

PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE

Friday 1 March 2024

Examination of proposed expenditure for the portfolio area

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TREASURER

The Committee met at 9:15.

MEMBERS

The Hon. Jeremy Buckingham (Chair)
The Hon. Robert Borsak (Deputy Chair)
Ms Abigail Boyd
The Hon. Wes Fang
The Hon. Scott Farlow
Ms Sue Higginson
The Hon. Dr Sarah Kaine
The Hon. Stephen Lawrence
The Hon. Bob Nanva
The Hon. Chris Rath

PRESENT

The Hon. Daniel Mookhey, *Treasurer*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat
Room 812
Parliament House
Macquarie Street
SYDNEY NSW 2000**

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The CHAIR: Good morning, everyone, and welcome to the fourth hearing of the Portfolio Committee No. 1—Premier and Finance for the additional round of the inquiry into budget estimates 2023-2024. Firstly, I would like to acknowledge the Gadigal people of the Eora nation, the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal and Torres Strait Islander people joining us today. My name is Jeremy Buckingham. I am the Chair of this Committee. I welcome Treasurer Mookhey and accompanying officials to this hearing.

Today the Committee will examine the proposed expenditure for the portfolio of the Treasurer. I ask everyone in the room to please turn their mobile phones to silent. Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants, and I encourage Committee members and witnesses to be mindful of these procedures.

To the witnesses, welcome and thank you for making the time to give evidence. Treasurer, I remind you that you do not need to be sworn as you've already sworn an oath to your office as a member of Parliament. I also remind you, Mr Coutts-Trotter, that you have already been sworn at an earlier budget estimates hearing before this Committee.

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Mr MICHAEL COUTTS-TROTTER, Secretary, NSW Treasury, on former oath

The CHAIR: Today's hearing will be conducted from 9.15 a.m. to 5.30 p.m. We are joined by the Treasurer for the morning session from 9.15 a.m. to 1.00 p.m., with a 15-minute break at 11.00 a.m. In the afternoon, we will hear from departmental witnesses from 2.00 p.m. to 5.30 p.m. with a 15-minute break at 3.30 p.m. During these sessions there will be questions from the Opposition and crossbench members only, and 15 minutes is allocated for Government questions at 10.45 a.m., 12.45 p.m. and 5.15 p.m. We will begin with questions from the Opposition.

The Hon. SCOTT FARLOW: Good morning, Treasurer.

The Hon. DANIEL MOOKHEY: Hello, Mr Farlow. It's good to see you again.

The Hon. SCOTT FARLOW: Lovely to see you as well, Treasurer. Treasurer, cast your mind back to 7 December—beautiful morning out there at Rosehill racecourse. Why were you there?

The Hon. DANIEL MOOKHEY: At the press conference?

The Hon. SCOTT FARLOW: Yes.

The Hon. DANIEL MOOKHEY: Usually I go to press conferences to answer journalists' questions.

The Hon. SCOTT FARLOW: But that press conference that day, why were you there at that press conference that day?

The Hon. DANIEL MOOKHEY: Because I was there—

The Hon. SCOTT FARLOW: What was your role?

The Hon. DANIEL MOOKHEY: The predominant purpose of my attendance was to mark the culmination of a year's worth of work undertaken in partnership with my ministerial colleagues to, in effect, rescue the Sydney Metro projects—two in particular. The first was the conversion of the Sydenham to Bankstown line and the second was the western metro. Obviously, you would know that, as Treasurer, I also have responsibility for infrastructure and I spent an inordinate amount of time in my early Treasury-ship ensuring that that massive intergenerational investment that we are making, at great public cost and at great expense on our debt, would be delivered well and, equally, yield a strong housing return for the very simple reason that if we are borrowing money from our children and our grandchildren to build the western metro, it's only fair and reasonable that our children and our grandchildren have an opportunity to live near it.

The Hon. SCOTT FARLOW: Treasurer, you were there with respect to the metro. You were there with respect to the housing announcements as well, were you?

The Hon. DANIEL MOOKHEY: I was there in respect to all of the announcements that were made that day.

The Hon. SCOTT FARLOW: All of the announcements, great.

The Hon. DANIEL MOOKHEY: I'd also just point out I was also there to make myself available to the scrutiny of the press, should they have any particular questions to do with the finances, or otherwise.

The Hon. SCOTT FARLOW: Treasurer, with respect to that, did you see the memorandum of understanding between the Australian Turf Club and the New South Wales Government with respect to the Rosehill racecourse transaction?

The Hon. DANIEL MOOKHEY: My understanding is that a purpose of that press conference was to announce that the Government would be entering into an MOU, which the Government then did.

The Hon. SCOTT FARLOW: Treasurer, have you seen that MOU?

The Hon. DANIEL MOOKHEY: I have.

The Hon. SCOTT FARLOW: You're the first. Excellent. Treasurer, in terms of the MOU, what is within that MOU?

The Hon. DANIEL MOOKHEY: Would you like to see it, Mr Farlow?

The Hon. SCOTT FARLOW: Would you like to table it today?

The Hon. DANIEL MOOKHEY: Yes.

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The Hon. SCOTT FARLOW: Excellent.

The Hon. DANIEL MOOKHEY: By leave, I table the memorandum of understanding.

Document tabled.

The Hon. DANIEL MOOKHEY: What I can say about the MOU is that the MOU is a conspicuous agreement between the ATC and the New South Wales Government to, in effect, strictly obey the unsolicited proposal process and rules that were established by your Government. Equally, what that MOU also contains is a prohibition on lobbying by the ATC. It actually enhances the probity standards that surround the negotiations. It's a good thing that an MOU was entered into and, as you will see from that MOU, it contains a prohibition on the ATC engaging in any lobbying of Ministers or officials outside the USP process. I think that's an important plank to have in place so the public can ensure that, as this proposition is tested by the public service, it will be tested by the public service in a manner which complies with the USP policies.

The Hon. SCOTT FARLOW: On that day you also announced or proclaimed, within that media release and the Premier's media release, that the Government said that 25,000 houses would be built. Did Treasury model that number?

The Hon. DANIEL MOOKHEY: To be fair, I think that you will find that the ATC made that point.

The Hon. SCOTT FARLOW: I think it was on the Premier's press release.

The Hon. DANIEL MOOKHEY: Sure, but I think you'll find that the origin of that number perhaps stems from their assessment as to what, potentially, could be happening at the site should the Government make a decision to put a railway station there.

The Hon. SCOTT FARLOW: So that number was—

The Hon. DANIEL MOOKHEY: I will make the point, though, that the prospect of having 25,000 homes at the Rosehill site, the last part of that peninsula that's not contaminated, is a very good outcome for Western Sydney and a very good outcome for Parramatta. You don't need to take my word for it because also at that press conference was the Mayor of Parramatta; equally, the head of Business Western Sydney, David Borger, strongly endorsing it; as well as the head of the Western Sydney Leadership Dialogue, Chris Brown, endorsing it. The opportunity for us to seize the potential of the western metro to yield a strong housing return for the people of New South Wales is indeed transformational, and it's once in a generation. Of course the ATC is going through its deliberations, and we respect the fact that their membership are having a debate about whether or not this proposal should go forward. But it's fair to say, given we are borrowing \$25 billion to build the western metro, it's only fair and right that we make sure we are able to yield a strong housing outcome.

I would stress again: I was surprised, given the magnitude of investment that the previous Government had committed to, at why they were committed to such a low and poor housing outcome as a result. I think that the time that the New South Wales Government took last year to get the western metro right means we're not just building a metro; we're using the metro as an opportunity to transform our housing outcomes for our kids and our grandkids. Home ownership is important to us. The prospect of people being able to own their own home should not be a privilege reserved simply for those older Australians; it should be an opportunity as available to younger Australians as well. We are determined as a government to make sure that, when we make big transport investments, we're asking good questions about ensuring that our kids and our grandkids can reap the benefit of a housing return as well.

The Hon. SCOTT FARLOW: Treasurer, you indicated you were there as part of the yearlong process of reviewing the Metro West project.

The Hon. DANIEL MOOKHEY: About nine months, to be fair, but yes.

The Hon. SCOTT FARLOW: If the ATC doesn't proceed with their unsolicited proposal to convert that site to housing, will you still construct a metro station at Rosehill?

The Hon. DANIEL MOOKHEY: I think that it's a bit premature to get into that, but I will also make the point that what we announced at that press conference was a complementary set of policies that ensured that we were in a position to yield a stronger housing return from the other nine stations that are on the alignment. I go back again and say that when the previous Government committed to the western metro, we would have much preferred them to have done the due diligence about how much additional housing could be applied. I'd also make the point that I am yet to hear the Leader of the Opposition articulate a view as to whether or not he supports the additional housing along the metro line, because I think it's important for these projects that there is an element of bipartisanship.

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The Hon. SCOTT FARLOW: I'll redirect you now, Treasurer, because we know this is not the Leader of the Opposition's budget estimates. He can wait three years to go back to do those again when he becomes Premier.

The Hon. DANIEL MOOKHEY: Be careful what you wish for, Mr Farlow.

The Hon. SCOTT FARLOW: Treasurer, in terms of that 25,000 houses number, you said it was provided by the ATC.

The Hon. DANIEL MOOKHEY: It's my best recollection.

The Hon. SCOTT FARLOW: That figure then appeared in your half-yearly review. Was that just taken from the ATC or did Treasury do any assessment following that to make sure that those figures were actually correct?

The Hon. DANIEL MOOKHEY: In terms of the half-year review, which part are you referring to specifically?

The Hon. SCOTT FARLOW: Page 22.

The Hon. DANIEL MOOKHEY: Let me just check, because I am fairly positive on page 22—yes, I think what that says is what I just said to you, which is that is what we are exploring. Of course, once we get to the relevant part of the USP process is when Treasury's full capacities will be engaged.

The Hon. SCOTT FARLOW: There has been no capacity from Treasury engaged to this stage?

The Hon. DANIEL MOOKHEY: No, they have.

The Hon. SCOTT FARLOW: It has?

The Hon. DANIEL MOOKHEY: Treasury, of course, plays a role in the USP process. I just stress again: The Government hasn't made any changes to the USP rules since we have come to power. The USP process is the same USP process that applied under the previous Government. At the appropriate stage of that process is when Treasury will get engaged. I will say that's a prudent point of view for this reason: that should the ATC not lodge a proposal, I'm not going to have Treasury, in effect, divert resources until I'm certain that there is actually something to assess.

The Hon. SCOTT FARLOW: On what date did you first become aware of the ATC proposal?

The Hon. DANIEL MOOKHEY: I think, to my best recollection, it may have been about a week prior.

The Hon. SCOTT FARLOW: And when did you first become aware of the press conference and your requirement to be at that press conference?

The Hon. DANIEL MOOKHEY: I will have to take that on notice as to when precisely I became aware. My best recollection is I became aware of my attendance the day before but, to be fair, my office may have been aware prior to that as well. You will, of course, accept the fact that as Treasurer I have, of course, familiarity with my diary, but things do change.

The Hon. SCOTT FARLOW: Have you met with the ATC?

The Hon. DANIEL MOOKHEY: No.

The Hon. SCOTT FARLOW: Do you have any concerns that the proposal was brought to the Government by an old friend of the Premier without any involvement of the racing Minister, planning Minister or Minister for Transport?

The Hon. DANIEL MOOKHEY: Sorry, Mr Farlow. Do you mind bringing your microphone forward?

The Hon. SCOTT FARLOW: Of course, Treasurer. Do you have concerns that this proposal was brought to the Government by an old friend of the Premier without any involvement of the racing Minister, planning Minister or Minister for Transport?

The Hon. DANIEL MOOKHEY: I don't know what you're referring to.

The Hon. SCOTT FARLOW: Mr McMahon.

The Hon. DANIEL MOOKHEY: Who?

The Hon. SCOTT FARLOW: Steve McMahon. You're familiar with Mr McMahon?

The Hon. DANIEL MOOKHEY: Steve McMahon? Yes, I do know Steve McMahon.

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The Hon. SCOTT FARLOW: Yes.

The Hon. DANIEL MOOKHEY: Do I have concerns?

The Hon. SCOTT FARLOW: Yes.

The Hon. DANIEL MOOKHEY: No.

The Hon. SCOTT FARLOW: Okay. The racing Minister has received probity advice and is now refusing to meet with the ATC. Do you think that all Government Ministers should be doing the same?

The Hon. DANIEL MOOKHEY: I think all Government Ministers—I am sure they are making sure that their behaviour aligns with the requirements of the USP process.

The Hon. SCOTT FARLOW: If I can ask, Treasurer, with respect to the work that Treasury is doing, is there a team that is stood up in Treasury to work on this proposal at the moment?

The Hon. DANIEL MOOKHEY: I don't believe so. The secretary can—

MICHAEL COUTTS-TROTTER: No, not yet. As the Treasurer indicated, if a proposal does arrive then we would put people and resources to helping other colleagues in the public sector assess the proposal against the criteria of the USP process.

The Hon. DANIEL MOOKHEY: It might just be helpful for your context, Mr Farlow, to understand the USP policy. It does actually require there to be a first stage assessment about whether or not it should proceed to a second stage assessment, and the public service aspects that you are referring to aren't engaged until that point. I'd also make the point that the agency that oversights the USP process is, of course, not the NSW Treasury.

The Hon. SCOTT FARLOW: But, of course, Treasurer, in terms of the process that has been taken to date, you've already indicated work on a metro station on the site. That would come with some money and with some scoping. There would be money that has already been spent by the New South Wales Government with respect to this proposal, that isn't even a proposal yet.

The Hon. DANIEL MOOKHEY: I am happy to take on notice to see whether or not I could provide you any further information in that respect, but I will also say that at that particular press conference we did commit to scoping out the possibility of two additional stations to the metro. Certainly the Government hasn't hidden its intention to see whether or not we can put more metro stations into the western alignment. Equally, as you would recall from when perhaps you were sitting on that side of the room, we did pay a lot of scrutiny to the fact that it did seem as though there weren't enough stations for an investment of this scale. Of course, the previous Government made its decisions and we're testing what is possible under the current configuration, but I don't think it is any surprise that this Government is looking to see whether or not we can enhance our investment in the western metro, should that make sense.

The Hon. SCOTT FARLOW: To that point, if this doesn't proceed, what is plan B?

The Hon. DANIEL MOOKHEY: Plan B is, of course, to build the metro and to ensure that the rest of the housing targets that we align to at the time are delivered. I would make the point: When we announced the metro, the planning Minister also used it as an opportunity to announce a once-in-a-generation change so we are able to deal with the fact that home ownership is falling outside the grasp of more and more young Australians and, equally, our determination to ensure that we can put a roof over people's heads.

I make that point for the very simple reason that I think it's a very important part of the New South Wales economy and the New South Wales democratic ethos to ensure that we are all invested in our society, we all have the prospect of asset ownership, and we all have the prospect of accumulating wealth in a lifetime of work. I don't think that we should lock out a generation of people from the prospect of home ownership. I think we, as a government and as a Parliament, have a moment in time to make better choices to ensure that the next generation of New South Welsh people are able to enjoy the same advantages as their parents and their grandparents.

The Hon. SCOTT FARLOW: Treasurer, you have got no proposal that has been received, you have got the ATC that are currently cancelling members forums, and you've got a racing Minister who is running a mile from the proposal. Will you admit now that this proposal is, in fact, dead?

The Hon. DANIEL MOOKHEY: No. I will admit this: The fact that we, as a government, are exploring the prospect of a once-in-a-generation transformation for Rosehill is an excellent opportunity for the State. We respect the ATC. The ATC own that site. The ATC have stewarded that site. The ATC needs to have its conversations with its members, and we are very respectful of the processes that they're applying as they have those conversations. But I think that it's important, and we should give credit to the fact that the ATC has come forward and said, "We could potentially secure the future of our industry while we help the State secure the future

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of its housing agenda as well." I think it's worth that exploration. It may not yield a result, but I think it's better to have those conversations than to not have those conversations, because the prospects of transformation are, indeed, very strong.

To put this into some context, up to 25,000 homes on the Rosehill racecourse is equivalent to the total number of homes built in some LGAs for a decade. To put it in really stark terms—to the best of my recollection—Woollahra and Mosman, between them, added perhaps 1,100 new dwellings in 10 years. The prospect of being able to put 25,000 clear, near a railway station—access to excellent public transport—and being able to end the split in Parramatta that the James Ruse Drive cuts off from, is a very good opportunity. I think it's surprising, frankly, that the Opposition is perhaps suggesting that we shouldn't even have the talks.

The Hon. SCOTT FARLOW: The Opposition is asking questions which are very legitimate. To another issue, have you asked Treasury to do any modelling relating to the housing targets?

The Hon. DANIEL MOOKHEY: Treasury is engaged with the department of planning when it comes to the housing targets. At this point there is a whole-of-government effort involved in the determination process around the housing targets.

The Hon. SCOTT FARLOW: Do you know what the current yearly housing target rate is?

The Hon. DANIEL MOOKHEY: We have signed up to the national target, which sees us wanting to deliver up to 376,000, I believe, by the end of the decade. I think, from recollection, our completions last year were roughly 48,000, Victoria's was 57,000 and Queensland's was 61,000. It is surprising that Victoria is able to produce roughly 10,000 more homes a year than we are even though we are in comparable economic conditions. It points to the fact that the previous Government hadn't really set up a lot of the utilities infrastructure that's required to be able to realise housing. I think it's going to be hard to turn around, but I think that we have to make progress. I think that we do have to ask ourselves, as a State, why the rest of the eastern seaboard is seemingly able to build more homes than we can. Again, if you want to talk about specifically Sydney—and we shouldn't just limit the conversation to Sydney because, to be frank, as Mr Fang will agree, the housing crisis is as severe in regional New South Wales as it is in Sydney. But in Sydney we peaked at home building completions at roughly 45,000 in 2015. I think we got down to 32,000.

The Hon. SCOTT FARLOW: That is not true at all.

The Hon. DANIEL MOOKHEY: I checked the numbers.

The Hon. SCOTT FARLOW: Treasurer, have a look at the completions. You are looking at about 72,000 in 2018.

The Hon. DANIEL MOOKHEY: I am not necessarily sure that you are delineating between New South Wales and Sydney.

The Hon. SCOTT FARLOW: I'm talking about New South Wales.

The Hon. DANIEL MOOKHEY: Yes, but I'm talking about Sydney and the 33 LGAs in Sydney. The 33 LGAs in Sydney, I believe, was about 45,000 in 2015-16 when it peaked. I'm fairly positive it's now down to about 32,000.

The Hon. SCOTT FARLOW: Treasurer, there is, of course, a performance bonus for New South Wales if it was to meet the stretch target, so to speak, under the National Housing Accord. You've called for that funding to be paid up-front.

The Hon. DANIEL MOOKHEY: I have.

The Hon. SCOTT FARLOW: If New South Wales doesn't reach those targets, how much is New South Wales likely to lose?

The Hon. DANIEL MOOKHEY: Firstly, I'm not sure I can engage in a hypothetical, but the broad point you're making is correct, which is we welcome the fact that the Federal Government has put money on the table. I think it's very good that Jim Chalmers has put money aside. He's the first Federal Treasurer to put an incentive payment on the table for States, which I think is really helpful, given that the Federal Government controls our net migration levers but the States are responsible for helping us meet them. As is often the case with the Commonwealth, their intention isn't necessarily followed through in execution, and I think they could execute their policy a lot better by taking up my suggestion to pay the payments earlier. When it comes to the brass tacks of housing supply completion, a lot of it turns on whether or not the water is in place, the electricity is in place, the broadband is in place and the streets are there for people to be able to use. I make this point to the

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Commonwealth, and I make it again today: Should they give us that money earlier, we're in a better position to deliver the housing faster.

The Hon. SCOTT FARLOW: Both former Premiers Carr and Perrottet indicated concerns with respect to immigration and the role that the States play when it comes to high-net immigration into Australia and the burden that the States have to carry as a result of that. Is immigration into Australia and New South Wales too high?

The Hon. DANIEL MOOKHEY: I would say immigration is helping us through a variety of issues right now, but it comes at a cost. And it does place additional pressure onto certain systems, too. That is part of the reason why I think the Albanese Government changed its policy in December and took a view that they would reduce the net migration target to, I think, its decade average. To be fair, there was a certain catch-up that took place after COVID. Equally, that was in response to a lot of labour shortages. Part of the reason why we are beginning to see a stabilisation of the inflation outlook is that some of the pressures in the labour market have been alleviated. But you're quite right to say that it does put pressure on our infrastructure and it does put pressure on certain parts of service delivery for which the States are responsible. But I do not think it's right to say that all our problems would be solved if we were to bring immigration to a halt. I think that's misleading. I think we, as a State, need to manage it better, but I think Federal Government needs to manage it better as well. We are looking forward to having conversations with the Commonwealth. It's about how we get the balance right.

Ms ABIGAIL BOYD: Good morning, Treasurer. Good morning, Mr Coutts-Trotter. There was an article last night in the SMH about how State and Territory debt is to hit \$600 billion, whereas the Federal debt levels are nice and stable. This, to me, highlights the need for us to basically renegotiate the accord that we have in relation to who's paying for what, how much we're raising and where we get it from. What are you doing at the national level to try to agitate for a different—

The Hon. DANIEL MOOKHEY: What a time to ask that question, Ms Boyd, because this is the year in which we are going to be resolving some of the key Federal-State agreements. The health agreement is up for negotiation. The education agreement is up for negotiation. The child care agreement is up for negotiation. Of course, our campaign to make sure New South Wales gets its fair share of infrastructure funding goes on. When it comes to health, we are making two points rather aggressively. The first is we would like the Commonwealth to meet their commitment to help fund our hospitals to the tune of 45 per cent and then eventually 50 per cent. Right now, I believe they're at 39 per cent.

MICHAEL COUTTS-TROTTER: Yes, I think that's right.

The Hon. DANIEL MOOKHEY: That 6 per cent gap is, for example, in really stark terms, enough for us to be able to expand our nursing, our cleaners and our allied health workers in our hospitals by an order of magnitude that would almost be unprecedented. That's in that respect. The second point we're making in the education sphere, as you would have seen, is we are insisting that the Commonwealth meet the commitment they made back in 2012, which is to ensure that they are contributing to our public schools to the tune of about 25¢ in every dollar that goes into them, which is what they signed up for. When it comes to child care, equally, we are interested in making sure that they pick up on some of the changes that have been made in New South Wales, including some of the changes the previous Government made, and match that investment. I think you are right to say it is awfully disturbing for the Commonwealth to be making the points around their debt positions when, in effect, the States are having to pick up the slack.

Ms ABIGAIL BOYD: After the Vanderstock case—and we spoke about this at the last estimates—you said you were getting some legal advice in relation to that. Have you got the legal advice, and are you able to share it?

The Hon. DANIEL MOOKHEY: We do have some additional information we can provide you in terms of the Vanderstock case. Let me just bring that up. The long and short of it is that the judgement, it's fair to say—it's very hard to decipher precisely the criteria the High Court is likely to use in any subsequent judgement when it comes to the test of whether or not a charge is indeed an excise and therefore can only be levelled by the Commonwealth. That's the first point. The second point is some of the advice suggests very strongly that the court is going to determine this again and it's going to turn heavily on the context of what particular charge or tax or excise is subject to challenge. And the third point, I can simply say, is the Government—I think I also committed to saying that we are getting in place a working group to coordinate advice to the Government relating to Vanderstock, and that is operating.

Ms ABIGAIL BOYD: Are you able to share the advice in any form?

The Hon. DANIEL MOOKHEY: Let me take that on notice to see what we can provide you.

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Ms ABIGAIL BOYD: Thank you. Is this another one of the issues being actively discussed around the table in meetings of State and Territory Treasurers?

The Hon. DANIEL MOOKHEY: It is. In fact, it was the subject of discussion at the Council on Federal Financial Relations, which took place in December. Two outcomes from that meeting, which were good. The first is the Commonwealth did commit to adopt the same legislation that was adopted back in 1997, after there was a major High Court challenge, that would see the Commonwealth, in effect, impose 100 per cent windfall gains tax at a Commonwealth level on any refund coming from a State, should a State excise be found to be unconstitutional, and that really was at the request of the States. I do want to actually thank the Federal Treasurer for engaging with me and others on that question. I think that's an important step forward. The second outcome that was reached at the CFFR meeting, when it comes specifically to the question of EV charging, is that we will work in the Commonwealth to explore what policy options are available to them and us as we resolve how we can ensure that EV users are also making a contribution to our road maintenance.

The CHAIR: Can I jump in there, if you don't mind, Ms Boyd? In terms of that decision, how many taxes does New South Wales have that could be subject to contest, potentially? I'm aware of the point-of-consumption tax on online gaming, which delivers quite a considerable amount of revenue to New South Wales. Are there others?

The Hon. DANIEL MOOKHEY: I'm not in a rush to speculate, and it's fair to say nor am I in a rush to invite people to litigate on this question. But needless to say it's hard for me answer that question, Mr Buckingham, for the very simple reason that the judgement itself is incredibly complex and has to be applied on a case-by-case basis to not just taxes but various government charges. The secretary might have a bit to add to that.

MICHAEL COUTTS-TROTTER: Simply to say that I think the thrust of the legal advice to us is that the decision relates only to one tax in Victoria and, unless and until another matter comes forward, there's no way of accurately speculating what the impact would be.

Ms ABIGAIL BOYD: You mentioned, Treasurer, two things that had been agreed in that December meeting. That first one, in relation to the 100 per cent windfall tax—can you just explain to me what the practical implication is then?

The Hon. DANIEL MOOKHEY: I can. But, to be fair, the secretary has some expertise in this matter, too. But, in essence, should anyone challenge a State tax and it is found unconstitutional, which is what happened in 1996 or 1997, when we, for example—I believe it was alcohol tax—excise.

MICHAEL COUTTS-TROTTER: It was. Tobacco and alcohol.

The Hon. DANIEL MOOKHEY: A tobacco and alcohol excise. What then happened was a variety of people came forward and sought a refund for which then Treasurer Egan and Federal Treasurer Costello worked out an arrangement in which the Commonwealth would impose a 100 per cent windfall tax on any such refund, which would simply see the excise that was otherwise due to New South Wales be paid to the Commonwealth.

Ms ABIGAIL BOYD: Right. So it's a sort of indemnity?

The Hon. DANIEL MOOKHEY: In effect, it deterred, perhaps, people from testing how far back in time they can go in terms of collecting it, because obviously if a State is found to have levied a tax which is outside its power, some people would argue that they could go back to the formation of the State of New South Wales to seek a refund.

Ms ABIGAIL BOYD: They are, effectively, taking that risk away from the States and Territories?

The CHAIR: That's your formation of Australia.

MICHAEL COUTTS-TROTTER: You would pay your legals, you might get a win but then you would not get a cent and you would be left with your legals.

The Hon. DANIEL MOOKHEY: I should just say again that I am really pleased that Federal Treasurer Chalmers responded to our advocacy on that question.

Ms ABIGAIL BOYD: There is considerable reliance on what some people called "sin taxes" in the State's revenue. I think gambling revenue is probably one which really brings this into focus a bit. If we, as a society—some of us, at least—are keen on seeing gambling activity reduced and become less profitable and yet the State is pretty reliant on it for its continued ability to fund recurrent expenses, is there a case for ring fencing that amount or building the budget in a way that anticipates that reducing?

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The Hon. DANIEL MOOKHEY: Ms Boyd, I believe you might be making that case so I would perhaps leave it to you to advocate for such a position, if that's a position that you hold.

Ms ABIGAIL BOYD: Does it worry you, though, in terms of the payment for recurrent expenses, if we are relying on taxes from industries that we are perhaps anticipating will reduce in profitability?

The Hon. DANIEL MOOKHEY: It's fair to say that if, perhaps—I know some people, if they had their time again and could go back in time, wouldn't construct a fiscal position that has a reliance on those taxes whatsoever. But to be fair, other people would make the point that if it's to be legalised it should be taxed quite heavily.

Ms ABIGAIL BOYD: Can we talk about something totally different?

The Hon. DANIEL MOOKHEY: Why not.

Ms ABIGAIL BOYD: I thought that you were Minister for the Gig Economy.

The Hon. DANIEL MOOKHEY: I was.

MICHAEL COUTTS-TROTTER: You lost that gig.

Ms ABIGAIL BOYD: I went back and looked at the records, and apparently you were Minister for the Gig Economy for nine days?

The Hon. DANIEL MOOKHEY: Which, actually, I have to say, as far as tenure goes, exceeds many members of the gig economy.

The Hon. SCOTT FARLOW: But you didn't beat Liz Truss.

The Hon. DANIEL MOOKHEY: I did.

Ms ABIGAIL BOYD: What happened, and are you still responsible for gig economy issues?

The Hon. DANIEL MOOKHEY: I am passionately engaged in gig economy questions. What happened was the full ministry was formed and the full ministry saw the responsibilities of the gig economy Minister absorbed by the Minister for Industrial Relations, who is doing an excellent job, particularly when it comes to advocacy on the gig. My nine days of service as the State's gig economy Minister means that I am a forthright advocate for job security for gig economy workers.

Ms ABIGAIL BOYD: What did you achieve in those nine days?

The Hon. DANIEL MOOKHEY: I achieved an historic first, which was to become the first. But equally, it was an important campaign that I had the opportunity to help lead from opposition, which has seen this State lead the conversation about how we treat gig workers when it comes to workers compensation, when it comes to leave entitlements and also when it comes to the establishment of a minimum floor of conditions. I equally think it's pleasing that the Commonwealth has now enacted national legislation in that respect, but we as a State still have a strong responsibility when it comes to gig economy workers. I recall meeting with widows, people who had lost their partners who were killed on New South Wales roads, who found themselves pitted in battle with global insurers from remote parts of the world. The fact that people died on New South Wales roads and their families were left in that circumstance, I think, is a pretty big call for action and I am glad that this Government is getting on with the job of delivering its election commitments when it comes to the gig economy.

Ms ABIGAIL BOYD: One of those election commitments was to look at payroll tax in a sort of business-structure-neutral way?

The Hon. DANIEL MOOKHEY: Yes.

Ms ABIGAIL BOYD: I know that Minister Houssos is responsible for the payroll tax elements, but as Treasurer and as someone who has long campaigned in relation to gig workers, will this Government be implementing reforms to payroll tax when it comes to the types of entities—

The Hon. DANIEL MOOKHEY: My principle outlook on this question has not changed, which is we should be taxing the substance of activity, not the form. I think it's hard to explain to a taxi driver-owner that they may be liable for payroll tax but a person who's working in the gig economy is not. Equally, I think it's unfair to go to a restaurant that has to pay payroll tax on its staff, but the company that may or may not be delivering its food doesn't. I point out that this is subject to a variety of different court processes currently, so I won't speculate on those particular matters, but of course this Government remains committed to ensuring that payroll tax is paid by those who should. We have also made the point that when it comes to payroll tax and the gig economy, we're mindful of the fact that there are uniform national rules. We're mindful of the fact that these grouping provisions

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pick up, potentially, other entities. There is a need to get the design right. I'm confident that the work is underway that would allow the Government to make good choices.

Ms ABIGAIL BOYD: Similarly, I suggested an amendment in Parliament last year in relation to consulting firms that are, again, hiding behind a particular corporate structure to avoid payroll tax—sorry, I shouldn't use those words—in a way that just happens to also mean that they don't need to pay payroll tax for their 700 or 800 partners. Is that also something that you'll be looking into, in terms of getting that valuable revenue in?

The Hon. DANIEL MOOKHEY: I have to say, Ms Boyd, that you have exposed an interesting question through the work that you've done through that committee. It is interesting that, for example, there will be some big consulting firms that would pay payroll tax on the staff who are not partners but won't pay payroll tax on staff that are. I have to say I do need to actually, obviously, to be fair, wait for you to complete your inquiry. But, separately, I go back to what I just said, which is that I'm more interested in ensuring that taxes are levied against the substance for which they're directed, and people can't use artifice and legal form to avoid them.

Of course you've got to be careful. Partnerships are a very important part of our economy, and I don't think we should be thinking a suburban solicitor is in the same category as a big four accounting firm or a big four law firm. We have to have the same opportunities to differentiate, I think, in that space as we would have in payroll tax forms, so it's an interesting question. It's certainly a case of, "I'm going to wait to see what your report says, and then we'll think about what our options are at that point."

Ms ABIGAIL BOYD: Going back, then, to the State's revenue base, one of the issues that you're having to navigate as we look at the housing crisis is taxes in relation to property.

The Hon. DANIEL MOOKHEY: Yes.

Ms ABIGAIL BOYD: You will be aware that former Premier Perrottet has suggested that negative gearing reform should be on the table. You would agree, wouldn't you, that we're not going to just solve the housing crisis by building more homes, but we need a more holistic approach that looks at investor incentives as well?

The Hon. DANIEL MOOKHEY: I welcome the return of former Premier Perrottet to the public debate. That's the first point I should say. Like all our former Premiers, his voice should be respected in these questions. But I think what you're alluding to, which is the question to do with how important is negative gearing to the current situation and how much of a difference it can make—I just make this point: Australia resolved its attitude to that at the 2019 election.

Ms ABIGAIL BOYD: Did it, though? Is that really why Labor lost that election? It's very convenient to think that it is.

The Hon. DANIEL MOOKHEY: To be fair, there are other experts who may or may not be able to shed light on that question, but I would say it's fair to say that I respect the fact that the Australian people have made a decision on that. It's a matter for the Commonwealth, and—

Ms ABIGAIL BOYD: Again, sorry, I have to pull you up on that. The idea that at one election the very fine—we have a very complicated electoral system. Whether or not there are enough members elected to then form government, the idea that that was based on the Australian public's view of negative gearing is pretty absurd, don't you think?

The Hon. DANIEL MOOKHEY: No, I don't. I think it was a key question at that election, but I'd also make this point: Given that I don't actually hold any levers in that respect, I will wait for anyone at the Commonwealth level to make any proposal before I judge it. But I will go back to the first part of the question. I wouldn't dismiss how important it is that we build more homes.

Ms ABIGAIL BOYD: And I'm certainly not saying that.

The Hon. DANIEL MOOKHEY: And that is a crucial lever, and that is one lever which we, as a State, can exercise quite a great degree of influence over and, therefore, that is the centre of the strategy. The Premier makes this point and I agree with him: It's easy for people in our respective positions to blame others and point to actions they should take. I think that we only have credibility if we are seen to be, and are, meaningfully exercising the levers that belong to us.

Ms ABIGAIL BOYD: You have inherited—Labor has inherited at both State and Federal level—over a decade of what I would view as economically destructive policies, and you are playing catch-up. It will take some time to build sufficient houses to cure this crisis.

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The Hon. DANIEL MOOKHEY: It will.

Ms ABIGAIL BOYD: As Treasurer, what tax levers would you think of applying at a State level that might hasten recovery from the crisis quicker?

The Hon. DANIEL MOOKHEY: What taxes?

Ms ABIGAIL BOYD: For example—and I did raise this with the Premier—there used to be a vendor's tax.

The Hon. DANIEL MOOKHEY: Right.

Ms ABIGAIL BOYD: People who were benefitting from the capital gains discount, who had sold their property for over a certain amount—this used to be a policy of the Labor Government. I know that Labor was responsible for some sort of near Liberal fervour that saw it scrapped, but the principle is still sound.

The Hon. DANIEL MOOKHEY: Ms Boyd, you've triggered me because you would recall recently we had—or many of us had—the opportunity to pay respects to former Treasurer Egan. In the course of me preparing my eulogy, I had the opportunity to read about his efforts to impose a vendor duty, and particularly the fact that at that time the then Liberal-Nationals Opposition and Greens party teamed up to create an inquiry, which was held in this room in which—

Ms ABIGAIL BOYD: We love inquiries.

The Hon. DANIEL MOOKHEY: I know, I know, and let things never change.

Ms ABIGAIL BOYD: Inquiries are good. That's how we get to the bottom of things.

The Hon. DANIEL MOOKHEY: But I can't but help recall reading very strongly some of the criticisms that were mounted by the then member Lee Rhiannon, and I believe it was Sylvia Esmore, but I may be wrong.

The Hon. BOB NANVA: Sylvia Hale?

The Hon. DANIEL MOOKHEY: Yes, Sylvia Hale.

MICHAEL COUTTS-TROTTER: Sylvia Hale.

The Hon. DANIEL MOOKHEY: At the time, they assailed former Treasurer Egan for doing that, so it's fair to say as a result of that inquiry, amongst others, such a proposition hasn't necessarily been proposed again in New South Wales. It's fair to say that I'm not necessarily exploring one at this point. I also make the point on a pure economics level, though—

Ms ABIGAIL BOYD: It's been our policy for a while, by the way. I'm not sure what happened in the early 2000s, but it's certainly been our policy.

The Hon. DANIEL MOOKHEY: I also make the point on a pure economics level because you've now invited me to speak about tax incidence, which I love. But if you were to speak to a traditionalist economist, some of whom are coming this afternoon, they would make the point that the incidence of stamp duty tends to fall on the vendors. Even though it's paid for by the buyers, which is obviously a source of frustration to many—I've yet to meet anybody who enjoys paying any tax—but I would point out that the traditional economist view is that actually the incidence of the tax falls on vendors because it otherwise reduces the price they could get for their asset without the tax.

Ms ABIGAIL BOYD: The former Treasurer and Premier Perrottet I would criticise on a lot of things, but one of the things he was good at was keeping a very open mind when it came to the taxation system.

The Hon. DANIEL MOOKHEY: You say that now, do you?

Ms ABIGAIL BOYD: He had a very open mind.

The Hon. DANIEL MOOKHEY: Really!

Ms ABIGAIL BOYD: I didn't agree with what he came up with, but he had an open mind.

The Hon. DANIEL MOOKHEY: Oh, how people change their views.

The Hon. SCOTT FARLOW: Everything's better in hindsight.

Ms ABIGAIL BOYD: Are you considering any sort of property taxes or anything that would actually help with this crisis?

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The Hon. DANIEL MOOKHEY: I have to say I can't but help reject the implication in your question that I don't keep an open mind. I keep an open mind.

Ms ABIGAIL BOYD: Just not on property taxes.

The Hon. DANIEL MOOKHEY: It's fair to say, if you wish to propose a property tax that you think perhaps could assist us, then of course I look forward to your advocacy on the question. I am sure that I will have questions and other people will have questions as well, but the immediate priority of the Government is to ensure that we are building more homes. This Government has done more in the last 11 months to be able to reform many of our planning systems and others to ensure that the next generation have a shot at home ownership than our predecessors did in 11 years. That will be the persistent and continuing mission of this Government.

The Hon. CHRIS RATH: Treasurer, what is the purpose of social impact investments? Have any opportunities for social impact investments been offered since you became Treasurer?

The Hon. DANIEL MOOKHEY: I might turn to the secretary, who will take you through the social impact investments space. As I understand it, I believe the last time the New South Wales Government issued a social impact bond—is that what you're referring to?

The Hon. CHRIS RATH: Yes.

The Hon. DANIEL MOOKHEY: I believe it was 2015.

MICHAEL COUTTS-TROTTER: There's been a range of social impact opportunities offered since then. I will go to the notes, but there is one that is either currently open or will soon be open to support Aboriginal girls to better success through school. Let me get the details of that. If I haven't got it now, I can come back to you this afternoon.

The Hon. CHRIS RATH: While you're—

The Hon. DANIEL MOOKHEY: You asked me what my Government has done. Well, it's not my Government; it's the Minns Government or the Labor Government. But what I have done, I think, is the implication. I believe I did approve—

MICHAEL COUTTS-TROTTER: You did.

The Hon. DANIEL MOOKHEY: —that development of a social impact investment in that respect.

MICHAEL COUTTS-TROTTER: You did.

The Hon. DANIEL MOOKHEY: In short, I believe it is being led by TCorp.

MICHAEL COUTTS-TROTTER: I will come back to you this afternoon, Mr Rath, with some details.

The Hon. CHRIS RATH: That's fine. If we could turn your attention to the social impact investment with regard to Silver Chain Community Palliative Care Service. Has that had a positive impact in Western Sydney?

The Hon. DANIEL MOOKHEY: I'm not familiar with that particular one, so I'll have to take that on notice.

The Hon. CHRIS RATH: Do you know when the contract expires?

The Hon. DANIEL MOOKHEY: No. I'll have to take that one on notice, too.

The Hon. CHRIS RATH: And when it will be renewed?

The Hon. DANIEL MOOKHEY: I'll have to take that on notice.

The Hon. CHRIS RATH: That's fine, Treasurer, and I hope you do come back with some information because some of the questions that you took on notice at the last round of budget estimates were severely lacking in detail. I've got a range of examples, which I won't go through now—maybe later. But if you could actually provide some legitimate information, that would be very helpful.

The Hon. DANIEL MOOKHEY: All I will say to that, Mr Rath, is that you can expect the same standard from me that I got from you, and I look forward to—

The Hon. CHRIS RATH: You also promised a better standard, Treasurer, when you were then the Opposition. It is *Animal Farm*. You have taken over the manor house, and now you're just as bad as the people that were there before.

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The Hon. DANIEL MOOKHEY: Mr Rath, I've met that test. I provide my answers early, on time and under budget.

The Hon. CHRIS RATH: So did we. Last estimates some of the information we did get was that you admitted the planned palliative care funding had been cut.

The Hon. DANIEL MOOKHEY: No, I didn't.

The Hon. CHRIS RATH: We now know that it was \$250 million. Will you now commit to restoring the cut \$250 million?

The Hon. DANIEL MOOKHEY: No. I think, Mr Rath, you have mischaracterised that. I can assure you that palliative care funding will be higher next year than it was last. It will be higher the year after that than it will be next year, and it will be higher the year after that than it was the year prior. I am completely confident that we will have spent more on palliative care than any government that preceded us at the conclusion of this parliamentary term.

The Hon. CHRIS RATH: Yes, but you've reduced the increase—the projected increase in palliative care funding.

The Hon. DANIEL MOOKHEY: My focus is—

The Hon. CHRIS RATH: I understand that it will be higher in future years, but you've cut the planned increase in palliative care funding, have you not?

The Hon. DANIEL MOOKHEY: Mr Rath, firstly, I appreciate the fact that you now acknowledge that palliative care funding will be higher. I think that's an important point because I think we can agree on it—it should be. But I'll just simply say I care about what money is spent more than I care about what money is allocated. And the reason why I care like that is that when I became Treasurer, I noticed many programs in which whatever money was allocated was incapable of getting out the door. I'd much prefer to see the money used in palliative care than sitting in a Treasury bank account. Now you asked me whether or not we will consider increasing it. Of course, we will judge the success of the program, listen to the feedback we get from people who are providing these services and make appropriate decisions in the future to ensure that our bipartisan commitment to palliative care funding remains.

The Hon. CHRIS RATH: Why can't you even admit that you were behind this heartless \$250 million cut to palliative care?

The Hon. DANIEL MOOKHEY: I think, Mr Rath, you are expressing an opinion in the form of a question.

The Hon. CHRIS RATH: So you deny a \$250 million cut to palliative care?

The Hon. DANIEL MOOKHEY: As you just acknowledged yourself—

The Hon. CHRIS RATH: A cut in the increase—a cut in the projected increase in palliative care funding.

The Hon. DANIEL MOOKHEY: As you just acknowledged yourself, palliative care funding will be higher next year than it was last. It will be higher the year after that than it was prior. I remain confident that more money will have been spent by the end of this parliamentary term than any government that has preceded us.

The Hon. SCOTT FARLOW: But less money than would have been spent under a Coalition government?

The Hon. DANIEL MOOKHEY: I will just make this point, Mr Farlow. The previous Government made a great virtue of allocating money. In fact, my predecessor as Treasurer was indeed responsible for the sharpest acceleration in spending of any government of any persuasion at any level of the Commonwealth since the 1970s.

The Hon. SCOTT FARLOW: You like going back to opposition.

The Hon. DANIEL MOOKHEY: The question I am more interested in is not necessarily the good intentions that were behind those policies, but whether the money gets out the door. Now I think it was a good thing that both sides of politics in the last Parliament resolved to do more for palliative care. I think it's a good thing that we have set up a fiscal strategy to support that. But I make the point I would much prefer to see the money used than for me to have to assess an application to carry the money forward because it can't be spent.

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I think that is a key distinction. You might ask: Why is there a struggle in getting the money out the door? It is to do with the fact that there is quite a shortage of people who are able to supply these services—and nurses especially. The fact that we are dealing with such acute healthcare worker challenges in New South Wales and particularly in public health is a result of the 12 years of wage suppression which has made it harder to attract people into these roles. We are making progress in ensuring there are actual staff in these facilities. The health Minister and I are meeting constantly to resolve the workplace health challenges that our system faces, to provide more support for essential workers so we can recruit more people who are able to work in public health and in palliative care as well.

The Hon. CHRIS RATH: Treasurer, through the order for papers, as provided to the Parliament, we have now seen incredibly detailed, well-thought-out five-year plans for each local health district on exactly how they would spend that additional palliative care funding. Do you agree that the comment you previously made that there was no plan to get it out the door was just false? It was entirely false?

The Hon. DANIEL MOOKHEY: No I don't, because—

The Hon. CHRIS RATH: Have you seen the order for papers? Have you seen the detailed plans that have been provided to us?

The Hon. DANIEL MOOKHEY: Mr Rath, if you let me answer your first question I might be in a better position to answer your second. I make the point, again: Of course we support our LHDs in rolling out those plans. You just made the point that they are five-year plans. I'm sure you know, Mr Rath, that the budget estimates cycle doesn't align with that timescale, and I'm sure you are aware of the fact that you would see within those plans that a huge component of them is a response to the workforce challenges aspect. When it comes to those particular plans, at an LHD level, the fact is that we have a wide variety or spectrum of shortage depending on the area. There are some areas which are obviously more short of staff than others. I am confident that not just the money that we are giving for palliative care but the complementary investment we are making in workforce makes it far more realistic that those plans will be achieved.

The Hon. CHRIS RATH: You almost gave the game away, Treasurer, before when you spoke about fiscal discipline—which I am all in favour of—when you spoke about the previous Government's record. But of all the areas to cut—of all of the fat that could have been cut in the New South Wales budget—why did you care, taking money away from people that are suffering and dying in hospitals? Why would you do that—of all the potential areas to cut?

The Hon. DANIEL MOOKHEY: Mr Rath, again, I make the point: There is more money going into palliative care next year and the year after and the year after that, and I am confident that that money will actually be spent. I understand that you might think that distinction doesn't matter. It matters a great deal because there is no point having that money sit idle. It is far better that we invest that money in service delivery. But I also make the point that we are making complementary investments in the health workforce to ensure that the personnel that are required to provide the services of care to the standard that our citizens deserve are indeed present and they are able to provide those services. I well and truly accept the point that you are making, though, about how important palliative care is. I think it is an important fact that we have bipartisanship here. Of course I expect both sides of politics to disagree on the strategy and rollout, but the strategy that this Government prefers is to increase the funding and to complement it with workforce investment so we have the staff that are capable of delivering the services.

The Hon. CHRIS RATH: Treasurer, isn't it also a cut if there is a reduction in the planned increase to a certain item? Isn't that how you defined "cut" when you were previously in opposition?

The Hon. DANIEL MOOKHEY: I will simply say: I will leave it to perhaps you and others to concentrate on definitions and semantic points. I am making the point that the substance of what we are delivering is far more likely to be used. If you happen to be a person who is in palliative care and, equally, a family of a person in palliative care, I think most reasonable people will judge our Government—your Government—on the basis of the service delivery. I can say to those people that there is more money coming into palliative care next year and the year after and the year after that, and, equally, it's being complemented by a workforce investment to ensure that their service standard is of the highest order.

The Hon. CHRIS RATH: Was it you or Minister Houssos who identified this cut as part of the Comprehensive Expenditure Review?

The Hon. DANIEL MOOKHEY: I will simply make the point that when it comes to palliative care, all of the Government, including Minister Houssos, myself, the health Minister and everyone who has been involved—our focus has been on ensuring that funding goes up for palliative care and, equally, that the money that we allocate is spent and it is complemented with the right workforce, with the right skills to provide the

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services. I will also make the point that that is a position that Minister Houssos has, that Minister Park has and that I have.

The Hon. SCOTT FARLOW: So you're all signed up to palliative care cuts?

The Hon. DANIEL MOOKHEY: We are all determined, Mr Farlow, to ensure that people who need palliative care services get access to additional investment. I'm confident that the budget that we have provided would see more money spent on palliative care than any New South Wales government previously.

The Hon. CHRIS RATH: Treasurer, in November 2023 you announced that the Government would remove the emergency services levy from insurance to help reduce premiums for households and businesses. When will the public consultation paper be released?

The Hon. DANIEL MOOKHEY: Shortly.

The Hon. CHRIS RATH: In a month?

The Hon. DANIEL MOOKHEY: I expect it will be released sometime in the next six weeks.

The Hon. CHRIS RATH: When do you plan on introducing legislation to the Parliament?

The Hon. DANIEL MOOKHEY: Of course, we respect the Parliament and the Parliament's right to deliberate over the matter. I'm going to engage with you, Mr Rath, with Ms Boyd and with others on the right parliamentary pathway for this proposal. That's a fine opportunity for us to point out why it's important that we have the reform. As you would know, Mr Rath, given that you spent a large part of your career advocating for such a reform, the incidence of the emergency services levies is falling on fewer and fewer people, and as a result premiums are going up. You would equally know that insurance premiums are the number one concern of businesses in New South Wales. You don't need to take my word for it; you can take the word of Business NSW who issued their survey to that effect last year. You would also know—and I'm sure Ms Boyd would agree—that the use of our emergency services is going up as a result of the climate crisis. As a result, we as a Parliament need to grapple with what is the right reform and what is the right way in which we can fund our emergency services, protect communities, help communities rebuild and ensure that every one of us is making a contribution to such an important public service.

The Hon. CHRIS RATH: Over what horizon do you expect that insurance premiums will be finally rid of the emergency services levy?

The Hon. DANIEL MOOKHEY: We haven't made that decision. I am deliberately making the point to all and sundry that we're going to be very cautious on that question. We are going to be very mindful of the fact that the previous Government had tried to reform it. I accept the fact that perhaps the previous Government would criticise the position adopted by the previous Opposition. But we obviously want to see what went well in that reform and, perhaps, what lessons we can learn. Mr Rath, you might recall that, in the wake of the previous Government's decision not to precede with its reforms at the time, the lower House had an inquiry into the matter, and the lower House inquiry stipulated a set of conditions, which we also are considering as we make this decision. My broad answer to your question, Mr Rath, is that these are questions on which I'm very happy to engage with you and the Opposition.

The Hon. CHRIS RATH: The ESL will be replaced by a broad-based property tax?

The Hon. DANIEL MOOKHEY: I think you'll see in the consultation model that there will be a series of options that will be presented to the public for feedback. Sure, some of those options entail a change to property arrangements but others don't. From our perspective, we want to hear what people have to say about it. The principles that we are applying are pretty straightforward. We think that everybody should be contributing to our emergency services. They do a magnificent job. We also think that our emergency services should be effective, flexible and efficient in how they use those resources and, equally, we should be ensuring that contributions to that system are proportionate to people's capacity. So, yes, we will be drawing a line between what a person who's on a pension can pay or not pay versus, perhaps, a major property owner. We are in good conversations with all the people who are affected by this change. I look forward to the fact that the Government will be releasing the consultation paper and engaging with the Parliament about the right way for the Parliament to involve itself in these questions too.

The Hon. CHRIS RATH: Removing the ESL from insurance premiums and having a land tax, some sort of property tax or maybe a levy on council rates—isn't that just a forever tax on the family home, Treasurer?

The Hon. DANIEL MOOKHEY: No, I think perhaps you are jumping to conclusions, Mr Rath. Equally, I make the point that when it comes to tax reform, we are abolishing a tax here. We are abolishing one, and it's one which you and others have campaigned for a long time to see gone. I think that we can act in a manner

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which is what the people of New South Wales would expect us to do, which is to test all the options that are available to us, to listen to the feedback that is made available and then to make decisions.

The Hon. CHRIS RATH: Yes, Treasurer, but I never made comments about the forever tax on the family home. Will you introduce an ESL price monitor as part of this arrangement?

The Hon. DANIEL MOOKHEY: Almost certainly.

The Hon. CHRIS RATH: Can you also commit to no reductions in emergency services funding in real terms as a result of these reforms?

The Hon. DANIEL MOOKHEY: I will certainly make the point that we are neither using this as an opportunity to cut funding to the emergency services nor to raise additional revenue, but there are good questions to be asked about whether or not we can give our emergency services more certainty about their budgets. As you would recall, right now the arrangement is that the emergency services, in effect, at the end of each year put an application in to me and others to approve to retrospectively recover what they had to spend. I think, in a climate-challenged world, we perhaps need to think about whether or not our emergency services can have more certainty about their resourcing so that they can make more strategic long-term decisions. But we haven't made decisions on that, and that will be something we will be consulting on.

The Hon. CHRIS RATH: Treasurer, you hinted at it before, but are you going to seek bipartisan support on these changes—unlike when you were in opposition and you actually voted against our very important reforms to remove the emergency services levy on insurance?

The Hon. DANIEL MOOKHEY: I will seek bipartisanship on it if possible, and I welcome the fact that you're offering it.

The Hon. CHRIS RATH: Do you agree with the comments that were made by your colleagues at the time in 2017 on the emergency services levy? From Ryan Park, John Graham and Jo Haylen, some pretty incendiary comments were made back then about the emergency services levy. They could come back to haunt you in the future.

The Hon. DANIEL MOOKHEY: I'll take your word for that, but I will simply say that I don't vouchsafe opinions on comments that were made seven years ago.

The Hon. CHRIS RATH: Let's just take a quote from Minister Haylen. She said, "I am concerned that it will put working families on the hook for services that have been, until now, funded by insurance companies." Do you agree with her comment there?

The Hon. DANIEL MOOKHEY: I will simply say that I don't provide opinion and, to be fair, I'm not sure you're meant to be able to ask me about that.

The Hon. SCOTT FARLOW: We can ask you what your view is on your colleagues' perspectives on something that falls within your remit. Treasurer, will you offer a perspective?

The Hon. DANIEL MOOKHEY: I will simply say that the reforms which we entail—I'm looking forward to the feedback. But I also say this: The point that now Minister Haylen may have made back then is valid. I don't want working people to have to pay more than they need to. Equally, I think we can get the balance right between ensuring that our emergency services are funded appropriately and, equally, that the burden that has to be incurred by somebody falls in a progressive manner. I think that's an important principle for reform. I think in order for us to have the social licence that is required, we will need to have conversations about the fact that right now there are people, some of whom are large entities, who don't make any contribution to the emergency services. I don't think it's fair that we do ask people who are working people or other people—pensioners, others, people who don't necessarily have the same means—to be paying more than some of our biggest corporations.

The Hon. CHRIS RATH: Treasurer, do you now regret voting against the emergency services levy removal in 2017, or do you agree with the comments then by Minister Cotsis that the proposals—

The Hon. BOB NANVA: Point of order: It goes to the procedural fairness resolution and relevance. The member is traversing subject matter that is not directly relevant to the expenditure or estimated expenditure of funds from the Consolidated Fund. I just ask you to—

The Hon. CHRIS RATH: Oh, please. To the point of order: The Government—the Treasurer—has announced important reforms to the emergency services levy. It was a very similar type of reform that was introduced in 2017, when the Treasurer was a member of Parliament. I think it's highly relevant to talk about some of the comments that were made back then and whether he agrees with his colleagues' opinions. Broad latitude is often given at these sorts of estimates.

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The Hon. BOB NANVA: Further to the point of order: We're traversing a period well before the member's time as Treasurer.

The Hon. CHRIS RATH: Further to the point of order: By that logic, nothing that has ever happened before the Treasurer's time could ever be looked at in any detail, which is farcical.

The Hon. STEPHEN LAWRENCE: No. You've got to make it relevant.

The CHAIR: I agree. I do not uphold the point of order. It is well within the remit of this inquiry and is relevant.

The Hon. WES FANG: It was a good go, Bob.

The Hon. CHRIS RATH: Can I finish my question?

The CHAIR: You can finish your question.

The Hon. DANIEL MOOKHEY: Actually, Mr Rath, can you restart your question?

The Hon. CHRIS RATH: Do you now regret voting against the 2017 reforms to the ESL, or do you agree with comments then by Sophie Cotsis that the proposed changes to the levy will work in the interests of big business and insurance companies?

The Hon. DANIEL MOOKHEY: You're asking me: Do I regret voting against legislation that your Government then repealed? Is that right? Do I understand the question correctly?

The Hon. CHRIS RATH: Do you now wish that you and the Labor Party back then voted in favour of the removal of the emergency services levy, given that you're proposing very similar reforms to what we proposed in 2017?

The Hon. DANIEL MOOKHEY: All I'll say to that, Mr Rath, is my recall of that debate in Parliament is relatively limited. But needless to say many of the points of criticism of that particular model that the then Labor Opposition made were borne out. I think particularly the points that were being made by my colleagues and others is that if you are levying tax on an asset that doesn't earn income, that's going to have unintended consequences, which it did, which then caused the then Government to repeal it. That's my long way of saying no, I don't agree.

Ms ABIGAIL BOYD: Just before I move on to a different topic, you did mention the Greens approach to vendor duty earlier.

The Hon. DANIEL MOOKHEY: You got your staff to research it, did you?

Ms ABIGAIL BOYD: We had a little look.

The Hon. DANIEL MOOKHEY: Poor Angus.

Ms ABIGAIL BOYD: The *Hansard* of 21 September 2005 shows both Sylvia Hale and Lee Rhiannon voting against the abolition of vendor duty, so I don't know on which basis—

The CHAIR: Ian Cohen.

The Hon. DANIEL MOOKHEY: I'm fairly positive it was repealed in 2017—I'm sorry, 2007 was my recollection.

MICHAEL COUTTS-TROTTER: No. It was then Premier Morris Iemma.

The Hon. DANIEL MOOKHEY: Yes, so I'm not sure that you're referring to the same vote. The vendor duty applied for two years, so if you cited 2015—

Ms ABIGAIL BOYD: All right. Poor Angus will go and look up even more things, but progressive taxation has been a core part of our policy for a long time.

The Hon. DANIEL MOOKHEY: I know.

Ms ABIGAIL BOYD: Okay. Let's move on to something else. On the same day that we had estimates last year, you released a media statement—

The Hon. DANIEL MOOKHEY: I did.

Ms ABIGAIL BOYD: —to say that you had delivered on a key promise for transparency by starting the process for releasing privatisation agreements. We could quibble over whether the promise was to start the process or to actually release them, but you then go on to say the public deserved to know, yadda yadda, we shouldn't have to wait until the next century. Where are the documents?

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The Hon. DANIEL MOOKHEY: They'll be tabled in the next parliamentary fortnight.

Ms ABIGAIL BOYD: In the next parliamentary quarter?

The Hon. DANIEL MOOKHEY: Fortnight.

Ms ABIGAIL BOYD: Fortnight? Okay. Which documents are they?

The Hon. DANIEL MOOKHEY: I'll come back to you with specific details as to what's being tabled, but in the intervening period of time we have sought the permission, as we're required to do, of our counterparties. To the best of my recollection all but one of them are in. I believe the final one is coming and that will then permit us to table them. Equally I should also make the point that when it comes to the tolling concessions, they are already public but other details about the tolling concessions which, Ms Boyd, I know you're interested in are likely to be provided. Further information will be provided through the toll review.

Ms ABIGAIL BOYD: I was going to ask for that because in the press release you don't mention tolling at all.

The Hon. DANIEL MOOKHEY: Yes. It's because there's a separate process in place.

Ms ABIGAIL BOYD: Let's look at that separate process. As you know, I love to look on the eTendering site, as does Angus.

The Hon. DANIEL MOOKHEY: And I know.

Ms ABIGAIL BOYD: My office, as a whole, loves the eTendering website. We were looking at it recently and it seems like there's a lot of expenses to consultants in relation to this toll review. I thought we had appointed two individuals to lead that review, but it looks like a whole bunch of stuff is being outsourced.

The Hon. DANIEL MOOKHEY: Firstly, two of those contracts that are on the eTendering database refer to those consultants. They are Mr Fels and Mr Cousins. That's the first point to make. We actually do have a list of them. If you give us just 30 seconds, we might see if we can find it.

Ms ABIGAIL BOYD: That would be really useful. I'm looking at, for instance, one here for \$1 million.

The Hon. DANIEL MOOKHEY: To?

Ms ABIGAIL BOYD: To Economic Alternatives Pty Ltd for the delivery of services in relation to the toll review.

The Hon. DANIEL MOOKHEY: Yes, to the best of my recollection, that might be one of them, but let me just—

Ms ABIGAIL BOYD: Another one is for \$770,000 to PI Research?

The Hon. DANIEL MOOKHEY: That one is definitely one of them.

MICHAEL COUTTS-TROTTER: Yes. That, in fact, I think, is a company owned by Mr Cousins.

The Hon. DANIEL MOOKHEY: Yes.

Ms ABIGAIL BOYD: So it's Mr Cousins?

MICHAEL COUTTS-TROTTER: That is the corporate vehicle for Mr Fels and Mr Cousins.

Ms ABIGAIL BOYD: So that's for both of them, the \$770,000?

The Hon. DANIEL MOOKHEY: I think. But, again, we'll take it on notice. We might need to bring it down from our office, but we will bring it.

Ms ABIGAIL BOYD: Okay. I have another one, just while we're here—\$628,474, provision of traffic advisory services for the toll review. It says Scyne Advisory is benefiting from that one?

MICHAEL COUTTS-TROTTER: Yes, that's right.

Ms ABIGAIL BOYD: This is looking like a lot of—wait, there is another one. Provision of price transparency recommendations for the toll review, another quarter of a million?

MICHAEL COUTTS-TROTTER: Yes.

Ms ABIGAIL BOYD: This is a lot of money for the toll review?

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The Hon. DANIEL MOOKHEY: I'll just simply make the point that it depends—of course, every dollar counts, and we count every dollar when it comes to this, I can assure you. The second point I'd make on this, though, is that we are dealing with a toll burden that the previous Government signed New South Wales up to, which is to the tune of \$120 billion in present value terms. That will last until, effectively, the conclusion of the WestConnex concessions. Equally, the Government is pretty determined to see what we can do to provide people with relief right now, and reform. That's part of the reason why the Government has introduced a \$60 a week toll cap and designed that so that the people who benefit the most are those from outer Western Sydney. But in the meantime we are having conversations around toll reform, and we want to ensure that when we're dealing with people who obviously are engaged in sophisticated arrangements that apply for multiple decades that we are ensuring that the Government is equipped to have those conversations. But you're quite right to say it is something that we are vigilantly watching.

Ms ABIGAIL BOYD: You know I'm very sympathetic to the idea that you've inherited this mess. We have a huge number of toll roads that have effectively been privatised under the previous Government's watch. We're in a cost-of-living crisis. There are significant market share concerns from the ACCC and from the Federal Government across a range of different essential services. Do you wish that this review was going a little bit quicker?

The Hon. DANIEL MOOKHEY: I'm satisfied the review is going pretty quick and I'm satisfied that the review is yielding good conversations with the public about what the reform options are and, equally, prompting a good response from those who are directly engaged in toll provisions as well. I'd also make the point that you're right to say that the privatisation policy of the previous Government did see the previous Government effectively assess toll pricing through the lens of a financial transaction as opposed to through the lens of urban design, let alone household impact. That has created quite an issue for households, as I said before, to the tune of \$120 billion in present value terms over the next four decades, equally, with the incidence falling predominantly on those who need to commit the most, who tend to be in Western Sydney. I'd just make the point that, just by looking at the census, they are not necessarily high-income areas, as well. So it is a tough challenge. I'm confident that the review is proceeding at pace, and I'm equally sure that, as a result of that review, people are going to have more information and more facts about how the tolling system works and how it could potentially be changed.

Ms ABIGAIL BOYD: I understand that Transurban was recently knocked back from having another toll road in Melbourne because of that market share concern, but we have Transurban in Sydney with—what is it, 11 of the 12 or something? When we talk about a toll review, are we really just talking about how we unpick all the mess with Transurban?

The Hon. DANIEL MOOKHEY: I would characterise it as how we unpick the mess that was left to us by the Liberal-Nationals Government, but you might characterise it differently, Ms Boyd.

Ms ABIGAIL BOYD: Okay, but I said "with Transurban". Are you denying that these contracts that the previous Government entered into are predominantly with Transurban?

The Hon. DANIEL MOOKHEY: No, they are obviously with Transurban. But if the implication in your question is that culpability belongs to Transurban—

Ms ABIGAIL BOYD: That's not at all—that's your understanding.

The Hon. DANIEL MOOKHEY: Okay. So long as we're clear about that. My point is the fact that the settings were established in contractual arrangements that were then put to market certainly does create consequences for the public. I well and truly accept, Ms Boyd, that Transurban plays a very big role in tolling markets and a very, very big role in the New South Wales tolling market. But part of the concerns that you're raising, which are valid, about competition in the tolling markets—the Government's response to that is to not privatise more toll roads and to hold onto public ownership of toll roads. I would say that, as a result of that policy that we took to the election that has been endorsed, we won't be privatising the Western Harbour Tunnel. We have not sold off the Sydney Harbour Tunnel. We won't be selling off the M6 stage one. We, of course, would never be selling off the Harbour Bridge—all of which means that again, very soon, the State will become a major owner of toll roads itself. And that is helpful for competition reasons.

Ms ABIGAIL BOYD: That is very beneficial. I agree with you. I think sometimes we fall into the mistake of thinking that, when we criticise contracts, particularly with a major player like Transurban, we're seeking to demonise Transurban. I view them very much as a company that is driven by the profit motive and, as such, when we come to unpicking those contracts, we are up against a powerful corporate player who is acting in the interests of its shareholders to get the best deal. That is one of the reasons we don't want to privatise further toll roads or other essential services, because it then has us a bit over a barrel when it comes to working out what we do next with these essential public services. Given that we have one corporate player who is at the other side

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of the contracts that will need to be renegotiated if we're to have proper reform of the toll system in Sydney, isn't the review really about how we work around things with Transurban?

The Hon. DANIEL MOOKHEY: Ms Boyd, the way I would put it is that no-one can dispute the fact that Transurban has a lot of the concessions. But I don't think it's necessarily a fair characterisation of the market to say that therefore they are the exclusive owner of these assets, because, as you know, each of them has a different corporate and investor group that sits behind them, who, obviously, are equally invested in those arrangements. And it's not for me to provide an explanation as to Transurban's business model. But it's fair to say that that is, certainly when it comes to toll roads, a common way in which private entities end up owning toll roads; they have a network manager and a company that organises it. But sitting behind them is quite a few different entities. What you will see through the review is that universe described. That universe encompasses Transurban but extends beyond them. It includes AustralianSuper. It includes Canadian pension investment funds. It includes Queensland Government entities. It includes other government entities, from other countries as well—all of which is my way of answering your question by going that Transurban isn't just the one monopoly owner of all these roads.

Ms ABIGAIL BOYD: No. But they're a significant—in order to actually change anything, we're going to have renegotiate contracts—

The Hon. DANIEL MOOKHEY: But there are many counterparties. And it is absolutely a key—

Ms ABIGAIL BOYD: Yes. But, for every road, one of those counterparties is Transurban.

The Hon. DANIEL MOOKHEY: That's true. I'm not disputing that, Ms Boyd. But I guess I'm saying from a reform perspective, in order to obtain meaningful reform, you've got to address the fact that the market—there are more counterparties that the Government has to engage with than just Transurban.

Ms ABIGAIL BOYD: Okay. But by saying that we're now not going to release all of the information and contractual arrangements with Transurban that were part of the privatisation of the roads until we have the review, is that so that the public is only given that information once the Government's worked out what to do?

The Hon. DANIEL MOOKHEY: No. Ms Boyd, I think you'd recall from our mutual efforts, when I was in opposition, to see what public light we could shed on this is that the toll concessions themselves are already public. In fact, I read them. I downloaded the M4 widening toll concession. I downloaded the M4 tunnel concessions.

Ms ABIGAIL BOYD: What about all the other contractual arrangements?

The Hon. DANIEL MOOKHEY: A lot of them are tabled. For example—

Ms ABIGAIL BOYD: But not all.

The Hon. DANIEL MOOKHEY: I think what you're alluding to is some of the modelling that sits behind them. To be frank, they are actually public. But I think that what perhaps you are referring to is what you and I used to describe as the base case financial models that sit behind them.

Ms ABIGAIL BOYD: There's that, but there are other annexures and other things that we were looking at in that toll inquiry.

The Hon. DANIEL MOOKHEY: Let me just come back to you, then, on what will be released as part of that review. But I guess what I'm saying is the principal vehicle for further information release on the tolls, which is something the Government wants to do, is through the review process, as distinct from the approximately \$50 billion-ish worth of assets that were privatised through other arrangements, which I'm looking forward to tabling in Parliament shortly.

Ms ABIGAIL BOYD: This is another one that I raised with you last year, and I admit to just being confounded.

The Hon. DANIEL MOOKHEY: I have that effect.

Ms ABIGAIL BOYD: I'm not confounded by you, Treasurer; I'm confounded by the lack of response to this concern. This is something that was originally, I think, under Treasurer Perrottet, if not Treasurer Kean. It was a direction that lifted the level at which gifts of government property needed to be disclosed.

The Hon. DANIEL MOOKHEY: I've got answers for you.

Ms ABIGAIL BOYD: It lifted it from \$500. That used to be doable, to be able to say—not that it would inhibit the giving of government property over to whoever at all, but that you would basically have to disclose the fact. It has gone from \$500 to \$10,000, and then it was reissued under your watch. Why?

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The Hon. DANIEL MOOKHEY: Ms Boyd, we have done extensive research on government gift policy since you raised this concern. Therefore, it is now the secretary's time to shine.

Ms ABIGAIL BOYD: Lovely.

MICHAEL COUTTS-TROTTER: No pressure!

The Hon. WES FANG: When are you going to shine, though, Treasurer?

MICHAEL COUTTS-TROTTER: Ms Boyd, the status of this work is that Treasury consulted with a range of agencies on the issues around how do you establish the right kind of framework for the gift of government property so you don't discourage people from making sensible contributions to the circular economy, gifts of sensible philanthropy and the like. But, at the same time, you have a degree of accountability there that ensures that people aren't gifting government desks to their children or something.

Ms ABIGAIL BOYD: And cars, laptops—

MICHAEL COUTTS-TROTTER: What we discovered through that process of consultation is that there was really a degree of confusion around the definition of a gift of government property for the purposes of the Government Sector Finance Act. We have been working with the Crown Solicitor's Office to develop guidance and tools so that agencies can consistently and accurately self-determine whether a planned activity is a gift of government property, and we are planning to release the revised policy framework this year. Now I know that does sound a little bit slow. I have asked the team to accelerate the work to the greatest extent they can. But I am confident that you will see a new policy and, therefore, a new Treasurer's direction during 2024. I also discovered that the change we made was done in consultation with the Audit Office. They understood the reasons for doing it. They understand it's an interim arrangement and we are consulting with them on this work as well.

Ms ABIGAIL BOYD: Okay, so—

The Hon. DANIEL MOOKHEY: Ms Boyd, I'm pleased to say we would—I extend this offer to you and to any other Committee member. We would love to consult you, too.

Ms ABIGAIL BOYD: I would love to be consulted.

The Hon. DANIEL MOOKHEY: You will be consulted on government gift policy.

Ms ABIGAIL BOYD: Okay, I will come back to that, then, in future estimates, if I haven't seen anything.

The Hon. DANIEL MOOKHEY: You will be consulted.

Ms ABIGAIL BOYD: Fabulous. Can we turn to TAHE?

The Hon. DANIEL MOOKHEY: Let's!

Ms ABIGAIL BOYD: There are three steps to fixing the TAHE mess.

The Hon. DANIEL MOOKHEY: Yes.

Ms ABIGAIL BOYD: The first one has been taken. What will be the impact on the budget of the eventual conversion?

The Hon. DANIEL MOOKHEY: It will be great. It's a terrific impact on the budget from the conversion. I'm thrilled, in fact, by the impact it's going to have. Here are two things. Here is what we have avoided. What we've avoided as a result of these changes is another requirement to increase access and licence fees which then have to be funded from the budget. I'm sure, Ms Boyd, that you would have seen the fact that TAHE, in its annual report, once more had to reduce the value of their assets. Under the previous arrangement, that would have caused the Auditor-General to inquire as a State to recover that additional holding loss, which would have seen it blow out even more. That's the first point.

The second point is, as a result of that change, what we have managed to do, particularly in terms of the State's debt position, is reduce the State's net debt to the tune of, I believe, about \$4.9 billion over the forward estimates period as a result of us effectively not having to fund the loss in asset value that was required under a SOC model but isn't required under a PNFC model. I should alert you to the fact there will be a consequence for asset valuation. We expect, when the new model is implemented, for there to be a pretty massive upward valuation of the State's rail assets. In effect, they revert back to their previous value or—actually, the better way of putting it is—the method to determine their value is the same as it was prior to it being turned into a SOC. To put it in real terms, it goes from being an income-based valuation model to a cost-replacement model.

Ms ABIGAIL BOYD: Does that end up in a restatement of previous accounts, or no?

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The Hon. DANIEL MOOKHEY: It doesn't end up in a restatement of previous accounts, to the best of my knowledge.

MICHAEL COUTTS-TROTTER: No. We don't expect it to.

The Hon. DANIEL MOOKHEY: We expect it to be high.

MICHAEL COUTTS-TROTTER: And it will increase the depreciation expense in the PNFC sector.

The Hon. DANIEL MOOKHEY: The depreciation expense, as I put it, probably will be the more realistic one and not the one that was otherwise adopted through the SOC method. That will increase the depreciation charges in the PNFC sector. Of course, as you would know, a depreciation is a non-cash item. In fact, as you would recall from our inquiry, the State had, in effect, figured out a way in which it would cash fund depreciation for rail assets alone, which—in really layman's terms—means that, in effect, the State was being required to cash fund the entire rebuild of the heavy rail network over a 20-year period. As you and I both know, the heavy rail network was built more than a century ago. It will be there for more than a century. It was a novel proposition that only New South Wales was signed up to because, dare I say, the previous Government wasn't being up-front about the true costs of operating the rail system.

Ms ABIGAIL BOYD: You dare say that.

The Hon. DANIEL MOOKHEY: I dare say that. That is, in effect, the short-course impact on its budget.

The Hon. SCOTT FARLOW: Thank you very much, Treasurer, for providing us with a copy of the MOU. We're all privileged to have seen it before the planning Minister, the transport Minister and the racing Minister. Treasurer, given that the end date on the MOU is the earlier of 31 March 2024 or submission of an unsolicited proposal by the proponent regarding the proposal in accordance with the USP guide, if the ATC does not come forward with an unsolicited proposal by 31 March, will this proposal be officially dead?

The Hon. DANIEL MOOKHEY: No, for the rather obvious reasons that they are able to present a proposal at any time. Separately, should the ATC or others decide to extend the life of the MOU, that would permit the MOU protections to continue onwards.

The Hon. SCOTT FARLOW: Have there been any discussions at this stage under 5.2 for an extension of the MOU?

The Hon. DANIEL MOOKHEY: 5.2 of what?

The Hon. SCOTT FARLOW: Of the MOU.

The Hon. DANIEL MOOKHEY: Of the MOU or the policy?

The Hon. SCOTT FARLOW: No, 5.2 of the memorandum of understanding with respect to extending the MOU.

The Hon. DANIEL MOOKHEY: Let me just read 5.2. I will have to take that on notice. Not to my knowledge, but, to be fair, I'm not necessarily sure that I'm the Minister who'd be told. Let me take that on notice for you.

The Hon. SCOTT FARLOW: Thank you. How long would you envisage that this process would be open for? Of course, as you said, when it comes to plan B, it's effectively the same as plan A—continuing along with the metro—but you do have a decision to make in terms of a metro station at Rosehill. How long would you envisage keeping this proposal alive for?

The Hon. DANIEL MOOKHEY: I wouldn't want to make a prediction, because I don't want to pre-empt either the ATC members' right to deliberate over their property, and nor do I want to affect what the Government also committed to, which was to two additional scoping studies for additional stations. In truth, that process is not led through Treasury.

The Hon. SCOTT FARLOW: With respect to those additional scoping studies, are they reliant in terms of—of course, you have a funding envelope that you would be able to provide in terms of building those metros. Aren't they reliant on Rosehill and a determination with respect to Rosehill?

The Hon. DANIEL MOOKHEY: No. That's not correct.

The Hon. SCOTT FARLOW: They are completely independent of any funding of Rosehill?

The Hon. DANIEL MOOKHEY: Yes.

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The Hon. SCOTT FARLOW: Is that because Rosehill is supposed to be self-funded?

The Hon. DANIEL MOOKHEY: It's an unsolicited proposal, which would require us to test what the proposal is for me to be able to answer that question.

Ms ABIGAIL BOYD: The climate change risk adaptation plan, which I have been banging on about for some time now—since it was first decided to be put in place, I think, back in 2016-17. I understand that the Minister for climate is now having some involvement in this, but the Auditor-General—

The Hon. DANIEL MOOKHEY: Are you talking about the climate disclosure regime?

Ms ABIGAIL BOYD: The climate change risk adaptation plan. The Auditor-General said that the Treasurer should be coordinating it across agencies. We are now eight years since.

The Hon. DANIEL MOOKHEY: When did the Auditor-General say that?

Ms ABIGAIL BOYD: I'll have to find the reference. I talked about this in the last estimates as well.

The Hon. DANIEL MOOKHEY: I know you did, but can you refresh my mind as to when that happened?

Ms ABIGAIL BOYD: But this is basically the process of doing an audit of all of the government's assets, working out the risk from climate change and then having a plan to adapt. Every other State and Territory has one and we don't.

The Hon. DANIEL MOOKHEY: In the Venn diagram of what I think we're talking about, it covers what I thought you were referring to, which is climate disclosure. But you're making the point it goes beyond it. To my knowledge, Treasury is playing a pretty big role in coordinating that, but the secretary might want to shed some more light.

MICHAEL COUTTS-TROTTER: The response from the Treasury and the then Department of Planning to the Public Accounts Committee provided an update on this one, Ms Boyd. The Office of Energy and Climate Change, now part of the new department of DQ—I can't remember the acronym—will complete the adaptation action plan once the Reconstruction Authority has released its State Disaster Mitigation Plan, which I think has happened. I can get an update from my colleagues in DQ, but that was the sequencing.

Ms ABIGAIL BOYD: That would be very useful.

The Hon. DANIEL MOOKHEY: Bear in mind I believe the Auditor-General made that remark when there wasn't a department for climate change and energy. We have one now.

Ms ABIGAIL BOYD: No, that's true, but it is ultimately a Treasury issue.

The Hon. DANIEL MOOKHEY: Of course. We take it seriously.

MICHAEL COUTTS-TROTTER: Yes, we do.

The CHAIR: Thank you for taking it seriously, Treasurer. It is time to take, seriously, a break. I've been informed that the Government is not asking questions, so we will return at 11.15 a.m.

(Short adjournment)

The CHAIR: It's now 11.15 a.m. We will recommence the hearing with a set of questions for 20 minutes from the Opposition.

The Hon. DANIEL MOOKHEY: Chair, did you want us, prior to that, to provide the information that we obtained?

The CHAIR: Yes. Some more detail—that would be very helpful. Thank you, Treasurer.

The Hon. DANIEL MOOKHEY: We got some information back around our social impacts.

MICHAEL COUTTS-TROTTER: Mr Rath, would you like me to tell you what I've discovered?

The Hon. CHRIS RATH: Sure.

MICHAEL COUTTS-TROTTER: I should acknowledge that this investment was begun in the 2021-22 budget. Since that time \$14 million has been contracted or publicly committed by the Treasury—\$4.7 million over four years—to support women facing particular disadvantage to get to work, including survivors of domestic and family abuse, those exiting the justice system, single mums, the long-term unemployed and

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refugees. We've engaged five social enterprises to do that work under a payment-by-results arrangement. Some of the payments are at risk depending on whether or not highly disadvantaged women are able to get back into the workforce. Secondly, there is \$1.3 million over two years to build the capacity of social enterprises. The most recent one is an \$8 million tender to support the educational outcomes for First Nations girls.

The Hon. DANIEL MOOKHEY: We also have some additional details on consultants spend that we got for Ms Boyd.

MICHAEL COUTTS-TROTTER: For Ms Boyd, as our Treasury annual report reveals, we spent a little bit under \$12 million on consultants in the 2022-23 financial year. On our current estimates, we will spend less than half that amount this year. And that compares, again, to the year before—2021-22—when there was a 66 per cent reduction in consultancy expenditure and an 88 per cent reduction in consultancy expenditure compared to 2021. So while \$6 million is \$6 million, it is a very, very significant reduction on previous patterns of consultancy expenditure.

The Hon. WES FANG: Treasurer, did you and the Minister for Energy meet with landholders under threat of compulsory acquisition from EnergyCo near Dunedoo on Tuesday 13 February this year?

The Hon. DANIEL MOOKHEY: I did. It was a very good meeting. I'm grateful to the family that hosted us on their property and to the New South Wales farmers for assisting us in organising that meeting.

The Hon. WES FANG: At that meeting, do you recall describing the Land Acquisition (Just Terms Compensation) Act 1991 as not fit for purpose?

The Hon. DANIEL MOOKHEY: I recall making the point to that meeting that it wasn't fit for the purpose of dealing with energy transition issues and that remains my view. To be fair to the farmers, they were making the point to us that a lot of the processes that they were being subjected to mimicked settings which are not theirs. As a person who led an inquiry into the just terms Act in the last Parliament, I'm inclined to agree. They did ask me what is the prospect of legislative change and how fast it would be. I was pretty honest with them in saying that I don't believe that any prospect of legislative change like that is likely to assist them in their present circumstances.

The Hon. WES FANG: That was pretty much my next question. You did advise them that it could take years for them to be able to access any changes and that it's likely that EnergyCo and they would be unable to access that in respect of the compulsory acquisition?

The Hon. DANIEL MOOKHEY: There are two aspects of concerns that they raised. The first was with the legislative design, on which I made the point that I make again—that the prospects of reforming the just terms Act will take a lot of time. The second part that they raised was to do with how they were being treated by EnergyCo. Both the Minister and I were pretty clear with them that we didn't think that the manner in which they were being engaged by EnergyCo was satisfactory.

The Hon. WES FANG: Have you communicated that to EnergyCo?

The Hon. DANIEL MOOKHEY: Mr Fang, just let me finish, if you don't mind.

The Hon. WES FANG: Sure.

The Hon. DANIEL MOOKHEY: I made the point to them, and I make the point again, that there are incidents of better practice in the public service than the ones that have been adopted by EnergyCo in this respect. I think I made the point to them that as a result, frankly, of a lot of scrutiny that the previous Parliament put on, for example, Sydney Metro, Sydney Metro had made substantial changes to how they were engaging with parties. I made the point to them that EnergyCo could learn from that lesson, and I think both the energy Minister and I did undertake to ensure that EnergyCo's approach to them would differ from what it had been. Of course, it's the Minister for Energy who took responsibility on that, and to the best of my knowledge the Minister for Energy has gone on with getting EnergyCo to engage the farmers of Dunedoo a lot better. I would also make the point that throughout that trip I learnt two other things. There is obviously a great desire for lots of people to see what the opportunity is for the additional investment that's coming into the Central-West Orana to be used to transform the region economically. I met with mayors and I met with others who made that point.

The Hon. WES FANG: Treasurer, I'm going to redirect you, because I have limited time.

The Hon. DANIEL MOOKHEY: Mr Fang, I was just going to conclude with a 30-second statement, if that's okay?

The Hon. WES FANG: All right.

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The Hon. DANIEL MOOKHEY: And then the second point that I also realised is, yes, there are some pretty intense land use conflicts that are surrounding the rollout of transmission infrastructure and, of course, as we have to build the power we need for the future, we have to make sure that we are respecting the landholders who it affects.

The Hon. WES FANG: That's really good to hear, Treasurer. Moving on from that issue, are you aware that yesterday Minister Aitchison confirmed that Minister Kamper is leading a review into the Land Acquisition (Just Terms Compensation) Act? Can you advise the Committee what changes you expect to come out of that review and what the cost will be to the budget?

The Hon. DANIEL MOOKHEY: I can't.

The Hon. WES FANG: Were you aware that Minister Kamper is leading a review into it?

The Hon. DANIEL MOOKHEY: Yes.

The Hon. WES FANG: Why didn't you make the landholders aware that there is actually work going on to—

The Hon. DANIEL MOOKHEY: I think I did. I think I did say to them that there is a review happening. In fact, my recollection is I pointed out that I had done a review when I was in the upper House and that provided the basis upon which we took an election commitment to review the valuation Act. To be fair, though, Mr Fang, we spent a lot of time listening to those farmers, because that's why they wanted us there. They wanted to be heard. I've just got to say, I said to them then—and I thank them for it—their thoroughness of preparation for such a meeting was second to none.

The Hon. WES FANG: They usually are.

The Hon. DANIEL MOOKHEY: Equally, their passion was obvious to all. I say this again: It is very, very tough to find yourself engaged in negotiations with a government when it comes to compulsory acquisition. I wasn't coming to Dunedoo to tell them what I thought; I was there to listen to what they thought.

The Hon. WES FANG: I appreciate that, Treasurer. However, are you aware that yesterday Minister Aitchison also indicated that there was an increase in funding that was offered to landholders affected by the Singleton bypass and the potential compulsory land acquisition there? Was this done outside the Land Acquisition (Just Terms Compensation) Act? If so, why aren't the landholders that are affected by EnergyCo's projects offered similar consideration?

The Hon. DANIEL MOOKHEY: Sorry, which part of the Singleton bypass was there an increase—

The Hon. WES FANG: I don't know. Minister Aitchison indicated yesterday that in deliberations with affected landholders, there were increases in the amounts that were offered.

The Hon. DANIEL MOOKHEY: Mr Fang, so that I can properly answer your question, are you able to identify the number of landholders who had an increase?

The Hon. WES FANG: I can't. I can only go off the answers that were given by Minister Aitchison yesterday in estimates.

The Hon. DANIEL MOOKHEY: Then perhaps what I should do is take your question on notice and see what further information I can find out for you.

The Hon. WES FANG: Thank you. Minister Aitchison suggested yesterday that the Hon. Sam Faraway should seek answers from those who are drafting the Act. Treasurer, who is drafting the Act? What is the progress of that Act and when do you expect Minister Kamper to bring that bill before the Parliament?

The Hon. DANIEL MOOKHEY: Mr Fang, let me just check with the secretary but I am 99.99 per cent positive that the just terms Act is not within my ministrative arrangements.

MICHAEL COUTTS-TROTTER: No.

The Hon. DANIEL MOOKHEY: So the logical place to have asked these questions was probably when the Minister who is responsible, which is Minister Kamper, was present.

The Hon. WES FANG: I agree, Treasurer. However, nobody was aware that this was happening until Minister Aitchison provided the advice yesterday. Nobody was aware.

The Hon. DANIEL MOOKHEY: Which then brings me to my second point, which is I'm in a limited position to provide additional information than was provided to Minister Aitchison because it's not within my

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ministerial responsibility and, in general, it's not really the role of the Treasurer to provide running commentary on the evidence that other Ministers gave to previous budget estimates hearings.

The Hon. WES FANG: While I appreciate that, Treasurer, you were out at Dunedoo, talking to farmers, telling them that there was no way that they would be able to access any of the changes that were being made to the just terms compensation Act. Yet here we find that Minister Kamper is actually leading a review and Minister Aitchison says that there is drafting going on for a bill to be brought before the Parliament.

The Hon. DANIEL MOOKHEY: I stand by the advice that I gave to those farmers in Dunedoo, that the most immediate thing the Government can do—

The Hon. WES FANG: Is it that the left hand doesn't know what the right hand is doing in this Government?

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: I'm answering your question.

The CHAIR: Order! Mr Fang.

The Hon. DANIEL MOOKHEY: I stand by the view that I gave to the Dunedoo farmers. Because I respect their interests as much as I do, and because I am a parliamentarian who has engaged heavily with the questions of the design of the just terms Act, the most accurate answer I have provided them is the answer I provide you, which is: The best way to help those farmers in their negotiations with EnergyCo is to ensure that EnergyCo is acting like a model—effectively—litigant. I would also point out that when we undertook that inquiry, when I was in opposition, one of its key recommendations was to ensure that public service agencies recognise the fact that they are often in better positions, and that they engage in what is otherwise termed a good-faith manner but actually as model litigants, which is that they have an additional onus on them that is not expected of their counter party.

The Minister and I take it very seriously. Not only did we make those commitments to those farmers, but the Minister has also made it quite clear that she expects to be constantly engaged with EnergyCo and how they're being treated. I appreciate the fact that the energy Minister will be present in estimates soon. But, I've got to say, the energy Minister is taking it very seriously—and her office—and we have made no secret of the fact that we expect EnergyCo and others to treat all landholders with the respect that they deserve, which is more than is required under—

The Hon. WES FANG: Treasurer, I'm going to redirect now. I appreciate your answer; however, I spoke to them yesterday and they still do not feel like EnergyCo is treating them with the respect.

The Hon. DANIEL MOOKHEY: Again, Mr Fang, I appreciate the fact that you're raising it—

The Hon. WES FANG: Now, Treasurer—

The Hon. DANIEL MOOKHEY: —and, again, we're very happy, as a result of your advocacy—

The Hon. WES FANG: Treasurer, I'm going to redirect to my last question.

The Hon. BOB NANVA: Point of order—

The Hon. DANIEL MOOKHEY: —to go back to the farmers and to ensure—

The CHAIR: A point of order has been taken. Excuse me, Treasurer.

The Hon. DANIEL MOOKHEY: —and to make further inquiries.

The Hon. WES FANG: I think the Treasurer concluded that answer.

The Hon. DANIEL MOOKHEY: No, I hadn't.

The CHAIR: I'm not sure, but a point of order has been taken. Mr Nanva.

The Hon. WES FANG: He has.

The Hon. BOB NANVA: Paragraph 19 of the procedural fairness resolution goes to courtesy. Mr Fang asked a series of questions and didn't provide the Treasurer with sufficient time to answer them before then seeking to redirect. You cannot redirect—

The Hon. WES FANG: He's been giving a monologue, Bob. He's been giving a monologue.

The CHAIR: Order!

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The Hon. BOB NANVA: It is not in order to redirect an answer that is legitimate to a question that has been raised.

The Hon. WES FANG: *War and Peace* was shorter than that answer.

The CHAIR: Order! Yes, we should give our witnesses the full courtesy. If you ask a question, Mr Fang, please allow the witness, the Treasurer, to answer it as he sees fit.

The Hon. WES FANG: I've got one last question, Treasurer.

The Hon. DANIEL MOOKHEY: I hadn't completed, Mr Fang. I make the point, again, that I don't turn up to meetings to mislead people, and I answer difficult questions. I was asked whether or not the prospect of legislative change will make an immediate consequence on their process. I say it again now, the reality is, as the farmers themselves pointed out, their acquisitions are going to be completed imminently. They are already in a PAN process. That means that they are subscribed to legislative timetables. Dare I say, even if there is legislative change, as you would know, it is not retrospective and it tends to apply from the point that it's proclaimed, which means people who are in acquisition prior to the proclamation are still under the previous system. I would just suggest to you, Mr Fang, that when you speak to them you are honest and accurate about that, too. Because it would be a disaster if you were to perhaps inflame their hopes that a legislative change would fundamentally cause the PAN process that they are under to be annulled. I stress, again—

The Hon. WES FANG: I'm not the Treasurer.

The Hon. DANIEL MOOKHEY: But, Mr Fang, you are an important member of Parliament—

The Hon. WES FANG: I'm not the Treasurer. You can fix this problem.

The Hon. DANIEL MOOKHEY: —and you are engaged with them.

The Hon. WES FANG: You can fix this problem for them.

The Hon. DANIEL MOOKHEY: When I was dealing with similar people—

The Hon. WES FANG: You went out there. You heard them.

The Hon. DANIEL MOOKHEY: Mr Fang, when I was dealing with similar families who were affected by the acquisition of the Orchard Hills land to build the Orchard Hills metro station, and I was being asked the same thing—

The Hon. WES FANG: You made them commitments.

The Hon. DANIEL MOOKHEY: —in opposition, I was able to advocate for them.

The Hon. WES FANG: You saw those families.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: I was in a position to advocate for them and not provide them bad advice upon which they rely.

The Hon. WES FANG: Treasurer, has the police Minister asked for any additional funding to help combat the rural youth crime wave that we're seeing? Has she taken anything to ERC to try to ensure that additional funds and resources are provided to rural and regional communities?

The Hon. DANIEL MOOKHEY: I don't comment on ERC processes, but I will say this: The police Minister is constantly asking for additional resources.

The Hon. WES FANG: Are you giving them to her?

The Hon. DANIEL MOOKHEY: Yes, and we are always treating those with the respect that—

The Hon. WES FANG: So why have you forgotten rural and regional New South Wales?

The Hon. BOB NANVA: Point of order—

The CHAIR: Order! I don't need to hear a point of order. Mr Fang, you're a participating member here. Please afford the witness full courtesy and the capacity to answer the question that you have asked. Please act with decorum so that we can hear the answer of the Treasurer and Hansard can record it.

The Hon. DANIEL MOOKHEY: I have to say the Minister's relentless advocacy to deal with the 1,500 shortage that she inherited from the former Leader of the National Party, who was her predecessor as police Minister—she managed to obtain and convince the Government, as well as the Police Force itself, to pay student

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officers while they're studying at Goulburn police academy. As you can see in the half-year review, on page 21, that's \$168.3 million in expenses to 2026-27. Why is that important? Because, as you would know, you can only hire officers who have attested, which means that you need to be able to get more officers to pass through the academy, which is what we've done, which then means you're in a better position to deploy them to rural and regional New South Wales. It would have been my preference for those officers to be paid to study well before we got to government. Equally, it would have been my preference for the previous Government not to have allowed 1,500 vacancies in our Police Force. It would have been my preference for the previous police Minister, who was then the Leader of the National Party and Deputy Premier, to have used the power of his office.

The Hon. WES FANG: Treasurer, this isn't about what the previous Government did.

The Hon. DANIEL MOOKHEY: If the previous Leader of the National Party, and Deputy Premier, had used the power of his office, the current police Minister would be in a much better position.

The Hon. WES FANG: I'm going to redirect you, because it's not about what the previous Government did. It's about what you are doing and it's about what the current police Minister is doing.

The CHAIR: Order! Mr Fang, please desist from interjecting while the Treasurer is giving an answer to your question.

The Hon. WES FANG: It's a monologue, Chair.

The CHAIR: Order! It might be a monologue, but that's up to the discretion of the Treasurer. He's answering the question. Please allow him to answer it without interjecting.

The Hon. DANIEL MOOKHEY: All I'll say, Mr Fang, is that the police Minister has managed to obtain more reform in the last 12 months than her predecessor did in the four or five years in which he had the role.

The Hon. WES FANG: Yet we're seeing the crime wave now.

The Hon. DANIEL MOOKHEY: We have full support for our police as we're dealing with lots of difficulties in our community.

The Hon. WES FANG: I'll hand over to my colleague.

The Hon. SCOTT FARLOW: I think I've heard you cite some of these figures. The interest rates have increased by 425 basis points over the last three or four years. We've seen a one-third increase when it comes to construction costs, and we've seen 1,400 construction businesses go into insolvency in the second half of 2023. Do you know how many of those businesses were in New South Wales?

The Hon. DANIEL MOOKHEY: I think we might, but let me come back to you on that. We do track some aspects of that information, but I'm sure we might be able to find an answer for you, either before I leave or maybe by the afternoon. Otherwise, we'll take it on notice.

The Hon. SCOTT FARLOW: Treasurer, does the Government accept that the building industry is facing tight building margins caused by increased holding costs, labour shortages and building material costs, and that the introduction of the Housing and Productivity Contribution will threaten the production of housing at a time when housing supply in New South Wales has already collapsed?

The Hon. DANIEL MOOKHEY: No.

The Hon. SCOTT FARLOW: No, you don't?

The Hon. DANIEL MOOKHEY: No.

The Hon. SCOTT FARLOW: Treasurer, do you know how many charges the New South Wales Government imposes on developers, which ultimately get passed on to home buyers?

The Hon. DANIEL MOOKHEY: That's heavily contested, depending on what charge you're taking about. Equally, it's heavily contested when you start talking about the proportion of charges that are paid for by landholders versus developers versus buyers. It's incredibly contested when it comes to the question of how much they're paying relative to how much households are having to pay to build infrastructure as well. If you're alluding to the water charging regime or anything like that, I can provide you with this.

The Hon. SCOTT FARLOW: I'm not alluding to anything, Treasurer.

The Hon. DANIEL MOOKHEY: Clearly you're not!

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The Hon. SCOTT FARLOW: I'm just asking do you know how many charges are applied by the State Government?

The Hon. DANIEL MOOKHEY: I've got to say it's contested. Lots of people will nominate a whole series of charges that they characterise as charges on developments, which other people disagree are. If you wish to provide me with a list of what you consider to be, I'm happy to have a look at it and come back to you. But it's fair to say that often, when I meet with people involved in the spectrum of building activity and land development, they do make the point that there are multiple charges. But there is a wild divergence about how much of them arise from development and how much of them arise from other responsibilities people have.

The Hon. SCOTT FARLOW: Would you say it would be fair to characterise the charges on a Western Sydney apartment block to be anywhere between \$70,000 to \$110,000?

The Hon. DANIEL MOOKHEY: That's heavily contested. Now you're getting into real contests. Depends what you cover, and it depends how you're applying it, too. If you're talking about an apartment, you're talking about a strata. And, if you're talking about applying it to a strata scheme, you're talking about the unit divisions within a strata scheme. All I will say is that in general the idea that, if you go in towards—I guess I can say this: As the productivity commissioner has made clear, greenfield development costs more than infill. I think the figures—I might be right—is about \$74,000 a hectare on greenfield and about \$18,000 a hectare on infill. I think that that's a pretty fair comparison. How that then is allocated between landholders, obviously, turns on who owns the land.

The Hon. SCOTT FARLOW: Talking about greenfield and infill, the Queensland Government has embarked upon a proposal to pay some of those contribution charges to encourage infill development—a \$350 million fund. Is that something that's been considered by the New South Wales Government?

The Hon. DANIEL MOOKHEY: We've already introduced, in my first budget, a Housing Acceleration Fund. In fact, we did two. We did a proportion of it for regional New South Wales as well. We made the point, which, I think, to be fair to you, Mr Farlow, you disagreed with, in which we ensured that, because the charge is payable at the time that a construction certificate had issued, not an occupancy certificate, it means that we're in a better position to actually build infrastructure before people pick up the keys. I made this point: No-one can pick up the keys to their front door unless there's a street that goes to their driveway. The fact that we made that change means we're in a better position to really deal with the concern that lots of communities have, which is the homes come but the infrastructure doesn't. I was in—

The Hon. SCOTT FARLOW: But in the terms of that change, though, Treasurer—that is something that flied in the face of the recommendation of the productivity commissioner, who said that the timing of the payment of infrastructure charges be shifted from the commencement of construction, when cash flow is the tightest, to the end of construction, when settlement and cash flow are imminent. Doesn't this make it even harder for building companies across New South Wales?

The Hon. DANIEL MOOKHEY: No. I think, to be fair to the productivity commissioner, the productivity commissioner has accepted the fact that that was his view. And I made the point, I think, when we were debating it in Parliament, that the capacity to pay that charge tends to turn more on the financing arrangements that apply at the time, not the cash flow arrangements that apply from the time of sale. You'll tend to find that people who engage in such large-scale development finance it. And in many senses—

The Hon. SCOTT FARLOW: And they incur costs in financing it.

The Hon. DANIEL MOOKHEY: Of course, they do.

The Hon. SCOTT FARLOW: And those costs get passed on.

The Hon. DANIEL MOOKHEY: They also make a lot of profit from it, Mr Farlow. But I would also make this point, Mr Farlow: Someone has to pay. If you're advocating a view that suggests that developers shouldn't make a contribution, then you are arguing that households should fill that gap, and that has a real cost-of-living impact on people, especially when it comes to water charges as well. Every other State does require various forms of contribution because otherwise the incidence of expenditure falls on the public and it falls on households. I think that we can get the balance right to ensure that developers can make good profits, but equally we can continue to ensure that households don't have to suffer from incredibly rising water bills and other forms of infrastructure bills at the same time.

The CHAIR: At an earlier hearing of this Committee this year, the Premier said that the cost to government and community of the appalling—in my words—self-evident and ongoing gangland war on Sydney's streets can be calculated in the billions of dollars.

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The Hon. DANIEL MOOKHEY: I watched.

The CHAIR: I beg your pardon. Did you say "awash"?

The Hon. DANIEL MOOKHEY: I watched you ask the Premier.

The CHAIR: You watched. Thank you. Do you agree with the Premier that the cost of that gangland war can be calculated in billions of dollars?

The Hon. DANIEL MOOKHEY: I certainly think the law enforcement costs and other costs that are incurred by society as a result of organised crime are in that magnitude, yes.

The CHAIR: How are these costs being calculated? Is Treasury doing any work to quantify or model the cost? You just said that the police Minister is relentlessly advocating for more resources. And, of course, those resources are going into combating this crime. Who is doing the modelling to assess the cost to the public purse, the community and the private sector?

The Hon. DANIEL MOOKHEY: Mr Buckingham, I will have to check who is. Is Treasury? To the best of my knowledge, Treasury hasn't got a dedicated project towards calculating this. But I can't help feel that, in response to your advocacy, we may well be considering it soon, as to whether we can or should or who is best placed to provide such an estimate. Dare I say it's also—I'm sure that there is academic research around this, that we can inquire into as well.

The CHAIR: Good. That's good news.

The Hon. DANIEL MOOKHEY: I'll just stress: Let me come back to you on that, though.

Ms SUE HIGGINSON: He's such an amenable—

The CHAIR: Thank you. It's a very serious issue, Mr Treasurer.

The Hon. DANIEL MOOKHEY: I know.

The CHAIR: This week, a young man in Fairfield Heights was executed in broad daylight at 8.00 a.m. on a suburban street in front of his mother, to the horror of that community. Is this gang war and appalling violence and crime making it less likely that there will be investment in housing and economic activity in the suburbs of south-west Sydney?

The Hon. DANIEL MOOKHEY: I honestly—

The CHAIR: Do you think this crime is a disincentive for investment in these communities?

The Hon. DANIEL MOOKHEY: That's a hard question to answer. I grew up near there. I grew up in Merrylands and Merrylands is still a place I am very fond of and I consider to be my home. It's fair to say that is pretty close to Fairfield. It's fair to say there's been lots of investment in those communities, but it's hard for me to be able to tell you what the counter factor would be.

The CHAIR: Hopefully, if Treasury is doing some modelling, it's something that they'll look into. Treasurer, what are these criminal gangs fighting over?

The Hon. DANIEL MOOKHEY: I presume power is what they're fighting over.

The CHAIR: Power over what?

The Hon. DANIEL MOOKHEY: Illicit businesses.

The CHAIR: Illicit businesses? What sort of illicit businesses?

The Hon. DANIEL MOOKHEY: Drug businesses is what my understanding is, Mr Buckingham.

The CHAIR: Illicit drugs.

The Hon. CHRIS RATH: The answer you wanted, Jeremy.

The Hon. DANIEL MOOKHEY: But I stress again I wouldn't claim any special expertise.

The CHAIR: Shouldn't we have special expertise, especially in Treasury—if they're costing the public purse billions—how these crime gangs are making their money? In the words of the New South Wales chief inspector Jason Weinstein, he said that illicit cannabis was the jet fuel of organised crime, that that was how they build—that was their startup model for organised crime. How do you respond to that?

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The Hon. DANIEL MOOKHEY: I respond with respect. When I say I don't have expertise, you shouldn't infer that Treasury doesn't, or you shouldn't infer that the New South Wales Government doesn't or other entities don't, either. As I was witnessing your similar line of questioning with the Premier, I heard you refer multiple instances to the New South Wales Crime Commission, who do have tremendous expertise in this question. I take their advice very seriously. They do have real in-depth knowledge of how these organisations work. I also say they are very effective at disrupting them, too.

The CHAIR: The New South Wales Crime Commission has said that the scale and scope of these illicit cannabis industries is increasing—one, in northern New South Wales in 2022, was to the value of \$500 million—and they went on to say that, in terms of illicit cannabis, "It's one of the most widely used drugs in Australia and the profitability allows organised crime to generate significant income to fund the importation of other drugs from overseas." Prohibition, essentially, is creating the business model for these crime gangs that's costing the community billions of dollars, is it not? Prohibition on cannabis, I should say.

The Hon. DANIEL MOOKHEY: I guess that's an inference you've drawn from the advice of the Crime Commission.

The CHAIR: Would you draw that inference?

The Hon. DANIEL MOOKHEY: I would draw an inference that is, yes, of course organised crime businesses make money from the trade of illicit substances. I have no idea whether or not cannabis is the particular commodity upon which they make their profit margin or not.

The CHAIR: That's not actually what I was saying. What I'm suggesting and what the senior police are suggesting is how they start to become profitable, because importing meth from overseas, importing cocaine, is much more difficult, I'm informed, than just starting up a grow operation in regional New South Wales or a series of grow houses in Western Sydney.

The Hon. DANIEL MOOKHEY: I confess no expertise in the life cycle of an organised crime business.

The CHAIR: The German Government this week—Olaf Scholz's Government, the Bundestag, passed laws to legalise cannabis. The largest economy in Europe has recently legalised cannabis. Their health Minister, Karl Lauterbach, said, in terms of ending prohibition on cannabis, "We have two goals"—to crack down on crime and the black market and protect young people from an unregulated market and product. Do you think New South Wales and Australia should be following the lead of a successful, progressive, democratic country like Germany and cracking down on the black market of illicit cannabis?

The Hon. DANIEL MOOKHEY: I do follow German politics to some degree. I often ask myself, "What would Olaf do?" He is running an interesting government, and it's a government that includes what was left of The Greens party and the FDP as well—the freedom party—which I'm sure Mr Rath follows closely. I'm not across their cannabis policy, to be fair, but in terms of the broad point you're making, which is a worldwide trend towards decriminalisation of cannabis consumption, yes, I've observed that. In fact, I believe there was a US state last year, in a referendum, that approved it in quite a strong number. I believe others have too.

I will also point out that, for what it's worth, there are some interesting debates that are happening now from the other perspective about how well some of those laws are working in practice. I can only refer you to some articles that have been recently published. *The New Yorker* this week actually published a piece on Oregon and the impacts of drug decrim in Oregon. Equally, what's going on with the New York cannabis market, which I was reading about earlier this week, and some of the issues to do with the fact that legalisation of cannabis in New York has not necessarily led to the extinguishment of organised crime's involvement in cannabis but has, in fact, led to organised crime taking over the dispensaries. All of which is my way of saying, it's hard for me to answer your question.

The CHAIR: The national household drug survey came out this week, and 80 per cent of respondents to that survey said that they support the legalisation of cannabis. Are you one of those households?

The Hon. DANIEL MOOKHEY: I wasn't surveyed, but I will take this opportunity to correct some slander you inadvertently provided to me, Mr Buckingham. I saw earlier this year that you did an interview with the Herald in which you said that everyone in Parliament has at some point consumed cannabis. I can assure you that I never have.

The CHAIR: But you were into hip-hop.

The Hon. DANIEL MOOKHEY: I've never smoked. I've never inhaled. I've never done anything of the sort. I'm prepared to say that, and I just have to say, when I read your profile—at one of my favourite Egyptian

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restaurants—I was insulted by the implication that you had drawn about my cannabis consumption habits or lack thereof.

The CHAIR: I was verballed. I said "nearly everyone".

The Hon. ROBERT BORSAK: Have you tried crack?

The Hon. DANIEL MOOKHEY: I have not. When Nancy Reagan said, "Just say no", I said okay.

The CHAIR: You're as pure as the driven snow. That's good to know. Are you aware, Treasurer, that there is a jurisdiction in New South Wales in which cannabis is legalised?

The Hon. DANIEL MOOKHEY: Which one?

The CHAIR: It's called the ACT.

The Hon. DANIEL MOOKHEY: In New South Wales, you said.

The CHAIR: Within New South Wales.

The Hon. ROBERT BORSAK: Trick question.

The CHAIR: Are you aware of that?

The Hon. DANIEL MOOKHEY: I am, yes.

The CHAIR: Are you aware of some of the outcomes after four years of cannabis legalisation in the ACT—what some of the outcomes are in terms of crime, health et cetera?

The Hon. DANIEL MOOKHEY: Dare I say, I'm prepared to confess that I'm probably not as aware of them as you are.

The CHAIR: I'd be interested in your response to the fact that a parliamentary inquiry found that there had been a 95 per cent drop, of course, in cannabis-related crimes.

The Hon. WES FANG: How do they still have 5 per cent if it's deregulated?

The CHAIR: There'd been no increase in roadside drug testing offences. There'd been no increase in people presenting at hospitals. The national household drug survey said, this week, there had been a decrease in cannabis consumption in the ACT. Don't you think it's time that we seized the opportunity to regulate cannabis and create a revenue stream, because there are benefits in terms of the Treasury's bottom line and in terms of reducing crime on our streets?

The Hon. DANIEL MOOKHEY: Mr Buckingham, I respect your advocacy on the matter. I would point out that your advocacy on the matter as well as the advocacy of others is why the Government has committed to the Drug Summit in which these propositions can be advanced, they can be tested, other experts can weigh in, and we can have a conversation about what are the right settings going forward. My own view is to respect that process, to respect that election commitment, to ensure that that drug summit is in a position in which people can have their say, and expertise and claims can be thoroughly tested by the public, the media, the community, the Parliament and, of course, the Government.

Ms SUE HIGGINSON: Good morning, Treasurer and Secretary. You won't be surprised by my question. Do you support the conversion of existing native forests into carbon credit systems, such as using them for Australian carbon credit units or ACCUs?

The Hon. DANIEL MOOKHEY: I definitely think it's a prospect that needs to be explored. I think the prospects for the New South Wales Government to become a mass supplier of carbon credits is strong. The fact that within that strategy, that can income-boost the use of native forest is obviously something that the industry itself is talking about. My view would be that, certainly theoretically, it is something that we should explore. I think the issue with the take-up is going to be whether or not the methodology to assess the carbon abatement is developed and how it is developed.

Ms SUE HIGGINSON: Is NSW Treasury doing any work?

The Hon. DANIEL MOOKHEY: Yes, we are.

Ms SUE HIGGINSON: You are. Can you elucidate any bits?

The Hon. DANIEL MOOKHEY: You'll see that one of the policy pieces of work that we are looking to do is to assess what exactly, as I said, is the capacity of the New South Wales Government to become a mass supplier of ACCUs. Secondly, that work encompasses our State-owned corporations, who are massive

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landholders. I would say it's more than just Forestry Corp. There are other landholders that we're interested to see what's use. Equally, the capacity of the Crown as a Crown land manager itself—

Ms SUE HIGGINSON: Do you see an issue, though, with allowing the big carbon emitters to use these sorts of offsets in lieu of actually avoiding their emissions?

The Hon. DANIEL MOOKHEY: To be frank—

The Hon. ROBERT BORSAK: He won't have to. There won't be any left.

The Hon. DANIEL MOOKHEY: No, because the fact that we now have a safeguard mechanism in place certainly allows for that, and particularly because the technological curve amongst big polluters is such that there will be a period of time—

Ms SUE HIGGINSON: So you think it's inevitable. We've got those hard-to-abate emitters and we'll facilitate that.

The Hon. DANIEL MOOKHEY: What I will say is that it turns on the technological curve of alternate technologies. So if a steel plant is able to convert itself to hydrogen at a price point that is affordable, they won't abate. Equally, if an aluminium factory or Tomago is in a position in which they can adopt other technology which means they don't need to be a buyer—but I think that there is genuine industry concern that the technology is not developing at a price point that is affordable for them before their obligations to abate arise. We want them to abate. So for that period of time, the use of abatement mechanisms is a strong part of the policy mix.

Ms SUE HIGGINSON: Are you aware of the study from last year, which was led by the university of Berkeley's Goldman School of Public Policy, that found and showed that, for carbon offset projects, the industry's top registries have consistently allowed developers to claim way more carbon savings benefits than justified? Have you seen that report?

The Hon. DANIEL MOOKHEY: Yes. I might be familiar with that study. I may have read that in summary form.

Ms SUE HIGGINSON: Researchers from Berkeley assessed the methodologies underpinning forestry projects responsible for 11 per cent of offsets ever used and found radical shortcomings in all of them.

The Hon. DANIEL MOOKHEY: Firstly, I'm very much aware of that concern. Whether I'm aware that those concerns have arisen from that study is a different question. But I'm very much aware of those concerns. That's the point that I was making before—that a lot of it turns on the soundness of the methodology that's adopted, accredited and verified. That is a big hurdle to being able to potentially use forestry estate—softwood and hardwood—for carbon abatement. I still maintain the view that the potential is such it should be explored.

Ms SUE HIGGINSON: You're aware as well that what comes with that is an enormous corruption risk for those new markets that are establishing, and that is precisely where—these bogus credits, even.

The Hon. DANIEL MOOKHEY: Yes. I am aware of that risk, which is part of the reason why, firstly—frankly—in terms of who has a forestry estate, there is a desire for Australia to play a role. Secondly, it's not just the forestry estate. I just stress that. In many senses, the capacity to provide abatement opportunities is outside of that.

Ms SUE HIGGINSON: Treasurer, I am talking specifically about the public and particularly the public forest estate that is a really important asset.

The Hon. DANIEL MOOKHEY: I take your point. But then, I guess, the third thing I say in response to that concern—that is part of the reasons why people who would want to buy ACCUs, want to buy them from a government, because these are going to be a massive asset class that's going to be sitting on balance sheets. They are likely to be subject to trade. People are likely to borrow against the asset value of the abatement and so, from our perspective, I am certainly picking up enough noise amongst people who are searching for ACCUs for their government to become a supplier of them.

Ms SUE HIGGINSON: But do you understand at this point that the research and particularly the development so far with the forestry ACCUs that have been happening, particularly through the Canberra mob, the university, the ANU, that what's really clear is that the real carbon saving for New South Wales—if Government is going to be an ACCU provider, it surely has to do that fiscally and the genuine, real carbon saving in public native forests for your budget and maintaining the black is actually in protecting the forest, not generating the trade.

The Hon. DANIEL MOOKHEY: I'm very much aware of the ANU's views and the ANU's scientists' views. Yes, I am very much aware of that. Secondly, I have no reason to disagree with it. The third thing I would

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say is we're testing all these propositions as part of the work that we're doing. The final point I make is the credentialing of these abatement methodologies is a prerogative of the Commonwealth Government, and so we are wanting to work in partnership with the Commonwealth Government on that question.

Ms SUE HIGGINSON: Thank you. I appreciate that. When you say that we're looking at the Government—at New South Wales—potentially being a supplier, would that be to an international market? Is that what you're looking at?

The Hon. DANIEL MOOKHEY: The market's not designed. But, at this point, we would see it as complementary to the safeguard mechanism. The real question is whether or not international schemes recognise that for the purposes of their carbon abatement. As I'm sure you're aware, the EU is about to apply a carbon adjustment levy from '26. From our perspective, alignment with those schemes matters a great deal because I think that will give us quite a strong trade advantage with the EU, which, I point out, is still the world's fifth-largest economic trade zone—or fourth. That's the first point. The second point I make is that, equally, alignment with the US standards is going to be crucial. In global carbon markets, New South Wales is a minnow. Australia, frankly, is a bit of a minnow. Our ability to credential with other schemes matters a great deal.

Ms SUE HIGGINSON: Treasurer, did I just hear you make the case to just protect our native forests and not play the international game with our precious public native forests?

The Hon. WES FANG: No, I didn't hear that.

Ms SUE HIGGINSON: I think I heard that, Mr Fang.

The Hon. DANIEL MOOKHEY: All I have to say is, as you can see, Ms Higginson, I am interested deeply in this question because, from my perspective, New South Wales has the opportunity to be a world leader in how we are able to manage climate adaptation. I'd love it to be a trade advantage of this State that we have over the other States and, frankly, over other countries, that people know.

Ms SUE HIGGINSON: But we would only do that without creating perversities or corruption mechanisms or anything like that in the system. We would put those priorities at our highest, wouldn't we?

The Hon. DANIEL MOOKHEY: I think that, if you want a durable, long-term market that is capable of attracting international investment, it has to be of the highest standard and the most corruption resilient.

The Hon. SCOTT FARLOW: Treasurer, before, we were talking about Queensland paying for infill housing, effectively, and charges and the like, and they're doing that through a \$350 million fund. Does it concern you that \$105 million of New South Wales's outstanding hotel quarantine bills are helping fund Queensland developers?

The Hon. DANIEL MOOKHEY: Yes, it does. Mr Farlow, States should pay their bills.

The Hon. SCOTT FARLOW: What are you doing about it?

The Hon. DANIEL MOOKHEY: What I am doing about it is the following. Firstly, I can proudly report to you that quarantine collection from other States has doubled in the 2022-23 year, and I give some of that credit to my predecessor as well. Our good friends in Victoria paid their bill. Our good friends in South Australia paid their bill.

The Hon. SCOTT FARLOW: What about the Queenslanders?

The Hon. DANIEL MOOKHEY: If even Victoria can pay its bills, so can Queensland. I expect Queensland to pay its bills. I point this out: My predecessor wrote off the \$105 million from the books. We've already taken the write-off, and that wasn't my decision. That was the decision of the Treasurer and the Treasurers, potentially, who preceded me. I have—

The Hon. SCOTT FARLOW: But you've got better relationships up in Queensland. What have you been able to do to shake the tree and get \$105 million?

The Hon. DANIEL MOOKHEY: That's quite the claim.

The Hon. SCOTT FARLOW: You and Mr Dick would be mates, wouldn't you?

The Hon. DANIEL MOOKHEY: Well, it depends on the day, and it depends on the bill. I've got to say, what I expect Queensland to do is pay its bills. I've made that point clear to the Queensland Treasurer on multiple occasions.

The Hon. SCOTT FARLOW: What if they don't?

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The Hon. DANIEL MOOKHEY: I'm also pleased to say to you that at first instance we will be pursuing it through the Commonwealth Grants Commission process about divvying up GST payments and other forms of grants. We want the Commonwealth Grants Commission to take it into account. I am honest about the fact that that is a relatively novel claim to put on the CGC, and equally I'm not going to vouchsafe that that is going to work, but that is the first strategy that we're applying. The second strategy I have said we will do is we reserve the rights to withhold payments to Queensland in other matters that do not create any risk to life or liberty between our two States in order to recover this money. And, equally, I have recently been in correspondence with the Queensland Treasurer to that effect, and I intend to be talking to him about it again in the future.

The Hon. SCOTT FARLOW: And in terms of the Commonwealth Grants Commission, are we getting ripped off when it comes to GST? If so, what are we doing about it?

The Hon. DANIEL MOOKHEY: We are. We are being ripped off when it comes to GST in the CGC, and what we are doing about it is we have a whole team—

MICHAEL COUTTS-TROTTER: We do.

The Hon. DANIEL MOOKHEY: I think we are up to 50 or 60 experts—do we, Mr Secretary?

MICHAEL COUTTS-TROTTER: I'm not sure I can confirm that number.

The Hon. DANIEL MOOKHEY: I think we have engaged many, many people and with respect to providing the Commonwealth Grants Commission with much more up-to-date information about what it costs to deliver essential services in general. I would also make the point that we're doing that in partnership with other States, but we're being relentless about making that point about how it applies to New South Wales. We're also making the point that the traditional standard that the Commonwealth Grants Commission uses, which is to benchmark everybody to the strongest fiscal State, heretofore has been New South Wales. But as a result of the arrangement that the Morrison Government entered into with Western Australia, we make the point that they should be reflective of who actually is at the time that they're making these determinations the strongest fiscal State. And, I've got to say, a lot of this has been disrupted as a result of that arrangement.

My issue is not with Western Australia. I expect Western Australian to always put its State's interests first. My interest is ensuring that the Commonwealth honours its word to make sure that no other State is worse off. I'm also pleased to report that as a result of some of that advocacy that I and others have done, the Commonwealth has agreed to extend the no worse off guarantee for a number of years, which is helpful. I want to thank Jim Chalmers for doing that. It just does mean, though, we're going to need a permanent guarantee from 2029 onwards, just as we needed one from 2027 onwards. The fact that we have three more years of additional breathing space and certainty is really important for New South Wales, as it is for the other States. But the problem still remains. Our expectations have not changed. For as long as that agreement is in place with Western Australia, the no GST worse off agreement needs to be in place for every other State too.

The Hon. CHRIS RATH: Treasurer, I know before when we were talking palliative care that you didn't actually believe that a reduction in the planned increase in funding was an actual cut. But how do you explain the actual cuts that you are making in education funding?

The Hon. DANIEL MOOKHEY: Sorry, Mr Rath, what are you referring to?

The Hon. CHRIS RATH: Are you making actual cuts to education funding in the last budget?

The Hon. DANIEL MOOKHEY: No, I'm fairly—let me just double-check.

MICHAEL COUTTS-TROTTER: No.

The Hon. DANIEL MOOKHEY: I'm fairly sure that the education budget is higher this year than it was last. I will get the budget paper for you.

MICHAEL COUTTS-TROTTER: The major factor in the education budget was the re-estimation of the enrolment share of public schools compared to previous estimates. From memory, it was a reduction of 27,000 children and young people. And, of course, when you have a smaller enrolment, you adjust funding accordingly. That was one factor in the education budget. But countervailing factors were the Government's commitment to get to the 75 per cent of the student resourcing standard faster, as well as a whole range of election commitments.

The Hon. DANIEL MOOKHEY: And if you turn to page 5-1 of *Budget Paper No. 02*, the Agency Financial Statements, you'll see that Education's budget has risen from \$22,208.8 million in 2022-23 to \$22,414.1 million, which is about \$300 million, which reflects what the secretary says. But increasingly, and importantly, you will see on the capital expenditure side that it's gone from \$2,380.7 million to \$2,586.2 million: growth of 8.6 per cent in terms of the capital spending as well. And then, if you look down—that's just the

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Department of Education—you will see that the NSW Education Standards Authority had a 5.4 per cent funding increase. The childcare policy is coming into effect. And you'll see that TAFE's funding in this budget paper has been corrected in the half-year review, which is what we said we would do at the time.

The Hon. CHRIS RATH: Treasurer, I'm genuinely curious here. In *Budget Paper No. 01* it seems to me that there is almost a \$300 million funding cut?

The Hon. DANIEL MOOKHEY: What page are you referring to?

The Hon. CHRIS RATH: Table A1.7 in *Budget Paper No. 01*.

The Hon. SCOTT FARLOW: It's "General government expenses by function".

The Hon. CHRIS RATH: Page A1-12.

The Hon. DANIEL MOOKHEY: I think what you're picking up here is some of the consequences of the MOG changes. But we're happy to come back to you, and I think this afternoon perhaps the people who are experts in reconciling it—

The Hon. CHRIS RATH: But you can see why, to me, it looks like there is an almost \$300 million funding cut?

The Hon. DANIEL MOOKHEY: Mr Rath, when I was in your position and I used to read that part of the budget paper, I used to always grab the agency financial statement and check, and once you reconcile the two, you are able to answer your own question. The agency financial statements have gone up. A lot of this turns on how you're describing it between clusters as well. It's really no more than that.

The Hon. CHRIS RATH: You can forgive my curiosity, but budget paper—

The Hon. DANIEL MOOKHEY: That's why we have estimates. I'm glad someone is asking about the budget papers.

The Hon. CHRIS RATH: *Budget Paper No. 02*, the TAFE commission, it seems—

The Hon. DANIEL MOOKHEY: In the half-year review, Mr Rath, what happened last year was with TAFE we were going through a national funding agreement reform. We concluded the national funding agreement, I believe, in October or September last year, which was after the budget, and knowing that that was likely to be the case, we made a decision that we wanted to wait for the outcome of the national funding agreement in order for us to then finalise TAFE's budget for the year, which happened to be fortuitous because of the limited time between the budget and the half year, which means you'll see on page 21 of the *Half-Yearly Review*:

... the NSW Government signing the National Skills Agreement, which is a 5-year joint agreement between the Australian Government, states and territories to strengthen the vocational education and training sector (\$314.6 million in expenses to 2026-27 ...

That was put in and that was then offset by the Commonwealth. I'm really pleased that we actually got more money from the Commonwealth for TAFE, because it's so important that people have access to vocational opportunities. So that's all that happened in that space.

The Hon. CHRIS RATH: Great. Moving to the *Half-Yearly Review*, since we're on it, it shows employee expenses for 2023-24 increasing by around \$487 million from the budget. Given the cut-off date—as you mentioned just before, Treasurer—for the half-yearly review was prior to the deal with the paramedics and it's only three months after the budget, how do you explain that \$487 million increase?

The Hon. DANIEL MOOKHEY: I'd say three things to that. The first is, you need to look at that table. Let's get the like table from the budget, which I believe is table—chapter 4 is expenses. It's probably four point something. I'm fairly positive that that number, you'll actually see the average growth has changed downwards. Yes, there it is. If you go to page 5-5 of *Budget Paper No. 01*, the like table had that average growth pegged to 4.1 per cent. As you can see in the *Half-Yearly Review*, that's slightly fallen to 3.9 per cent. To some degree that reflects the fact that there are vacancies in the public service. To some extent, that reflects the fact that we are, of course, reducing the size of the SES. For context, you need to remember that there was an adjustment there to the other effect. The second point I'd make, which I might ask the Treasury to explain, is how the "Employee" line of table 3.5 on page 21 of the *Half-Yearly Review* reconciles with the other line items that are in that table.

MICHAEL COUTTS-TROTTER: Mr Rath, you will recall that the agreement reached to increase teacher pay had a whole range of offset savings to the tune of about \$1.4 billion over four years. When the budget was produced in September, Education had allocated most of those savings to employee-related expenses. Between the budget and the half yearly, they recategorised around \$500 million of those savings from employee-related costs to grants, subsidies and other transfers. You'll see in the table you're referring to there's an increase between budget and half-yearly on the employee-related expenses line and a reduction on the "Grants,

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subsidies and other transfers" line. It's a recategorisation within Education's budget. The total budget hasn't changed, but it has affected the employee-related expense line.

The Hon. CHRIS RATH: So it's a recategorisation of—

The Hon. DANIEL MOOKHEY: For accounting purposes.

MICHAEL COUTTS-TROTTER: Yes, for accounting.

The Hon. CHRIS RATH: Rather than pushing through additional pay increases to public servants that we have not been made aware of.

The Hon. DANIEL MOOKHEY: No.

MICHAEL COUTTS-TROTTER: No, it's absolutely not that.

The Hon. DANIEL MOOKHEY: You'll be pleased to know that last year we settled 74, 75 or 77 different awards. That was factored in by budget. We completed the negotiations, you're right to say, with the paramedics as well. We haven't commenced the new bargaining round because those awards aren't due to expire for another three-ish or four-ish months.

The Hon. CHRIS RATH: How much of the Essential Services Fund has been drawn down to date?

The Hon. DANIEL MOOKHEY: Bear in mind the Essential Services Fund was put in place to support future bargaining, so it really is applying from future rounds.

The Hon. CHRIS RATH: So nothing—it hasn't been drawn down at all?

The Hon. DANIEL MOOKHEY: At this point it hasn't been drawn down. You're going to ask me now about the paramedics component, and I'll say that was covered as part of the 4 per cent, part of the earlier one, which incidentally—

Ms SUE HIGGINSON: Point of order: Is it your job to ask questions?

The CHAIR: A point of order has been taken.

Ms SUE HIGGINSON: No, it was a bit rhetorical. I was wondering whether it's the Treasurer's job to ask questions.

The Hon. DANIEL MOOKHEY: I'm being efficient for Mr Rath; I'm helping him get through his questions. The bulk of the paramedics cost was factored into the 4 per cent adjustment that we adopted for the public sector wide as well. In addition to that, of course, we incidentally managed to negotiate and establish seven new classifications, from memory. That includes the use of paramedics at higher duties and the capacity for paramedics to use their full scope of practice—which is actually quite a very good thing for New South Wales, that they're able to do so and that they all have a pathway towards having that work value recognised.

I make the point that the paramedics, of course, was a one-off, and in pretty exceptional circumstances as far as the work group goes. It arose as a result of the 2018 professionalisation of paramedics and the establishment of registration standards. When a similar process took place in the early 2000s with nurses, a similar adjustment took place to nurses' pay and conditions through a work value process. In effect, that is a change that we introduced. I pay credit to the HSU and the paramedics. It's fair to say I'm not their most loved Minister. It's fair to say that I wasn't on their Christmas card list. We did have some tough and robust conversations with that union, but that union has been campaigning relentlessly for its members for a while now, and they obtained a proper recognition of their members' skills in a manner which also respects the ability of the State to use them to deliver better public services.

The Hon. CHRIS RATH: Treasurer, you've often spoken about abolishing the public sector wages cap, but you've essentially got a de facto public sector wages cap because of the \$3.6 billion set aside in the Essential Services Fund, don't you?

The Hon. DANIEL MOOKHEY: No, what we have is a system that incentivises workplace change and pays respect to the people who provide that change. I don't think there's anything wrong with the idea that workers and essential workers benefit from fundamentally better systems. In fact—

The Hon. CHRIS RATH: But you've got to draw the line somewhere.

The Hon. DANIEL MOOKHEY: In fact, all we are doing as an employer is what we expect every private sector employer to do, and that is fairly share the gains of their productivity growth with their workforce. Of course, how much and what share, over what period of time, is subject to contest. But I'll give you the counterfactual, because we've just lived through it. The counterfactual is a decade of wage suppression that creates

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chronic shortages in the public service, that diminishes consumption spending in the economy and that causes private sector employers to equally begin to repress wages, which creates problems for businesses making future investments.

What I would observe is that the wage cap you advocate for has short-term consequences for the budget but long-term consequences for people's living standards. I'm really pleased with the fact that real wages are now growing again in New South Wales earlier, and that's not some crude economic statistic. That means ordinary working people are getting more of a share of the wealth that they themselves create, and they're in a better position to accumulate assets, provide for their families and exercise their rights as citizens.

The Hon. CHRIS RATH: When will the peak engagement council be established?

The Hon. DANIEL MOOKHEY: That peak engagement council is going to be established as we go through the course of the mutual gains bargaining process as well. Part of that mutual gains bargaining process is to respect your counterparties, so the actual time of establishment will obviously be done in consultation with the people who we are going to ask to participate in that peak engagement council. I will say that the peak engagement council—this is the core of what mutual gains bargaining is. The idea that you simply bargain at the end of a cycle is fundamentally just not true, because anybody who works in a workplace knows that you're constantly making changes. The idea of the peak engagement council is that it is designed to ensure that that culture of cooperation is established before people get around to pay and conditions, and the peak engagement council's role is to ensure that we are able to carry that spirit forward to the actual industrial space of the negotiations.

The Hon. CHRIS RATH: Will the union reps on there be paid?

The Hon. DANIEL MOOKHEY: I don't believe any such decisions have been made, but the idea that you pay people to bargain is pretty common. I recall, when I was an industrial official and you're asking a person to come off the job to represent their workers and to go well above and beyond what their ordinary responsibilities are, I don't think it's fair to ask that person to cut their wages while they do it. I have to say, if you're serious about bargaining and if you're serious about having working people with the direct knowledge of the systems that they apply at the bargaining table, then of course I'm not going to be asking a nurse to sacrifice wages to come and bargain with the Government.

The Hon. CHRIS RATH: In the half-yearly review—just going back to the point before of grants and subsidies—\$0.963 billion reduction in grants and subsidies.

The Hon. DANIEL MOOKHEY: Mr Secretary.

MICHAEL COUTTS-TROTTER: I'm happy to take it on notice for further information, but the biggest single factor there, Mr Rath, that explains the reduction between budget and half-yearly is the reallocation of around \$500 million from employer-related expenses within Education to grants and subsidies.

The Hon. DANIEL MOOKHEY: In general, yes, we are. I'll tell you why?

The Hon. CHRIS RATH: Yes.

The Hon. DANIEL MOOKHEY: Because the biggest growth of grant funding in that line item was TAHE-related. The fact is, that's how all the access fees that go to Sydney Trains—

MICHAEL COUTTS-TROTTER: They run through that.

The Hon. DANIEL MOOKHEY: —run through that line. That's grants to the PNFC sector that come from the general government, and I would say that we are, ironically, now accounting for that as a grant and not an equity injection. As a result, we're reducing the grants that we're giving to Sydney Trains and we're giving to NSW Trains, because they don't need as much money to pay TAHE because we no longer have a magical money-go-round between different parts of the budget.

The Hon. CHRIS RATH: Putting aside the \$500 million employee reclassification and putting aside TAHE, is there anything else that you're cutting in that—

The Hon. DANIEL MOOKHEY: Putting aside the two biggest components of reform—

The Hon. CHRIS RATH: Yes, but what else are you cutting? I'm curious as to what else in the savings that you've identified of \$0.963 billion—putting aside those two items, what grants and subsidies are you cutting?

The Hon. DANIEL MOOKHEY: They account for a large part of it, but, in general, this is grants that go to the PNFC sector, so it also reflects the profile of their capital program. The way it works is, we give money to PNFCs that then use it to build capital. It shows up on their balance sheet as capital and it leaves ours as an operating expense. It shows up through that line item. To some degree, I'm more than happy to see what additional

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information we can provide you in that respect, but this is relatively conventional accounting. Dare I say, there's been no change in how we account for policies upon a change of government, and this is all scrutinised by the Auditor-General. I make no apologies for cutting TAHE-related expenses that aren't leading to greater public transport. I'd prefer to spend that money on actual public transport rather than on a magic money-go-round that cash traps it in the Transport Asset Holding Entity.

The CHAIR: Just before I hand over to The Greens, a couple of quick questions. Treasurer, has the Treasury done any economic modelling on the cost to the New South Wales economy of the Federal Government's proposed 450 gigalitre water buybacks in the Murray-Darling Basin?

The Hon. DANIEL MOOKHEY: Has the Treasury, as opposed to the other departments—

MICHAEL COUTTS-TROTTER: I detect a personal conflict of interest coming on.

Ms SUE HIGGINSON: Of course there is.

The Hon. DANIEL MOOKHEY: Of course. I should be answering these questions, not my secretary. Therefore, what I would suggest we do, Mr Buckingham, is—to the best of my knowledge, I believe if any such modelling is to be undertaken, it is likely to be done through the new department of climate, energy and water. They're probably the people you should ask the question to. Perhaps this afternoon, when other officials are here, you might wish to direct it to them.

The CHAIR: Sure. I'm asking on behalf of the excellent member for Murray, who has asked me to bowl these questions up. Treasurer, the New South Wales Government gets significant revenue from keno, which is operated through many clubs that are members of ClubsNSW. Is the New South Wales Government aware of concerns over the federal tax status of ClubsNSW and specifically whether ClubsNSW has been falsely claiming federal tax exemptions for decades?

The Hon. DANIEL MOOKHEY: Is the New South Wales Government aware? I don't know. Am I aware? No, I'm not.

The CHAIR: When will the Government get on and build the Tooleybuc and Swan Hill bridges?

The Hon. DANIEL MOOKHEY: I will come back to you on that. I will take that on notice.

Ms SUE HIGGINSON: Treasurer, I have just one question. I've just been over in the other budget estimates hearing and asking the Minister there about our corrections system. There are some really, really deep issues at the moment within our corrections systems. The inspector of corrections keeps reporting issues in relation to the physical premises, whether we have the facilities to be able to uphold human rights conditions, for example, ending the era of dreadful strip searches, and so on. It seems like there are enormous budgetary realities and that every answer I get to is it seems like it's a financial constraint as to why we're not improving our prisons.

One of the aspects, as well as the improvements in the systems to be able to make these places places of recovery, rehabilitation and hence stop the recidivism—one of the issues that's come to my attention recently, which I have found alarming, is the exploitation of labour within the prisons system. Prisoners are working and working. They work long hours and they get unbelievably exploitative wages—like, really unbelievable: \$25 dollars a week for working a full-time workload. What's been brought to my attention is that these entrenched cycles of poverty within the system are an absolute hotbed for conflict and trauma amongst prisoners and within the system. Is there something you would do to look at this to provide more money for corrections?

The Hon. DANIEL MOOKHEY: Firstly, I might answer the second part of your question first, which is the Government is engaged in a whole-of-government reform process when it comes to the corrections system. Already we've made decisions about the role of private prison owners, and we have important decisions to make about their ongoing role as well, and so I'd point that out. The second part is through that process there is the capacity to ensure that prisons are there to rehabilitate people as well, and as well as the hardened criminals are of course separated from the community, but those who are capable of rehabilitation in fact are.

I'll address your question around financial constraint. Who am I to judge others? But I would say that, as Treasurer, I've often had people come to me and say lots of problems can be solved if we just gave it more money. My own view on that is the case for additional investment needs to be paired with the case for reform. We are working with our prisons and our workers in the prison system to look at these issues to see, if there is going to be any additional investment, what is it going to be used for? What better results can we expect, and what can be realised? I'd also just make this point: The number of people who are incarcerated is falling and, as a result, I don't—

Ms SUE HIGGINSON: Can I just say on that, though, the number on remand is skyrocketing.

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The Hon. DANIEL MOOKHEY: Yes, I accept that. I do accept that.

Ms SUE HIGGINSON: It is absolutely skyrocketing.

The Hon. DANIEL MOOKHEY: But the costs—obviously, from our perspective, the number of people who are in prisons is falling; therefore, I don't accept the premise that there's financial constraints.

Ms SUE HIGGINSON: Finally, before I hand over, there are really tangible things, for example, people not being able to access the right computer systems. Yesterday I heard even in the Juvenile Justice correction centres, literally we cannot get the technology to be able to provide communication systems, let alone the education systems. We're actually not providing the services that would really contribute to rehabilitation.

The Hon. DANIEL MOOKHEY: Of course, leadership of the prisons and the rehabilitation programs is operational. I don't have a say in that. But I would say as a general principle, particularly when we are dealing with pretty acute budget challenges, anyone who has dealt with me knows—from the public service or others—my expectation is that they optimise their use of the existing resources, and demonstrate that they have, before they make cases for new funding. That is the similar outlook that I will apply. The right time to engage with the correction reform question is, of course, to allow the Minister, who's doing excellent work in the area, to persist. When that happens then of course we'll look at whether or not the budget is appropriate for what we expect of our Corrections facilities. I'd also make the point that our Corrections officers do a very good job in a very tough circumstance.

Ms SUE HIGGINSON: Very good.

The Hon. DANIEL MOOKHEY: I worked with them a lot, particularly as we were exposing a lot of what was going on with the workers compensation system, which was led from our Corrections officers. I respect them a great deal. I will be listening to them too.

Ms ABIGAIL BOYD: I just popped over to the other estimates as well.

The Hon. DANIEL MOOKHEY: Oh, yes. This is the highlight estimates.

The Hon. SCOTT FARLOW: We've missed out.

Ms ABIGAIL BOYD: Perhaps you can give me a clearer answer.

The Hon. DANIEL MOOKHEY: What have you gone over there to ask them about that came from here? That's a better question.

Ms ABIGAIL BOYD: Oh, nothing! Yes, I might get a clearer answer from you. How much money is the State Government still giving to the New South Wales defence industry?

The Hon. DANIEL MOOKHEY: I don't know. Let me find out for you. We'll take that on notice.

Ms ABIGAIL BOYD: Can we talk briefly about The Star? I understand in the news today there's a report that profits are less than Star wanted them to be, and there's talk of the Pymont site being abandoned or closed down. When I read that, my immediate interest was piqued in the agreement that you struck with Star in relation to the job guarantee or ensuring a certain number of workers. Where does that leave this?

The Hon. DANIEL MOOKHEY: Firstly, Star's profitability is not my concern; that's their concern. It makes no difference to me if they're profitable or the magnitude of their profit. My obligation is to ensure that they pay their taxes. That's my first point in response. The second point that I would make is that the questions to do with The Star's future arise more from a regulatory space than, necessarily, a financial one—albeit, let's be honest, of course Star's finances, as they would say, have experienced recent challenges. In respect of the regulatory question, of course the regulator is independent. The regulator has commissioned a process to test suitability to recover a licence. Star currently doesn't have its licence; it's under management. I'm going to wait for the regulator to reach its determination. It's an independent process; it's for them to lead that process. But my message to Star—and, for that matter, everyone else engaged in the casino business—is that they need to take that process very seriously. Star has to demonstrate it is capable of recovering its social licence, and they need to show the community that they are abiding by the law at all times.

Ms ABIGAIL BOYD: I appreciate your statement that you're not interested in their profitability, and nor am I. But in addition to them paying their taxes, you are also clearly worried about the workers.

The Hon. DANIEL MOOKHEY: Yes, I am.

Ms ABIGAIL BOYD: Which is why you put that arrangement into place.

The Hon. DANIEL MOOKHEY: I did.

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Ms ABIGAIL BOYD: And I know the unions are worried about the jobs there. Will you rule out providing financial support to Star in order for them to keep going?

The Hon. DANIEL MOOKHEY: Should Star be incapable of recovering their licence then the question of additional financial assistance doesn't arise because they don't have a licence. In that scenario it's a moot question, to be honest, Ms Boyd.

Ms ABIGAIL BOYD: But if they're just unprofitable? If they just decide—

The Hon. DANIEL MOOKHEY: No, I don't hand out money to unprofitable businesses just because they ask. I make the point that Star's workforce shouldn't pay the price, with their jobs, for the sins of Star's previous management. Telling 3½ thousand working people that they are out of work—in, let's be honest, pretty good hospitality jobs in an industry that often finds it hard to provide them—I don't think is a fair social settlement for those workers. I don't necessarily think it is a good interest of the New South Wales economy writ large. Our paramount concern as a government is to make sure that all casinos abide by the law at all times.

Ms ABIGAIL BOYD: Appreciating all of that, if we do end up with 3,500 workers out of work, presumably the Government would step in for helping those workers to get another job, but you're ruling out propping up the business in order to keep those jobs?

The Hon. DANIEL MOOKHEY: I'm saying that should the regulator make regulatory decisions that put The Star in a position where they are incapable of continuing, that question doesn't arise. You can't give money to a business that can't operate a licence. But, of course, our view will be to await the outcome of the regulator's independent actions, not to pre-empt them. Equally, I'm not really interested in alarming people about the prospects of their employment prematurely. But, needless to say, we will be paying close attention to the findings of the regulator. We expect The Star to be frank about its position through that process, but The Star needs to see this as an opportunity to convince the regulator and the public that they are capable of holding a licence.

Ms ABIGAIL BOYD: I will turn now to a topic I think you'll be keen to talk about, which is WestInvest.

The Hon. DANIEL MOOKHEY: Let's.

The Hon. SCOTT FARLOW: Dixers.

Ms ABIGAIL BOYD: You and I have spent many an estimates session when you were in opposition asking about this. You will remember the ridiculous conversation we had around the two simultaneous usages of the money—

The Hon. DANIEL MOOKHEY: I do.

Ms ABIGAIL BOYD: —from the sale of WestConnex. What happens now to the WestInvest program on the back of the Auditor-General's report?

The Hon. DANIEL MOOKHEY: The WestInvest program is now operational. In terms of funding decisions by government, that era has come to an end. The first point I'd say is in respect to the three components of the program, the first component of which was council—\$400 million, from memory, which was available to councils—I think that money is out the door or in the process of being rolled out the door. The \$1.6 billion that was made available to community groups, this Government said that we would respect the decisions that were made at the time. We went to the last election saying we will not reopen that, and we haven't. In the wake of the Auditor-General's report, as I said on Wednesday, from our perspective, community groups really shouldn't be paying the price for Matt Kean's sins.

In respect to the \$3 billion State Government component, of which \$478.6 million, from memory, had already been spent by the previous Government, that component is honoured and we went to the last election reprioritising the remaining money towards Western Sydney schools and hospitals. That's been done in the budget. That's the first response. The second response is we have accepted all the findings of the Auditor-General and they are going to be implemented. The third thing I say is you're quite right to say that a lot of what we were told, Ms Boyd, would happen, did not happen. I did check the transcripts when I was sitting in your position in the other room asking my predecessor. I remember asking my predecessor, "What assurance can you give us that none of this money is going to be diverted to fund your Government's pork-barrelling?" My predecessor says, "I reject the premise of your question."

This will not be pork-barrelling. This will be governed by a transparent and accountable and value-for-money set of guidelines." Which is why I was shocked when the Auditor-General said, "Staff from NSW Treasury and the Premier's Department put considerable resources into preparing guidelines, assessing and providing advice, and in most cases this advice was not followed by the Treasurer." I make the point that the Treasurer, my predecessor, committed to those standards. He got those standards developed. He ignored those

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standards. That is the basis by which I express our, I'm sure, joint disappointment at the fact that the undertakings that were provided to us and the public were not followed, and the people who are paying the price for that are people who engaged in this program in good faith.

Ms ABIGAIL BOYD: In terms of the people—for example, I remember going out to a neighbourhood centre that was feeding well over 100 school children every morning who otherwise wouldn't get breakfast. I remember visiting them and them telling me that they had put in an application for money from WestInvest and had not received it. Instead, they knew it had gone to a far less worthy cause. For those people who put in applications in good faith during the process, will they be given the opportunity to be looked at again? Is there some way of—

The Hon. DANIEL MOOKHEY: There are two things I can say to that. The first is the program is closed and it closed years ago. It closed two years ago, in terms of that funding round. We made it clear that we weren't in a position to repeat it, and that position remains. The second point I'd make, particularly when it comes to breakfasts at schools, is that in the last budget we did provide Foodbank with an additional, I believe, \$5-ish million—maybe \$1 million. We'll come back to the exact figure. We increased their funding so their network could double in terms of the number of schools they can provide with breakfast programs, which is an excellent piece of work.

Ms ABIGAIL BOYD: Which is great, but there's just so much need.

The Hon. DANIEL MOOKHEY: The third point I'd make about the WestInvest—and I want to take this opportunity to explicitly say that I don't lay any blame at the hands of the public service. The public service did its job. The public service have provided advice. Governments have the prerogative of ignoring it. But the tradition is now for governments to document their reasons. That's now a requirement of the grant administrations manual that this Government put in place. The public servants who worked on this program and Treasury and the Premier's Department did their jobs. I don't want them to be criticised.

Ms ABIGAIL BOYD: I read with interest your comments on the next intergenerational report, which is being released in 2026. Reading that, and reading the focus—and you and I have spoken about the wellbeing budget and wellbeing indices concepts before. As part of that broader look at generational inequity, do you think you are being held back by the terms of the Fiscal Responsibility Act as it currently stands, given that it still has this focus of budgeting decisions on maintaining a triple-A credit rating and then a very narrow set of factors that go into that.

The Hon. DANIEL MOOKHEY: I think there's a pretty strong case to make that the FRA is out of date on the basis that every budget, I believe, for couple of years has published statements explaining why they haven't followed it. That's the first point I make. The second point I make about whether or not the FRA should be expanded to cover wellbeing or other forms of indices is that there are other budget laws that prescribe standards for budget papers, which may be a better place to incorporate that. The third point I'd make is the Minister for Finance announced two days ago that she's leading the work on performance and wellbeing budgeting and that she's going to seek a reference to the Public Accounts Committee downstairs to have them inquire into it. Through that process there's the capacity for New South Wales to learn from the very best about wellbeing budgeting and to be in a position to decide where in law we should reflect that. I'd also make this point: We are pretty eager to align that with the work that Federal Treasurer Chalmers is doing, because I'd love to be able to use that as a way in which to get more money for New South Wales. The secretary might want to add to that.

MICHAEL COUTTS-TROTTER: No.

Ms ABIGAIL BOYD: I was really pleased to see that. It's really great that she's leading that. In terms of setting up that Fiscal Responsibility Act, which unfortunately does confine a little bit of what you can and can't do, is there a plan to stamp your vision onto that before we are in the position of perhaps having another government in place?

The Hon. DANIEL MOOKHEY: It's fair to say, Ms Boyd, I'm always open to suggestions for law reform, but it's not the top of my priority list at this point in time. In the future, I am open to views about how the FRA can be modernised and reflect current budget circumstances. The FRA, I think, is good in the sense that it applies a conversation around what is the State's fiscal strategy, but, yes, it was clearly a reflection of its time and clearly a reflection of the fiscal strategy of the government of the day.

The Hon. SCOTT FARLOW: Treasurer, in opposition you voted to amend the Local Government Act regarding who will foot the bill for council demergers. Are you now refusing to fund council demergers and walking away from your former position?

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The Hon. DANIEL MOOKHEY: I believe that there is a process that the local government Minister is embarking upon in respect of that. I might have to double-check with him as to what's going on in that respect. But you are quite right to say that a lot of those local government amalgamations did not realise the savings that they were promised and, equally, the additional support that was promised to them wasn't given. The mayor of the inner west, I'm sure—

The Hon. SCOTT FARLOW: I'll just redirect you in one second in terms of the initial support for—

The Hon. DANIEL MOOKHEY: Mr Farlow, I hadn't completed my answer.

The Hon. SCOTT FARLOW: Indeed, but I've got very limited time and I want to ask you a particular—

The CHAIR: Order! The Treasurer is answering the question.

The Hon. SCOTT FARLOW: I'm redirecting the Treasurer, though.

The CHAIR: Allow the Treasurer—

The Hon. DANIEL MOOKHEY: The Mayor of the Inner West Council would make the point that he wasn't aware of the financial assistance that was available, apparently, to his council, which was merged. But somehow that money ended up building a car park in Hornsby, so I want to get to the bottom of that.

The Hon. SCOTT FARLOW: Treasurer, while you're getting to the bottom of things, you can get to the bottom of your own pre-election commitment to the people of Cootamundra-Gundagai. Will you fund their demerger in line with your pre-election policy?

The Hon. DANIEL MOOKHEY: To the best of my knowledge, the local government Minister is engaging with those councils directly. I'm just going to allow him to lead that process and continue those conversations. It's not my intention to provide a running commentary on his actions.

The Hon. SCOTT FARLOW: Has he sought any funding from you for that?

The Hon. DANIEL MOOKHEY: Again, the local government Minister is not backwards in coming forwards in asking for more money in general.

The Hon. SCOTT FARLOW: Do you give it to him?

The Hon. DANIEL MOOKHEY: I'm yet to meet a Minister who is reluctant to come and ask. I will say I do, actually. He was also pretty successful in obtaining a few more resources for the Office of Local Government that puts them in a better position in which to support local government. He was also pretty relentless in the last budget round. I'm sure he would allow me to arguably test the limits of Cabinet conventions by saying he was relentless in advocating for more money for local government as he has a big job to do to correct, again, 12 years of neglect that he says he inherited.

The Hon. SCOTT FARLOW: Treasurer, in terms of pre-election commitments, will you continue to honour your pre-election commitment of no new taxes by not introducing a tax on short-term rentals in New South Wales?

The Hon. DANIEL MOOKHEY: To be fair, the short-term rental proposition that's going forward for consultation isn't designed to raise a cent of revenue for New South Wales. In fact, I think we made it pretty clear we expect it to be revenue neutral. That's because, whatever sort of comes out of that—

The Hon. CHRIS RATH: It's still a tax.

The Hon. DANIEL MOOKHEY: —the predominant purpose of that exercise is to incentivise the return of rental stock to the long-term rental market. I make that point because—

The Hon. SCOTT FARLOW: So you're announcing a tax today?

The Hon. DANIEL MOOKHEY: No. I am saying that we are engaging in good faith, but if you're asking me whether or not we're intending to revenue-raise through that process, we're not.

The Hon. SCOTT FARLOW: I'm not. I'm asking you if you're intending to put a tax on?

The Hon. DANIEL MOOKHEY: No. I would make the point that, believe it or not, Airbnb and others are making the case for some of these measures as well. I'm just going to respect the fact that that consultation process is taking place in good faith and allow it to continue.

The CHAIR: Treasurer, I'll deal with two things in globo, if I may. That is the Future Jobs and Investment Authorities, the \$25 million per annum that's rolling into those.

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The Hon. DANIEL MOOKHEY: Yes.

The CHAIR: When can communities expect those authorities to be populated and the money to roll out to projects? The Regional Development Trust, the \$350 million set aside for regional development, I understand the expert advisory panel has been populated. When can communities expect to be able to make proposals in that program?

The Hon. DANIEL MOOKHEY: I'll do the RDT first, if you don't mind, Chair. The Regional Development Trust is an initiative that the Minister for Regional New South Wales has championed and she has been relentless about, among my many relentless colleagues. But she has been absolutely relentless about ensuring that regional communities have access to development funds on a needs basis, not on a political basis. You would know that the RDT, in effect, replaces a lot of the funds and the concerns that surrounded them that they were opaque; that they were only really available to National Party seats—the rest of regional New South Wales didn't get a shake at having a crack at them, and that in fact so many of the complaints came from the fact the mayors, particularly country mayors, have engaged in good faith with many of those programs and weren't able to get clear answers. As I understand it, the Minister is making sure that people have confidence in the new method of governance as well as the new method of funding assessment. I'm going to leave it for her to provide the specific details of its rollout, but I'm looking forward to it going out the door. We will always look to see whether or not we can provide additional resources into it in future budget rounds.

The CHAIR: You're open to that?

The Hon. DANIEL MOOKHEY: Yes, of course I am.

The CHAIR: That the RDT could be topped up?

The Hon. DANIEL MOOKHEY: Of course I am. Obviously, if we find ourselves in a situation where we can provide more money in that, we will. And that also is why, for example, I'm pretty eager to pay our bondholders less so we can pay our regional communities more and invest more in our essential services. The other point I make about the transition authorities is you are quite right to say we went to the election with a policy to establish them. We have, in fact, budgeted to establish them. The respective Ministers who are engaged in that process are working through the details now, I think, with some of those affected communities. And I will also say the concept of a transition authority is popular, and I'm having more areas come forward and say, "We'd like one too", as well. Of course, we have to treat them with the respect that they deserve. I do want to pay tribute to the Hunter Jobs Alliance, Hunter Workers alliance, that have really pioneered this concept and pushed it very hard. That includes Business Hunter. That includes the Newcastle Trades Hall. That includes many of the environmental groups that are in that area. They have been champing at the bit for something like this. Equally, Illawarra and Lithgow and parts of the Central West are equally eager to see the emergence of such a fund.

The CHAIR: Fantastic, Treasurer. That is good news. That concludes the morning session. We thank—

The Hon. WES FANG: Aren't you going to dig him out of the hole, Bob?

The Hon. BOB NANVA: What hole?

The CHAIR: No questions have emerged from the ether? In the absence of questions from the Government, that concludes the morning session. We thank you both, Treasurer and Mr Coutts-Trotter, for coming along. The secretariat will be in contact regarding any questions that were taken on notice. Thank you very much.

The Hon. DANIEL MOOKHEY: Let's do it again.

(The Treasurer withdrew.)

(Luncheon adjournment)

Ms SONYA CAMPBELL, Deputy Secretary, Commercial, NSW Treasury, on former oath

Ms ELIZABETH LIVINGSTONE, Deputy Secretary, Policy and Budget, NSW Treasury, on former oath

Ms MARINA van der WALT, Deputy Secretary, Financial Management and Services, NSW Treasury, on former oath

Mr DAVID DEVERALL, Chief Executive, NSW Treasury Corporation, on former affirmation

Mr TOM GELLIBRAND, Chief Executive, Infrastructure NSW, on former affirmation

Mr SAID HIRSH, Head of Strategy, Planning and Innovation, Infrastructure NSW, on former affirmation

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The CHAIR: Welcome back, Mr Coutts-Trotter, and welcome to all the witnesses joining us for the afternoon session. All of you have been sworn previously, so we will kick off proceedings with 20 minutes of questions from the Opposition.

The Hon. CHRIS RATH: Thank you all for coming in today. I might start with you, Mr Deverall, about the whole-of-State fund. What are the six funds that are being merged into the whole-of-State fund?

DAVID DEVERALL: Maybe Mr Coutts-Trotter can just give a bit of an overview.

The Hon. CHRIS RATH: If it's better for you, Mr Coutts-Trotter, sure.

MICHAEL COUTTS-TROTTER: I'll give you an overview, and then I'm happy to refer either to Marina van der Walt or David Deverall. The six funds that are under review under the whole-of-State fund proposal are the NSW Generations Fund, the Treasury Managed Fund, the New South Wales Social and Affordable Housing Fund, the NSW Infrastructure Future Fund, the Snowy Hydro Legacy Fund and the Long Service Corporation Investment Fund—to a total, I think, from memory, of about \$42 billion in assets.

The Hon. CHRIS RATH: With each of those funds, what are the current constraints and limitations that will not apply to the merged whole-of-State fund?

MICHAEL COUTTS-TROTTER: We are working that through. They all have special deposit accounts and working funds attached, which contain a range of constraints. But just taking two steps back, if you look at those funds, they range in their investment objectives. At one end, the Snowy Hydro Legacy Fund aims to achieve an investment return of CPI plus 1 per cent, whereas the Generations Fund is targeting CPI plus 4½ per cent. The reason for this review is that, in a sense, the Government and the people of New South Wales sit behind these funds. Governments can and do take long-term perspectives on their investments, and yet, because of the specific requirements of some of these funds, they therefore have to have very short-term investment objectives. In other words, they have to have much more liquid assets in some of these funds.

Our view is that, given they are backed by government—given, in a sense, money is fungible—we are missing the opportunity to produce a greater rate of return over the long term by structuring things in a patchwork quilt of different funds. What we have to do, of course, is respect the legislative constraints around special deposit accounts and think about ways that we can manage liquidity across the funds—the need to pay cash at any point in time—while at the same time basically investing the funds more towards equities and long-term higher performing assets, and away from cash and other highly liquid investments. There's work going on at the moment to provide advice to the Government about the mechanisms by which you may do that, and I'm more than happy to pass to Marina or David—but particularly Marina—for further detail on that if you want it. But that's the basic rationale for it. That's the basic approach.

The Hon. CHRIS RATH: Yes, any more detail would be helpful.

MARINA van der WALT: Is there anything specific you were after?

The Hon. CHRIS RATH: In terms of the six different funds, which ones are performing better than the others? What type of rate of return would you be expecting, or improvements, from merging them together?

MARINA van der WALT: I might hand over to David on the details of that.

DAVID DEVERALL: You've got funds that have a lower return objective, as Michael said. They'll be funds that have constraints for specific reasons, whereas if you pool all the funds together, those constraints aren't as binding or aren't as restrictive as they would otherwise be. So you've got to expect some of those funds with a lower return on investment objective will produce a higher level of upside in terms of the single fund, unlike the funds like the Generations Fund, which already has that type of investment objective.

The Hon. CHRIS RATH: The aim is for, obviously, an overall higher rate of return through economies of scale.

MICHAEL COUTTS-TROTTER: Yes, without losing any of the transparency or accountability around the purpose of the individual funds. No change proposed to their purpose or their accountability, but rather by—it won't be a single fund. It will be a virtual fund. We are able to invest in a different set of assets that, over the long run, will produce a much better return for taxpayers, and that's the rationale for the work that's been going on.

The Hon. CHRIS RATH: Great. I might just turn to one of those funds: the Generations Fund. Noting that in the 2023-24 budget projections there are projections for surpluses in 2025-26 and 2026-27—they're

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premised on contributions to the NSW Generations Fund resuming in 2024-25—what are the estimated contributions to the NGF for each financial year in 2024-25 to 2026-27?

MICHAEL COUTTS-TROTTER: I would have to take that on notice, unless you've got it.

MARINA van der WALT: We've got the details on that. It's just above \$5 billion per annum. We could get you the exact numbers.

The Hon. CHRIS RATH: That would be great—but roughly about \$5 billion a year?

MICHAEL COUTTS-TROTTER: Yes. In total, it's a bit over \$16 billion, but the Government's made clear, of course, that that policy will be under review in the process of producing the 2024-25 budget.

The Hon. CHRIS RATH: Obviously, you will have to take this on notice, but is it possible if it could be broken down—the yearly contribution—by source, for example, from royalties, dividends and taxes?

MARINA van der WALT: I'm happy to take that one. The Government has actually made a decision to de-link the contributions from specific revenue sources during the last budget.

The Hon. CHRIS RATH: So it all just comes out of consolidated revenue, essentially?

MARINA van der WALT: That's right, yes.

The Hon. CHRIS RATH: What does Treasury estimate the budget outcome for financial years 2025-26 and 2026-27 would be to the NSW Generation Fund if they do not resume? So if those contributions are not made, what would the financial position be?

MICHAEL COUTTS-TROTTER: As part of the Government's consideration of its policy on making contributions to the debt component of the NSW Generations Fund, we will be providing updated estimates into that decision-making process ahead of this budget. It will depend, of course, on the asset earnings in the fund during the course of this year, and my colleague David Deverall will tell me that past performance is no predictor of future performance. It's done generally pretty well to date, but we will keep updating the performance during the course of the year. Then the Government will have current estimates against which it can judge the options for a contributions policy to that fund, and, if it decides not to make a contribution, what that implies for the assets in the fund—the earnings of the fund—based on our estimates and, therefore, the return of the fund.

Obviously, the point the Government's been making—or has made—around the 2023-24 budget is by legislation that fund can only be used to offset net debt or eliminate debt. You cannot use it for recurrent expenditure, which is why the budget presents the budget results on an accepted Australian Government standards reporting basis, but also looking through that to the operating result—net—of the earnings of the Generations Fund. If you go to the budget papers, you can get a sense of what that might look like if you weren't making future contributions to the fund. Offsetting that, of course, is the work on the whole-of-State fund. So if you can improve the earnings elsewhere, it could offset some or all of the earnings not earned by borrowing money and putting it into the Generations Fund. The two things are bookends of the same decision.

The Hon. CHRIS RATH: The NGF has already been a fairly good performer, I think, so hopefully it will be even better in the new merged fund. The ability for the Government to deliver a surplus in those future years is inextricably linked to the outcome in the NGF, more or less.

MICHAEL COUTTS-TROTTER: No, I think it's inextricably linked to the Government's fiscal strategy, which is much, much broader than the earnings—albeit, they are significant—of \$16 billion of over \$106 billion of financial assets.

The Hon. CHRIS RATH: I might move to temporary nurses. The 2023-24 budget includes a provision of \$572.3 million for converting 1,112 full-time equivalent nurses and midwives—positions that were funded temporarily to June 2024—to permanent positions.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. CHRIS RATH: What is the estimated average annual salary for these 1,112 full-time equivalent positions?

MICHAEL COUTTS-TROTTER: I'd have to take that on notice. Obviously, for the purpose of framing budgets and making estimates of future expenditure, we have a set of assumptions about the average cost of different essential service roles. I don't have that to hand, but we can get it to you on notice.

The Hon. CHRIS RATH: That would be great, and maybe also any additional employee-related costs per full-time position.

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MICHAEL COUTTS-TROTTER: No, it's calculated on an assumed average salary plus the roll-up of superannuation, leave and other costs.

The Hon. CHRIS RATH: Because when I did the back-of-the-envelope calculation, it seems that \$572.3 million divided by the 1,112 full-time equivalent positions seems incredibly high. So that's why I asked about the additional employee costs. I understand superannuation, WorkCover or whatever additional administrative costs are behind it, or things like that, because it seemed like a very high or generous figure for the number of positions available.

MICHAEL COUTTS-TROTTER: I am happy to take that on notice and provide a response.

The Hon. CHRIS RATH: Linked to that, for how many years does that \$572.3 million cover the employment of those additional positions?

MICHAEL COUTTS-TROTTER: I'll confirm this on notice, but I would anticipate it would be the two years in the budget forward estimates period for which they weren't previously funded.

The Hon. CHRIS RATH: I might move to senior executives.

MICHAEL COUTTS-TROTTER: We've got a few here.

The Hon. CHRIS RATH: Hopefully none of you are at risk. You're all keeping your jobs.

MICHAEL COUTTS-TROTTER: In the modern public sector, you never know.

The Hon. CHRIS RATH: According to the Public Service Commission, the Treasury portfolio had 194 senior executives as at 30 June 2023. How many are there as of today?

MICHAEL COUTTS-TROTTER: The portfolio describes not just the Treasury but a range of other agencies. I anticipated this question in respect of the Treasury. For the Treasury, as at 30 June 2023, we had 121 full-time equivalent senior executive roles, and we expressed it as full-time equivalents because there are a few roles where senior colleagues job-share the position. So it's 121 roles. At the end of January 2024, we had 114 roles—a reduction of seven. Our previous savings target was a reduction of 10 roles. So, at least to January, with a reduction of seven, we're well on our way.

The Hon. CHRIS RATH: And that's basically through natural attrition—resignations not being filled?

MICHAEL COUTTS-TROTTER: I'd have to double-check the detail of all of them. Our preference, for obvious reasons, is by natural attrition or, if we are reducing a role in the Treasury and someone's got real capabilities that can be used in another agency that needs to fill a role, by mobility. But I'm happy to come back to you on notice.

The Hon. CHRIS RATH: And is the target still 10?

MICHAEL COUTTS-TROTTER: The target for the Treasury—or the Treasury portfolio, including my colleagues at Infrastructure NSW, which is a whole other discussion for Tom and I to have—is 10, yes.

The Hon. CHRIS RATH: Have any new senior executives been appointed in the Treasury portfolio?

MICHAEL COUTTS-TROTTER: Yes, so that's a net change.

The Hon. CHRIS RATH: At the other end?

MICHAEL COUTTS-TROTTER: That's a net change, yes.

The Hon. CHRIS RATH: So 121 down to 114—it's seven, net?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. CHRIS RATH: What were the new positions that were appointed? Was it, essentially, there wasn't the capability or there wasn't an ability to—

MICHAEL COUTTS-TROTTER: Well, in some cases, the new roles that were appointed—sorry, you said the new roles that were appointed?

The Hon. CHRIS RATH: Yes.

MICHAEL COUTTS-TROTTER: It's a mix of reasons why people left roles, and in some cases it's reorganisation inside the agency to reflect the priorities of the Government. So, for example, we've established roles around the tolling review and around government-supported insurance schemes. But again, I'm happy to take that on notice and give you details.

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The Hon. SCOTT FARLOW: Mr Gellibrand, back to Rosehill, has Infrastructure NSW done any work on the impact in terms of costs and delays in the delivery and the current uncertainty about the two additional stations on the Metro West?

TOM GELLIBRAND: Rosehill is being considered, I believe, by Transport, Sydney Metro, as an additional station on the Sydney Metro West line. We've looked at Metro West on a number of occasions through our assurance processes. In terms of Rosehill itself, my understanding is that the consideration of that that's underway at the moment has come after our last formal assurance process. So that's a long-winded answer which results in, essentially, no, we haven't looked in detail at the assurance associated with an additional station at Rosehill.

The Hon. SCOTT FARLOW: The Treasurer mentioned earlier the assessment of two sites for additional stations on the Sydney Metro West. Have you been involved in that process?

TOM GELLIBRAND: Well, "involved"? In the past, I've had some involvement. I worked at Sydney Metro for a little while and in the definition of a Metro West line, which went through many iterations, there were stations looked at throughout Parramatta into the CBD. Silverwater was one station and Rosehill was another, which I think are the two that you may have been referring to but not saying.

The Hon. SCOTT FARLOW: Yes. Mr Gellibrand, under the unsolicited proposals guidelines, "proposals will be assessed under Infrastructure NSW's *Infrastructure Investor Assurance Framework*, where appropriate". From what you understand of the unsolicited proposal for Rosehill, what would be Infrastructure NSW's role in assessing that proposal?

TOM GELLIBRAND: Our process of assurance commences once a project has some status. So, normally, it goes through a business case process, and we've got a series of gates from zero through to six, and we would assure at those gates. Unsolicited proposals, generally, coming from the private sector don't involve a business case, so our involvement would occur once the Government had accepted—actually, I haven't had experience with this directly, but once a proposal has been accepted by a government and it becomes something that's actually in delivery, that's when we could start our assurance process. My understanding of Rosehill at the moment is—

The Hon. SCOTT FARLOW: So that's about stage three, is it, effectively?

TOM GELLIBRAND: Yes, probably, in that order, once you're into delivery.

The Hon. SCOTT FARLOW: I understand that the *Infrastructure Investor Assurance Framework* was updated recently. What were the main changes in the updated version?

TOM GELLIBRAND: We've improved some of the information that goes to agencies, explaining to them how the process works. We've updated the requirements around Gate 0, which is the gate where you look at whether or not something should proceed down the pathway towards a final business case and into delivery. And, at Gate 0, we updated our documentation so that we had simplified formats for the agencies to prepare, instead of giving us many, many pages of information. We actually introduced a standard format for agencies to populate and also to limit the number of pages involved so there wasn't an enormous amount of effort that needed to go into developing that Gate 0 material. We upgraded the front-end Gate 0 and made some improvements throughout the rest, but there weren't wholesale changes to the framework.

The Hon. SCOTT FARLOW: With the indulgence of Ms Boyd, can I ask just one last question on that? From what I noted in terms of the advice as well, one of the items was removing the delegation for delivery agencies to establish their own assurance board. You could take on notice, perhaps, which delivery agencies previously had their own assurance board.

TOM GELLIBRAND: I will take that on notice. I know, initially, Sydney Metro has its own board which undertook assurances of projects. I can't remember the exact date, but there was a time when that switched over to Infrastructure NSW, but I'll take it on notice, if there were any other agencies.

Ms ABIGAIL BOYD: Could I start perhaps with Infrastructure NSW? I want to ask two things. The first one is in relation to the consultants and contractors. In the annual report, I see that the total spend from 2022-23 in relation to consultants has gone down, but the number of contractors is pretty stable. What moves have been made to reduce contractor spend in this financial year? And are we any further towards reducing reliance on contractors?

TOM GELLIBRAND: In general terms, before we engage any contractors, we'll look at the nature of the work, in terms of its level of specialty, as well as the duration of the work—how long it's going to go on for—and then determine as to whether or not it's more appropriate to get a government employee on board to do that

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work or if we should engage the services of someone from the private sector for that period of time—an initial assessment. In some cases, having done that assessment, we thought, "This does warrant a government employee", and we've gone to the market in those situations. We've got a few roles that have been in the market, and we're now going through the process to determine whether or not we can fill those roles.

Ms ABIGAIL BOYD: You were spending \$14 million on contractors in the 2022-23 year—just under. What does that look like for the last six months of '23? Is that reducing, stabilising? What's going on with it?

TOM GELLIBRAND: I don't know the exact answer. But, certainly, our spend on consultants and contractors has been reducing. I assume, in aggregate, we'd be seeing a reduction in that as well.

Ms ABIGAIL BOYD: It's just that the consulting spend from Infrastructure NSW is well less than a tenth—it looks almost like a twelfth or a thirteenth—of what it is on contractors. We spent a lot of time talking in the consulting inquiry about the difficulties in how you book a consultant versus a contractor in the books but also the idea that contractors were increasingly taking what used to be public servants' jobs. Other departments have done reviews into their use of contractors to see where they can reduce that spend. Is that something that Infrastructure NSW has been doing, or not?

TOM GELLIBRAND: We've certainly been looking at the use of contractors and consultants in our own organisation but also looking at what, if anything, can be done to reduce the use of contractors and consultants across the public sector. In some cases, I consider that the use of contractors and consultants is entirely appropriate for a short-term assignment where it's specialist information. You might be looking at relocating—

Ms ABIGAIL BOYD: But what we were finding was those long-running contracts where people were staying in jobs for, you know, a decade in a contracting role. Has there been a review within Infrastructure NSW to see if that's the case?

TOM GELLIBRAND: Of our own resources?

Ms ABIGAIL BOYD: Yes.

TOM GELLIBRAND: Absolutely, yes.

Ms ABIGAIL BOYD: Are we looking at reducing that spend then in future?

TOM GELLIBRAND: I think since the last time when we appeared before the Committee that you're chairing, there was a number of positions that had been going for a little while. We've gone out to the market to fill those and the person who had been sitting in, say, the contract position, that contract's finished. They're no longer working with us and the job's in the market so the numbers have reduced. We've got a pathway to recruit them. We haven't actually got people on staff yet, though.

Ms ABIGAIL BOYD: Turning to something different, then, Infrastructure NSW in 2022-23 was leading the Women in Construction program. Is that still the case?

TOM GELLIBRAND: Absolutely. I'm very happy to say so.

Ms ABIGAIL BOYD: If you could provide an update on what that program has been doing since the middle of last year—because we do have the information from the annual report—that would be great.

TOM GELLIBRAND: I do have a specific note on this, which includes quite a lot of really useful information, which I have to put my finger on. Do you want to have a look for it, Said? There's a grant element.

SAID HIRSH: Yes. The program ran industry innovation grants. Round one has finished last year and currently we've received applications for round two already and currently are assessing them. We've done a behavioural change campaign around construction sites and the Hard Work Knows No Gender campaign—that's gone out, working with industry unions et cetera. The program overall is actually even going through its first evaluation of its achievements. The program is ongoing. It's a four-year program—or funded for four years at the moment.

Ms ABIGAIL BOYD: Just looking at that grants program description, it talks about giving money to construction industry organisations that will pilot innovative ideas to increase the number of women working in construction. The most innovative idea I've heard so far is the toilet.

SAID HIRSH: We're actually not funding any toilet programs.

Ms ABIGAIL BOYD: As I'm sure you know, the ETU has been campaigning for a few years now on making sure that construction sites have toilets for women. It seems like the most absurd thing to be arguing for in 2024, but then identified it as one of the major obstacles to women working in construction. Is this something

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that Infrastructure NSW is responsible for fixing, or does that sit somewhere else in the responsibility of government?

TOM GELLIBRAND: There's been analysis of all the government projects and reviews undertaken to make sure that the appropriate facilities are available for females, and we've confirmed that that is the case on State Government projects. David Chandler is also working with the private sector to make sure that, as those projects are rolled out, there are also appropriate facilities available for men and women.

SAID HIRSH: Yes. We are working with the Building Commissioner more broadly because, obviously, the Building Commissioner has access to a lot more sites in the private sector. We tend to see a lot more of the large State Government sites, so we're working with them on their program to kind of increase the participation of women or improve conditions for women on sites. The two programs talk to each other and work together. We are tending to look at more around some of the education programs and other things, and that's what the industry innovation grants program is funding. But we can also provide what it's actually funding because it's public knowledge as well.

Ms ABIGAIL BOYD: I think that when we talked about this a few years back when it was first raised, there was obviously government control of construction sites where the government could say, "Yes, we can make sure that we have adequate toileting facilities", but when there was a contract in place when someone was doing government work, that was not something that was being required. There were disputes and all sorts of things going on. Has that been fixed? Has there been any movement on this issue since it was first raised a few years ago?

TOM GELLIBRAND: I believe so, yes, but we haven't had those concerns raised with us recently, so on government projects we're now satisfied that indeed arrangements are in place—appropriate arrangements for both genders.

Ms ABIGAIL BOYD: In South Australia they've probably taken the strongest action on this, but they've done education campaigns. They've been actively going out to sites and ensuring compliance from their SafeWork et cetera. When I asked about this in the Industrial Relations, Work Health and Safety session, I was told that this was something that was being dealt with by Infrastructure NSW. I'm quite worried that there's no-one really coordinating it. It's one of those issues that's kind of fallen through. We know that this is still one of the major obstacles to women in construction. At every estimates, year after year, I say this: It feels absurd to be talking about this in 2024. The idea that we don't have toilets that women can use is quite extraordinary.

TOM GELLIBRAND: We haven't got a program for inspecting individual private development sites around New South Wales; that's the case. But we do have a high level of engagement with industry through the Construction Leadership Group and industry forums, where we deal with peak associations as well as contractors directly—so all the major tier 1 and tier 2 contractors. We've been working with them on the rollout of the Women in Construction program, and there's also an industry culture taskforce which we also work really closely with. Those initiatives are really focused on industry, to make sure that they understand the importance of increasing the representation of women in the construction sector and infrastructure sector.

Ms ABIGAIL BOYD: What might help them to understand is if it was mandated for them to have toilets for women. Again, it doesn't seem like something that we would have to be asking for in 2024, but—

TOM GELLIBRAND: If I may, you asked about some of the specific initiatives associated with the Women in Construction program. They're all on our website at the moment. Probably the information in the annual report might be a little bit high-level, but the website actually lists out all of the grants that have been issued with a bit of detail. I won't go into each of them individually unless you'd like me to.

Ms ABIGAIL BOYD: No, it's all right.

SAID HIRSH: But it doesn't address specifically your question about toilets on site because we don't inspect sites. We rely entirely on the Building Commissioner and that team, and SafeWork et cetera, to do that and report back. We have them involved in all our working groups. It's a point raised not so much on State Government sites, but it's obviously a big issue. We do send our staff. We are used to seeing the bigger projects and the higher tier contractors and so on, but we have sent them around with the Building Commissioner to actually see what the broader construction industry looks like.

Ms ABIGAIL BOYD: What I take from this is that I need to go and hassle other people about it, which I will do, so thank you. Can I turn to you, Mr Deverall, for something a bit—not quite theoretical, but something quite different. When this new Government came in—and excuse me, because I won't be able to get the words right for this. Basically, the guidelines that are given by the Government in relation to government funds and how they're invested—so the investment guidelines that are issued to TCorp—were they reissued under the new

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Government? Did they include any additional or stricter guidelines in relation to ESG investments or anything like that?

DAVID DEVERALL: We manage approximately 15 pots of money, 15 different funds, and they have specific investment strategies attached to them that talk about the level of risk and return objectives et cetera. Those particular return objectives are not set by the Government. That's an arrangement between us and our clients, whether it be the Treasury funds or icare or STC. The short answer is no, there was no change to that. But, of course, that doesn't stop the Government asking questions around it. That would also include as far as anything to do with ESG is concerned.

Ms ABIGAIL BOYD: The divestment of Russian equity and debt in 2022—when that decision happened, how was it delivered to TCorp? Was it through a Treasurer's instruction or direction, or what happened?

DAVID DEVERALL: Yes, that was through a Treasurer's direction. Under the TCorp Act, the Treasurer can issue a direction to TCorp. It's something that's been done twice in our 40-year history—once on tobacco, and that was back with Treasurer Baird at the time.

Ms ABIGAIL BOYD: In 2012?

DAVID DEVERALL: Something like that, and the other one was to do with Russia. That was delivered through a Treasurer's direction.

Ms ABIGAIL BOYD: There is a list. It's a United Nations human rights list of business enterprises that have been found to have been involved in the Israeli occupation of Palestine, and it's a list of 112 organisations. It is effectively saying, "If you finance these, you're helping that." If we were to have some sort of limit on our investments in those areas, would that come through a Treasurer's direction? Is that what you would think?

DAVID DEVERALL: The way that works is that, from a TCorp investment perspective, if an entity appears on the sanctions list, we must not invest with it. We apply, through our custodian, very vigorous scrutiny of all the companies on the various sanctions lists that exist, and we will divest or not invest into those organisations.

Ms ABIGAIL BOYD: It has to be on an official sanctions list.

DAVID DEVERALL: That's right.

Ms ABIGAIL BOYD: And once it has got to that status, that's when that happens.

DAVID DEVERALL: That's correct.

Ms ABIGAIL BOYD: Very useful. Thank you.

The Hon. SCOTT FARLOW: I now have some questions for you, Mr Coutts-Trotter, about TAHE. Noting that the 2023-24 budget states that the TAHE will transition from its current operating model as a statutory State-owned corporation to operating as a non-commercial public non-financial corporation and that this is claimed to result in lowering net debt by \$4.3 billion in 2026-27, would you be able to explain to the Committee the basis on which it is calculated that transitioning TAHE to the new model will lower net debt by \$4.3 billion in 2026-27?

MICHAEL COUTTS-TROTTER: Because money was being borrowed in the general government to make payments to TAHE, and the payments to TAHE were necessary to produce a return on equity to meet the year-on-year cost of a holding loss and to effectively fully fund heavy rail depreciation, a non-cash expense that was being funded on a cash basis. As a result, many more payments were made to TAHE using borrowed money than would have been the case if there was a different operating model in place. The saving to debt comes because the payments from the general government sector to TAHE are reduced because we don't have to pay for a return on equity—a money-go-round—are reduced because we don't have to meet the annual cost of the holding loss, and are reduced because TAHE has been asked to use some of its accumulated cash to fund its ongoing program of rail maintenance and upgrades. Those three things in combination mean that net debt was reduced by about \$4.3 billion over the four years.

SONYA CAMPBELL: I can give you a more specific breakdown, if that's helpful.

The Hon. SCOTT FARLOW: Sure, Ms Campbell. That's fine.

SONYA CAMPBELL: What happened in the budget process is that there was removal of equity injections of \$6.3 billion. There was a reduction in grant funding of half a billion dollars, and then there was a reduction in the dividends and the taxes. Then TAHE's forecast—this reduction in the general government net

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debt—was funded through the use of surplus cash holdings and additional borrowings, which come to the \$4.3 billion.

The Hon. SCOTT FARLOW: What is the most recent valuation of TAHE's assets, measured using an income approach in accordance with *TPP21-09 Valuation of Physical Non-Current Assets*, at fair value and AASB 13 Fair Value Measurement?

MICHAEL COUTTS-TROTTER: I'm hoping that my colleague Sonya Campbell or Marina van der Walt has the updated figure for the financial year 2022-23.

MARINA van der WALT: Yes. I'm just going to double-check the number, because I have a number to mind, which I think is around \$19 billion, but I'll confirm that. That is using the discounted cashflow analysis approach. I think the Treasurer mentioned in the session this morning that, from next year, we'll need to use the asset revaluation approach. So the assets will be revalued and will increase to—I think the current estimate is around \$30 billion.

The Hon. SCOTT FARLOW: What's the allowance for depreciation for 2023-24, based on that valuation?

MICHAEL COUTTS-TROTTER: The assets have not been revalued on that basis yet. They will be revalued for the 2024-25 financial year on that basis.

The Hon. SCOTT FARLOW: And what's the estimated valuation of TAHE's assets measured using current replacement cost?

MICHAEL COUTTS-TROTTER: So that is—

MARINA van der WALT: That's the \$30 billion.

The Hon. SCOTT FARLOW: That's the 30?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. SCOTT FARLOW: Okay. And what would be the allowance for depreciation based on a valuation of TAHE's assets using current replacement cost?

MARINA van der WALT: Again, we'll need to calculate that.

The Hon. SCOTT FARLOW: Sure. Will you take that on notice?

MARINA van der WALT: Yes. That hasn't been done yet. It's not in yet.

MICHAEL COUTTS-TROTTER: We won't know that—

The Hon. SCOTT FARLOW: Until the next financial year?

MICHAEL COUTTS-TROTTER: —until the valuation work is actually done. We can't estimate it ahead of time. It's actually a significant task of revaluation.

The Hon. CHRIS RATH: I'd like to turn now to whole-of-government savings measures. What reports is Treasury receiving from portfolio Ministers on progress towards savings targets in labour hire consultants, travel, legal and advertising?

MICHAEL COUTTS-TROTTER: It's early days. I think that the aggregate of all those whole-of-government savings is about \$1.6 billion over four years, and it is a four-year program. We have received one update report that we have provided through to the Government through a Cabinet subcommittee and there is another update report due either this month or next. I guess in summary we would say, given the budget was delivered in September, the first report we've posted through—it's very early days but things over a four-year program seem to be broadly on track.

The Hon. CHRIS RATH: The Ministers and departments are reporting in with savings to Treasury, though? They're regularly—

MICHAEL COUTTS-TROTTER: As Minister Houssos does have ministerial responsibility for grasping the abacus and threatening people with it, we have, at her request, been pulling together and are improving a quarterly reporting program through her to the Expenditure Review Committee on whole-of-government savings and, indeed, comprehensive expenditure review savings as well.

The Hon. CHRIS RATH: Are there any portfolio areas where the expenditure's actually gone up rather than savings?

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MICHAEL COUTTS-TROTTER: I'd need to take that on notice. But I would say, September budget, one report in, there's nothing alarming in the reports to date. As you've seen from your question to me earlier, people are making progress but no-one would've hit their four-year target yet.

The Hon. CHRIS RATH: Any particularly good performers you want to give a shout-out to?

The Hon. SCOTT FARLOW: Gold stars!

MICHAEL COUTTS-TROTTER: I love all of my colleagues equally, so they are all gold-star performers.

The Hon. CHRIS RATH: Any bad ones you want to point out?

MICHAEL COUTTS-TROTTER: No, I love all of my colleagues equally. They're all gold-star performers.

The Hon. CHRIS RATH: Fair enough. I wanted to go back to some of the questions on notice from the last budget estimates. Do you have a copy?

MICHAEL COUTTS-TROTTER: I don't have a copy of them with me, I'm afraid, Mr Rath, but I'll respond as best I can.

The Hon. CHRIS RATH: Okay. It is probably more the questions that were taken on notice through the hearing rather than the supplementary questions. Question on notice 24, Mr Tudehope asked:

My request to you on notice is to provide a dollar figure for each of the measures referred to in Appendix A for each of the agencies referred to in "A5 Measures Statement".

That's from the 2023-24 budget. The response was to point us back through to the measures statement, the very one that we were trying to get more information about.

The Hon. SCOTT FARLOW: That old chestnut.

The Hon. CHRIS RATH: Yes, we never did that when we were in government. Does Treasury have a dollar figure for each of the measures?

MICHAEL COUTTS-TROTTER: I'd refer you to the Minister's response to the question.

The Hon. CHRIS RATH: So you're not going to provide any additional detail?

MICHAEL COUTTS-TROTTER: Well, suffice to say that the budget presentation and the measures statement in the budget is consistent over years, and the Minister has responded to your questions on notice.

The Hon. CHRIS RATH: Fair enough. Question 48, Mr Tudehope asked you for the "Bruce Petty-style" mind map of the Transport Asset Holding Entity's new funding model. You indicated you were "happy to provide it on notice".

MICHAEL COUTTS-TROTTER: No, I was.

The Hon. CHRIS RATH: We're all very confused about the inner workings of TAHE.

MICHAEL COUTTS-TROTTER: I obviously can't offer a briefing without the authorisation of my Minister, but we would be more than—it is complex. And I know that Mr Tudehope and others were inquiring, genuinely seeking to understand what's involved in the change of model. And with the Minister's concurrence we would be more than happy to provide a briefing on it.

The Hon. CHRIS RATH: Why wasn't it supplied to the previous question on this?

MICHAEL COUTTS-TROTTER: It's the Minister's response to the Parliament, of course.

The Hon. CHRIS RATH: Any more specific information you could provide on that would be helpful in terms of a mind map to help uncover some of the more complex inner workings of TAHE.

MICHAEL COUTTS-TROTTER: There was a problem in Victorian diplomacy, called the Schleswig-Holstein question. The then Prime Minister of the day, Lord Palmerston, said, "There are only three people who understand the Schleswig-Holstein question. One of them is dead. That's the prince consort. Another has gone mad. That's the German professor. And the third is I, and I have forgotten the details." TAHE—there is a real nuance and complexity to it that I think would best be handled in a briefing if our Minister was prepared to authorise it.

The Hon. CHRIS RATH: Fair enough. I'll conclude on question on notice No. 58. Mr Tudehope asked you to provide a breakdown of the composition of other operating expenses listed for the budget in 2026-27, a

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figure of \$26.065 billion. In response, a reply was given that the operating expenses would be \$26.1 billion in 2026-27, which is, essentially, the exact figure that Mr Tudehope asked to be broken down. There wasn't any additional detail on that. Is a breakdown available from the Treasury?

MICHAEL COUTTS-TROTTER: As I say, you've received a response from the Minister, on notice.

The Hon. CHRIS RATH: If you could take on notice maybe again, in case there's any additional information that could be provided for this round of budget estimates, should the Treasurer be willing to provide more information about \$26 billion in operating expenses, that could be helpful.

MICHAEL COUTTS-TROTTER: Thank you, Mr Rath. We will take that one on notice.

The Hon. SCOTT FARLOW: I might continue with some questions with respect to the housing and productivity contribution. From the introduction of the housing and productivity contribution, on 1 October, how much has been collected in total to date?

MICHAEL COUTTS-TROTTER: I would need to take that on notice.

The Hon. SCOTT FARLOW: That is fine. And on the introduction and passage of the housing and productivity contribution bill, Minister Scully outlined that the housing and productivity contribution—and I quote—"would secure \$1 billion over the forward estimates and up to \$700 million per year beyond that". However, in the budget, it was then revised by half a billion dollars to \$1.5 billion to state that \$1.5 billion would be made available via the HPC. Why did this revision occur?

MICHAEL COUTTS-TROTTER: Unless my colleague Liz Livingstone can remember the detail, I'd take it on notice. Liz?

ELIZABETH LIVINGSTONE: I'd take it on notice, other than—the scheme started several months later than was originally anticipated. That might explain the difference. But we can check the detail and take it on notice.

MICHAEL COUTTS-TROTTER: I think that's it, but we'll confirm that on notice.

The Hon. SCOTT FARLOW: That's a little bit hard to—with all due respect and as part of the discussion or dialogue it's an increase of half a billion dollars. I don't think that that would be the reason for it. We've asked questions of the Minister for planning about this as well, and he says that, within the \$1.5 billion, whatever the housing and productivity contribution does not raise, it'll be covered by consolidated revenue. How much do you forecast the consolidated revenue will make of that \$1.5 billion?

MICHAEL COUTTS-TROTTER: Again I'd have to take that on notice, Mr Farlow.

The Hon. SCOTT FARLOW: That's fine. What is the forecasting and funding breakdown of the HPC projected to be in each year over the forward estimates?

MICHAEL COUTTS-TROTTER: Again I would have to take that on notice, I'm afraid.

The Hon. SCOTT FARLOW: Sure. The housing and productivity contribution under the legislation is held by Treasury in a special deposits account?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. SCOTT FARLOW: How's that reflected and accounted for in the budget? Is it, effectively?

MICHAEL COUTTS-TROTTER: If it is a special deposit account, it would be transparent.

ELIZABETH LIVINGSTONE: That's right.

The Hon. SCOTT FARLOW: Is it reflected in the budget?

ELIZABETH LIVINGSTONE: Again, we could look up the presentation of the budget papers and point it out to you.

The Hon. SCOTT FARLOW: If you can do it now, that's great, but if on notice you could point me to where I could find that, that would be helpful. I do note that there are certain notes that appear with respect to other special deposit accounts like the Digital Restart Fund, Transport for NSW fund and the like.

MICHAEL COUTTS-TROTTER: No, indeed.

The Hon. SCOTT FARLOW: I can't find anything with respect to housing and productivity fund—the HAP fund. With respect to the Housing and Productivity Contribution, is it an intention of Treasury to make publicly available the receipts into the special deposits account and distributions from that account?

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MICHAEL COUTTS-TROTTER: I think the short answer is yes. I will confirm that on notice for you, though.

The Hon. SCOTT FARLOW: Will that be published as part of the 2024-25 budget?

MICHAEL COUTTS-TROTTER: Again, I think yes, but I will confirm that on notice.

The Hon. SCOTT FARLOW: The 10-year \$1 billion fund for local government, as part of the Housing and Productivity Contribution, is going to be administered by Treasury. What's the framework for this to take place?

MICHAEL COUTTS-TROTTER: I'm sorry, we may have to take that on notice. My colleague Joann Wilkie, who is most closely involved in creating that with her team and Liz's team, would have been able to answer that for you, but I'm afraid I can't—unless Liz can.

The Hon. SCOTT FARLOW: I will put the rest of the questions on notice—to save us all the dance—with respect to that.

MICHAEL COUTTS-TROTTER: Thank you.

The Hon. SCOTT FARLOW: That's fine. Does that relate just to that \$1 billion local government fund or all of the Housing and Productivity Contribution?

MICHAEL COUTTS-TROTTER: It would be the whole, I think. Again, I will confirm on notice.

The Hon. SCOTT FARLOW: I will put the rest of the questions on notice with respect to that. I will turn now to Sydney Water dividends. In the budget, it showed that Sydney Water's projected dividend payments to government will increase from \$361 million this year to \$626 million and \$637 million in 2025-26 and 2026-27 financial years. I note that has actually, in the half-yearly update, been revised upwards now to \$860 million in 2025-26 and \$747 million in 2026-27.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. SCOTT FARLOW: Why is there such a sharp increase?

MICHAEL COUTTS-TROTTER: We have to make budget estimates based on a set of assumptions. The assumptions in relation to Sydney Water relate to its long-term capital plan that was approved by the previous Government but is being reconsidered by this Government. While we need to make assumptions and produce forward estimates, some of the fundamental drivers of the assumptions about Sydney Water's capital plan, its regulated asset base, its return on the asset base and, therefore, its profit and return to government are anchored in a long-term capital plan that the Government, through the relevant Ministers, is in the process of reviewing—number one, reviewing to make sure that Sydney Water is delivering a plan that delivers on the Government's housing priorities so that it's prioritising investments that support accelerated housing supply. Number two, the Government is looking at the plan with an eye to its affordability to households—in other words, its impact on household bills. The core point is the plan may change. Therefore, in the 2024-25 budget and forward estimates, our estimate of dividends may change. Lastly—before I turn to Sonya Campbell if she wants to add a bit more—the other change, of course, is the progressive introduction of the developer contributions.

The Hon. SCOTT FARLOW: The development service plans?

MICHAEL COUTTS-TROTTER: Yes. They ramp up at, essentially, 25 per cent a year up to their full value in the fourth year.

SONYA CAMPBELL: I think the secretary has largely answered the question. Obviously, the revenue is projected to grow over the budget and forward estimates periods due to the commencement of those infrastructure charges and also anticipated price increases subject to the water IPART determinations which are coming up. The difference in the half-year review between the budget is really just some slippage in the capital program, which is explained by the reviews around Sydney Water's capital program that are currently underway.

The Hon. SCOTT FARLOW: Thank you very much. That was very helpful. I will hand you to Mr Rath while I continue to find my next notes of questions.

The Hon. CHRIS RATH: Coming back to the questions on notice, we had question on notice 24 about the measures statement, question on notice 48 about the TAHE mind map, and question on notice 58 about the operating expenses. Were these answers that were given to the Committee the answers that you provided to the Treasurer?

MICHAEL COUTTS-TROTTER: The Treasurer's response is the Treasurer's response.

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The Hon. CHRIS RATH: How do we have any confidence that the information that you provide to the Treasurer won't be vetoed by him before it's given to this Committee and then all we get is non-responses?

MICHAEL COUTTS-TROTTER: That's not really a question I think I can answer.

The CHAIR: No, that's seeking opinion.

The Hon. CHRIS RATH: Does it regularly happen that questions on notice differ from the Treasury versus the Treasurer?

MICHAEL COUTTS-TROTTER: I've been doing jobs like this one for nearly 20 years, and in all of my time in 20 years, there have been differences in what's provided by a Minister to the Parliament and what's provided to a Minister by an agency, and that's perfectly understandable. The Minister is accountable for their response to the Parliament.

The Hon. SCOTT FARLOW: I'll turn to one question in my area first and then come across. We were told by Minister Jackson at her estimates on Wednesday that the STRA review is being conducted by the Department of Planning, Housing and Infrastructure in conjunction with Treasury. I am just wanting to know what Treasury's role is as part of this review.

MICHAEL COUTTS-TROTTER: I'm sorry, which review is that?

The Hon. SCOTT FARLOW: This is the short-term rental accommodation review. Sorry for using the terminology of STRA. I am just wanting to know what Treasury's role is with respect to this review.

MICHAEL COUTTS-TROTTER: That is through Joann Wilkie's team. So, sorry, I'm going to have to take that one on notice to give you some detail.

The Hon. SCOTT FARLOW: Thank you. I'll put those questions on notice as well for Ms Wilkie. I think we are done. We would have had a little bit longer if Ms Wilkie was here, but send her our best for her recovery.

MICHAEL COUTTS-TROTTER: We will. Thank you very much.

The CHAIR: Thank you very much, everyone. There have been a couple of things taken on notice, so the secretariat will be in contact with you in due course for answers on those. Thank you all again for your attendance. It is very much appreciated, and we will see you next time.

(The witnesses withdrew.)

The Committee proceeded to deliberate.