:** Say they had \$5 million plus \$3.4 million, so they have added in an extra million dollars, and you have put in \$6 million. Who gets the land sales of the old schools when they are no longer required?

**Mr Pumfrey:** Through the asset disposal program, that would go, first of all, into the Treasury, if it was from Crown land. Then if education and others want to seek access to funds, they will do a business plan through a normal reappropriation process.

**Hon KEN TRAVERS:** Will the land sales be coming back to the Department of Regional Development and Lands, or go back to the Department of Education or Treasury?

**Mr Pumphrey:** If it is Crown land—a lot of the reserves and schools in regional areas will be on Crown land—it will go into consolidated funds.

**Hon KEN TRAVERS:** I understand that. The Education Department never does a redevelopment of the school without including the value of the land it actually frees up and the sales. I can take the minister through schools right across the state where the department has redeveloped them, and it makes sure that it has the agreement with Treasury in place before it does the redevelopment and that it gets the value of the land that is freed up back into its coffers. In fact, often it will not even hand it over to LandCorp until it has done the rezoning to maximise its values. What I am asking for is, with the Merredin school, is there any agreement for that land money to go back to any agency, and is there any money to go to your agency as a result of land that has been freed up?

**Mr Rosair:** I am not aware of any agreement on the Merredin site. That will be negotiated with Treasury. It is yet to be negotiated with Treasury as to where that money resides, and it is on a case-by-case basis, as the member knows. He just said that the Department of Education negotiates with Treasury before it hands land over in some cases.

**Hon KEN TRAVERS:** They have probably done the deal and just forgot to tell you guys about it.

**Mr Rosair:** I am not aware of that.

The Ord, for instance, will be selling up to 8 000 hectares of land on the open market. That money —

**Hon KEN TRAVERS:** Are you reading my questions? I was going to ask that further on!

**Mr Rosair:** It will be selling up to 8 000 hectares of land on the open market and, again, that money has not been identified to go to anywhere but Treasury at this point in time.

**Hon WENDY DUNCAN:** Can I just add that we certainly acknowledge that it is very difficult to establish what is over and above normal government expenditure. It always was going to be a matter of conjecture. Because of that, the department is working on establishing baseline capital recurrent expenditure by departments and agencies in regional Western Australia. That work will be commencing this year; sorry, it is being commenced.

**Hon KEN TRAVERS:** You told us it was happening last year. I want to know why it is taking you so long.

**Hon WENDY DUNCAN:** That work will actually look at the baseline over 10 years. It will certainly assist us, especially as we get into the period that is beyond the forward estimates of the previous government, because that is where we are going to need to be very careful about what is over and above and what is normal government expenditure. I think the key thing about royalties for regions is that it is funding what local communities have identified as their priorities, and there are examples; Kalgoorlie Hospital is a classic example. They have been waiting for years, with the funding for that hospital in the out years of the budget, but it actually did not ever really happen, and meanwhile, the budgeted amount was being whittled away by escalations, so it was only when we were able to sort of top that funding up that that project was then able to commence and produce the sort of upgrade that was necessary for the size of community that Kalgoorlie is.

**Hon LJILJANNA RAVLICH:** In relation to this school funding issue, Hon Ken Travers has spoken about Merredin, but you will be aware of the regional schools plan, which is being funded through royalties for regions. What we see is that this financial year, there is there is \$20.5 million allocated; next year, it is \$30 million; and the year after, it is \$25 million; and the year after that, it is \$25 million. We are actually talking about big sums of money; this is not a \$2 million or \$3 million job. This is quite a substantial sum of money. I suspect that there is always a risk that an agency, in its battle with Treasury, may not fight quite as hard because it can say, “Oh, it doesn’t matter; we can get it from royalties for regions anyway”. I am wondering whether you can provide the committee on notice with information on what that money will be spent on—which programs,



specifically. You cannot tell me that you do not know, because \$20.5 million seems to be a pretty precise amount of money, so it must be budgeted for something specific.

[3.40 pm]

I wonder if you could provide the committee with the information in relation to what that \$20.5 million is going to fund under this specific program for the 2010–11 financial year; then in 2011–12 what the taxpayer will be getting for the \$30 million allocated the following year; for \$25 million what are they going to get; and in 2012–13 another \$25 million. I wonder whether you could provide us with the specific projects that that money will be allocated towards, and how much?

**Hon WENDY DUNCAN:** Thank you for that question. You are right—it is a substantial amount of money. That is because regional schools needed that amount of money to be attractive places for regional kids to complete their education.

**Hon LJILJANNA RAVLICH:** I am not saying they do not.

**Hon WENDY DUNCAN:** One of the common themes in regional Western Australia prior to the last election as to why people would not stay, live and work in regional areas is because the schools were substandard and under funded, and their maintenance program was well behind what it should have been. I have the Esperance Residential College, which had been clamouring for extra funding for five or more years. It was there in the budget out years but it was never actually funded in a timely manner. The residential college was overcrowded. It was built for 85 students and was housing 100. That made Esperance Senior High School, which is an excellent senior high school, unable to properly service the people from that region, forcing them to go a long way away from home to board at Katanning, Narrogin, Albany or Perth. The actual program as to how the funding in this current financial year is going to be expended, part of the program was announced in the budget. That was work that has been done with the Esperance Residential College and with the Merredin Residential College and the funding that you have already indicated for the Merredin K–12 —

**Hon KEN TRAVERS:** That is a separate line item.

**Hon WENDY DUNCAN:** The \$100 million that has been spent in the regional schools plan at the moment is being negotiated with the Department of Education. There is work being done to identify the areas of highest need, particularly in places where there is huge growth, like Kununurra, Port Hedland and Karratha.

**Hon LJILJANNA RAVLICH:** Can I get this right—I think you have just told me that this allocation of \$101 million or thereabouts over the forward estimates was not based on projects, this was allocated over the forward estimates, and what the money is going to be used for is going to be negotiated —

**Hon WENDY DUNCAN:** I can assure you, Hon Ljiljanna Ravlich, that there is no shortage of projects. The issue is that we have got this funding over the four years. Twice that could be spent on upgrading our regional schools. We have got the list of projects. At the moment we are working with the Department of Education to identify which are the highest priorities; where do we start.

**Hon LJILJANNA RAVLICH:** It is not the usual way of doing things. It seems to me that usually the priorities are actually made up-front. You then go to Treasury and get the allocation for specific projects. You have indicated to us that you have made an ambit claim to Treasury of \$100 million. You are saying you have got lots of projects you can actually allocate this money to but you have not decided because that work is yet to be done. That is the way I understand it.

**Hon WENDY DUNCAN:** With respect, honourable member, it is not an ambit claim. The royalties for regions funding is put aside for regional projects. The Department of Regional Development and Lands and the minister in the department have identified that education is an area that is sorely

neglected in regional Western Australia and have put the proposal that a substantial amount of funding go towards upgrading our regional schools and the associated residential colleges. That money has been committed to that line item.

**Hon LJILJANNA RAVLICH:** Parliamentary secretary, what you are saying to me is you could not tell me at this point in time what this \$100 million will be specifically spent on—which schools and what work on those schools?

**Hon WENDY DUNCAN:** We can identify the commencement project, the one that you mentioned.

**Hon LJILJANNA RAVLICH:** I did not mention it. Yes, I did mention it—sorry.

**Hon WENDY DUNCAN:** I will pass over to the director general to see if he can add more information.

**Mr Rosair:** I concur with the response earlier that this has been identified as a major initiative for regional WA in the education residential colleges upgrades. A proper thought-out plan which looks at what was earlier mentioned, what is currently funded in the education program and what is not currently funded, then we will probably be referred to the Regional Development Council for input as to the priorities across the state and probably to the Regional Development Trust for further assessment on those priorities; and then a well thought-out and developed plan over that forward five years will be developed. That will be subject to normal government processes and scrutiny through the Economic and Expenditure Reform Committee and cabinet processes.

**Hon LJILJANNA RAVLICH:** Do you have a similar plan for health? If so, how much has been allocated there? It saves me going into their budget papers specifically.

**Mr Rosair:** We have some health initiatives but we do not have a statewide regional health plan. Having said that, you will notice in the Pilbara Cities program there is \$417 million of unallocated initiatives for infrastructure. It could be health and education as well.

**Hon LJILJANNA RAVLICH:** Where else do you have unallocated funding?

**Mr Rosair:** There is still some money in our housing for workers programs. The first two years have seen \$200 million allocated to GROH housing but now there is further capacity to develop more housing programs in the out years—that “housing our workers” line item.

**Hon LJILJANNA RAVLICH:** As of this date can you provide the committee with a schedule of all the unallocated —

**Mr Rosair:** They are allocated to specific themes or areas of expenditure like health, education and housing.

**Hon LJILJANNA RAVLICH:** But they are not allocated towards specific projects.

**Mr Rosair:** In some areas they are not allocated at all. The Ord project obviously is allocated specifically, and Esperance hospital. What you are asking is those areas where we have no finite project detailed analysis?

**Hon LJILJANNA RAVLICH:** Yes, that is what I am asking for. That would be great.

**Hon KEN TRAVERS:** I thought that was what I asked for in my questions prior to the hearing as well! I need to use the word “specific”.

**Hon PHILIP GARDINER:** It just shows who is the better at it!

*[Supplementary Information No A7.]*

**The CHAIR:** I will indicate it is my intention that we might have a short break at four o'clock so people can grab a cup of tea or a glass of water.

**Hon KEN TRAVERS:** To finish off on the schools program plan, how did you arrive at the figure of \$100.5 million? The education department will have a line item in their budget that will say “new

primary schools” and they will allocate it for four new primary schools without necessarily identifying them. It has been tradition, as long I can remember, that you then get the announcements about the primary schools throughout the year. I do not have a problem if the ministers want to announce the primary school upgrades. How was the figure of \$100.5 million and, for this year, \$20.5 million arrived at? For this year, in circumstances where you have to spend it this year, there must have been something that you based the calculation of \$20.5 million on. Is it that you are going to spend \$7 million on maintenance and half the cost on three new primary schools?

**Hon WENDY DUNCAN:** I will defer to the director general.

**Mr Rosair:** It is a somewhat “order of”. Given the capital works program that has been identified by education, health and the like, there is an element of an estimated cost to upgrade those programs to make them align better with metropolitan Perth. Those figures of \$150 million out of a \$4.5 billion program were deemed an appropriate amount of money to go into education programs, for instance.

[3.50 pm]

**Hon KEN TRAVERS:** That was the level of detail that you based it on—what you have just given us then?

**Mr Rosair:** We have seen what the education department’s outgoing expenditure components are, and I think in the order of five per cent of that added to regional WA; and developing a program around that was deemed a reasonable injection into schools in —

**Hon KEN TRAVERS:** Did you analyse how much the department was planning to spend in regional WA versus metropolitan Perth?

**Mr Rosair:** Are you aware of whether there was any further analysis?

**Mr Slattery:** There may well have been other analysis but I am not aware of it at this moment in time.

**Hon KEN TRAVERS:** Can you provide that? Who would know if you guys do not know?

**Mr Slattery:** Some of the officers who are doing the education program.

**Hon KEN TRAVERS:** Right. If you could take that as supplementary information that would be good.

[*Supplementary Information No A8.*]

**Hon KEN TRAVERS:** I would have thought that to make sure that regional schools are equal to, or better than, metropolitan schools—unfortunately the Minister for Education does not agree with that, even though this committee recommends that she should—you would have had to have done some detailed analysis of what you need to do to arrive at that.

**Mr Rosair:** There is some level of analysis. Also, leading up to the budget papers, the known royalties for regions money was not clearly understood until 14 May. Often unallocated moneys are made available when those estimates come through, and then there is a breakdown of where they are going to be put—education, health and unallocated funds. One of the complaints about our program earlier on in 2008–09 I think was that we had a totally unallocated program across the bottom of royalties for regions.

**Hon KEN TRAVERS:** But I did not want you to make up headings for it and just put in \$100 million for education.

**Mr Rosair:** We are targeting education, health and Pilbara Cities in this round of budgeting, so accordingly the unallocated amounts were put into those programs to match the demand. As I say, the analysis of demand was undertaken by our officers in looking at what education had put forward. As was mentioned earlier, the entire \$4.5 billion could go to education without batting an

eyelid to try to solve the regional schools problem. But the minister at the time thought that that amount of money over the next four years would start to result in some things happening in regional WA.

**Hon KEN TRAVERS:** I want to know what was the basis of arriving at the decision that that was the amount of money that was required, because otherwise you are right—it is no different from what you were doing in 2008–09 when you had this listed as unallocated. Now you are just saying that it is notionally allocated to education, but we do not know what we are going to do with it and we do not have a process to identify it. Within schools there would be two areas that I would have thought you would be looking at. One is the growth in numbers, and that is a problem perennially in metropolitan Perth. The other half of it is maintaining schools at a reasonable level. That goes on across the state. We have seen plans right through regional WA for the last at least 10 years that I can recall, particularly in major regional centres, where we have closed down schools, we have amalgamated schools and we have rebuilt schools to deal with those needs.

**Mr Rosair:** You are right. We could put in a large amount of money and try to solve this problem that you have just identified. There was a belief that when allocating the funds for the next four years there was provision made available for \$150 million in both school plans and residential college upgrades to try and break the back of this problem, and developing a coordinated plan with education, with Treasury, with ourselves and with the development commissions and councils to assess the priorities and put it into the out years. None of this money will be spent unless it does target all those areas that you have identified and all the priorities across the state. So there is a lot more work that will happen before we get that formulated and coordinated schools plan. But the estimate that we put in there was based on some provisional understanding of the demand and the availability of the program to pay.

**Hon KEN TRAVERS:** My problem is that you can just imagine the education department—the moment they see that pool of money, every one of their regional projects will have just dropped three notches down the line!

**Mr Rosair:** No. That is where we will come in and offer that service to the minister.

**Hon KEN TRAVERS:** But how do you stop that?

**Mr Rosair:** Well, again, with some of those other tools of analysing what is in their capital works program in the out years, and what is in their existing recurrent programs, and to make sure we are not cost shifting for existing funded programs.

**Hon LJILJANNA RAVLICH:** Do you have a list of those regional projects that will have to compete with each other? Do you at least have that?

**Mr Rosair:** Well that is the education department's priority list.

**Hon LJILJANNA RAVLICH:** Have they given you a copy of that list?

**Mr Rosair:** Some of our officers may have seen that list.

**Mr Slattery:** We have got their capital works forward program. They have got a \$1.2 billion program.

**Hon KEN TRAVERS:** When was that prepared, though?

**Mr Slattery:** That is the current plan.

**Hon KEN TRAVERS:** Go back and get me one from three years ago! Seriously! The education department changes its plans on an annual basis, and you try and get it to table its 10-year capital works plan and it will run a mile!

**Mr Rosair:** That is the challenge that was mentioned earlier—to make sure that royalties for regions is above and beyond existing committed recurrent and capital programs.

**Hon LJILJANNA RAVLICH:** Can I follow up on that, because the government did announce royalties for regions funding from 2010–11 of \$220 million in capital funding and \$52 million in recurrent funding for several major health initiatives to improve the health of people in regional areas. I want to ask you, in terms of the capital component—that is that \$220 million—has that money been allocated to specific projects; and, if so, how much has been allocated and how much remains unallocated?

**Mr Rosair:** I would have to go through each line item, but I am sure that we could break down that \$220 million into the segments that you have talked about for the individual projects, if that is what you are saying.

**Hon LJILJANNA RAVLICH:** Yes. Can you direct me to a page?

**Mr Slattery:** We can point to a page in chapter 7 if that would assist.

**Hon LJILJANNA RAVLICH:** Has all of that \$220 million been allocated to specific projects?

**Mr Kerr:** That is my understanding. It may be that it is housed within the Pilbara Cities initiative as an allocation towards it, but I do not have that detail with me.

**Mr Rosair:** I think we have a summary of that.

**Hon LJILJANNA RAVLICH:** Would it be possible for the committee to get a copy of that?

**Mr Rosair:** Yes. That does include Royal Flying Doctor and patient assisted travel and a number of other initiatives that are on a recurrent basis.

**Hon LJILJANNA RAVLICH:** Well, this one speaks specifically of an allocation of \$220 million in capital funding, and then there is the \$52 million related to health funding.

**Hon WENDY DUNCAN:** The capital funding would be the funding for the hospitals—Karratha hospital and Esperance hospital

**Hon LJILJANNA RAVLICH:** It may well be. I am just asking, of that \$220 million, how much has been allocated and how much remains unallocated; and of course capital is different from recurrent, and I can understand that.

**Hon WENDY DUNCAN:** We will take that on notice.

*[Supplementary Information No A9.]*

**Hon LJILJANNA RAVLICH:** I want the actual specific projects—all of them.

**Hon WENDY DUNCAN:** Sandy says that you have got some information there, but would you prefer to wait until you get it all?

**Mr Rosair:** I think we need to do the whole lot—both capital and recurrent.

**Hon LJILJANNA RAVLICH:** The \$220 million capital and the \$52 million recurrent, and how much each project is in fact getting out of that money; and if some money remains unallocated, could you advise the committee of such?

**Hon KEN TRAVERS:** If those projects blow out in cost, who picks up the cost? Is it the agency that is building them—say health—or do you pick it up through the regional development fund?

**Hon WENDY DUNCAN:** I would imagine that would be a matter that you would decide on a project by project basis, but I will defer to my officers.

**Mr Rosair:** Let us give the example of the Ord. That is a project of \$220 million. I think we reported to another estimates hearing that that project will come in under \$220 million, because the cloth can be cut to suit. When you are expanding the Ord and you are going out and providing infrastructure to the new lots for irrigation development, the only things you have to provide them with are water and road access. If you have got additional money, you can provide them with power, telecommunications, drainage and all other support infrastructure. So that will come in at

\$220 million as you tailor back the scope of the project accordingly. There are other projects, like the fuel cards, which are fixed commitments. We know there are 40 000 people out there, and we have budgeted for 37 000 to take them up. If 40 000 take them up, then that is a fixed commitment that we would have less control over.

[4.00 pm]

There is some unallocated fund in our statewide reserve to provide for some contingencies such as those fixed projects but when you were talking about large-scale projects like a Kalgoorlie hospital, the expectation is that the estimates provided to us by the health department contain a contingency and a project management cost to make sure it runs those figures into its estimates. If it does not, it is not our expectation that we are going to add any more at this point. That is our commitment to those projects. If, however, it does blow out, that will be subject to another submission for a royalties for regions project in out years. That is the way we would be dealing with it.

**Hon LJILJANNA RAVLICH:** Have you had any projects that have blown out thus far?

**Mr Rosair:** No, not that we are aware of. In fact, one of the challenges—you would have seen it in the special purpose account—is for people to spend the money and meet their commitments rather than the other.

**Hon KEN TRAVERS:** Have you scaled back the Ord project to keep it within the \$220 million?

**Mr Rosair:** No, in fact our first round project tenders came in under our expectations so we have capacity to expand the project to this point. The \$220 million was to provide the water, the road, the subdivision, the drainage and the Indigenous employment and Aboriginal development package. We did some initial estimates on the first round of the contract in the order of some \$60 million for that program. Our first contract has come in under that. There may be some additional savings. It was mentioned at the earlier estimates that it be made a self-contained system where we recycle water back into the system and provide far better environmental protection. We may have additional money to do more of that activity at this point. Each year we will re-cashflow. We also have contingency in the Ord for whatever conditions the commonwealth puts on for the expansion. We do have flexibility in pulling back on the Ord. For instance, if there is a blow-out in groundwater mitigation, we may not necessarily provide laser levelling and infrastructure on some of the lots. Consequently, those lots will sell for less. We have some flexibility in managing that program to \$220 million.

**Hon KEN TRAVERS:** At this stage have you identified the paths of the irrigation channels, the boundaries of the proposed irrigation area, any conservation buffer zones and conservation areas and also the actual farming lots to be sold off? Have you identified that work?

**Mr Rosair:** Yes. Largely, that is in place. We are going through a commonwealth approvals process for the expansion area at the moment. We have all the state approvals in place. All of those lot areas and lot sizes are known. The irrigation channel path has been established. You probably would have read in the newspaper recently that they modified it slightly to go around an ancient boab tree. We changed the channel accordingly.

**Hon KEN TRAVERS:** Old engineering style—you just get out there and start digging.

**Mr Rosair:** We think we are on track to deliver that entire program for under \$220 million.

**Hon KEN TRAVERS:** Are we able to get those maps tabled?

**Mr Rosair:** Yes.

[*Supplementary Information No A10.*]

**Hon LJILJANNA RAVLICH:** And a picture of the boab tree.

**Hon WENDY DUNCAN:** I have one on my camera right here if you would like it.

**Hon LJILJANNA RAVLICH:** It must be the most expensive boab tree in the world, which is good!

**Hon KEN TRAVERS:** The other issue that I am aware of up there is salinity. Have you compared those areas that you identified as potential farm blocks? I believe a study was done earlier this year by Geoscience Australia that identified the risk of salinity in different areas.

**Hon WENDY DUNCAN:** Is that a finance question?

**Hon KEN TRAVERS:** Yes, it does go to the finances of it because you are actually building the channels. I want to know whether you will be creating lots on areas that have come into moderate, high or very high risk of salinity. I am asking whether that is an issue that has been considered in determining the location of the lots on the Ord scheme.

**Hon WENDY DUNCAN:** As far as I am aware, it has. It is something that has been a topic of conversation as the project has been put together.

**Mr Rosair:** There is science to suggest that there could be some concerns with rising groundwater levels and salinity. There are some alternative views saying that Ord stage 1 has been operating for 30 or 40 years without a problem with that.

**The CHAIR:** Who is saying that?

**Mr Rosair:** Without a major problem with that. It has been operating. The other thing is that the expansion of Ord stage 2 is very much a recycled closed system and we think the benefits of a recycled closed system means that we will not have nutrient discharge into the lower Ord like Ord stage 1 had. We think there are sufficient funds inside the \$220 million to mitigate under those particular circumstances. Further studies are being done to determine the extent of that and whether or not more drainage or bores are needed to lower the table in Ord stage 2. That will be part of timing with the conditions that the commonwealth may impose on Ord stage 2. We think we will be able to have whatever mitigation measures are necessary for Ord stage 2 to go ahead effectively.

**Hon KEN TRAVERS:** What is your current estimation of the amount of land that will be made available for farming purposes at the completion of the project?

**Mr Rosair:** The identified area is 8 000 hectares. With the breakdown of roads and irrigation channels, that will be reduced somewhat. Those figures and maps that we will provide you will show you the exact lots. I think there are 22 lots ranging between 160 to 500 hectares in size or something of that order. We will give you the exact detail of that breakdown.

**Hon KEN TRAVERS:** Are you saying that it is your view that those areas are not at high or very high or extremely high risk of having problems with salinity?

**Mr Rosair:** I am saying there is some science around. Geoscience Australia has identified some rising groundwater table impacts in Ord stage 2. There are some other views that it will not be as significant as identified in the Geoscience Australia study. I am sure the commonwealth, in doing its assessment, will put on relevant conditions to mitigate any rising groundwater table impacts. We will put in place relevant mitigation measures such as bores and drainage infrastructure to mitigate against any of those concerns.

**Hon KEN TRAVERS:** When you say there is other science, other science from whom?

**Mr Rosair:** I do not have the name of the person available but I can give you the name of the ag scientist who has also been engaged on behalf of the department to do some studies and provide some advice on rising groundwater tables and some mitigation options.

**Hon KEN TRAVERS:** Is it possible that some of those areas in the maps you will provide us may subsequently have to be reduced to deal with the issues of salinity?

**Mr Rosair:** We are hoping that the mitigation measures may be able to offset that.

**Hon KEN TRAVERS:** So either reduced or mitigation measures put in place?

**Mr Rosair:** Yes.

**Hon KEN TRAVERS:** I found your earlier comment interesting—that there has never been a major problem with salinity because a range of mitigation measures have been put in place to deal with salinity in stage 1. I accept that stage 1 was flood irrigation and very early introductory technology.

**Mr Rosair:** The ultimate yields in crops have been reasonably good.

**Hon KEN TRAVERS:** But there are areas that would have been available for expansion that were not able to be expanded because of the salinity problems within Ord stage 1.

You made a comment earlier about land sales. At this stage that money has not been allocated to any project. Are you still in negotiation as to whether any of that money will be available to compensate the commonwealth for its contribution? Originally, it was a 50–50 partnership between the state and commonwealth government. Is the money from the land sales subject to negotiation from the commonwealth as to whether it will receive any of that money or is it more a debate about whether the Department of Regional Development keeps that money or Treasury keeps that money?

[4.10 pm]

**Mr Rosair:** That is basically the debate that I have been discussing to date. We are doing some land sales modelling now with LandCorp and the ag department on the nature of the sort of crop types and the size of properties and the expectation for how much money will be realised, but we have never entered into any discussion or debate with the commonwealth on retaining any of that money.

**Hon KEN TRAVERS:** But at the moment it is not guaranteed to come back to the department or back into the fund?

**Mr Rosair:** It is not guaranteed, no. A submission would have to go to cabinet, as I understand, to identify the benefits of that money being put back into the project and realised for further infrastructure or go back into Treasury for use elsewhere in the state, as happens with all of our —

**Mr Pumphrey:** Yes, being crown land, the proceeds will first go into the consolidated fund and would have to be reappropriated from there.

**Mr Rosair:** The act stipulates it, does it not, Ron?

**Mr Pumphrey:** Yes; correct.

**Hon KEN TRAVERS:** And the Royalties for Regions Act 2009 would provide for it to be put back into—there is provision for money over and above the royalty money to be put into the trust fund.

**Mr Rosair:** Lawfully available to the department; yes, we could argue that. We have not been down that road.

**Hon KEN TRAVERS:** I just find it interesting that there is no internal agreement within government that where money is created out of a royalties for regions project that is value added to land, you do not capture the value of that back into the fund.

**Mr Rosair:** No. Every land transaction comes under the Land Administration Act and the Land Administration Act precludes that money going into agencies other than Treasury.

**Hon KEN TRAVERS:** I know, but you can have a hypothecation agreement, which I know Treasury do not ever like. LandCorp are different, but when they do developments, they keep the profits of the money they invest in land.

**Mr Rosair:** Only by the agreement of the minister.

**Mr Pumphrey:** And in some circumstances cabinet, but they actually are required to pay for the land first.



**Hon KEN TRAVERS:** But if you bought the land pre the channels, it would not —

**Mr Pumphrey:** No, probably not.

**Hon KEN TRAVERS:** I think there were pastoral leases bought originally and that would be reasonable to compensate back those pastoral leases.

**The CHAIR:** If Hon Ken Travers does not have further questions on this area, as I promised a break for a cup of tea, I should stick with that. We might take a 10-minute break.

**Proceedings suspended from 4.12 to 4.23 pm**

**Hon LJILJANNA RAVLICH:** It is in this section somewhere. I just want to ask some questions in relation to development commissions, which come under this portfolio, I understand.

**Hon WENDY DUNCAN:** We were not really expecting questions on development commissions today. They are separate statutory authorities. I will endeavour to answer your question but I am not 100 per cent sure whether we have the information at our fingertips. But we will endeavour to assist you if we can.

**Hon LJILJANNA RAVLICH:** See if you can answer. I want to ask specifically in relation to the review of development commissions and whether that review has been undertaken.

**Hon WENDY DUNCAN:** I can certainly assist you with that, because the review of the regional development commissions, as you know, is being chaired by myself.

**Hon LJILJANNA RAVLICH:** Perfect!

**Hon WENDY DUNCAN:** Yes, so I can give you a firsthand update. I will just look for the terms of reference. My officers will put that in front of me in a minute. The review of the development commissions came out of partly the Economic Audit Committee and the Economic and Expenditure Reform Committee, partly because of the changes that have occurred as far as the roles and responsibilities of the development commissions and actually partly because of matters that were raised by you and Hon Ken Travers and other members of this committee in the hearings we had last year. The aim of the review is to look at the effectiveness and efficiency of the development commissions but at the same time to then take a look at how we are delivering government services into regional areas on broader scale. We have called for submissions. As of today I think 200 have been received. There was a three-week period for most submissions, but with local government, because of their meeting schedule and so on, we actually gave them to the end of July to put their submissions in. I and my executive officer have also met with key directors general and each of the development commissions. In fact, during the parliamentary break I clocked up 10 000 kilometres on my vehicle out and about in regional Western Australia talking not only to development commissions but also to local governments and anyone else who wants to listen about the development commissions and how they are performing.

**Hon LJILJANNA RAVLICH:** Can I ask you, parliamentary secretary, are you the only person doing this review?

**Hon WENDY DUNCAN:** No.

**Hon LJILJANNA RAVLICH:** Who else is doing it with you?

**Hon WENDY DUNCAN:** The review committee is made up of myself; the director general, Paul Rosair; the chief of staff of the minister, Mr Doug Cunningham; the chairman of the regional development council, Graham Thomson; and, of course, Mal Wauchope, who is from the Public Sector Commission. The actual review committee has met four times. At those meetings they are given the opportunity to see what submissions have come in. We report on the meetings that we have held.

**Hon LJILJANNA RAVLICH:** So can I just ask you: does every member of the committee actually travel out to the regions to hear what is being said and to ask questions or is it

predominantly you that goes out to do the information gathering and get the feedback and then feed it into the broader group?

**Hon WENDY DUNCAN:** With the meetings with directors general and with the representatives of development commissions, the vast majority of those occurred in Perth, and so my executive officer was also present in those meetings. But the submission process means that the submissions are available to all members of the review committee. These solutions are closed. They are being reviewed and assessed at the moment. Our deliberations will continue until towards the end of September at which time will be making a recommendation to the minister.

**Hon LJILJANNA RAVLICH:** Can I just clarify this: are you saying that really the full committee does not go out to the bush with you or out to the regions but most of that work you do with your executive officer? Am I correct in assuming that, or does everybody go out there, and so you might go to Merredin and you meet in Merredin —

**Hon WENDY DUNCAN:** The full committee is not travelling.

**Hon LJILJANNA RAVLICH:** It does not travel. So who is travelling?

**Hon WENDY DUNCAN:** I have been travelling. My executive officer came to Carnarvon with me because the Gascoyne Development Commission could not actually come to Perth to meet with us. Every other development commission has actually been to Perth. So the meetings that are held when I was driving around were really additional opportunities because I was there visiting my electorate during the parliamentary break, so I was just really informing myself to assist me in chairing this review committee. The main body of information that the review committee will be working from is the submissions.

[4.30 pm]

**Hon LJILJANNA RAVLICH:** A full committee has not gone out to the regions and spoken to the people directly, so to speak, because you are gathering your information via submission from the general public in regional areas or stakeholders. On the other hand, the development commissions have made a trip to Perth to meet with the full committee?

**Hon WENDY DUNCAN:** The development commissions have come to Perth to meet with the chair and the executive officer.

**Hon LJILJANNA RAVLICH:** That is you and your executive officer, and they have not had contact with the full committee. How much is being allocated for this review? It is not much, by the look of it.

**Hon WENDY DUNCAN:** How much funding has been allocated to it?

**Hon LJILJANNA RAVLICH:** Yes.

**Hon WENDY DUNCAN:** I will have to defer to Mike Rowe.

**Mr Rowe:** At this stage, it is the cost of the executive officer, who is seconded from the Public Sector Commission, and his cost is being worn by the Public Sector Commissioner. His time and salary is being borne by the commissioner. There is a consultancy underway. We have engaged PricewaterhouseCoopers to assist the committee with discharging one of its terms of reference on the question of effectiveness and efficiency, and we estimate that will be in the order of \$200 000. That cost will be met by the Department of Regional Development and Lands. The other costs are associated with simple costs, like getting the committee together and a bit of catering and so on and so forth. All up, off the top of my head, I imagine it would be somewhere in the order of \$250 000—perhaps \$300 000 maximum by the time it is completed.

**Hon LJILJANNA RAVLICH:** I wonder if you could you provide the committee with a breakdown of the costs to date?

**Mr Rowe:** Yes, no problem.

**Hon LJILJANNA RAVLICH:** And if there is a projection for the full amount of costs, that would be good too.

*[Supplementary Information No A11.]*

**Hon KEN TRAVERS:** On the budget for travel, are you using the government aircraft if you need to visit regions?

**Hon WENDY DUNCAN:** Because the travel that has been undertaken has been within my electorate, I have been travelling under my electorate travel allowance and usually in conjunction with other activities as a member for the Mining and Pastoral Region.

**Hon KEN TRAVERS:** I am not saying there is anything wrong with using government travel if you are doing a government review, to be honest.

**Hon LJILJANNA RAVLICH:** This might be a silly question, but given your connectivity, if you like, with the regions, why did not the committee visit all these regional development commissions and their communities to get a proper sense of what is going on on the ground? I speak from experience. We did an inquiry into year 11 and 12 and we went out and met with the communities and we heard from people firsthand. People fronted up who perhaps we had not expected and it was absolutely fascinating. I am wondering, given the so-called connectivity and wanting to do the right thing by the regions on something so important as the future of the development commissions, why basically this committee has operated out of Perth and you have only visited the development commissions that are in your electorate by way of the fact that you are there—you have already said that. It seems to me that either you have not put a very high priority on this inquiry or, alternatively, you have a fair idea of what this committee is going to be recommending in any event.

**Hon WENDY DUNCAN:** The latter is not true. A range of submissions will be considered. The members of the committee are people who travel widely in the regions anyway. The director general is often out there, either in his role as director general of the department or accompanying the minister. Mr Cunningham, of course, travels often out into the regions as well, and, of course, Graham Thomson lives in Kalgoorlie and he is the chair of the Regional Development Council, which meets in a different regional location every time it meets. It is not as though the members of this committee sit in Perth and have no idea of what is happening in regional Western Australia. In relation to meeting with commissions that are in my electorate, the commissions that are in closer proximity to Perth have been able to come and bring their board members and communicate with us really well. The ones that are far distant, if I am passing through that town—like Kununurra, Broome or Port Hedland—it is an opportune time to speak to a broader range of people about the review in the course of my daily activities as a local member of Parliament. The review is being taken very seriously, and it is something that has been initiated not only because of the government's policy in wanting to make sure that all of our boards and commissions are what they say they are and are performing effectively, but also because the implementation of the royalties for regions policy has meant a whole change in how government is being delivered into regional Western Australia. From my point of view, it is a very exciting opportunity to look at how we deliver government into Western Australia and how we can ensure the principles of local priorities, local decision making and subsidiarity are taken into account in how the development commissions operate. We certainly have no preconceived ideas as to the outcome of the inquiry.

**Hon LJILJANNA RAVLICH:** I wonder whether you could provide the committee with a schedule of the people you have had a face-to-face meeting with in your travels.

**Hon WENDY DUNCAN:** Myself?

**Hon LJILJANNA RAVLICH:** Yes, you. The sense I get is that you are going around and saying “By the way, what do you think of this?” rather than addressing a range of —

**Hon WENDY DUNCAN:** I can give you a schedule of formal meetings I have had in my time in the regions.

**Hon LJILJANNA RAVLICH:** I am asking about meetings specifically relating to this inquiry.

**Hon WENDY DUNCAN:** In relation to the inquiry; yes, I can.

**Hon LJILJANNA RAVLICH:** Not just that you are in the region so therefore you satisfy half the criteria because you happen to be there. I went to Kalgoorlie, and I might have even have had a cup of coffee with somebody up there, but it does not mean that I addressed the terms of reference of an inquiry and I formally noted what was said to provide feedback into a process; it just means that I passed through the town and I was in the region. In someone else's mind, they might think that is halfway to doing the job. I do not, but they might.

**Hon WENDY DUNCAN:** Hon Ljiljanna Ravlich, there has been a distinct formal process that we have met with directors general, development commissions and other key people—WALGA, for instance—to discuss the commission and its terms of reference. But as part of informing myself as to what the sentiment is in regional Western Australia, there is another whole range of people with whom I have met. Of course, the other aspect of the inquiry is that we have engaged a consultant, PricewaterhouseCoopers, and their representatives are all travelling into each of the regions to meet with the development commissions and are looking specifically at the first of our terms of reference, which is the effectiveness and cost efficiency of the regional development commissions. They are going out there and having a close look at development commissions and hearing from them as to how they are performing under the new regime of royalties for regions. That gives that independence, so we have another avenue to benchmark the assessment.

[*Supplementary Information No A12.*]

**Hon WENDY DUNCAN:** So A12 is just meetings that I have had, and not with the executive officer?

**Hon LJILJANNA RAVLICH:** No, just who you met in the country specifically in relation to the terms of reference of this inquiry.

[4.40 pm]

**Hon PHILIP GARDINER:** My question comes back to page 258 of the papers and it is under the main heading “Outcomes, Services and Key Performance Information”, which is second down from the top. The table shows the government goals and the desired outcomes. I fully understand all of what we are trying to drive for, but my question relates to how we are measuring the difference that the regional development department and the royalties for regions are actually making. For example, under “Government Goal” it states —

Greater focus on service delivery, infrastructure investment and economic development to improve the overall quality of life in remote and regional areas.

Under “Desired Outcomes” it states —

Increased capacity of regional communities to develop economic growth and social wellbeing.

I also know that it would be very easy to say, for example, in the Ord we are putting \$220 million in there; therefore, that is going to contribute to economic growth. The question really is: is that just an investment in to the asset structure or is it making a real difference to the economic growth in the area and how are you measuring from where we are now to what we might look at as things unfold because it might be that in the Ord we may not find a crop that actually becomes commercial, for example. That is just a graphic example. We have Pilbara Cities and we have a whole lot of other things. I just wonder whether you have done a bench line now or a couple of years ago; and, if we did not do it a couple years ago, whether we should do a bench line, and then do the review every couple of years, maybe, to really see whether we are making the difference, which we all wish to make.

**Hon WENDY DUNCAN:** Thank you, Hon Philip Gardiner, it is a very valid question. I guess there are several ways that the outcome that you seek can be achieved. As we discussed earlier, the benchmarking that we are doing, averaging over 10 years what the agencies' expenditure is to try to establish a level so that we can satisfy ourselves that our expenditure is over and above that that would normally happen in government.

The other aspect of it is that work is being done in the department, too, on regional indicators and there is also actually work being done on evaluating the royalties for regions program as it is progressing. Certainly, quite a lot of work is being done in Queensland, for instance, on social indicators and the measurement of social change, be it for the better and so on. That is information that our department is working on because, like you, we believe that we need to be able to measure how our program is making a difference and that the money is being used effectively. I might defer to Mike to talk to you a bit about the regional indicators and the work that is being done there.

**Mr Rowe:** Currently, the department has a small research unit, which already maintains a range of regional indicators information on our website. But over and above that, we are preparing a proposal to look at how we can do that in a much more significant way, and that is work that is currently in progress. We have been engaging with the regional development commissions on that because it is certainly something that they see the need for. The whole initiative of doing additional work on regional indicators was something that the Regional Development Council identified. The Regional Development Council, as you would be aware, is the minister's peak policy advisory body for regional development in Western Australia. It is made up of the chairs of each of the nine regional development commissions, some local government representatives and the director general of our department. The council has commissioned a task force to work up a proposal on how regional indicators can be better collected and reported on. So we are in the process of putting together a business case for additional funding for that work going forward. Our intention would be that that information would be more frequently collected and more widely available through the website as an access point. We have also been engaging with the Australian Bureau of Statistics on that process.

However, it is not just about generic indicators of progress, if you will, for regional Western Australia. The royalties for regions program also has its own evaluation framework, which is being developed. Colin may wish to comment on that aspect of it because there has already been some work done on looking at the impact of royalties for regions. So I guess from a policy perspective, we are very conscious that we need better information about regional Western Australia to track the impact that royalties for regions is making. That is something that we are working on designing at the moment in concert with the Regional Development Council as part of the policy framework on development for the minister. Colin may wish to comment on the specific evaluation that has already been undertaken for royalties for regions.

**Mr Rosair:** Just before he does, the Pilbara spotlight project that you may have been aware of is sort of like a pilot example of what we are trying to do on a statewide basis.

**Hon LJILJANNA RAVLICH:** Sorry to interrupt, Phil, but certainly some measures are easier to achieve than other measures. For economic measures, for example, there is a whole array of evidence that you can use to substantiate whether a region has advanced economically. It is really the social indicators and the longitudinal studies that do not seem to be embraced by governments because government terms are probably so short-term in any event. It is the lack of attention to the social indicators of change and putting in place the frameworks to be able to measure those social indicators. I know exactly where the honourable member is coming from and I guess that what we will want to see is evidence because we are talking about a specific program in terms of royalties for regions and we are talking about huge amounts of money specifically targeting the regions. Really, the taxpayers would expect that a committee like ours would probe the issues of by what

measure are we going to know that this program has been successful when we reflect back in three years' time, five years' time or, indeed, even next year—where are the changes?

**Hon WENDY DUNCAN:** I agree with you and social indicators are far more difficult to measure than economic or financial indicators, so they have proved to be a challenge in the past. But there is quite a lot of work being done to measure social indicators, particularly I suppose when you look at Karratha, for instance, and the social impact of the development that happened there without government support for the associated infrastructure is patently obvious, but we have done quite a bit of work and sought outside expertise to assist us with this. I think Colin can probably add to that.

**Mr Slattery:** We have engaged with private consultants to actually undertake the development of a social indicators framework for us. As you alluded to, when we actually looked into this in terms of what other people have been doing to determine the social impacts of programs, there is not a lot out there that Western Australian governments have actually done. So we have engaged with a company to actually establish a baseline set of social indicators that we can use across all the royalties for regions projects with the goal of finding out exactly how these programs are influencing people's lives. As these programs are about trying to enhance the lifestyle of people in regional Western Australia and improve services to them, we do not necessarily need to know the numbers of things that have been delivered to them, but the impact of those things that have been delivered to them. We are establishing that set of indicators that we can then apply to all royalties for regions projects and capture that sort of baseline data. That project is not finished yet, but we have started the work by looking at two of the programs that have been implemented, which is the community resource centres—they are the network across the state—to try to determine how they are impacting on their communities, and also the fuel card, which is a much simpler program but it is actually quite easy to determine the impact of the program on a particular family unit or an individual. We are collecting that sort of information back about how those programs are actually having good outcomes.

**Hon PHILIP GARDINER:** I am pleased you referred us to some of the individual programs, like the fuel card, because you can get an assessment. I can see how easy it is to make misjudgements in a number of areas, too. The area of the local government fund, for example, is probably similarly useful to look at as a separate fund too. I presume you will break it down into some of the programs and evaluate those as well as the overall objective as enunciated in the budget papers. Are you intending to include some of these performance measures in your future budget papers?

[4.50 pm]

**Hon WENDY DUNCAN:** We will be reporting on —

**Hon PHILIP GARDINER:** Sorry, parliamentary secretary; for example, under “Services and key efficiency indicators”, those measures do not mean much to me at all. I do not think they mean much to the great programs you have. That area needs to be substantially redone so that we can get a real feel about the progress that is being made, or non-progress, for that matter.

**Hon WENDY DUNCAN:** I thank the member, and we are certainly very aware of what he raises. I suppose the thing about the indicators that are in the budget at the moment is that the member is right—they do not mean much because the department was only just established 12 months ago. We inherited the actual from 2008–09 from our parent department, so there is certainly plenty of room there to provide more information and more relevant information. I might just ask the director general to answer more on that question.

**Mr Rosair:** I think it has primarily been covered, but we have just completed, for our 2009–10 annual report, a client satisfaction survey. That identifies much broader areas of performance, and an area that we have identified in our strategic plan is that we need to come up with far better indicators, as the member has suggested. It is one of those things, however, that has to be negotiated with Treasury, because Treasury has certain outcome statements and we have to align them with

Treasury outcome statements across government, but we certainly think it is an area that we need to develop further. Mike, did you want to add anything further?

**Mr Kerr:** The problem, as the director general alluded to, is that we are working on an outcome-based framework as stipulated by Treasury. The indicators have to be all-encompassing in their place in the budget papers, so we are limited. A good indicator might be about population growth in a region, but comparing the Kimberley to the South West is not a practical indicator per se. We are a bit limited in what we can put in the budget papers at the moment, unless the framework is changed. However, the best place I would see to have these indicators would be in an annual report, where we are not as limited or governed as to what we can have. We can make them program specific and region specific and get a bit more flexibility than what we get in the budget papers.

**Hon PHILIP GARDINER:** I accept the explanation about the annual report versus the budget papers, but we have already raised this issue in some way with Treasury and, given what you have said, I think we need to do a lot more in raising it with Treasury, so that they are meaningful to anyone who is trying to read the budget papers. I would just like to say that I endorse the view raised by Hon Ljiljana Ravlich that the real issue is about the social areas. I know that that is the hardest area to do and that it is more costly to make the assessment for the benchmark and the progress. I know the emphasis has been put on that area by the department, so I think that that is a very important, progressive measure to actually tell the world, and this is not a bad way by which to do it.

**The CHAIR:** Before we continue, I might just add that we have looked at the social and economic dimensions, but if we are talking about the triple bottom line, we have not looked at the environmentally sustainable dimensions. I suppose everybody thinks they talk about the triple bottom line, but they do not really. Have any of those sustainability criteria been put into the performance indicators?

**Hon WENDY DUNCAN:** I think that sustainability is something that should, rightly, run through everything, as the chair has suggested and, in fact, probably more particularly in regional areas, because many regional areas at the moment are dependent on limited resources and one of the focuses of royalties for regions is to diversify the economic base so that our communities are more sustainable. The director general might have something more to add.

**Mr Rosair:** I think there has been a very clear indication to us that across the state in regional WA, one of the intrinsic links to economic development is environmental assets. We have found that the waterways in the Peel region, the Karijini National Park in the Pilbara and Ningaloo in the Gascoyne are intricately linked, so we are very keen on working with those agencies. The committee will notice that there is a program within the Department of Environment and Conservation to upgrade national parks; we are working on the Ningaloo front. More importantly, with the review of regional development commissions at the moment, we see some opportunity for better alignment with NRM groups, and maybe having better integrated decision making at the local decision-making level. A number of submissions are talking about that alignment between NRM and regional development, and trying to bring them together into a holistic decision-making framework for the program. We see that as a big challenge, and we see an area that we can make some focus on. Mike, do you want to add some more?

**Mr Rowe:** Only to comment that the Spotlight project that is currently being developed for regional indicators and the other work that we are doing would contemplate indicators around environmental health and environmental quality and so on, to the extent that you compare those things at a regional scale. It makes more sense to do so with some than others, but we would be looking at those as part of a suite of indicators that we will be collecting for regional Western Australia.

**The CHAIR:** Is the Spotlight project one that has already been developed?

**Mr Rowe:** There is a model for the Pilbara that is in existence at the moment, and you can see that on the Pilbara Development Commission's website. It is something that we are looking at extrapolating and doing better and more comprehensively across the state as part of the scoping work that we are doing to prepare a business case for regional indicators across Western Australia.

**Hon KEN TRAVERS:** Having listened to the debate that has gone around the room, one could almost be excused for thinking we do not already have and never have had any work on indicators in regional Western Australia. In fact, one of the questions I put on notice was whether or not there was any funding for an update of the report done in 2007. In fact, there was a report on indicators of regional development in 2003, and that is why I would expect that there should be one in 2011 as well, on a four-yearly cycle, which the chair will be pleased to know picks up on a whole range of things to do with the management of rangelands, renewable energy and exploitation of fish stocks along with a whole range of social indicators. I guess my concern would be that I hope we are not going to go and set up a whole new set of indicators and then not at least continue with the ones we already have. I do not have a problem with finding more sophisticated indicators over and above the ones we have, but I would have thought it would make sense to actually report on the ones that we already have from two reports' worth of data. Are we talking about a whole new set of indicators or are we going to start with the indicators that were in the 2003 and 2007 reports, and then add to those?

**Hon WENDY DUNCAN:** I might pass that over to Mike; he is involved in this.

**Mr Rowe:** The short answer is no; we certainly would not be putting aside whatever has already been done in the past. We would obviously be looking to make use of that information, because it is useful historically —

**Hon KEN TRAVERS:** And also continuing to track on the same basis.

**Mr Rowe:** That is right. I cannot guarantee that it would necessarily be an entire suite of all the information that was collected in either 2003 or 2007. We are going through the process of developing a regional policy framework with the regional development councils in order to identify the sorts of indicators that they consider would be necessary and yes, we would be looking at that information that has been collected in the past with a view to trying to replicate that; it makes sense to do so. So it certainly will not be lost; I can give the member that assurance. It is not wasted effort by any stretch of the imagination.

**Hon KEN TRAVERS:** Is more than just not wasting it, it is about maintaining or at least collecting that information again so that we can track it over a period of time—whether we are going up, down or whatever it is—and then we can add to it. I do not have a problem with adding to it, but I think it would be a great shame if we did not collect that same information and then add to it, rather than discarding any of it just so we can maintain that consistency. In your answer to me on the indicators, you said that you were looking at doing something, but it would be subject to availability of funding, but that you were looking to do it this year. I would have thought that if you were going to do it, it would have been in your budget allocation and you would have had it allocated. If your intention is to do it this year, why was it not part of the original budget this year?

[5.00 pm]

**Mr Rowe:** We are working on a business case at the moment. We will be putting that to the minister in cabinet as part of this year's process. If they see fit and money is made available, we will be starting that process in this financial year

**Hon KEN TRAVERS:** Would you expect that it would be reported in 2011?

**Mr Rowe:** The calendar year 2011?

**Hon KEN TRAVERS:** Yes.



**Mr Rowe:** Yes. I would have thought that we could make some very useful progress in the calendar year 2011.

**Hon KEN TRAVERS:** Some consistency in terms of there was one in 2003 and one in 2007. 2011 is the —

**Hon WENDY DUNCAN:** What we intend to do is: in one year we do the regional indicators, in the next year we do the regional price index, which is the one that will underpin the regional incentive scheme for government offices. This year is the regional indicators —

**Mr Rowe:** — pricing index. There is money in the budget to conduct the regional pricing index in the financial year 2010–11 to set the baseline comparison for district allowances. We are attempting to secure additional funding to do additional work on regional indicators. It is also probably worth noting, this committee may be interested to know, that our department is working on a series of publications called “Regional Profile”. Various incarnations have been done before. Those publications are currently in preparation. That will do a region-by-region snapshot of industry; a description of what is going on in those particular regions. That is different from, but related to, regional indicators more generally, which is another piece of work.

**Hon PHILIP GARDINER:** I differ a little with Hon Ken Travers in terms of emphasis on the outcome measures. I would urge you to be more revolutionary —

**Hon KEN TRAVERS:** Sorry, Phil, I was not talking about the public stuff, there was a report in 2007 on indicators of regional development. It was quite a comprehensive report which is separate —

**Hon PHILIP GARDINER:** Fair enough. Maybe it is not so different after all. I would urge you to be more revolutionary than conservative on the measures you seek to measure the outcomes. As an example, by law we are all meant to vote, but we also know there is a big difference between who can vote. There is something like a million people in the country. In regional Western Australia the proportion is probably higher because the lower socioeconomic areas are not recorded. Births to young girls of 14 years of age are not fully reported because it escapes the numbers. That is why I urge there has to be a different way of measuring what is going on out there. It is not just in the north west; it is also in regional towns.

**Hon LJILJANNA RAVLICH:** I am after a general comment. When we look at this budget there does not seem to be much there for a group of people who, if we could address their living standards and behaviours et cetera, could really make a significant change to economic, social and environmental outcomes. I am talking about some of the Indigenous people who live in the more remote parts of the state, in isolated and very small communities. They might live on the lands, but they in some way still lead a semi-traditional life. There does not seem to be much in the budget papers that deal with those people. I am not talking about the ones who are necessarily in the towns; I am talking about the Cundeelees and Warburtons. Further to the north of the state I am sure there are more remote communities, isolated —

**Hon WENDY DUNCAN:** There are. Of course in the Kimberley nearly 50 per cent of the population is Indigenous. It certainly is a very important group which we have put strong focus on. But that focus has been through the regional grants scheme through the local decision making and local priority setting. You will find, if you go through the regional grants scheme, that 50 per cent of the regional grants scheme projects in the three north west regions have gone to Indigenous projects. There is also the project of course for Jigalong essential services where \$10 million has been put towards improving the water supply and the waste-water treatment at Jigalong in conjunction with the local mining company Ferrous. That is a pilot program to improve the amenity in that Indigenous community. You are right; there are a lot of them out there. In my trip around, I managed to visit quite a few of those. They are all in need of funding. They have been out of sight, out of mind and in the too-hard basket for perhaps too long. There has been a particular focus with

royalties for regions in endeavouring to make sure that funding programs include Indigenous advancement and empowerment. An example is Ord stage 2 where we have worked very closely with the Miriuwung Gajerrong people. When I was up there I had a look at the new hostel for Indigenous students, which is just fantastic. There is a brand new hostel there where the kids are all with people they know and trust. They get a meal and they go from there to school; those sorts of things. There is Indigenous short-stay accommodation being funded on the outskirts of Kalgoorlie and Broome. Really, if you dig down into the budget, you will find a lot. Of course there is the NASH project in Roebourne which is for Indigenous housing—something that is sorely needed. We have seen on the front page of *The West Australian* the state of public housing in Roebourne. With the NASH project, it is the local Indigenous corporation that is involved in developing that housing project. It is a new way of approaching this. There is another housing project in Coral Bay with the Baiyungu people. We are supporting them with workers' accommodation, putting royalties for regions funding in to provide the services. They provide the land. We will construct some accommodation and give them the opportunity to generate an income for their people and, at the same time, generate jobs and build capacity. You might not find line items in the budget that say "Indigenous funding" but if you look into the various projects we are doing —

**Hon LJILJANNA RAVLICH:** Some of the projects you outline and some of the references to the groups are the more "able" of the Indigenous communities. We have pockets of very, very remote communities, very isolated communities. There may only be a dozen people out there living in a community in pretty shocking conditions and so on and so forth. They move around. They are the ones that you might find drinking in a park in Broome, for example, and being issued with a ticket for drinking in a public place. They do not pay their fines, and go back to their community. Three months later somebody comes to collect them to go into prison because they have not paid, yet there is nowhere to pay the fines where they live. I am talking about those people who are so isolated and so disenfranchised; those people for whom just going to the shop is a big deal. I am talking about that group of people, not the ones that are a bit more able and know their way around.

**Hon WENDY DUNCAN:** Certainly that group of people is far more difficult to reach. Jigalong, for instance, is one of those remote communities. They have the essential services project.

Talking about the ones that are more disadvantaged and, I guess, less able to fend for themselves, there has certainly been work done, for instance, with the early literacy program. There is \$27.9 million being spent on responsible parenting programs. Whether they reach right out into those remote communities is also an issue we have to watch. It is the toughest part of Indigenous affairs; you are exactly right. There certainly is a real recognition of that. We have actually established a unit within the Department of Regional Development and Lands to focus on Indigenous issues. I will hand over to Paul, because he can give you a bit more detail on that.

[5.10 pm]

**Mr Rosair:** Mike will talk about our internal coordinating committee, but I have also now been sitting on the Aboriginal Affairs Coordinating Committee, which is represented by health, education, justice and Indigenous affairs. I did ask why have I been asked to attend, and they said it is because of your land assets—it has nothing to do with royalties for regions! Patrick Walker and myself have been identifying specific opportunities for the royalties for regions program to identify areas within those remote areas. For example, one of the problems in government is that—as a bit of an anecdotal discussion—when our minister went up to Roebourne, he said, "I want the Aboriginal communities to come together so that they can speak with one voice", and they immediately said, "Well, we want government to come together and speak as one voice. You get yourself organised, and we will get ourselves organised." So Brendon said, "Well, I am the voice." Behind him is the department and others. With the Aboriginal coordinating committee, Patrick Walker tells me that often there will be a contamination of a town water supply in a remote Aboriginal community, and Horizon Power and the Water Corp and the Department of Water and

the shire will all go running and say it is not our problem. He seems to have a bit of a fighting fund where we can have an immediate response and solve the problem—it might only cost \$250 000—and then government can go away and source who should be paying for it and top up the fund. So that is like a fighting fund to respond to these remote problems as they arise and have an immediate response rather than the buck-passing that may occur in government. Mike might want to add to that on what we are doing internally within the department as well.

**Mr Rowe:** We have appointed an Aboriginal affairs coordinator in the department. Lindsay Bridge started with us probably about eight weeks ago. He has a dual role. It is to help us build capacity as an agency to better respond to Aboriginal people in terms of our client services, so traditional things around cross-cultural awareness training, and certainly developing a dedicated employment strategy to get more Aboriginal staff on board for our department. His second, I guess, major activity is to work in with our program delivery areas, including the royalties for regions funding team and our lands team, to make sure that our services and programs are responsive to Aboriginal people's needs. It may also from time to time offer a sort of external face to Aboriginal people if that is necessary, but wherever possible we try to mainstream that capacity within the organisation. So I guess as a new agency we are trying to make sure that we are a leading agency across the state public sector in the way in which we engage with Aboriginal people, and in understanding the potential that we have to improve the opportunities that Aboriginal people have.

**Hon WENDY DUNCAN:** We are endeavouring to establish a culture in the organisation where it is actually not okay to say it is too hard to engage with Aboriginal people. The culture in the Department of Regional Development and Lands is if at first you do not succeed, you try again, because there is just no excuse for not doing it. We have seen examples of that in the Ord, where we got to a point with progressing Ord stage 2 where there was maybe a block point or a difficulty in achieving goals as far as the engagement of the Miriuwung–Gajerrong people, and if that point was reached, the minister basically said we are not going any further until that is fixed. In fact, I was present at one stage where he basically said to a meeting of horticulturalists, “This is not about you getting more land. This is about engaging with the local Indigenous people and giving them the opportunity for empowerment and advancement, and along with that you get more land.” The interesting thing is that on subsequent visits the horticulturalists then actually reported back to him that they were involved in that, and one of them had the cheek to ask the minister how many Indigenous people he employed in his department. We were quite delighted to have that new attitude, and that is why we have that officer in our department, because we are going to walk the talk and endeavour to have the same activities and culture in our department.

**Mr Rosair:** Just to add another dimension to this question, our organisation is the Department of Regional Development and Lands. We have responsibility for managing 93 per cent of the state's lands, which has been subject to other parliamentary inquiries—pastoral lands, crown lands and unallocated crown land across the state. With the Aboriginal communities' intricate links to land, we believe that opens up a great opportunity for engaging with Aboriginal people and employing Aboriginal staff to manage our land asset. At the moment, how many people do we have to manage our land asset?

**Mr Pumphrey:** I think in our division at the moment we have two, although we have had higher numbers.

**Mr Rosair:** So we are looking at a whole program that can be tied in with Mike's Indigenous engagement program to get Aboriginal trainees and recruits to manage our land across the state. We see that as opening up a great opportunity.

**Hon KEN TRAVERS:** I want to go to the answers that you provided to me on notice about the promotional material. Firstly, you have got the *Focus* newsletter listed, but no cost has been allocated to that. Why is there not a cost allocated to that?

**Hon WENDY DUNCAN:** I suspect that that is a typo, but I will ask our financial officer to confirm that.

**Mr Kerr:** It may be that they knew about the materials, but the costs had not yet been incurred, but I would like to be able to clarify that.

*[Supplementary Information No A13.]*

**Hon KEN TRAVERS:** In terms of promotional materials, can we get a bit more of a breakdown under the royalties for regions pens and hats of just how many pens and how many hats you have purchased, and what has happened to them all?

**Hon WENDY DUNCAN:** I do not think I can answer that, Hon Ken Travers, so I will defer to my pens and hats expert.

**Hon KEN TRAVERS:** You seem to buy regular sets of pens. There are lots of different types of pens, but I am interested in the royalties for regions pens and hats as opposed to the wide body grip pens or the constellation ballpoint pens.

**Hon WENDY DUNCAN:** We will provide you with that information.

**Hon KEN TRAVERS:** Where are they?

**Mr Rosair:** They have been distributed at regional shows, primarily, or at stakeholder functions, or to other stakeholder groups.

**Hon KEN TRAVERS:** If you are taking it on notice, can you advise us how many of these promotional materials have been provided to members of Parliament, and to which members of Parliament have they been provided?

**Mr Rosair:** I will endeavour to do so.

**Hon KEN TRAVERS:** How do you know whether they have been sent to members of Parliament?

**Hon WENDY DUNCAN:** They are not sent to people. They are provided at functions and events and at regional shows.

**Hon KEN TRAVERS:** So you have not sent any to members of Parliament at all?

**Hon WENDY DUNCAN:** I would not have thought so.

**Hon KEN TRAVERS:** I am not asking whether a member of Parliament has grabbed one at a show. I am asking whether you have formally sent them out to any members of Parliament.

**Hon WENDY DUNCAN:** Not that I am aware of, but I will check.

**Mr Rosair:** Generally when you ask a question like that, you maybe know the answer!

**Hon KEN TRAVERS:** I am just asking the question!

**Mr Rosair:** I am not aware of sending any out through the director general.

**Mr Slattery:** Nor by the communications team, I should say. The primary purpose of these is as giveaways to help promote the royalties for regions website. That is why we use them at the shows. We have got quite an extensive show program throughout the state where we try to promote royalties for regions. So, yes, they are distributed far and wide.

**Hon KEN TRAVERS:** If you could break down how many hats and how many pens there were I would appreciate that.

*[Supplementary Information No A14.]*

**Hon KEN TRAVERS:** I now want to ask a lands question. It relates to the land in Gull Street near the Marmion Angling and Aquatic Club that the City of Joondalup has been seeking to sell so that it can reinvest that money in improving parking next door to the club rather than building parking facilities at the original location. It has been a long period of time, and my understanding is that

your agency has regularly said that it can sell the land, but you want to keep the money. Obviously the City of Joondalup is saying no; it wants to build the parking. Can you give us an assurance that we will get a resolution to that matter this year that will allow the City of Joondalup to sell that land and to invest that in improving parking next door to the angling and aquatic club?

[5.20 pm]

**Hon WENDY DUNCAN:** I am not sure how much detail our officers can give at this point.

**Hon KEN TRAVERS:** I am sure they are aware of the situation.

**Hon WENDY DUNCAN:** The director seems to have something he wants to say.

**Mr Rosair:** I want to give a broad overview on the sale of land, which was mentioned earlier, under the Land Administration Act. All sale of government land goes into the Treasury process. There is an opportunity to divest that land into other activities once it has been approved by cabinet. We get requests from a lot of local governments for converting their land to freehold land, selling that land and then putting it back into regional development initiatives. That can be processed through a cabinet submission to have it done. The initial amount of money goes to Treasury and then it is debated as to how it is secured. On the specific topic, I am sure Ron would have been followed up by Joondalup on a number of occasions.

**Mr Pumphrey:** I finish the stint of acting director on Friday. I understand the submission to the minister with the options for that will be finished and on its way to the minister. To answer your question as to whether it will be resolved by the end of this year, we would hope it would be resolved well before then.

**Hon KEN TRAVERS:** Is there a problem with the concept that the land was originally allocated for parking, letting the council sell that land and use it to build DET parking next door to the club rather than building parking in the middle of a residential area? I cannot understand why there would be reluctance. I understand the formal legal implications within the agency to allow that process to occur.

**Mr Pumphrey:** There is no reluctance. In fact, the department is supporting that. Our role is to have the land sold, paid into Treasury and reappropriated and that is what we are doing.

**Hon KEN TRAVERS:** And then given to the City of Joondalup.

**Mr Pumphrey:** That will be a decision of cabinet.

**Mr Rosair:** It is an earlier decision. We talked about Treasury not putting the money into the special purpose fund. Treasury sees the balance book and all of the land assets as an asset to state government. We are talking more about the fund and the allocation of the sale of that money going back to Joondalup rather than actually converting it to a car park.

**Hon KEN TRAVERS:** Is the department supporting the money being allocated to Joondalup or are you releasing the options and supporting the land being sold and the money being taken by Treasury?

**Mr Pumphrey:** My staff and I have had a few meetings with the City of Joondalup. The principle of that occurring has not been opposed by the department.

**Hon KEN TRAVERS:** Good. It just makes absolute sense —

**Mr Pumphrey:** The minister has to make the final decision.

**Hon KEN TRAVERS:** Parliamentary secretary, can you encourage them to hurry it up because it has been a long saga? I have never understood why it is not supported.

**Hon WENDY DUNCAN:** Most certainly, Hon Ken Travers; I will do that for you. Obviously, you have a file full of information about that but if you can give me a couple of paragraphs reminder, I will certainly follow it up.

**Hon KEN TRAVERS:** Just remember Gull Street, Marmion Angling and Aquatic Club, and people will remember it.

**The CHAIR:** I think the email is on its way.

**Hon KEN TRAVERS:** I refer to the Bunbury to Albany gas pipeline. You have \$20 million allocated in the budget for new works. Exactly what will that be used for—the \$10 million in each of the financial years?

**Hon WENDY DUNCAN:** The funding in the budget at the moment is mainly for the establishment of the easement or the corridor for the pipeline, so purchase of land and associated planning in preparation for the Bunbury to Albany gas pipeline. Does anyone want to add to that?

**Mr Slattery:** That is my understanding. The situation is that that funding is with the Department of State Development, which will be doing the route planning and some land acquisition for that easement.

**Hon KEN TRAVERS:** At this stage has no planning been done for the route? Will this money be used to do that planning?

**Mr Slattery:** That is right.

**Hon KEN TRAVERS:** I go back to all of those projects that are listed in budget paper No 3 for the various allocations of the money. I think you already agreed to give a breakdown for Hon Ljiljana Ravlich of the health ones. For each of those items that are listed in the two different categories—the local government one is subject to obviously programs being developed—the regional community fund and the infrastructure fund, are you able to give us a breakdown of where there is money that is actually in that but is not allocated for each project, not allocated to a specific item?

**Hon WENDY DUNCAN:** You asked that earlier, did you not?

**Hon KEN TRAVERS:** It was relating only to health.

**Hon WENDY DUNCAN:** I think you indicated that you wanted it.

**Hon KEN TRAVERS:** I wanted to make sure that we covered that. The other question I have follows on from my supplementary questions where you say you do not see your role as monitoring the number of government employees. I will go back a step. How do each of those projects, particularly those under the infrastructure and headworks fund, come about? Are they recommended by the department and you approach the other agencies? Do they come to you? Are they proposed by the minister? What is the process for an item getting included under the regional headworks? I am happy if the answer is all three of those options.

**Hon WENDY DUNCAN:** I think it probably is. It is made up of election commitments. Projects may come through the regional development council or proposals might be submitted to the department by other agencies.

**Mr Rosair:** Other agencies submitting it to the economic expenditure review committee and also proposals that have gone directly to the minister's office that are referred for advice and assessment. It is done in a number of different ways.

**Hon WENDY DUNCAN:** They all have to have a business case associated with them and they are all assessed through the normal processes that government projects are assessed through—the review committee and through cabinet and also the Department of Treasury and Finance sit off the side as well. We refer to them in developing projects and ensuring that they have the proper government sustainability and business case.

**Mr Rosair:** It is not unlike any government agency putting up a new resource proposal.

**Hon KEN TRAVERS:** Some of them have been initiated by the department or the minister.

**Mr Rosair:** That is not unlike a new resource proposal under every government agency that exists now. We are doing a lot of work, which Colin may talk to, about trying to put these proposals into rounds rather than a first in, first served basis at the moment. Did you want to briefly touch on that?

**Mr Slattery:** Certainly. The projects that are assessed by the regional development council, which are the regional strategic projects, will now go into rounds, so we will do them twice a year. This will give agencies and organisations an opportunity to put them in a more timely fashion so there can be greater evaluation and assessment of them. We are also working with Treasury in relation to alignment to the existing budget process so we can go out to agencies in a more formal manner to let them know of opportunities that exist once the regional development council has come to land on the framework document to help guide those requests for funding. You will get a great deal more alignment to the budget process.

**Hon KEN TRAVERS:** I appreciate that. I want to go question 12 of my questions on notice regarding funding for the grain rail network. You are saying that you have not been approached to provide any funding. Have you not even had any informal discussions? You mentioned earlier that one of the options is election commitments. There was clearly an election commitment from the National Party that it would support the grain rail network being maintained. Has that never been raised by the department—the funding for the grain rail network?

**Hon WENDY DUNCAN:** It has not been raised with the department by the lead agency, which is the Department of Transport.

**Hon KEN TRAVERS:** What about by the Minister for Regional Development saying, “Can we have a look at this; we should get involved with this; we should make sure that this is happening?”

**Hon WENDY DUNCAN:** The issue is that a transport strategy for regional freight is being developed at the moment by the Department of Transport. A lot of these issues in relation to the transportation of goods within Western Australia will be considered under that strategy. That is probably something that we should all await before deciding on issues like the grain rail. Do you have any more to add to that?

[5.30 pm]

**Mr Rosair:** To the contrary, I think most of the dialogue I have had with the minister’s office has been along the lines of that being fairly well a core transport program, and as such should be explored through all avenues of the regional transport strategy to try to address that issue.

**Hon KEN TRAVERS:** Is building a new school in Merredin not core business of the education department?

**Hon WENDY DUNCAN:** The new school —

**Hon KEN TRAVERS:** Is building a hospital not the core business of the health department?

**Hon WENDY DUNCAN:** The school in Merredin is a new model that is being trialled.

**Hon KEN TRAVERS:** What about the Geraldton hospital, the Kalgoorlie hospital and the Esperance hospital?

**Hon WENDY DUNCAN:** The issue with the grain rail is that there is a report out there that has been signed off on by CBH, by WestNet and by WAFF, and a whole heap of people who —

**Hon KEN TRAVERS:** Signed off on?

**Hon WENDY DUNCAN:** As far as I am aware, it is not necessarily the commitment to use the grain rail that is in question. The issue, of course, is that royalties for regions is not a bottomless pit. If the government committed to funding grain rail, there is a whole heap of other things that would not be funded. When you talk about local priorities and local decision making and regional priorities and regional strategy and vision, I guess grain rail has to sit there alongside all the other really urgent things that need to be done in regional Western Australia.

**Hon KEN TRAVERS:** That is why my first question was whether or not there had been any approaches to assess it so that it could be put into the mix. That is why I wanted to clarify whether or not there has been even informal approaches or —

**Mr Rosair:** To the contrary —

**Hon WENDY DUNCAN:** There has been plenty of talk in the media, but as far as a formal request or proposal, I do not think there has been anything.

**Hon KEN TRAVERS:** I am not sure what the director general means by “to the contrary”.

**Mr Rosair:** I think that in my discussions with the minister’s office, largely the consideration is that the grain rail network should be a consideration of the regional transport strategy and looked at by the Department of Transport as its core responsibility. That is the general sense that I have been getting. There has been no —

**Hon KEN TRAVERS:** That is interesting, because that is contrary to his view prior to the election.

**Mr Rosair:** There is no request to the department to do a submission and an assessment on the grain rail network and funding for that under royalties for regions.

**Hon WENDY DUNCAN:** Supporting the grain rail network does not mean to say you support royalties for regions funding for the grain rail network.

**Hon KEN TRAVERS:** No, but —

**Hon WENDY DUNCAN:** A position supporting the grain rail network does not mean to say that royalties for regions has to fund it.

**Hon KEN TRAVERS:** No, but if your comments prior to the election were that it would be a suitable project for royalties for regions, I find it interesting that we are now being advised that the minister has been advising the department that he would not want royalties for regions to be used to fund it.

**Mr Rosair:** No, I think he said that in the press. I think that has been stated in the press—that royalties for regions should not be funding the grain freight rail. I think he said that in the press.

**Hon KEN TRAVERS:** Maybe he has since the election.

**Mr Rosair:** That is a public statement he has made in the press.

**Hon KEN TRAVERS:** And that is the message he has given you as the department?

**Mr Rosair:** No. The minister’s office has indicated that it is not a priority for royalties for regions before going through the state regional transport strategy. If that concludes that the strategy needs additional funds, that may be revisited with the royalties for regions to top it up, which is above and beyond core responsibility.

**Hon KEN TRAVERS:** Just to finalise this transport matter, if the local community in those areas wanted royalties for regions to fund the project or, for that matter, the Nullagine road or the Toodyay bypass, what do they do to get it on the agenda for consideration by your agency as part of the funding process?

**Hon WENDY DUNCAN:** Probably the first thing they need to do is get it into the strategic plans of both their local governments and their development commissions, because that is what the department in the first instance refers to to identify regional priorities. If the regional development commission identifies this as a project of regional significance, if the local governments identify this as a project of regional significance, and if the Regional Development Council, which is the overarching body looking at the whole of the state—they are the organisations that assist in identifying what are local priorities and local decisions.

**Mr Rosair:** This is the country local government fund, which—we are now asking each local government to work on more regional strategic projects—is identifying these sorts of activities. We



have got the development commissions pulling the country local governments together. We are asking them to leverage for commonwealth funding, to leverage some agency funding. I suppose an example of this would be the Collie desalination project where the country local governments put a bit of skin on the table, the regional development commission put some of their strategic reserve, the Water Corporation put some money on the table and then they sought additional money from the central royalties for regions strategic reserve to make the project viable. In similar fashion, if some of the Wheatbelt local governments got together and considered the grain freight project as a priority, they could leverage their country local government regional fund. They could then go and seek some commonwealth funding —

**Hon KEN TRAVERS:** That is already there.

**Mr Rosair:** — and then they could come and look at additional funding that was a shortfall, and overlay that with the Department of Transport's strategy to try and get those funding sources, because every dollar we spend in royalties for regions to date in our regional grants scheme is leveraged between \$3 to \$5 on leveraged funds from other sources. That is what the intent of the program is, not to fund the whole project. Did you want to add anything to that?

**Mr Slattery:** No.

**Hon PHILIP GARDINER:** You were talking a little while back about when the Regional Development Council makes a decision about funds and reviewing projects twice a year; I think that was mentioned. I hope this is not out of whack, but with Muresk and the possible funding of Muresk—further reports have been written and the crisis of Muresk is already absolutely upon us—has there been an allocation of funds for Muresk already, or does Muresk have to wait for an extra review for the funds to be allocated?

**Hon WENDY DUNCAN:** The report, I think, is still with the Minister for Education, is it not, with Muresk?

**Hon PHILIP GARDINER:** The Hendy Cowan report? I have made a number of inquiries. I do not quite know where it is now, to be quite honest.

**Hon KEN TRAVERS:** That suggests it is with the Minister for Education!

**Hon WENDY DUNCAN:** You may well say that. If there is a need for funding for Muresk and if it is deemed to be one that is eligible for royalties for regions, then it could come out of the regional strategic projects area of the budget. That area has got the ability to allocate into areas that are as yet not fully proved up, fully costed. Obviously, the Regional Development Council has the final say on the allocation of that regional strategic projects money—the \$74 million that is in this financial year. If there was to be an allocation to Muresk, the request would have to go to the Regional Development Council and they would then allocate the money from that \$74 million.

**Mr Slattery:** If I may, just one small part there is that the Regional Development Council provides advice and recommendations to the minister, who then will make the final approval for those things.

**Hon WENDY DUNCAN:** Then he makes a recommendation to cabinet, having been through the Department of Treasury and Finance's fine toothcomb and eventually out the other end with some money.

**Hon PHILIP GARDINER:** Can I ask roughly what that means, in terms of time, if a decision was made by cabinet today? How long would it be before funds would be available, roughly?

**Mr Slattery:** If in the hypothetical that all those other processes had happened and cabinet had made the decision, then it would simply be up to the RDL to enter into a financial assistance agreement with a private provider or a memorandum of understanding with, say, the Department of Education or whoever to actually deliver the project. Those funds would potentially flow, or flow immediately on the signing of that financial assistance agreement, which could be running parallel with a decision, and the financial assistance agreement signed very quickly

[5.40 pm]

**Hon PHILIP GARDINER:** In your experience what would that timing be, roughly, before the funds would flow?

**Mr Slattery:** Our experience is from two days between a decision being made and the funds actually flowing through a financial assistance agreement, to prolonged periods of time where there has been further development required on a financial assistance agreement. So it can be very quick if it is all lined up.

**The CHAIR:** I just have to do a little formal conclusion. Thank you for your time this afternoon. The committee will forward any additional questions it has to the minister in writing within the next couple of days, together with a transcript of the evidence, which includes questions you have taken on notice. If members have any unasked questions, I ask that they submit them to the committee clerk at the close of the hearing. Responses to these questions will be requested within 10 working days of receipt of the questions. Should the agency be unable to meet this due date, please advise the committee in writing as soon as possible before the date. The advice is to include specific reasons as to why the due date cannot be met. On behalf of the committee, again I would like to thank you for your attendance this afternoon. We appreciate your attendance. We will formally close this part of the afternoon's proceedings.

**Hearing concluded at 5.42 pm**