

## Agreement in Principle

**Mr MIKE BAIRD** (Manly) [10.03 a.m.]: I move:

That this bill be now agreed to in principle.

This morning we have a historic opportunity to show leadership to the country. It is an opportunity to put the politics of old aside and, once and for all, to put the interests of the community above individual political pursuits at election time. We have all watched for many years—whatever side of politics one is on, whatever election one is watching—the soap opera that is the election costings process. Whether it be Treasurers or shadow Treasurers, leaders, Premiers or potential Prime Ministers, there is much debate about what is included in the costing of a particular policy and little debate around the substance of the matter to be costed.

My argument is that the community is interested in the policies the Government puts forward and the costings, as part of that process, should not be the focus. The political debate should centre on the issues and the policies. The community wants to know that the costings process involves rigour and independence: it wants to know that policies are costed properly, with due process and having regard to expert advice. If we do that consistently, both from a government and an Opposition point of view, the debate can shift to the issues that matter—that is, the policies at hand. I acknowledge the critical issue in understanding costings is making sure that they are done correctly and with due process. I will argue in the course of this debate that the Government has not undertaken this process properly. This bill provides an historic opportunity to put a costing process in place that is independent, gives due process and enables the community to know with confidence that when a policy is put forward it has been properly costed and planned and that appropriate experts have reviewed it.

I argue that it is time that this process was conducted properly. It is time that we had a formal process that enables election promises to be a rigorous and critical part of a political campaign. It must not be turned into a political soap opera. That is what we have seen in the past, reflecting on past elections and the many press conferences that have been run around the intricacies of what is and is not included in a particular costing. This bill provides an opportunity for that to end. I believe the community is demanding far more political focus on the issues that matter, rather than cheap political pointscoreing.

I am delighted with the Premier's commitment in this regard. The Premier, in her debate with the Leader of the Opposition, said that she would be delighted to have election costings judged independently. I am pleased that she has agreed to adopt the Coalition's policy, and this bill. I acknowledge that the Premier has taken up that opportunity and will help, together with the Leader of the Opposition, to play a leadership role across the country. I believe other jurisdictions look to us to take the lead on doing costings in a way that is in the best interests of the community, rather than political pointscoreing.

Why are costings important? It is important to understand how costings have been done, and I am certainly keen to talk about the Government in that regard. The Labor Government criticises the Opposition about costings—it has been Labor's game sport for many of its 15 years in government—but the Government is not the bastion of all that is good in relation to costings; quite the opposite. In light of that, it is even more important that we have some independence and rigour in the costings process rather than believing *carte blanche* that a government has total control and full understanding of any costing. The track record of this Government speaks for itself. I will give a couple of examples.

The CBD metro is an important model. At the press conference at which the project was announced—it was on the *Four Corners* program—the Premier and the infrastructure adviser outlined the process. I must say that I think Nathan Rees, who was Premier at the time, is a decent bloke. He gave it a go, but in this case he was put in the difficult position—it would be hard for any Premier—of announcing a project without knowing the costings. The transcript reads pretty clearly. Journalists were handed a map and a press release about the CBD metro. The first question was pretty simple. A reporter asked, "How much would this cost?" The Premier said, "Costing on this one?" The infrastructure adviser then shuffled across and said:

We are still working through the costing right at the moment I wouldn't give you a figure today. We can organise to give you a figure in an hour or so.

*Four Corners* was told that when no-one could answer the simple question "How much would it cost?" an adviser was dispatched to the room where discussions with Infrastructure Australia were still going on. He asked, "Any idea what this will cost?" and the reply came back, "About \$4 billion". That is an indictment on the Government's costing processes in its everyday operations, let alone during an election campaign. It is beyond comprehension that the Government could announce a project that was estimated to cost \$4 billion without having a robust and detailed costing of it, without having it externally benchmarked and without even having a second, third, fourth or fifth pair of eyes run over it to clarify the cost.

The cost was not even part of the original announcement. At the press conference in October 2008 the figure

was \$4 billion but by the end of October it had increased to \$4.8 billion and by 20 April 2009 the CBD metro was estimated to cost \$5.3 billion—30 per cent more than the initial estimate. On 16 October 2009 it was estimated in media reports to be \$7 billion. Even excluding the media reports of \$7 billion, how a project could increase from \$4 billion to \$5.3 billion—a \$1.3 billion variance—in a budget that operates, at best, pretty much on a break-even basis is beyond comprehension.

This illustrates the fact that we cannot entertain the Government taking the high ground on costings. Its track record is fraught with lack of process and lack of results—and I shall give a few more clear examples of that. It is not surprising that the project was cancelled. The work and analysis were not done appropriately, and costing was a critical part of that. Some \$500 million has gone down the drain and we have nothing to show for it. I do not want to labour the point but this example is critical in providing a snapshot of what the Government has done with its costings.

I also will not labour the point regarding the Epping to Chatswood rail link because the case has been well documented. The project was supposed to be completed in 2006, at a cost of \$1.3 billion and the line was supposed to run to Parramatta. It ended up costing \$2.3 billion. That is almost double the cost and the line runs only half the promised distance. The Royal North Shore Hospital upgrade was first announced in June 2002, at a cost of \$452 million. The current overall cost is \$702 million—another huge cost blowout. They are examples of the Government's many vagaries and inconsistencies and its lack of process. It is not the bastion of all that is good in relation to costings. Indeed, it is almost a case study in how not to do costings.

I will bring the debate to a community level. No matter what political party is power, during an election campaign candidates or shadow Ministers often seek to talk about a particular project. The community wants assurances that work is being done, that the project has been costed, that it fits into the budget on the basis of the costing that is announced and that it will actually be achieved. I can give no better example than The Spit Bridge. Those who live on the Northern Beaches know that this issue is a festering sore. It is proof that when a costing is not done properly it costs the community in the long term. The announcement to widen The Spit Bridge, at a cost of approximately \$30 million, was first made in 2002. That figure was then upgraded to about \$35 million and then it blew out to about \$59 million. Finally, about three or four weeks after the 2007 election, we were told that the project would be scrapped because it was going to cost \$115 million, which was too much.

Let us forget the merits of the plan for a moment. I have argued for a long time that the Government should provide a solution that addresses the entire corridor. It should not just tinker around the edges but provide an holistic solution based on public transport. It is an indictment on the Government that it held up the project for five years and then said it cost too much. It is further evidence that the community needs surety of costings. People need to know that when a candidate stands beside a Minister or a shadow Minister announcing a new project the costings have been done, they have been reviewed by experts and there is a degree of certainty that the cost announced will align with the actual project cost.

We accept that there will be variances due to unforeseen events, but a cost blowout of 10 per cent is very different from blowouts that are two or three times the cost of the original project. A galaxy of stars was associated with The Spit Bridge project. First it was Carl Scully on 1 August 2002, then Bob Carr in March 2005. Michael Costa announced something in June 2005. Eric Roozendaal even came down in August 2006 before the election, and he obviously came back to tell the community that the project cost too much. That sort of soap opera cannot continue; the community deserves much more from election promises and from the democratic process.

I turn now to the fully funded transport plan, which is where the bill provides some real guidance for the community. We have heard interesting comments from the Treasurer and the Premier that the plan is fully funded. They know it is not fully funded. They have put a structure in place that is vague and general. I will argue why we need some independent election costings policies. Projects accompanied by glossy maps that have been reviewed rigorously by independent experts have a chance of being delivered. Despite the Government's claim that the North West Rail Link is fully funded, only 10 per cent of the \$6.7 billion is within the 10-year funding plan. That appears on page 35 of the relevant document. It is beyond comprehension that the people of the north-west have been promised a rail link for more than 11 years.

How can one say that a \$6.7 billion plan that extends well beyond the current election cycle—2024 is the completion date—is fully funded? The Government cannot say that the North West Rail Link is fully funded; only 10 per cent of the project is funded in the first 10 years. We argue that if a policy extends beyond the budget period, which obviously includes budget estimates, unless it is funded completely in that budget it becomes an election policy and should be costed. The Government should be held to account for the project's costing and how it will be funded in the long term. The project must be justified. Governments cannot release brochures with figures and maps willy-nilly and use phrases such as "fully funded" and simply expect something to happen.

The Western Express is another example. It is included in the transport plan, at a cost of about \$4.5 billion. What work has been done on that? The time frame is not defined. A couple of weeks after the transport plan was announced the Government moved a priority motion about the Western Express, stating that the cost of the Western Express was \$4.8 billion. The Government said later that it was a typographical error. How can that

project be declared fully funded when no time frame or costs have been given? The Government has offered no basis to the community as to how it arrived at the figure of \$4.5 billion.

That is a good example of where, under the process provided for in our bill, the Auditor-General would oversee an independent person to review the costings. The Auditor-General would say, "We have looked at the costings and we understand how that figure has been reached. An expert has looked at it, and we have considered all variables." The community could then say, "Yes, we agree with the costing," and then it is up to the Government to explain how it will fund the project. Taking the community for a ride on the basis of saying, "Here is a project we are going to deliver," without that sort of rigour, I firmly believe has to end.

The final project I refer to is light rail. People may call me a cynic, but when a costing of a neatly rounded figure of \$500 million is projected for a light rail project, does that not suggest that that is a figure that has been created? It seems the Government has said, "It could be \$600 million, it could be \$700 million, it could be \$400 million. Let's put in \$500 million." It simply reeks of a figure that has been put in a brochure. The community deserves much more rigour. In relation to light rail, if that is not referred to in the current budget, what the Government needs to do as it comes to the election after this budget is delivered is to say, "Here is the timing, here is how we got to that costing, and here are the experts that have overseen the costing." Therefore, when the Auditor-General produces a report that says light rail will cost whatever it is—should we be delivered into government in future budgets—the community will see that rigour has been applied in the costing, rather than a figure simply being put in.

We have a similar situation with regard to Sydney's iconic ferries. A total of \$225 million is to be spent on ferries in the next 10 years. How is that made up? The Government says it will deliver six Lady Class and SuperCat vessels, in other words six ferries. How much does a ferry cost? Ferries cost varying amounts, but they certainly do not get to \$200 million. On average, \$4 million to \$10 million should buy a quality vessel. That is a total of \$60 million, but where is the rest of the money going? The Government talks about real timetabling. I do not know how much that will cost.

Then it talks about wharf upgrades. I ask the Government: Which wharves will be upgraded, when will the upgrades take place, what costings have been attributed to them, and how will the Government go about it? Then we have this other incredible figure of the total project cost, which is \$790 million. The Government needs to explain whether there is private sector involvement in that. We need to know how the projects will be delivered. It seems it is a good example of the Government not being able to deliver these projects. The Opposition has signed up to these commitments. The Government cannot put out these sorts of figures without due process being done. The Opposition has committed to signing up to that as well.

At the last election we saw a disingenuous campaign run by the Government: that the Opposition's spendometer was ticking away faster than ever. That is right at the core of the arguments here. What the community wants to see is that both the Opposition and Government are formally engaging in constructive processes, together with experts, and appropriately allocating costs to projects that they are committing to, that are within the realms of the budget. That is the simple proposition. All of us want to see that focus. To run scare campaigns that are disingenuous, about spendometers that do not exist, belittles what the community expects from this place.

That is why I would say we have an historic opportunity before us today. Those sorts of campaigns can end. Instead, we can talk about how we are going to shape the future of this State across our critical portfolios, how this State could become a better place, how it could become a leader in the economy, and how we could have the best public transport system, the best health system, and the best community services sector in this country. That is in contrast to disingenuous spendometer-style campaigns. Under our bill's provisions, there would be a proposition that the Auditor-General, with the assistance of experts, would produce clearly costed policies from both Government and Opposition. Through that process the Auditor-General would replace the nonsense spendometer approach, which must end.

The process needs to involve constructive dialogue. It certainly anticipates proving up the costings. That is, the Opposition would engage whomever the Auditor-General may appoint. The Auditor-General sees his role as the auditor, not the independent coster. The bill allocates costings to the Auditor-General, but it also provides a mechanism for the Auditor-General, if he sees fit, to appoint an independent person to oversee the costings for both the Government and the Opposition. We would present costings, we would engage with the independent person appointed by the Auditor-General, running through every assumption and accounting process on the information available to us, and, if required, produce external support for those costings. That independent person would then have the right to review, stress test, and apply whatever standards to the costings he or she required.

It is a constructive process. Obviously, there could be assumptions that both sides do not get 100 per cent right in the first cut, but by the time we get to the final position of that policy there would be an understanding that the costing figure that is presented is agreed. That sort of constructive process is long overdue, and there is now an opportunity to engage in it. The bill enables the Premier or the Leader of the Opposition to request a costing of an election policy by the Auditor-General at any time. We would argue that that process should start as soon as the budget is brought down, and it should continue until election time.

That would enable the Opposition and the Government, as they think about funding implications that will go beyond the current budget, to start engaging with an independent costing analyst. They would be able to say to the analyst, "This is what we are thinking in relation to this policy. These are our preliminary costings. What do you think? Are we missing anything with our assumptions?" Constructive dialogue such as that is the way to ensure good costing outcomes. The bill enables the Premier and the Leader of the Opposition to discuss, in confidence, the budgetary impact of an election policy with a member of the Auditor-General's staff, as I have said.

In conclusion, this is an incredibly historic opportunity for this Parliament. We have a chance to put behind us the days of old when needless political debate was put into the process of needling costings on both sides of the equation because the ultimate policy outcome was drowned in that process. The community wants this Parliament to do its homework. The Opposition signs up and commits to that. We certainly support and demand that proper costings be done, both on the Government side and on our side. We will do everything in our power to ensure that not only are the policies we present realistic in terms of the funding timetable but all the work is done as we start to engage with the independent person that is appointed to do the costings of both sides of this House.

We note that the Auditor-General may well require some additional funding for that, and we would argue that Treasury has a budget allocation for people involved in costings. That could be allocated to the Auditor-General, but if the Auditor-General requires independent people to be appointed to do that we would strongly support that as well. We welcome the Government's support for this historic bill and this historic opportunity. We certainly believe it is the way to take this State forward. All of us are sick and tired of the old political games. It is time we put the community first. If costings are done properly and independently by both sides of the House, there is a chance to change the political debate—not only for the coming election but for generations to come.