

GENERAL PURPOSE STANDING COMMITTEE NO. 1

Thursday, 1 September 2016

Examination of proposed expenditure for the portfolio area

TREASURY AND INDUSTRIAL RELATIONS

UNCORRECTED PROOF

The Committee met at 9:00

MEMBERS

Reverend the Hon. F. Nile (Chair)

Mr J. Buckingham

The Hon. S. Farlow

The Hon. B. Franklin

The Hon. D. Mookhey

The Hon. P. Primrose

The Hon. A. Searle

The Hon. B. Taylor

PRESENT

The Hon. G. Berejiklian, *Treasurer, and Minister for Industrial Relations*

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**

The CHAIR: Welcome to the public hearing of the inquiry into the budget estimates 2016-2017. Before I commence, I acknowledge the Gadigal people who are the traditional custodians of this land. I pay respect to the elders past and present of the Eora nation and extend that respect to other Aboriginals present. I welcome the Treasurer and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolios of Treasury and Industrial Relations. Today's hearing is open to the public and is being broadcast live via the department's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available.

In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that you must take responsibility for what you publish about the Committee's proceedings. It is important to remember that parliamentary privilege does not apply to what witnesses may say outside their evidence at the hearing and so I urge witnesses to be careful about any comments you may make to the media or to others after you complete your evidence as such comments would not be protected by parliamentary privilege if another person decided to take an action for defamation. The guidelines to the broadcast of proceedings are available from the secretariat.

There may be some questions that a witness could only answer if they had more time or with certain documents to hand. In those circumstances witnesses are advised that they can take a question on notice and provide an answer within 21 days. Any messages from advisers or member's staff seated in the public gallery should be delivered through the Committee secretariat. Treasurer, I remind you and the officers accompanying you that you are free to pass notes and refer directly to your advisers seated at the table behind you. A transcript of this hearing will be available on the web from tomorrow morning.

Finally, could everyone please turn off their mobile phones for the duration of the hearing. All witnesses from departments, statutory bodies or corporations will be sworn or affirmed prior to giving evidence. Treasurer, I remind you that you do not need to be sworn as you have already sworn an oath to your office as a member of Parliament. For other witnesses, I ask that you each, in turn, state your full name, job title and agency and then swear either an oath or an affirmation. The words of both the oath and affirmation are on the cards on the table in front of you.

CARALEE MCLIESH, Deputy Secretary, Fiscal and Economic Group, NSW Treasury, sworn and examined
ROBERT JOHN WHITFIELD, Secretary, NSW Treasury and Industrial Relations, sworn and examined
JOHN MACKAY, Director, Asset Transaction Unit, NSW Treasury, affirmed and examined
VICKI TELFER, Executive Director, Industrial Relations, NSW Treasury, affirmed and examined

The CHAIR: I declare the inquiry into the proposed expenditure for the portfolios of Treasury and Industrial Relations open for examination. The questioning for the portfolios of Treasury and Industrial Relations will run from 9.00 a.m. to 11.40 a.m. As there is no provision for the Minister to make an opening statement before the Committee commences questioning, we will begin with questions from the Opposition.

The Hon. ADAM SEARLE: Treasurer, in his two statements concerning the blocking of the two bidders for the Ausgrid lease, the Federal Treasurer referred to the fact that there had been an extensive period of engagement with the New South Wales Government. Can you tell us when you first engaged with the Hon. Scott Morrison about the transaction?

Ms GLADYS BEREJIKLIAN: In terms of engagement with the Federal authorities in relation to the transaction with Ausgrid specifically, that commenced in December 2015. Since that time the bid team and the bidders have been in close engagement with all of the relevant Federal agencies, including the Australian Taxation Office, the Australian Competition and Consumer Tribunal, the Foreign Investment Review Board and, where relevant, other agencies that report to those entities. That process commenced in late 2015 and obviously was an ongoing and continued process until the end.

The Hon. DANIEL MOOKHEY: To clarify, when you say "bid team" do you mean the New South Wales Treasury bid team?

Ms GLADYS BEREJIKLIAN: Correct. I should say, the transaction team.

The Hon. ADAM SEARLE: The Hon. Scott Morrison also says, in one of his statements, I think it was the second one, that the Government of which he was a part had worked closely with the New South Wales Government to make sure you were aware of the concerns which ultimately formed the basis for his decision. Can you tell us when those concerns were first raised with your Government?

Ms GLADYS BEREJIKLIAN: Obviously there is a formal process by which the various Federal entities have direct contact with the bidders and also the Government transaction team. And obviously, I listen closely to what the Federal Treasurer said in relation to his announcement on the day that he made that announcement. I also note that he told everybody during the announcement that he was subject to special briefings and clearances because of his position, which other people were not subject to. I refer you to the specific issues he raised in relation to national security.

The Hon. ADAM SEARLE: But this did not come as a bolt out of the blue. These issues had been canvassed vigorously during the 2015 State election campaign, that there were concerns about particularly foreign governments, or arms of foreign governments, purchasing these strategic assets. It was ventilated in the parliamentary inquiry and debate about the legislation. So none of this would have come as a surprise to your Government, surely.

Ms GLADYS BEREJIKLIAN: We have a robust process in New South Wales and as you would appreciate, Mr Searle, there are stringent requirements that we place on bidders in relation to the transaction process. That includes licensing provisions, the regulatory environment and legislation, to which a number of community members contributed towards various provisions. What it does not include as our responsibility is in the area of national interest and national security. They are in the domain of the Federal Government. Obviously in relation to matters over which we had oversight, we were extremely robust. Those are matters for the Federal Government. As I said, the engagement commenced at a very robust and intense level at the end of 2015 and continued throughout the process. It is the prerogative of the Federal Government, at any point in time, to determine those issues.

The Hon. ADAM SEARLE: Of course. But, for example, during this process last year we asked you whether Treasury had received advice from the Foreign Investment Review Board [FIRB] about the sale of TransGrid and the two distributors, about any contact with national security agencies but particularly we asked what advice had been received by Treasury from the FIRB. You said at the time that it was commercial in confidence. That is fine but now we are here and we know what the decision of the Commonwealth Treasurer is.

Ms GLADYS BEREJIKLIAN: Certainly.

The Hon. ADAM SEARLE: So my question is: When were these national interest issues that formed the basis of the Hon. Scott Morrison's ultimate decision first flagged with your Government in this process?

Ms GLADYS BEREJIKLIAN: As you can appreciate—

The Hon. ADAM SEARLE: I am not asking for the content of that advice.

The Hon. SCOTT FARLOW: The Treasurer got three words in.

The Hon. ADAM SEARLE: I am just clarifying the question.

Ms GLADYS BEREJIKLIAN: I understand, he is enthusiastic. Mr Searle, we had every reason to believe that the process was continuing as we expected it would. I, along with everybody else, listened closely to the Federal Treasurer's announcement the day he made that. I have to stress that there is a formal robust bidding process which is compounded by a number of probity measures. During the entire process obviously the transaction team is always extremely conscious of those probity issues because we cannot and would never compromise the formal process. I can tell you that we proceeded with the transaction in good faith, in full robustness, as we ordinarily do, with a close working relationship with all the relevant Federal Government agencies. As you know there are some members of the Federal Government who are privy to national security and national interest briefings to which I am not privy and others are not privy and therefore we have to accept the Federal Government's decision.

The Hon. ADAM SEARLE: None of that, as interesting as it was, is my question. My question is, those issues were canvassed in public in the election campaign and subsequently. You must have known that these issues were front and centre of the Federal Government's mind. The ultimate decision cannot have been a shock to you. My question is, without canvassing the content of anything that might be classified or commercial in confidence, when did the Commonwealth Government, or any part thereof, first raise with your Government these national interest issues that formed the basis of the decision? Was it in December 2015, or a subsequent time?

Ms GLADYS BEREJIKLIAN: The intent of my responsibility and that of the Government is to have successful transactions in the best way possible. Had those issues been raised in December 2015 do you not think we would have done something about it? We would not have spent nine months going through the process.

The Hon. ADAM SEARLE: Mr Morrison said the concerns could not be addressed. Did you have the opportunity to make a submission to Mr Morrison or the Foreign Investment Review Board [FIRB] to allay his concerns about the national interest issues?

Ms GLADYS BEREJIKLIAN: As you appreciate, the bidders had that opportunity. The day that Treasurer Morrison made the announcement the bidders had a period of seven days to mitigate, amend or repurpose the structure of their transaction bids. As I said at the press conference on the day of the announcement, back in December 2015 we had a number of interested parties and a number of interested consortia. Some chose to proceed to the next stage and others did not. Clearly, had the parties been made aware of any concerns at that time that would have impacted the number of consortia and the nature of the consortia that proceeded. We are very enthusiastic about the next stage of the process. I assure you, Mr Searle, that the aim of the State Government is to proceed with these transactions with as little fuss as possible to get the best outcome for taxpayers and ultimately the people of New South Wales. As you appreciate the first transaction had gross proceeds in excess of \$10.258 billion—

The Hon. DANIEL MOOKHEY: Treasurer.

Ms GLADYS BEREJIKLIAN: I had not quite finished my answer, but please proceed.

The Hon. DANIEL MOOKHEY: I will struggle to curb my enthusiasm. Did the New South Wales Government provide a formal submission to the Foreign Investment Review Board?

Ms GLADYS BEREJIKLIAN: It is not the role of the New South Wales Government. It is the role of the bidders and the transaction team to liaise with the Foreign Investment Review Board. Do you mean during the transaction process?

The Hon. DANIEL MOOKHEY: Under the Foreign Acquisitions and Takeovers Act 1975 all parties interested in the transaction are offered the opportunity to provide a formal submission with respect to any matter before the Foreign Investment Review Board.

Ms GLADYS BEREJIKLIAN: Yes.

The Hon. DANIEL MOOKHEY: In respect to the two bids that were subject to FIRB scrutiny was the New South Wales Government ever asked to provide a submission? Did the New South Wales Government provide a submission and if not, why not?

Ms GLADYS BEREJIKLIAN: The onus is on the bidders to put forward any formal submissions to the FIRB in relation to an FIRB decision or outcome. The bidders had various interactions with the FIRB in that week between the Federal Treasurer's initial announcement and the last week.

The Hon. DANIEL MOOKHEY: Presumably they would have had involvement with the FIRB before that.

Ms GLADYS BEREJIKLIAN: Absolutely. I can say on average the transaction team and I regularly discussed the process throughout the nine-month period. On average you would assume fortnightly or weekly. The engagement for the nine-month period was extremely robust. In terms of a formal submission, it is not our place to do that.

The Hon. DANIEL MOOKHEY: Is the answer that there was no formal submission?

The Hon. SCOTT FARLOW: Do you want the Treasurer to answer, or not?

Ms GLADYS BEREJIKLIAN: I have answered that question. Can I explain to you, Mr Mookhey—

The Hon. DANIEL MOOKHEY: Mookhey.

Ms GLADYS BEREJIKLIAN: My apologies, Berejiklian is hard as well.

The Hon. DANIEL MOOKHEY: I feel your pain.

Ms GLADYS BEREJIKLIAN: Try spelling it at the age of four. I have lost my train of thought. In relation to the State Government it would not have been appropriate for us to put in a submission, the submission has to come from the bidders. The onus was on them to meet the Federal Government's requirement for a successful process.

The Hon. DANIEL MOOKHEY: Given the wide discretion that the FIRB has in how it discharges its statutory responsibilities, was the New South Wales Government at any point provided any opportunity, draft reasons or other form of formal advice from the FIRB and was the New South Wales Government asked to respond to any concerns that the FIRB had? If they did not, do you think it would have been beneficial if the Federal Government and Treasurer had provided the Government the opportunity to provide a statement to address any concerns they might have?

Ms GLADYS BEREJIKLIAN: In relation to the interactions, can I say again that transactions of this nature are extremely complex. At various stages the relevant agencies, whether the Australian Taxation Office [ATO], the Australian Competition and Consumer Commission [ACCC], or the FIRB do interact with bidders in relation to the compliance of their bids.

The Hon. DANIEL MOOKHEY: I am asking about interactions specifically between one of those agencies you mentioned and the New South Wales Government.

Ms GLADYS BEREJIKLIAN: I understand that but I am trying to provide context for my answer. I want to make sure the Committee members are aware of the process and the specific role of the bidders versus the role of the transaction team and the State Government. The reason why I am providing the context is to state that there are things more appropriately addressed between the bidding team and the agencies. Overlaying that, as the transaction team did in the first transaction, we make sure that we provide a good conduit for information to the bidders and ensure the Federal agencies are aware of the State Government processes. That interaction was ongoing.

There were times when the bidders had direct interactions and there were times when the transaction team had interactions with those bodies. Our role in the process was to make sure that New South Wales complied with all the probity provisions, that there was a good communication stream between the agencies and the bidders, which we ensured was the case, and at various milestones during the process there was nothing to suggest to us that any of the bidders were not complying to the expectations at the time, with all the agencies, whether the FIRB or the ACCC.

The Hon. DANIEL MOOKHEY: You were taken by surprise by the decision made by the Treasurer?

Ms GLADYS BEREJIKLIAN: It was not something we expected at that stage, that is my honest impression. It was not something we expected at that stage because we had been through a robust process for the previous nine months.

The Hon. ADAM SEARLE: At any stage, up until the Treasurer's preliminary decision, did the Federal Government ever raise with your Government in a formal way the national interest issues that form the basis of Mr Morrison's final decision? In a formal way did they say to you, "We have these concerns"?

Ms GLADYS BEREJIKLIAN: Are you talking about specific concerns into what may have caused the Federal Government's decision?

The Hon. ADAM SEARLE: Yes.

Ms GLADYS BEREJIKLIAN: I do not know to what extent that may have been the case through the bid teams themselves. There may have been instances shortly prior to the Federal Treasurer's announcement where the bid teams may have been asked to provide additional information. I cannot account for that. Certainly we had gone through the process assuming that all the bids were complying and it is fair to say that it was late in the piece when we were made aware of the Federal Government's decision and announcement.

The Hon. ADAM SEARLE: Were you contacted by the Federal Government or Mr Morrison's office prior to his formal announcement and, if so, how long before?

Ms GLADYS BEREJIKLIAN: Mr Searle, as you appreciate, having sat through a number of these committees hearings, it is my standard policy not to discuss the ins and outs of conversations. I will say that we had no reason to think that there was any issue.

The Hon. DANIEL MOOKHEY: Treasurer, do you have any intention of selling the remaining 49 per cent of the assets?

Ms GLADYS BEREJIKLIAN: Do you mean the poles and wires?

The Hon. DANIEL MOOKHEY: Yes. Do you have any intention—

Ms GLADYS BEREJIKLIAN: It is not Government policy.

The Hon. DANIEL MOOKHEY: Has any advice been provided to you about whether the sale of the initial additional 49 per cent will attract any further bidders for the first 51 per cent? Can you rule out the sale of the remaining 49 per cent between now and 2019?

Ms GLADYS BEREJIKLIAN: The legislation prohibits that.

The Hon. DANIEL MOOKHEY: Can you rule out seeking any amendment to that legislation?

Ms GLADYS BEREJIKLIAN: It is not Government policy.

The Hon. DANIEL MOOKHEY: So you will not be selling the remaining 49 per cent?

Ms GLADYS BEREJIKLIAN: The legislation that we debated specifies that 51 per cent of the poles and wires businesses will remain within government operation and control. That is certainly our position.

The Hon. DANIEL MOOKHEY: What are the transaction costs to date for the sale of Ausgrid? How much money has been spent on legal advisers, financial advisers, public relations advisers and all other consultancies? Do you anticipate that, as a result of the Federal Government refusal, those costs will have to go up?

Answer: Please refer to response to supplementary question 83.

Ms GLADYS BEREJIKLIAN: We publicly disclose the cost of all those consultancies.

The Hon. DANIEL MOOKHEY: Would you disclose them here?

Ms GLADYS BEREJIKLIAN: They are ongoing. The process has not concluded.

The Hon. DANIEL MOOKHEY: Hence I asked "to date".

The Hon. ADAM SEARLE: What is the estimated cost to date?

Ms GLADYS BEREJIKLIAN: They are a work in progress. Interestingly, I looked at what the Labor Party spent on consultants for the Gentrader sale.

The Hon. SCOTT FARLOW: That is interesting.

Ms GLADYS BEREJIKLIAN: For a much smaller and far less complex asset base than what we are proceeding with, the consultancy fees were in excess of \$200 million.

The Hon. DANIEL MOOKHEY: Treasurer, can I conclude from that answer that you are indifferent to how much more in advisers, public relations and legal fees it will cost as a result of two bidders being removed from the sale, and that you do not care that those costs are now going to go up?

The Hon. BEN FRANKLIN: That is ridiculous.

Ms GLADYS BEREJIKLIAN: Your question is entirely inappropriate. You have made something up and put it to me.

The Hon. DANIEL MOOKHEY: Treasurer, are you suggesting that there will be no additional costs for advisers—legal, financial or public relations—due to the fact that we are going to have to repeat this process? Is that seriously the position that the Treasurer of New South Wales is putting to this Committee?

Ms GLADYS BEREJIKLIAN: You should have listened to my last answer.

The Hon. DANIEL MOOKHEY: I did.

Ms GLADYS BEREJIKLIAN: No, you did not. In my last answer I said it is a work in progress, which immediately implies that there are ongoing costs because the process has not concluded—

The Hon. DANIEL MOOKHEY: Indeed, but—

The Hon. SCOTT FARLOW: If you let the Treasurer answer the question you might hear the answer.

The Hon. DANIEL MOOKHEY: My very first question was: What have been the costs to date?

Ms GLADYS BEREJIKLIAN: The costs to date are ongoing. Give me a date—

The Hon. ADAM SEARLE: Treasurer, that is ridiculous. What are the costs to date? There must be a figure.

The Hon. Daniel Mookhey: Let us go from 29 March 2015 to 1 September 2016. What have been the costs to date.

Ms GLADYS BEREJIKLIAN: I am happy to provide you with the information I have on the breakdown during the hearing. As you would appreciate, there are three transactions. The first one involved TransGrid. I am trying to explain to you how it works. The next is the Ausgrid process. Then there is the Endeavour Energy process, which we will embark on after the Ausgrid process. What the Government looks for when it engages with financial advisers and consultants is value for money and return on investment.

The Hon. ADAM SEARLE: So how much?

Ms GLADYS BEREJIKLIAN: I want to make this point clear. I will provide the publicly available figures that we have during this hearing, so do not worry; you will get the answer. I warn you that the former Labor Government's costs for consultancy exceeded \$200 million for an asset class that was far smaller.

Answer: Please refer to response to supplementary question 83.

The Hon. BEN FRANKLIN: Be careful what you wish for, Daniel.

The Hon. ADAM SEARLE: Has the New South Wales Government made any payments to any of the bidders for Ausgrid, including compensation payments?

Ms GLADYS BEREJIKLIAN: Not to my knowledge, no.

The Hon. ADAM SEARLE: Would you take that on notice?

Ms GLADYS BEREJIKLIAN: I can confirm that the answer is no. I am happy to tell you now that the answer is no.

The Hon. ADAM SEARLE: Is the Government under any obligation to do so at this stage?

Ms GLADYS BEREJIKLIAN: Not that I know of.

The Hon. ADAM SEARLE: Do you intend to do so?

Ms GLADYS BEREJIKLIAN: Nothing has been put to me in that regard.

The Hon. ADAM SEARLE: Can you rule out making any payments to bidders in the future?

Ms GLADYS BEREJIKLIAN: If something is put to me, I need to consider it. It is my obligation and responsibility to consider it. To date I have had no such requests. To date I have not issued any such decision. So the answer is no. But at some time in the future, if somebody put something to me, I would consider it.

The Hon. DANIEL MOOKHEY: Can you guarantee that, as a result of the removal of two bidders for the purchase of these assets, there will be no adjustment to the reserve price for the sale of the assets? Can you guarantee that New South Wales taxpayers will not receive a single dollar less because these two bidders have been removed from the bidding process?

Ms GLADYS BEREJIKLIAN: You have asked two different questions. I want to make sure that you appreciate the distinction.

The Hon. DANIEL MOOKHEY: I did ask the question.

Ms GLADYS BEREJIKLIAN: You asked me about a reserve price and then you asked whether we will receive more or less than the amount the two bidders put forward. They are two different questions.

The Hon. DANIEL MOOKHEY: I am aware of that.

Ms GLADYS BEREJIKLIAN: Obviously it is commercial in confidence, but we have obtained what we believe is value for money for taxpayers. We would never do anything to compromise that.

Mr JEREMY BUCKINGHAM: Treasurer, is there a Sydney housing price bubble?

Ms GLADYS BEREJIKLIAN: It depends on who you ask.

Mr JEREMY BUCKINGHAM: I am asking you.

Ms GLADYS BEREJIKLIAN: I appreciate the question. Interestingly, there are two issues. I do not for a second take away from how challenging and stressful housing affordability is for many people across New South Wales. As Treasurer that plays on my mind. It is one of the biggest challenges in this role. Many others will comment on the section of the housing market cycle we are in and how sustained it is. I will let others comment on that. I will give you the State Government's position on where we think the market is going and what we have forecast in the budget papers, if that is a satisfactory answer.

In 2013-14 stamp duty on residential property was growing at about 40 per cent year a year. It was growing significantly. We forecast a growth of just 4 per cent in the next four years. So it is still growing but, at a substantially reduced rate. Our interpretation of that information is that the growth in residential stamp duty has declined markedly. The Government has done a lot on the supply side. The most recent housing approval figures demonstrated that in the past 12 months we have approved more than 70,000 dwellings.

Now I am starting to get questions about whether I am worried about how many units are coming onto the market and whether that will cause a glut. My response is: If your concern is housing affordability, having more dwellings in the market is a positive thing because it puts downward pressure on prices. That is what we want to see. As a government we have worked very hard on the supply side because the more dwellings there are in the marketplace, the more downward pressure we can put on prices. In addition to that supply, we have ensured that through the Housing Acceleration Fund and other measures we have provided the infrastructure and opportunities to allow and expedite that construction.

Mr JEREMY BUCKINGHAM: So you are forecasting a massive reduction in the growth of house prices over the next four years?

Ms GLADYS BEREJIKLIAN: No, in stamp duty receipts. There is a distinction because stamp duty receipts relate to the volume of turnover in dwellings. Sometimes you find the volume increases or decreases in a particular section of the market. It could be the middle, lower or higher end of the market. The information we are able to provide through the budget papers is our forecast on volume and value of stamp duty receipts.

Mr JEREMY BUCKINGHAM: So you are saying that there will still be an increase in prices, but fewer people selling houses?

Ms GLADYS BEREJIKLIAN: Not quite. The figures in the budget papers show that the stamp duty the Government is expected to receive over the next four years, over the forward estimates period, will be an increase of 4 per cent from today on average, whereas in the past that increase was up to around 40 per cent. So that means the turnover, the volume, is far less.

Mr JEREMY BUCKINGHAM: Yes, in terms of stamp duty it is still coming from a high base for a lot of people in terms of price and affordability.

Ms GLADYS BEREJIKLIAN: Yes, definitely.

Mr JEREMY BUCKINGHAM: In relation to Sydney, Glen Stevens said, "It is acutely concerning for a host of reasons"—in terms of the alleged property bubble—"many of which are not to do with monetary policy." So when you are devising that economic policy for the country he said, "I am very concerned about Sydney, I think some of what's happening is crazy. What is the Government doing to insulate the economy from a housing bubble burst?"

Ms GLADYS BEREJIKLIAN: Firstly, we have worked very, very hard in the past five years in relation to supply. As a State Government we have constantly stated that we believe the best response we can have to concerns around housing affordability is increasing supply. As Mr Stevens highlighted in what you quoted there are matters State governments can control and other matters we cannot control when it comes to the housing market. One thing we can have an influence over is the supply side because the more properties you make available for purchase, the downward pressure it puts.

Mr JEREMY BUCKINGHAM: Are those properties not being taken up by speculators and investors and actually driving that housing bubble even further and further because of issues such as negative gearing?

Ms GLADYS BEREJIKLIAN: They are issues regarding Federal Government policy which we do not control. There are a number of issues outside the jurisdiction of the State Government but we take enormous care in making sure that as a State Government we do everything we can to address housing affordability. So not only have we addressed this through the supply side—and my colleague the Minister for Planning has done a great job in reforming the system to reduce the time it takes to get from approval to construction, which is very critical—but we have also got a Housing Acceleration Fund which has had in total over \$1 billion in that fund to make sure the State Government builds the necessary infrastructure in and around proposed places where those dwellings can happen to facilitate that. We are doing everything we can as a government to support the supply side and those dwellings coming onto the market because we know that will have a positive impact.

Mr JEREMY BUCKINGHAM: With the efforts you have made is Sydney housing more affordable now than four years ago, say for first homebuyers, in your opinion?

Ms GLADYS BEREJIKLIAN: There are no doubt challenges there in relation to housing affordability—

Mr JEREMY BUCKINGHAM: But is it more or less affordable now compared with four years ago?

Ms GLADYS BEREJIKLIAN: It depends what part of the market you are talking to.

Mr JEREMY BUCKINGHAM: For first home buyers.

Ms GLADYS BEREJIKLIAN: There is no doubt there are challenges for first home buyers but once government approvals are converted to construction and we have more units onto the market that will put downward pressure and make housing more affordable.

Mr JEREMY BUCKINGHAM: It might put downward pressure but they are still be less affordable now than they were four years ago.

Ms GLADYS BEREJIKLIAN: I would not necessarily say "less" but I would say no doubt the affordability challenges that have been around for a long time—in fact, when we came to government there was a lot of what we call pent-up demand; there had not been enough dwellings in the marketplace. So there was a lot of pent-up demand which exacerbated the heating of the market which put upward pressure on prices. So when we came in we knew we had to reverse that trend; we knew we had to deal with the pent-up demand; we knew we had to address the supply side quite substantially.

It is interesting that because of the Government's very substantial infrastructure program we have ensured that new road and new transport networks have actually facilitated a lot of positive outcomes because a lot more dwellings are being constructed around places where people have access to those transport links.

Mr JEREMY BUCKINGHAM: But a lot of those are in south-west Sydney and the western suburbs.

Ms GLADYS BEREJIKLIAN: And the north-west, yes.

Mr JEREMY BUCKINGHAM: And the north-west, but unless people inherit from their family it is increasingly unviable for younger people, especially generation X, to live in inner Sydney, is it not? If they are a first home buyer they have to move out of inner Sydney, northern suburbs?

Ms GLADYS BEREJIKLIAN: There is no doubt it is tough for people entering the market, specifically in some parts of the market. There are some parts of the market that are out of reach for many of us but especially for people entering the market for the first time. This Government is not only looking at putting downward pressure on affordability but also looking at people's choices—where they want to live and what they want to have access to. In fact, in our Intergenerational Report we put out ahead of the budget this year, we dedicated a substantial amount of time to housing and some of the trends we can address into the future. We also

looked at some of the choices people are making around where and how they live and whether they purchase or rent. There is no doubt entering the market in Sydney at any level is a challenge.

Mr JEREMY BUCKINGHAM: What is the contingency? What if housing prices do start to go down? Have you modelled a contingency where housing prices start to decrease in Sydney and a reduction in stamp duty and the like?

Ms GLADYS BEREJIKLIAN: Certainly our forecasts tell us that that our stamp duty receipts in residential will not be as high as they have been in the past and that tells us there is a cooling in the market. We are looking forward to seeing those approvals convert to construction which will put downward pressure on prices. That is an ongoing process. Of course as a government we will look at all opportunities we have. It is something that we—both myself and Treasury—turn our attention to on a weekly basis.

Mr JEREMY BUCKINGHAM: You have modelled a cooling, 40 per cent year-on-year down to 4 per cent on stamp duty.

Ms GLADYS BEREJIKLIAN: Yes, down to 4 per cent.

Mr JEREMY BUCKINGHAM: Have you modelled a collapse, like a retreat in housing prices and stamp duty?

Ms GLADYS BEREJIKLIAN: Just so you know, Mr Buckingham, at the moment residential stamp duty accounts for about 9 per cent of the Government's overall revenue. So obviously we look at all the options but we are confident that our forecasts will come close to what is happening out there. To date, the advice I have received from Treasury has been in accordance with what has been happening in the marketplace.

The CHAIR: You will be very familiar with my question which relates to Ausgrid employees.

Ms GLADYS BEREJIKLIAN: Yes.

The CHAIR: As you know Ausgrid has been challenging the arrangement that I sought to incorporate in the lease arrangements for a guarantee of five years employment. In regard to those guarantees, I refer to part 5, of schedule 4 to the Electricity Networks Assets (Authorised Transactions) Act 2015. By removing the ability for no forced redundancies unless in accordance with the Fair Work Act there may be a number of unintended consequences. What are those consequences?

Ms GLADYS BEREJIKLIAN: I state at the outset, of course, the Government respects the integrity of the legislation. I want to acknowledge the role you played in ensuring the robustness of that legislation. We will of course stick to the letter of the law in that legislation. As you also appreciate there is a separate process going on at the moment. The Enterprise Bargaining Agreement [EBA] for Ausgrid employees expired in 2014 and management and employees are still in the process of determining the new EBA. That is why in the legislation a section essentially allows employees and management to come to a conclusion in relation to their conditions. I witnessed this in my previous role; sometimes employees may choose to give up a no-forced redundancy provision in exchange for a whole bunch of other things that they would like to see. That is really an issue for management and employees. We respect that process and there is the independent arbiter in the Fair Work Commission to be able to determine any disputes that might arise between employees and employers.

Certainly there is a process of that going on at this time. As you appreciate Reverend Nile, the Labor Party actually opposed the networks appealing the Australian Energy Regulator's [AER] determination which would see a number of employees lose their jobs were that determination to be upheld. The networks decided to proceed with appealing that decision and that decision is still the subject of a further appeal. But in the first instance the tribunal determined that the networks had a case in saying there should be a glide path, as opposed to having a specified date by which a whole bunch of employees will no longer be asked to participate in the organisation.

The CHAIR: How many employees will or could lose the five-year guarantee?

Ms GLADYS BEREJIKLIAN: The five-year guarantee for us is still the subject of an appeal process. The AER has since further appealed the initial case. We do not anticipate a conclusion for some months. We have been watching it very closely. One of the Government's concerns was that it did not want to see a point in time, a date, when a whole raft of employees suddenly were asked to exit the organisation. We wanted to see a bit of a glide path to make it smooth to make sure that it was fair on the organisation and fairer on the employees, which I think is an interesting position the Labor Party took when the networks decided to appeal that decision.

I also say that one of the things that we pride ourselves on as a government is having a very respectful process with all of our employees in all of the transactions we have undertaken. We want to make very clear that

we want to treat each employee as fairly as possible and, of course, we are bound by the legislation which we are pleased to do because we want to ensure everybody has confidence in our ability to treat every worker fairly during the process.

The CHAIR: Would you look at any opportunity for the Government to intervene on behalf of employees?

Ms GLADYS BEREJIKLIAN: It is really up to management and employees to manage those relationships, and that has always been the case. I have found that that maintains the integrity of the process. It is when governments inadvertently intervene that the robustness and the integrity of the process is undermined. This is an ongoing process in which management and employees have ongoing discussions and there is an ongoing process of negotiation. The complicating factor here is the appeal process, but also the fact that the EBA expired back in 2014. As far as our commitments and undertaking in the legislation go, that is paramount to us. In fact, ironically, much to the chagrin of the Labor Party, we did not intervene when the networks said they wanted to appeal the process.

In fact, the networks raised a number of concerns. They did not believe the Australian Energy Regulator [AER] got all the factual and merits arguments correct. In fact, that was determined to be the case at this point in time. The AER has since appealed, which is why the process is ongoing. But I put to you that we have been extremely respectful of the relationship between workers and management and respectful of the stress that workers might be going through during this time. I want to assure you and all members of the Committee that we will stick to the letter of the law in the legislation.

The CHAIR: One of the concerns for the employees and the union could be about legal costs in the Fair Work Commission and so on. Would the Government assist with any of those legal costs?

Ms GLADYS BEREJIKLIAN: There are processes there for that already. Obviously, as a government we respect the right of all stakeholders to use their entitlements within the provisions of the law or to exercise their rights within the provision of the law. In my experience as the Minister responsible for industrial relations and also in my previous role, it is important for all parties to feel they have legal recourse if they require it. Also the fact that the Fair Work Commission is there as a last resort independent mediator should give everybody confidence about the robustness and fairness of the process.

The CHAIR: There was concern from the representatives of the unions, employees that I have met, as to whether the Fair Work Commission is fair on this issue.

Ms GLADYS BEREJIKLIAN: We would have a few issues there sometimes as well, Reverend Nile. Obviously they look at each case on its merits. Irrespective of what any party might think of the outcome they come to, it is their prerogative. They are the independent arbitrator and independent decision-maker and we have to respect that that is their role in the process.

The CHAIR: Is there provision for the Government to appeal the Fair Work Commission decision if it is not fair?

Ms GLADYS BEREJIKLIAN: I do not think so, no. I do not think there is a right of appeal. I will take that on notice.

Answer: A party to a decision or order of the Fair Work Commission can lodge an appeal if the decision or order was made a single member of the Commission. There are provisions regarding appeals and the appeals process at the Fair Work Commission.

The CHAIR: If there is could you look at it?

Ms GLADYS BEREJIKLIAN: Sure.

The CHAIR: Thank you. I have been advised that the Government is proposing to close the Industrial Relations Commission. Is that correct?

Ms GLADYS BEREJIKLIAN: No, it is not quite correct. We are transferring the judicial function of the Industrial Relations Commission [IRC] to the Supreme Court. At the moment the Industrial Relations Commission has a dual role. It has a legal role through the judicial powers of the commission and it also has the balance of responsibilities through industrial relations matters. Just to give you some interesting facts, about 10 years ago the IRC received in excess of 700 legal cases per annum. When I looked in 2015 it was only in excess of about 30. In the past decade we have seen a substantial reduction in the number of judicial cases being put forward through the commission.

The Hon. ADAM SEARLE: That is because you took the occupation health and safety cases away.

Ms GLADYS BEREJIKLIAN: You can ask me that when it is your turn. We believe that what we have done will enhance the ability of parties to bring matters forward because they will be heard by the Supreme Court. The one justice who presides over judicial matters in the Industrial Relations Commission will be transferred to the Supreme Court. Obviously he will hear industrial relations cases but he will also have the opportunity to hear other cases because the judicial matters workload of the commission has substantially reduced over the past decade.

We feel this is the best thing for the commission and also for stakeholders who have judicial matters. It will not change outcomes. It will not change the ability of people to bring things forward—quite the contrary. What it does do is allow the existing single justice to transfer from the IRC to the Supreme Court so he will have the status of a Supreme Court judge. I say "he" because it is a he at the moment. He will have the status of a Supreme Court judge. He will hear industrial matters that are brought before him but he will also have the opportunity to hear other matters.

We believe that is in the best interests of all involved. Today we are getting some updated information on the number of disputations in the industrial relations area in New South Wales, but the last set of figures I received showed me that we are at 40 year lows in relation to the number of disputations. Clearly, there has been a substantial reduction in the past decade over the hearing of judicial matters by the IRC, which is why we are transferring that function from the IRC to the Supreme Court. As I stated, there will be no change in the ability of parties to bring matters of that nature to the Supreme Court. All other matters and all other issues remain the same. In fact, some would argue this enhances the ability for industrial matters to be heard in the Supreme Court.

The Hon. ADAM SEARLE: When did the Foreign Investment Review Board [FIRB] first flag national interest issues with the New South Wales Government?

Ms GLADYS BEREJIKLIAN: From the information I have, I am assuming the FIRB would have communicated that to bidders.

The Hon. ADAM SEARLE: That was not my question.

Ms GLADYS BEREJIKLIAN: I know that but I am just trying to explain to you that we may very well have been formally advised through the bidders. I mean, the transaction team obviously is in constant contact but, as I said, the State Government and the transaction team until very shortly before the Treasurer's formal announcement assumed that everything was going as we expected.

The Hon. ADAM SEARLE: Just for clarity's sake can you tell us when the New South Wales Government became aware of any concerns by the FIRB about national interest issues? What is the month or the day? I am happy for you to take it on notice if you do not know.

Ms GLADYS BEREJIKLIAN: I can tell you that it was very shortly before the Treasurer made his announcement. I cannot stress to you enough—and I say this very plainly and very clearly to all members of the Committee as we have done publicly—it was not something we expected. It was not something we assumed. It was not something we accepted because until very close to the time that the Treasurer made his announcement we were under the impression that everything was proceeding as it should in regard to the outcome. In fact, we had close interaction with all the Federal government agencies, including the Australian Taxation Office, the Australian Competition and Consumer Commission and the FIRB. Because the bidding teams and the transaction team were in close contact with all those agencies for a prolonged period and the bidders were given every indication that they were proceeding to a final conclusion, there was nothing for us to have our alarm bells raised.

The Hon. DANIEL MOOKHEY: Therefore do you consider it a breach of faith on the part of the Federal Government to not provide you with any prior warning or opportunity to make a submission or address its concerns but instead to tell you by way of press release and press conference that your signature financial initiative would indeed fail the national interest test?

Ms GLADYS BEREJIKLIAN: I say to you that there are very stringent probity processes. It is the prerogative of the Federal Government to determine issues based on national interest.

The Hon. DANIEL MOOKHEY: Do you think it acted—

The Hon. BEN FRANKLIN: You have asked the question; let the Treasurer answer.

The Hon. DANIEL MOOKHEY: Do you think it acted in bad faith?

The Hon. BEN FRANKLIN: Point of order: The Treasurer was in the middle of her answer.

The Hon. ADAM SEARLE: You cut her off.

The Hon. BEN FRANKLIN: I did not cut her off. The member did.

The CHAIR: We will let the Treasurer conclude her answer.

Ms GLADYS BEREJIKLIAN: I have forgotten the question now.

The Hon. DANIEL MOOKHEY: Do you think the Federal Government acted in bad faith?

Ms GLADYS BEREJIKLIAN: I believe the Federal Government acted in the interest of what it said was national security and national interest. As the Federal Treasurer said at the time of his press conference when he was asked by others, he is privy to briefings and information to which other people are not privy. We respect the fact that that is the case, but clearly there is a process. The key thing for us as a State Government is to make sure we do not ever do anything which breaches probity requirements or breaches any opportunity to maximise taxpayer value for the next transaction. We are always extremely careful about maintaining absolute probity and robustness at every stage of the process. The Federal Government has the prerogative in relation to national interest and national security issues. We respect that, but I have to say that it was not something we expected when we started the process.

The Hon. ADAM SEARLE: Given that the national security issues were notorious and in the public domain at this time, why did you seek final bids from these two bidders?

Ms GLADYS BEREJIKLIAN: What national interest issues are you specifically referring to?

The Hon. DANIEL MOOKHEY: The ones that the FIRB used to rule out the two bids.

The Hon. ADAM SEARLE: Given that that was already in the public domain, why did you seek final bids from those two entities?

Ms GLADYS BEREJIKLIAN: No, you need to—

The Hon. ADAM SEARLE: Treasurer, you can answer but I get to ask the question.

Ms GLADYS BEREJIKLIAN: Sure.

The Hon. ADAM SEARLE: Given that these issues were well ventilated and in the public domain, why did you seek these bids without FIRB clearance? That was just negligent on your part, was it not?

Ms GLADYS BEREJIKLIAN: I will repeat the facts. The facts are that the State Government has extremely robust processes in relation to matters over which we have jurisdiction—as a lawyer you would know that.

The Hon. ADAM SEARLE: That does not stop you from picking up the phone to the Federal Government and trying to clarify whether or not there are issues on its mind?

Ms GLADYS BEREJIKLIAN: The Labor Party might pick up the phone to people and say, "Do us a deal"; that is not the way we act.

The Hon. ADAM SEARLE: Treasurer, that was not the question.

Ms GLADYS BEREJIKLIAN: I appreciate the line of questioning—it is a point of interest—but I also want to stress, and this is something that we pride ourselves on as a government, that to have a number of successive and successful transactions you need to make sure at every turn that the utmost probity requirements, the commercial-in-confidence provisions, the interactions between bidders, agencies and other entities, are always done in a way which maintains the integrity of the process. Again, I have stated publicly that the outcome was not what we expected, because we had been through a very rigorous process, but I do want to stress again that the matters of national interest and national security that caused the Federal Treasurer's decision are matters for the Federal Government, they are nothing we have jurisdiction over. In fact—

The Hon. ADAM SEARLE: You could have saved yourself a lot of time and effort.

Ms GLADYS BEREJIKLIAN: Had we known of those concerns earlier, and we have made that comment. My point is this, and I really want to stress this point, given that the bidders and the transaction team interacted with those agencies at least on a fortnightly basis since December there were numerous opportunities—

The Hon. DANIEL MOOKHEY: When you say bid teams, are you referring to the—

Ms GLADYS BEREJIKLIAN: The transaction team and bid teams.

The Hon. DANIEL MOOKHEY: Your transaction team?

Ms GLADYS BEREJIKLIAN: No, the bidders themselves. So there was multiple and robust interaction between the bidders and the transaction team with those authorities. Had any of those been flagged

earlier in the process of course we would have responded. In fact, in the first transaction with TransGrid—again, without giving anything away commercial-in-confidence—at various stages various Federal entities say to the bidders, "We need you to assure on this, come back." That is a regular part of the process. There are always conditions placed during the process. At no stage, to my understanding, did that occur until right towards the end of the process.

The Hon. DANIEL MOOKHEY: Just to be clear, no-one from FIRB at any point provided the New South Wales Government with any concern nor was the New South Wales Government asked to either mitigate or otherwise respond. In fact, the only communication was between the FIRB and the bidders and the New South Wales Government was completely cut from that dialogue.

Ms GLADYS BEREJIKLIAN: No. FIRB always raises issues with the transaction team.

The Hon. DANIEL MOOKHEY: When?

Ms GLADYS BEREJIKLIAN: During the process—this is why I was trying to explain the processes we undertook for the first one with TransGrid—for example, there are always times at which FIRB says, "These are the conditions you need to satisfy." The bidders respond to those issues. There could even be situations where one bid team or one bidder is asked to respond in a particular way versus another one. That is always part of the process.

The Hon. DANIEL MOOKHEY: I understand that.

Ms GLADYS BEREJIKLIAN: I am trying to answer your question.

The Hon. DANIEL MOOKHEY: I am across the FIRB process. In fact, I have acted within FIRB in a previous capacity so I know the FIRB stuff well, thank you. I am asking you if it is correct for this Committee to conclude that the New South Wales Government was the last to know about FIRB's concerns and the only time you found out about it was when the Federal Treasurer held a press conference and told the whole country?

Ms GLADYS BEREJIKLIAN: As you would appreciate, as the Treasurer and a member of Government I do not have direct interactions with FIRB—I do not think I have ever had a direct conversation with FIRB. But I can tell you that there are ongoing discussions between FIRB and the transaction team and the bid team. There are also matters that are discussed at a frequent part. So if you are asking whether the transaction team at some stage shortly before that announcement started feeling a sense that there were some concerns, that is a matter for them. I am sure—

The Hon. DANIEL MOOKHEY: If you could take that on notice and provide us with precisely the time that was done, that would be great.

Ms GLADYS BEREJIKLIAN: I am happy to take it on notice.

Answer: National security and national interest considerations are ultimately matters for the Commonwealth Government and its agencies. On the 11 August 2016, the Federal Treasurer announced that his "...preliminary view is that the foreign investment proposals put to [him] for this transaction are contrary to the national interest, in accordance with the required provision on the grounds of national security." On the 18 August 2016, the Federal Treasurer announced that the then proposed structure of the transaction was not acceptable.

The Hon. DANIEL MOOKHEY: Has Treasury costed, and does it support, the construction of a Western Sydney metro train that will go from Parramatta Road at Central to Parramatta? If so, is it necessary to sell the rest of the poles and wires to ensure that project can be paid for?

Ms GLADYS BEREJIKLIAN: I remember seeing a lot of costings about those types of rail lines but it was when I was the shadow Minister for Transport.

The Hon. DANIEL MOOKHEY: I appreciate the hinterland that you bring to this topic, hence I am sure that you are well and truly capable of answering it.

Ms GLADYS BEREJIKLIAN: To my knowledge, if the project you are referring to is the one that I read about this morning, that has not reached the business case stage.

The Hon. DANIEL MOOKHEY: Was the first time you found out about that proposal when you picked up the newspaper this morning?

Ms GLADYS BEREJIKLIAN: I am sure there are a number of proposals. In fact, I know from the Minister for Transport and Infrastructure and his agency that they are in the process of updating the transport master plan. I am sure in consideration of that master plan—as I did when I had that role—you look at a number of different options that will form government policy. Like you, I am looking forward to the update of the transport master plan. But can I just say this to you as a member? We manage infrastructure projects very differently to how you did, so do not use your frame of reference.

The Hon. DANIEL MOOKHEY: No, I am not.

Ms GLADYS BEREJIKLIAN: Do not use what you understand.

The Hon. DANIEL MOOKHEY: From what I can conclude from your answer—

Ms GLADYS BEREJIKLIAN: Do not make it up now.

The Hon. DANIEL MOOKHEY: I will give you multiple opportunities to correct my interpretation of your answer. From what I can understand, the advice you are giving to this Committee is that the transport Minister has provided a newspaper with the first indication—

Ms GLADYS BEREJIKLIAN: No.

The Hon. DANIEL MOOKHEY: —of this project before he has told the Treasury. In fact, he has ventilated a thought bubble in the media without having a Treasury estimate prepared, without having a costing estimate prepared and, as you have just said, no business case prepared and no money set aside.

Ms GLADYS BEREJIKLIAN: Was that a statement or a question?

The Hon. DANIEL MOOKHEY: Do you think a proposal arriving in the public domain without a business case, without a Treasury estimate, constitutes good governance? Would you have accepted such conduct when you were transport Minister? Given that the transport Minister is a former Treasurer, do you not think that the transport Minister should know a lot more about how your Government goes around preparing transport projects?

Ms GLADYS BEREJIKLIAN: I think you are surmising and coming to a lot of conclusions without really understanding how major infrastructure projects work. It is not uncommon for ministries and departments to engage in a whole range of options, and it is not uncommon for them even to consult with people, would you believe?

The Hon. DANIEL MOOKHEY: Through the front page of the *Sydney Morning Herald*?

Ms GLADYS BEREJIKLIAN: I am not going to comment about those issues but you have asked me a very serious question about infrastructure. I will tell you the processes that we go through because those processes are extremely robust, which is why we have the largest pipeline of infrastructure projects in the nation and, in fact, touch wood, all of our projects are running on time and on budget.

The Hon. DANIEL MOOKHEY: You are about to give me a wonderful lecture about how infrastructure projects get built, but the one question I would like to ask you is—

Ms GLADYS BEREJIKLIAN: Because it is relevant to the context of your question.

The Hon. DANIEL MOOKHEY: Indeed, therefore—

Ms GLADYS BEREJIKLIAN: Can you let me finish?

The Hon. DANIEL MOOKHEY: I appreciate the context but given that you are about to—

The Hon. BEN FRANKLIN: Point of order: The Treasurer has asked to finish her answer. The question was asked and the Minister is being directly relevant. I ask that the Minister be allowed to finish her answer.

Ms GLADYS BEREJIKLIAN: Can I say—

The Hon. DANIEL MOOKHEY: Sorry, the Chair has yet to rule on the point of order.

The CHAIR: The Treasurer will answer the question.

Ms GLADYS BEREJIKLIAN: From my past experience, you will often have third parties or other parties always flagging their interest in a particular project, always urging the Government to do a certain thing, but we very proudly and robustly have a 20-year transport master plan, which the transport Minister has publicly stated is currently being reviewed, and that is a good thing. The last one was presented in December 2012—I remember; I did it—and four years on, because we have made such good progress, we are actually now in the process at looking at the next update of that plan. It is highly common for different concepts, different suggestions to be flagged publicly by third parties. That is a common process. But you will never have us do

what you did, and I have a long list of infrastructure projects—

The Hon. DANIEL MOOKHEY: Thank you, Treasurer. Just to be clear—

Ms GLADYS BEREJIKLIAN: I have not finished my answer.

The Hon. DANIEL MOOKHEY: Sorry, but it is my time.

The Hon. BEN FRANKLIN: Point of order: The Treasurer has indicated that she has not finished her answer.

The CHAIR: The Treasurer can finish her answer.

Ms GLADYS BEREJIKLIAN: What we will not do is embark on the process that you embarked on. Can I also say we have the integrity of Infrastructure NSW, which also provides independent advice to government on projects. It is highly common, in all the time that I have been involved in public life, for interest, speculation and the foreshadowing of projects. That is normal. But what is also normal under this Government is a rigorous process to determine what is the next cab off the rank and in which form. The Minister for Transport is working on an updated transport master plan in conjunction with the Minister for Roads, which is great. I am looking forward, as I am sure the public is and as I am sure you are, to seeing what the future policy positions are. But I remember clearly what used to happen in New South Wales prior to the past five years. Projects were announced without business cases but costs attached to them and they were subsequently cancelled. The State was asked to fork out half a billion dollars on the CBD Rozelle Metro without a single project advance occurring and about seven or eight rail lines were announced but were not delivered.

The Hon. DANIEL MOOKHEY: I appreciate the history, but, just to clarify, in respect to a proposal for a western metro that would run from Parramatta to Central—

Ms GLADYS BEREJIKLIAN: That was flagged by Morris Iemma and Bob Carr. This has been around for 20 years.

The Hon. DANIEL MOOKHEY: Treasurer, as we now have this wonderful respectful dialogue, I get to ask questions and you get to answer them.

Ms GLADYS BEREJIKLIAN: It is respectful on my part.

The Hon. DANIEL MOOKHEY: The point that you have just made is that no business case has been prepared for that project so far by Treasury or by any other agency that you are aware of.

Ms GLADYS BEREJIKLIAN: I cannot comment on what other agencies have done.

The Hon. DANIEL MOOKHEY: Thank you.

Ms GLADYS BEREJIKLIAN: You said "Thank you", but I am not sure what you are thanking me for. I need to explain to you the robust process by which a project gets—

The Hon. DANIEL MOOKHEY: You just did.

Ms GLADYS BEREJIKLIAN: No, you did not allow me to. We have what are called a number of gateway processes for projects.

The Hon. DANIEL MOOKHEY: Yes, seven of them.

Ms GLADYS BEREJIKLIAN: Is that a complaint against the robustness of our gateway process?

The Hon. DANIEL MOOKHEY: Has this project gone through any of those gateway review processes?

Ms GLADYS BEREJIKLIAN: Clearly—

The Hon. DANIEL MOOKHEY: Has Infrastructure NSW done the major assurance framework? Has this gone to—

The Hon. BEN FRANKLIN: Let the Treasurer answer the question.

The Hon. DANIEL MOOKHEY: I am asking the question.

The Hon. SCOTT FARLOW: He is asking 25 questions without letting the Treasurer get one answer out.

Ms GLADYS BEREJIKLIAN: When our Government is ready to make an announcement about a

project and a business case and what we are doing, you will be the first to know.

The Hon. DANIEL MOOKHEY: I will be thrilled.

The Hon. ADAM SEARLE: Treasurer, last year, after a lot of fencing and dodging, you told this Committee that the energy companies, Endeavour, Ausgrid and Essential, had spent about \$2.3 million on fighting the Australian Energy Regulator [AER] determination. That was as at October last year. What are the total costs expended to date and what are the estimated total costs?

Ms GLADYS BEREJIKLIAN: I will take that on notice, only because the appeal process is still outstanding and there are ongoing costs. But I did look up what you had spent—

Answer: Financial statements, including legal fees expenditure and expenditure on consultants are disclosed according to requirements in SOC Annual Reports.

The Hon. ADAM SEARLE: I think you have already said that.

Ms GLADYS BEREJIKLIAN: I did look up what the Labor Party had spent on the appeal process that it oversaw, which was in the vicinity of just above \$2 million at the time. That is going back about a year, but the last time—

The Hon. ADAM SEARLE: Just on the appeals process, the Federal Government has announced a scheme to strip the energy companies of the right to challenge AER determinations. Will that proposal affect the current AER determination or will it apply only to future AER proceedings?

Ms GLADYS BEREJIKLIAN: That is a matter for the Federal Government.

The Hon. ADAM SEARLE: The Federal energy Minister has made the announcement—

Ms GLADYS BEREJIKLIAN: He has flagged it.

The Hon. ADAM SEARLE: What is your understanding of the proposal?

Ms GLADYS BEREJIKLIAN: I read with interest what the Federal Minister said about that. I have not received any details about the proposal, so I cannot really answer your question. But I would assume that would not impact current matters before the courts; I would assume it would be prospective.

The Hon. ADAM SEARLE: Are you happy to take that on notice?

Ms GLADYS BEREJIKLIAN: No, I am happy to answer it now. I am happy to tell you that I have no further details, that obviously the Federal Government has flagged its intention to look at that. That is its prerogative. Of course, we will work within the provisions we have—

The Hon. ADAM SEARLE: I will ask you one question which I am happy for you to take on notice. Can you tell us what you know about the Commonwealth Government's proposal and—

Ms GLADYS BEREJIKLIAN: I am happy to answer now. I do not know any more than you do.

The Hon. ADAM SEARLE: I am happy for you to check with your officials.

Ms GLADYS BEREJIKLIAN: I am happy to tell you now. I can tell you what I know and what I do not know.

The Hon. ADAM SEARLE: Perhaps I could ask Mr Whitfield. What do you know of the proposal from the Commonwealth Government about the AER?

Mr WHITFIELD: I have nothing further to add.

The Hon. ADAM SEARLE: You have not been consulted about this?

Ms GLADYS BEREJIKLIAN: No.

The Hon. ADAM SEARLE: Despite the huge impact it may have on the sale prices of Ausgrid?

Ms GLADYS BEREJIKLIAN: But it is really one for the energy Ministers. I have not been consulted, no.

Mr JEREMY BUCKINGHAM: Treasurer, there are reports that the Federal Department of Finance is considering or modelling a sale of the Federal Government's 13 per cent share in Snowy Hydro. If it moves that way to sell its share would you support that and would you rule out the New South Wales Government selling its 58 per cent share in Snowy Hydro?

Ms GLADYS BEREJIKLIAN: I have not received any proposal from the Federal Government in that respect. All I have noted is speculation in the financial press, but I have not received any formal proposal. It is not government policy and I have not received anything to be able to respond to it.

Mr JEREMY BUCKINGHAM: But if you did receive it would you consider changing government policy to support a partial privatisation or a full privatisation?

Ms GLADYS BEREJIKLIAN: With all due respect, that is a hypothetical. I have not received any policy—it is not government policy. I have not received anything, so I cannot consider something I have not received.

Mr JEREMY BUCKINGHAM: Fair enough. Treasurer, if the world does not meet the target set at the Paris climate conference to keep global warming below two degrees, will this be a significant threat to the New South Wales budget and the future prosperity of New South Wales?

Ms GLADYS BEREJIKLIAN: Can you elaborate your question on how you see the threat to the budget by the Paris agreement or otherwise?

Mr JEREMY BUCKINGHAM: The threat of—

Ms GLADYS BEREJIKLIAN: I am just asking you to make the link between how you see a decision there impacting the State budget so I can answer your question fully.

Mr JEREMY BUCKINGHAM: If the world does not meet its commitment to keep global warming below two degrees, what impact will that have on the budget and on the future prosperity of New South Wales?

Ms GLADYS BEREJIKLIAN: I have to confess I am not sure that I understand the question, but I am happy to say that as a government we have clear targets on the use of renewable energy. We have clear targets on various other environmental impacts, and they are all, obviously, in the budget papers—they are all forecast. If you are asking me whether we intend to meet all our targets in relation to renewables, in relation to sustainable outcomes in various industries, the answer is yes. I do not have anything to add further unless you have a more specific question.

Mr JEREMY BUCKINGHAM: Specifically, has Treasury done any modelling of the three scenarios that were considered in Paris of various trajectories for global warming? Has the Government done any modelling of those scenarios, the potential impacts of those scenarios on the budget and on the prosperity of New South Wales?

Ms GLADYS BEREJIKLIAN: I would assume that any such modelling would be done after any decisions were made. So I do not anticipate—

Mr JEREMY BUCKINGHAM: But the decisions have been made.

Ms GLADYS BEREJIKLIAN: You are saying if the Paris agreements are not met. You are saying the two degrees agreement—

Mr JEREMY BUCKINGHAM: Yes, and within that two degrees there were various models. Is the Treasury modelling potential climate change scenarios and their impacts on the budget?

Ms GLADYS BEREJIKLIAN: We certainly do modelling in relation to a number of environmental and climate change issues regarding renewables and regarding other commitments that the Government has made in relation to environmental issues.

Mr JEREMY BUCKINGHAM: So you cannot say here whether or not you have modelling done that—

Ms GLADYS BEREJIKLIAN: We have lots of modelling done on sustainability.

Mr JEREMY BUCKINGHAM: On sustainability, but it is quite a big issue.

Ms GLADYS BEREJIKLIAN: I might ask Ms McLiesh to answer that question.

Ms McLIESH: We do not have specific modelling around the details of any impacts of climate

change on the State budget. Our focus around modelling has been very much on the fiscal sustainability of New South Wales—on the fiscal position of New South Wales.

Mr JEREMY BUCKINGHAM: Do you think that climate change will have an impact on fiscal sustainability?

Ms McLIESH: Our emphasis is really on understanding the long-term fiscal position of New South Wales, to ensure that New South Wales is able to understand and deal with any future challenges or shocks that may arise. One of those challenges will inevitably be climate change.

Mr JEREMY BUCKINGHAM: But you are not modelling for it?

Ms McLIESH: No, any detailed modelling around the impact of climate change is a matter that is best addressed by the Minister for the Environment.

Mr JEREMY BUCKINGHAM: It is a risk and you are modelling for risks and potential impacts. However, climate change is not one of those that you, Treasurer, are modelling for at the moment?

Ms McLIESH: We have not done any detailed modelling.

Mr JEREMY BUCKINGHAM: I am sorry, that was a question for the Treasurer.

Ms GLADYS BEREJIKLIAN: Yes, that is my understanding.

Mr JEREMY BUCKINGHAM: It is interesting that the Government is not modelling for the potential impacts of climate change.

Ms GLADYS BEREJIKLIAN: But we do modelling around renewables regarding other targets that the Government and other regulators have set for us. So the fact that we have not done specific modelling around the issue you put to us does not mean we are not involved in other modelling.

Mr JEREMY BUCKINGHAM: What are the renewable energy targets for New South Wales?

Ms GLADYS BEREJIKLIAN: I can tell you that in a second. I think it is 20 per cent renewables by 2020 but I will just check that if you give me a second.

Mr JEREMY BUCKINGHAM: You can take that on notice.

Ms GLADYS BEREJIKLIAN: I am happy to get it to you before the end of the meeting.

Mr JEREMY BUCKINGHAM: Thank you. When do you expect New South Wales to stop exporting coal?

Ms GLADYS BEREJIKLIAN: It is an interesting question. My guess is as good as anybody's guess. But I have a response to the previous question you gave on the renewable energy.

Mr JEREMY BUCKINGHAM: No, we took that on notice.

Ms GLADYS BEREJIKLIAN: I happy to give it to you now. I was correct—it is 20 per cent renewable energy by 2020. In September 2013 the New South Wales Government released the New South Wales Renewable Energy Action Plan to support a target of 20 per cent renewable energy by 2020. I am sure the Minister for the Environment can talk at length about that.

Mr JEREMY BUCKINGHAM: When do you expect New South Wales to stop exporting coal?

Ms GLADYS BEREJIKLIAN: I have no idea and that is not a question—

Mr JEREMY BUCKINGHAM: You have no idea?

Ms GLADYS BEREJIKLIAN: I appreciate the sentiment behind the question you are asking. It is not to be in the foreseeable future.

Mr JEREMY BUCKINGHAM: So not within a generation or two?

Ms GLADYS BEREJIKLIAN: I am not going to put a time frame on it.

Mr JEREMY BUCKINGHAM: Does Treasury not do intergenerational reports?

Ms GLADYS BEREJIKLIAN: Yes, but we do not make predictions like that one.

Mr JEREMY BUCKINGHAM: But Minister, you do. On page 75 of the New South Wales Intergenerational Report 2016 [IGR] is a discussion of royalty revenue in which it says—

Ms GLADYS BEREJIKLIAN: I remember that.

Mr JEREMY BUCKINGHAM: You remember that?
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Ms GLADYS BEREJIKLIAN: I do, yes.

Mr JEREMY BUCKINGHAM: You just said you do not make predictions on coal.

Ms GLADYS BEREJIKLIAN: No, your specific question was: When will we stop exporting coal? We do not make predictions on the final date on which that will occur.

Mr JEREMY BUCKINGHAM: You expect at some stage we will?

Ms GLADYS BEREJIKLIAN: If you are asking me in 100 years, 200 years—who knows where technology is taking us? I do not know the answer to that question and I do not think anybody would expect me to. Do you know the answer? Do you have any idea?

Mr JEREMY BUCKINGHAM: According to scientists, within the next three to five years we should stop exporting our coal.

Ms GLADYS BEREJIKLIAN: That is interesting.

Mr JEREMY BUCKINGHAM: Your intergenerational report, which does not mention climate change, states:

States levy mineral royalties on the extraction of a mineral resource. Currently 87 percent of this is thermal coal. Mineral volumes are projected to grow by 1.2 per cent a year in the long term, in line with estimates from the Commonwealth Department of Industry, Innovation and Science.

If coal output grows in line with these figures, that means by 2056 we will be extracting more than 325 million tonnes of coal per year, or a total of more than 10.5 billion tonnes mined between now and 2056. Do you seriously expect us still to be mining that quantity of coal, at almost double the rate we currently are, in 2056? This is according to your modelling in your intergenerational report.

Ms GLADYS BEREJIKLIAN: The purpose of the IGR is to provide a look at the next 40 years, in the absence of any government intervention. The whole purpose of the report is to say that if government does not change its decision-making today and it does not intervene, this is what will happen in 40 years time. So we use the intergenerational report, which comes out every five years, as an opportunity to look at the trends and then to make decisions on things that we would like to change. So those trends are changed. The whole context of the IGR in relation to those issues is: What would be the outcome on current trends? We specifically used figures provided by the Federal body to be consistent. They are not our figures; they are figures used by the Federal body. That tells us that if State governments do not intervene and we do not increase our reliance on renewables that will be our outcome. Then it is a decision for government as to what extent we intervene to stop that trend.

Mr JEREMY BUCKINGHAM: Do you think you should intervene to stop that trend?

Ms GLADYS BEREJIKLIAN: I would like us to meet our target that we set in 2013 of 20 per cent renewables by 2020.

Mr JEREMY BUCKINGHAM: That is a separate issue to exporting coal.

Ms GLADYS BEREJIKLIAN: Not really because if you can rely on other sources of energy—

Mr JEREMY BUCKINGHAM: But coal exports are different to our own domestic demand.

Ms GLADYS BEREJIKLIAN: I appreciate that but I am suggesting to you that we have opportunities to intervene if we want to stop that trend.

The CHAIR: Has any additional funding been allocated to the provision of refuge services, due to the number of people being turned away? I have some case histories that I am happy to give you if you would like to see them. A number of these cases are quite serious—people living in cars and so on.

Ms GLADYS BEREJIKLIAN: I appreciate the sentiment of your question and I also appreciate how disturbing it is when we learn of cases where people have fallen through the cracks. I state at the outset that the Government is spending in excess of \$1 billion this financial year on social housing assistance support for the homeless, including new funding of \$40 million over 40 years for youth homelessness, targeting young people and people who are homeless. But also in the budget we allocated a record \$188 million for crisis homelessness services and support, including support services for refugees, many of which offer services to women leaving domestic violence. The amount we are spending this financial year alone is \$188 million.

And additionally, as part of the Government's \$60 million initiative over the next four years to combat domestic and family violence, it is spending \$20 million in the next two years to boost the capacity of specialist homelessness services delivering assistance to women experiencing domestic violence. We believe this will also increase the capacity of providers to provide 24-hour services, seven days a week,

as well as providing increased access to more crisis accommodation. We have also provided a specific boost for youth crisis refuges to provide around the clock support and supervision of young people. I appreciate the sentiment of your question, Reverend Nile, but I also want to assure you that, because our budget is in a strong position, and because we are able to, we are more than ever supporting those most vulnerable in our community at record amounts.

Unfortunately, there are always people who slip through the cracks or who do not get the support they need. Let me be clear that it is not through want of the resources we are providing, because we are working hard not only to make sure we are providing additional resourcing but also to prevent the crisis from occurring. We are putting much more focus and investment into prevention, which I know is something you have spoken about at length. We are spending more resources in prevention and in identifying those most vulnerable before they reach crisis point. A lot of the social impact investment the Government is doing in this area is allowing us to identify vulnerable families and to work with them to prevent a crisis from occurring.

As you know, unfortunately there are always people who will be subjected to these unfortunate circumstances. That is why I want to make sure the Committee knows that we are boosting those resources.

The CHAIR: The Tenants Advice and Advocacy Service receives the majority of its funding from the rental bond interest account. It has not had an increase in funding beyond CPI indexation since 2002. However, the funds in the rental bond interest account have increased by nearly 40 per cent and the amount held now is around \$1.2 billion. Is there a possibility of increasing the funding to that tenant's advice service?

Ms GLADYS BEREJIKLIAN: I think that sits within the responsibility of the Finance and Innovation cluster, but I will say that we are always looking at our expenditure as part of the budget process. That will be considered along with all the other requests we receive. I appreciate the issue you raised and there are always opportunities for us to look at those matters.

The CHAIR: I would appreciate you personally looking into that. The University of Sydney is planning to close the campus at Callan Park, Rozelle, and the students and staff are protesting that decision. Given that the Callan Park site is leased to the University of Sydney by the New South Wales Government has the Government had discussions with the University of Sydney the future of the site, what is the nature of those discussions, and will the Government commit to preserving the site for public use in its current state?

Ms GLADYS BEREJIKLIAN: Responsibility for management of that site falls within the purview of the Minister for the Environment and I understand that he has been dealing with relevant parties on the future use of that site. I will refer those matters to him. I am not aware of them myself. I do know the State Government has been engaging, in a positive way, with the local community about that. I will ask you to refer that to the Environment Minister.

The CHAIR: What is the current level of the surplus for the workers compensation scheme and what plans are there to return the surplus to injured workers rather than being used to reduce premiums?

Ms GLADYS BEREJIKLIAN: As you appreciate, that is a matter within the portfolio of the Minister for Finance. I will say that we worked hard to make the scheme fairer. We worked hard to make sure that those who need support to return to work receive that support. It has been a five-year process. As you would know, in the past 12 months or so, through the Minister for Finance, we made announcements that increased the robustness of the process and provided additional support to people requiring a return to work.

In terms of the actual numbers around that, in 2015 we were able to return a billion dollars to support injured workers through the scheme. The current surplus is around \$1.3 billion to \$1.4 billion. Due to the volatile nature of that scheme and the nature of requests before it, as a responsible insurer we always make sure we have a buffer. I might ask you to ask detailed questions of the Minister for Finance. That is the information I have to hand at the moment.

The CHAIR: Treasurer, are you aware of the yet to be released legal costs regulation?

Ms GLADYS BEREJIKLIAN: In relation to injured workers?

The CHAIR: Yes. Will you ensure that this regulation allows injured workers to have proper access to legal representation and advice during the entire work capacity decision process that insurers have through the employment of in-house lawyers?

Ms GLADYS BEREJIKLIAN: I will refer that to the Minister for Finance. He is in a better position to answer that detailed question. I understand that the regulation is a subject of discussion at the moment. I will allow him to answer those questions.

(Short adjournment)

The CHAIR: We will resume the hearing.

The Hon. DANIEL MOOKHEY: Treasurer, I am excited about the Financial Management Transformation Program.

Ms GLADYS BEREJIKLIAN: I am too.

The Hon. DANIEL MOOKHEY: I know. Can you guarantee that the program will be completed in 2017?

Ms GLADYS BEREJIKLIAN: Our intent is to have it ready in time for the next budget. If you do not mind, I will spend 20 seconds explaining what it is, for the benefit of others.

The Hon. DANIEL MOOKHEY: You have 20 seconds.

Ms GLADYS BEREJIKLIAN: Financial management transformation essentially means digitising whole-of-government access to program funding. At the moment there are particular milestones, times during the year when we manually assess how program funding is going, what each portfolio is spending and how that relates to the budget allocation. When the financial management transformation process comes into being we will have real-time information on program funding, so if there is a massive overspend or underspend in a particular program we can identify that and deal with it. This is the most transformative modernisation of the budget process in the history of New South Wales.

The Hon. DANIEL MOOKHEY: Forgive me, Treasurer, but your 20 seconds is up. The reasons you just mentioned are all the reasons that I am so excited by the project. In order for the project to be active by next year's budget, does it have to be ready towards the end of this year, for the purposes of budget preparation?

Ms GLADYS BEREJIKLIAN: No. Your point is valid. We know that budget preparation needs to be accurate and detailed. There is no doubt that we will be assuming a bit more risk this time because we will be dealing with two systems and in the process of transferring from one system to another. It will be a concurrent process. At the moment everything is done manually, so if government makes a decision then Treasury has to manually adjust the budget figures. This program will avoid the need for that in the future, but the first year of the scheme will not be without complication or risk.

The Hon. DANIEL MOOKHEY: My excitement is building as you continue to talk.

Ms GLADYS BEREJIKLIAN: Next year you can ask me all about it.

The Hon. DANIEL MOOKHEY: Indeed. It is a continuing area of excitement. Is it right to conclude that in addition to having this program running for next year's budget the intent is to maintain the current system as a failsafe or backup?

Ms GLADYS BEREJIKLIAN: It is an ongoing process. There will be a transition from one to another. You would expect that as part of our risk profile for the project. It has required adjustment. We have to support all our portfolios and clusters through the transformation. It affects not only Treasury but also every part of government. We are calling it the "T in transformation" because not only Treasury but also every agency and body in government that requires program funding or reporting will be subject to this change.

The Hon. DANIEL MOOKHEY: I appreciate that, and my excitement continues to build. If it is the case that the Financial Management Transformation Program has to be close to going live in time to prepare next year's budget, can you explain why the biggest contract for that project, which was a \$25.5 million contract, and a \$6 million contract to Oracle were let only at the start of this year?

Ms GLADYS BEREJIKLIAN: Scoping contracts were let prior to that. With this project affecting every part of government, we needed to make sure that we got the scope right. We needed to make sure that the system build was in train. I am confident, based on the information I have been given by the project team overseeing the project, that it is. There is no doubt that the time frames are tight and that it is a major change. I am confident that the project team is doing everything it can to not only implement this major change but also do it in a way that does not place extra risk in the budget process. As Treasurer my foremost consideration during the rollout is to ensure that we do not place additional risk in the current budget process.

The Hon. DANIEL MOOKHEY: That is why I am asking the questions. In a press release that you issued earlier this year you stated that Oracle had won the \$6 million contract. The contract runs from 29 February 2016 to 28 February 2017. Are you confident that all that work will be completed at the right level of risk profile, which you alluded to earlier, by that date next year?

Ms GLADYS BEREJIKLIAN: Yes.

The Hon. DANIEL MOOKHEY: Great. Thank you.

Ms GLADYS BEREJIKLIAN: I want to state upfront that it is not without risk and obviously, given it coincides with the preparation of the next Budget, the project team is putting every effort into making sure we hit those critical paths.

The Hon. DANIEL MOOKHEY: I worry that the risks will diminish my excitement, but I am sure that you will have that on hand. What will the \$35 million that has been allocated in this budget year, 2016-17, in Budget Paper No. 2, be spent on?

Ms GLADYS BEREJIKLIAN: I will outline for you some of the costs that I have already foreshadowed. First, this does not just involve Treasury, it involves every single government agency that receives program funding. Part of that is obviously into the contracts for implementation and extra staff to undertake this major transformation, so we have recruited extra staff for the process as well.

The Hon. DANIEL MOOKHEY: I was going to ask an additional question in relation to the staffing aspects so if I can ask it now, given that you have gone into that, that would be good.

Ms GLADYS BEREJIKLIAN: I have not finished my answer, but you are welcome to.

The Hon. DANIEL MOOKHEY: Sorry, I am not trying to deviate your train of thought, it is just that you have touched on the subject.

Ms GLADYS BEREJIKLIAN: No, that is fine.

The Hon. DANIEL MOOKHEY: Does the \$54 million—I mentioned the first \$25 million with the Oracle and PWC work and the remaining \$35 million—cover both capital and recurrent expenditure or is it just capital?

Ms GLADYS BEREJIKLIAN: My understanding is it does, yes, unless I am mistaken. Does anyone else in Treasury—

Mr WHITFIELD: That is correct.

Ms GLADYS BEREJIKLIAN: I am advised that is correct.

The Hon. DANIEL MOOKHEY: Would that pick up the \$7 million in employee costs as well that is required in this program?

Ms GLADYS BEREJIKLIAN: That is specifically Treasury employee costs, but remember also that there may be cases in which we need to support other teams within government to make sure that we have complete cohesion throughout government. But I also stress that this is a much-needed change. If you can imagine during the budget process, once the numbers are starting to get bedded down it is often the case—for example, this year the Federal Treasurer brought forward its budget by a week or two, which then affected the timelines we had and all those adjustments had to be made manually, literally, physically by re-entering all the data and reforecasting and making those adjustments. So not only will this give us real-time line of start on program funding, but it will also allow us to digitise a number of our processes. To be honest, I do not know how Treasury has managed to date but it does an amazing job under exceptional circumstances, and I am grateful for that.

The Hon. DANIEL MOOKHEY: Why is the original executive director who was in charge of the financial management transformation no longer employed in Treasury?

Ms GLADYS BEREJIKLIAN: I might refer that question to the secretary. I say that I do not apologise for the fact that given my time in the job, and given the Government is extremely lucky to have recruited Mr Whitfield in his position, that we have taken it as a great opportunity to restructure, where appropriate, parts of Treasury and also ensure that we have the best way in which we can maximise the great talent we have in the organisation. In relation to that question I might refer it to the secretary.

The Hon. DANIEL MOOKHEY: To be fair, I am not asking for an apology, I am asking for an explanation as to why—

Ms GLADYS BEREJIKLIAN: I did not apologise. It was a form of words.

The Hon. SCOTT FARLOW: The Treasurer did not apologise.

The Hon. DANIEL MOOKHEY: You actually said "I do not apologise."

Ms GLADYS BEREJIKLIAN: Yes, take the intent with which I said it.

Mr WHITFIELD: For any large information and technology and transformation program, like the one we are undertaking at the moment, you need different skills and capabilities at different phases of a project so it is not uncommon to utilise either different consultants or different staff to lead parts of the project at different times. That is very normal practice.

The Hon. DANIEL MOOKHEY: When did the original Executive Director of Financial Management Transformation [FMT] Program—?

Ms GLADYS BEREJIKLIAN: Mr Mookhey, can I just ask—?

The Hon. DANIEL MOOKHEY: Can I just finish the question?

Ms GLADYS BEREJIKLIAN: Yes.

The Hon. DANIEL MOOKHEY: When did the original executive director of FMT depart Treasury?

Ms GLADYS BEREJIKLIAN: Before I answer that question, or the secretary answers it, I say that if you have a specific concern about the process or about the personnel involved, will you ask it? As the secretary has said, various stages of the project require different skills. Often in a project you will go from concept to delivery, or concept to contract awarding to delivery and—

The Hon. DANIEL MOOKHEY: Treasurer, there is no other intent behind my question—

Ms GLADYS BEREJIKLIAN: No, I am just saying if you are worried about something, just ask me and I will answer it.

The Hon. DANIEL MOOKHEY: I am not worried about anything. I am raising a matter of inquiry for the purpose of information assessment in order for us to determine the risks. You already said it is a high-profile, high-risk project. When did the original executive director of FMT in charge of this program leave Treasury? That is the information I need.

Ms GLADYS BEREJIKLIAN: I will take that on notice. Obviously we do not know the date and time.

Answer: Original FMT director finished on 15th July. As a project moves from scope phase to delivery phase, different skills are required.

The Hon. DANIEL MOOKHEY: Can I ask—

Ms GLADYS BEREJIKLIAN: Hold on, I have not finished my answer.

The Hon. DANIEL MOOKHEY: You just took it on notice. You did.

Ms GLADYS BEREJIKLIAN: No, I want to also state that again you should appreciate that because.

The Hon. DANIEL MOOKHEY: That is actually a wonderful segue to my next aspect that I would like to ask about this project. I refer to the advertisements for Director, Financial Management Transformation—PMO closed on 20 August 2016; Director of Financial Management Transformation Policy, which closed on 10 August 2016; Integrated Engagement Lead closed on 2 August 2016; Director, Financial Management Transformation closed on 7 August 2016. For such a high-risk profile job have the five signature people who are in charge of that project been recruited? Why did it take until as early as last month for you to hire the team that is required to complete an information technology program that you say has to be ready by next year's budget?

Ms GLADYS BEREJIKLIAN: As the secretary has stated, we are in a new phase—are you going to listen to my answer?

The Hon. DANIEL MOOKHEY: I am.

Ms GLADYS BEREJIKLIAN: As the Secretary of Treasury has stated, we are in a new delivery phase for the project. As you appreciate, similar to a previous answer I gave you on another matter, you move from concept to scope, to business case, to delivery phase and that is the process we are involved in at the moment. The project has various stages. In fact, I remember in the first concept and also scoping stage, ~~engaging with a lot of our other agencies within government in relation to what this would mean for them. So~~
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clearly we are now in a detailed delivery phase and we are recruiting in that regard.

The Hon. DANIEL MOOKHEY: Did those new positions exist in either of those phases that you have just described?

Ms GLADYS BEREJIKLIAN: I will pass that onto the Secretary of Treasury. Our job is to make sure this is successful, and we will do everything responsibly within our ability to make sure this process is successfully rolled out. In fact, no doubt if it is not I will be answering a lot of questions next year in the estimates committee.

The Hon. DANIEL MOOKHEY: Indeed, because my excitement will be diminished.

Ms GLADYS BEREJIKLIAN: I know, exactly. You will just have to find another form of questioning. The point I am trying to make is that this is a project that is in progress. It is a difficult one. We are recruiting experts in the delivery phase to make sure it is delivered on time.

The Hon. DANIEL MOOKHEY: Mr Whitfield, are these new positions or replacements for previous staff who held those positions?

Mr WHITFIELD: As I am sure you appreciate it is a large project. They are five important roles, as you have said, but they are not the only important roles in the project.

The Hon. DANIEL MOOKHEY: I get that, but I am just asking you about these five positions.

Mr WHITFIELD: One additional point, because I completely concur with the Treasurer, that has been going on through 2016 as well that I am sure you are aware of, is we have been doing the SEI implementation of senior executives.

The Hon. DANIEL MOOKHEY: For the purpose of *Hansard* what is SEI?

Mr WHITFIELD: Senior executive implementation across the whole of Treasury. Some people through that process have not been reaffirmed in the jobs. So to your specific question, some of the jobs are existing jobs and have not changed but the personnel have changed, and some jobs are new.

The Hon. DANIEL MOOKHEY: When were those personnel changed? In terms of the five positions some of which were not reaffirmed and some personnel have changed—

Mr WHITFIELD: It is not one answer for the five positions.

The Hon. DANIEL MOOKHEY: Feel free to go through them.

Mr WHITFIELD: I will not go through the individual circumstances but the director of the project that you referred to, that specific title and role, has gone back to Canberra for family reasons. There are individual circumstances.

The Hon. DANIEL MOOKHEY: I just want to know when.

Ms GLADYS BEREJIKLIAN: I am interested in why you are interested in people's personal circumstances. That is interesting to me.

The Hon. DANIEL MOOKHEY: To be fair, we are not asking about personal circumstances. I am just asking when the original director departed the position. I am not interested in the circumstances as to why.

Mr WHITFIELD: The answer is recently. I do not have exact dates.

The Hon. ADAM SEARLE: You can take it on notice.

The Hon. SCOTT FARLOW: I think it was already taken on notice.

The Hon. DANIEL MOOKHEY: It was taken on notice.

Ms GLADYS BEREJIKLIAN: But then you kept asking questions.

The Hon. ADAM SEARLE: I would like to ask you some questions about the Port of Newcastle and the cap on containers. Last year we asked whether or not a cap was put on the number of containers that could be put through the Port of Newcastle. You were very careful to say there was no legislated container cap.

Ms GLADYS BEREJIKLIAN: Correct.

The Hon. ADAM SEARLE: We asked also whether there was any other restriction in the sale or lease documents and you answered, "Not that I am aware of." We also gave you some questions on notice about this and we referred you specifically to the port commitment deeds, which you refused to release. Now we know thanks to the *Newcastle Herald*, which published the port commitment deeds for Port Botany and Port Kembla,

that there was in fact as part of the arrangement a cap on container movements through the Port of Newcastle. If they exceeded the cap the operator would have to pay to the State Government essentially a fine and your Government would then pay that to the operator of Port Botany and Port Kembla. Why were you not frank and honest with the Committee last year about the fact that there was, as a result of your Government's policy and actions, a cap on container movements through the Port of Newcastle?

Ms GLADYS BEREJIKLIAN: I appreciate your question and I am happy to go into detail around those arrangements, but my concern at the time was that I was not sure what was subject to commercial in confidence and what was not.

The Hon. ADAM SEARLE: I asked you whether there was a cap. You were very careful to say there was no legislated cap.

Ms GLADYS BEREJIKLIAN: Correct.

The Hon. ADAM SEARLE: And I asked you whether there was anything else in the sale or the lease documents.

Ms GLADYS BEREJIKLIAN: That is why I had to go back.

The Hon. ADAM SEARLE: But you did not come back to us. You were dissembling. You said there was no legislated cap. When did you know about the cap and why did you not inform the Committee? Why have you tried to hide this?

Ms GLADYS BEREJIKLIAN: As I stated, I was very clear on what was publicly available at that time. I am telling you now the reason why I did not elaborate beyond what I knew was a fact was because I wanted to seek some advice as to what was commercial in confidence and what was publicly available.

The Hon. ADAM SEARLE: These are monopoly assets. You leased them out to monopoly operators. There is no commercial in confidence. That is just rubbish.

Ms GLADYS BEREJIKLIAN: No, there are specific terms within contracts of transactions which are subject to commercial in confidence.

The Hon. ADAM SEARLE: Treasurer, this deal is so bad for consumers in New South Wales that we have had the head of the ACCC saying the deal is so bad for consumers he is changing his mind on privatisation.

Ms GLADYS BEREJIKLIAN: What is your question?

The Hon. ADAM SEARLE: Why did your Government engage in a transaction that has put a brake on the economic development of Newcastle and the Hunter region for the better part of a century?

Ms GLADYS BEREJIKLIAN: I am really pleased to answer this question because I find the premise of your question quite affronting.

The Hon. ADAM SEARLE: So does the ACCC. They say they would prosecute the State Government but you claim an immunity.

The Hon. BEN FRANKLIN: Point of order—

The Hon. ADAM SEARLE: When did you claim the immunity?

The Hon. BEN FRANKLIN: Point of order—

The Hon. ADAM SEARLE: When did you claim the immunity from the trade practices legislation?

Ms GLADYS BEREJIKLIAN: There is nothing like a bit of excitement in an estimates hearing.

The Hon. BEN FRANKLIN: The point of order is that the Treasurer was answering the question.

The Hon. ADAM SEARLE: The Treasurer lied to us last year, Benjamin.

The Hon. BEN FRANKLIN: The Treasurer was answering your question, Mr Searle.

The Hon. ADAM SEARLE: She did not come clean.

The Hon. BEN FRANKLIN: You asked the question. She is answering the question.

The Hon. ADAM SEARLE: Treasurer, why did you not come clean to this Committee last year?

The Hon. BEN FRANKLIN: You should have more respect for this process, Mr Searle. You know better than that.

The Hon. ADAM SEARLE: Why are you putting a brake on economic development in Newcastle for a century?

The Hon. SCOTT FARLOW: There is a point of order.

The CHAIR: Mr Searle, let the Treasurer answer the question.

Ms GLADYS BEREJIKLIAN: Can I say, Mr Searle, the premise of your question is wrong at best. As you appreciate, the New South Wales Government—

The Hon. ADAM SEARLE: Did you get the approval of the ACCC before you engaged in the transaction?

The CHAIR: Let the Treasurer answer the question, Mr Searle.

Ms GLADYS BEREJIKLIAN: The New South Wales Government has a very detailed freight and ports strategy and we have been very public about that.

The Hon. ADAM SEARLE: Yes, to rip off the consumers.

Ms GLADYS BEREJIKLIAN: We have said very publicly that we see the particular role of the port at Newcastle to be primarily for coal and other bulk commodities.

The Hon. DANIEL MOOKHEY: It will be for now.

Ms GLADYS BEREJIKLIAN: No. When we came to government there was no freight strategy in New South Wales. You did not have a ports strategy.

The Hon. ADAM SEARLE: I was not here, Treasurer. Answer the question I have asked you.

Ms GLADYS BEREJIKLIAN: I am trying to if you would stop interrupting me.

The Hon. ADAM SEARLE: You are obfuscating. You dodged the question last year.

The Hon. SCOTT FARLOW: Point of order—

The Hon. ADAM SEARLE: You lied to the Committee last year. Now answer the question.

The Hon. BEN FRANKLIN: Let her answer the question.

The Hon. ADAM SEARLE: If only she would, Ben.

The CHAIR: Let the Treasurer answer the question.

The Hon. ADAM SEARLE: She is not answering the question. She is obfuscating again.

The Hon. SCOTT FARLOW: You are not letting her answer the question.

Mr JEREMY BUCKINGHAM: No more coffee.

Ms GLADYS BEREJIKLIAN: Can I please answer the question? We have been extremely public about the NSW Freight and Ports Strategy and what we view as the role of each major port in New South Wales. There is no doubt that we have said right at the outset that we believe Port Botany to be the main container port in New South Wales and I will tell you why.

The Hon. DANIEL MOOKHEY: It will be now.

Ms GLADYS BEREJIKLIAN: Eighty-five per cent of all containers that come off the port at Port Botany are distributed within 40 kilometres. Major freight operators do not want multiple ports of stops when they are bringing their goods to New South Wales. As a government we have to make some really sound decisions on what the primary use of each port should be to make sure we maximise the opportunities of increasing capacity at all of our ports in relation to our strategy. That is why the Government, obviously before my time, entered into arrangements. I do know for a fact because after I was asked those questions I did go back and check with the team that there was ongoing consultation. There was ongoing consultation with the ACCC during that process and ongoing consultation with all the relevant agencies.

Also I note not only have we been very clear and up-front about what the role of each port is but also, as my colleague in the other place identified, there are still enormous growth opportunities in Newcastle within what was agreed by Government during the transaction process. That is without doubt. Regrettably during your 16 years of government you did not invest in the Hunter. We now have record investment in infrastructure and record investment in revitalising Newcastle and the greater Hunter region, which has been made possible in part by this transaction. We are investing I think in the order of half a billion dollars and more in transport infrastructure upgrades which would not have been possible without the transaction. The reason why I find your question affronting is we made this decision to support the revitalisation of Newcastle and to reassert the Government's strategy in relation to our ports and freight. There was no—

The Hon. PETER PRIMROSE: You were affronted because you were caught out.

Ms GLADYS BEREJIKLIAN: No.

The Hon. PETER PRIMROSE: You did not come back to this Committee.

The Hon. BEN FRANKLIN: Point of order: The Opposition's time for question has expired.

Ms GLADYS BEREJIKLIAN: You asked me a question and I answered to the best of my ability at that time.

The Hon. PETER PRIMROSE: You did not come back and correct it.

Ms GLADYS BEREJIKLIAN: No, because what I told you was correct. Mr Searle even accepts that.

The Hon. ADAM SEARLE: Yes, but you did not give the full answer.

Ms GLADYS BEREJIKLIAN: What I told you was correct.

The Hon. PETER PRIMROSE: Talk about dissembling.

Ms GLADYS BEREJIKLIAN: Please. Getting back to the point, I think the whole argument you are running that somehow this transaction was done intentionally to the detriment of Newcastle and the Hunter—

The Hon. ADAM SEARLE: The ACCC seems to think so.

Ms GLADYS BEREJIKLIAN: —is an affront and it is wrong. I will keep referring to the ports strategy.

The Hon. PETER PRIMROSE: And we will keep referring to the ACCC.

Ms GLADYS BEREJIKLIAN: I have outlined the rationale as to why Port Botany is the main container port for New South Wales. I have outlined the rationale for the main purpose of the Newcastle port. As I have stated previously, there was and is no legislated cap. I think it is very concerning that a party who after 16 years did not even have a ports strategy—

The Hon. PETER PRIMROSE: The ACCC.

Ms GLADYS BEREJIKLIAN: Yes, what about them?

The Hon. PETER PRIMROSE: The ACCC.

Ms GLADYS BEREJIKLIAN: What about them?

Mr JEREMY BUCKINGHAM: Point of order: It is my time to ask questions.

The CHAIR: We will move on to Mr Buckingham's time.

Mr JEREMY BUCKINGHAM: For the last seven years New South Wales Treasury royalty forecasts for coal have been wildly optimistic and out by billions of dollars, with even the Minerals Council saying Treasury are making "heroic assumptions about the recovery of the coal price". Can you explain why your coal royalty forecasts have been so consistently wrong by billions of dollars, why New South Wales has no carbon abatement plan, why New South Wales Treasury has no climate change modelling and, most importantly, are you, Treasury and the New South Wales Government living in an irresponsible fantasy land when it comes to climate change and coal?

Ms GLADYS BEREJIKLIAN: I will try to answer all of those questions. Firstly, can I say from memory—I am sure the Treasury officials will correct me if I am wrong—we are actually putting a downward forecast on our mining royalties to the tune of about \$1.2 billion over the forward estimates.

Mr JEREMY BUCKINGHAM: That is wrong. So you do not know that.

Ms GLADYS BEREJIKLIAN: Hold on.

The CHAIR: The Minister will be allowed to answer the question.

Ms GLADYS BEREJIKLIAN: I will seek advice on that. The royalties over the next four years are to be \$1.7 billion less than forecast in the 2015-16 budget—I said \$1.2 billion; it is actually \$1.7 billion less than what we had forecast in the previous budget. So there is a reduction and it reflects coal prices and also coal export growth, which has been partially offset by a lower Australia-US exchange rate. I was actually correct. What we had forecast in 2015-16 we have actually downgraded by \$1.7 billion—from memory I thought it was \$1.2 billion but it is actually \$1.7 billion. In the next four years we will be getting \$1.7 billion less than what we had assumed the previous year due to the factors I have outlined—coal prices, the exchange rate and partly volume.

Mr JEREMY BUCKINGHAM: And heroic assumptions around coal that were made up until very recently.

Ms GLADYS BEREJIKLIAN: You can make those comments, that is your call.

Mr JEREMY BUCKINGHAM: That is a comment of the NSW Minerals Council.

Ms GLADYS BEREJIKLIAN: That is fine. As Treasurer I am interested in the facts that go into our budget, the facts that go around our forecasting and also—

Mr JEREMY BUCKINGHAM: Is it not the fact that coal is in structural decline?

The CHAIR: The Treasurer will be allowed to complete her answer.

Mr JEREMY BUCKINGHAM: You are reluctant to acknowledge that there is a perceived—

The Hon. BEN FRANKLIN: Mr Buckingham, the Chair is making a ruling. Please listen to the Chair.

The CHAIR: The Treasurer will be allowed to finalise her answer.

Mr JEREMY BUCKINGHAM: There was no point of order.

The Hon. BEN FRANKLIN: The Chair is chairing this meeting.

Mr JEREMY BUCKINGHAM: Is he? I thought you were.

Ms GLADYS BEREJIKLIAN: Mr Buckingham, you asked me a question. You said I was wrong; I was not wrong. Your question was based on the assumption that we were assuming an increase in mining royalties over the forward estimates. I am telling you that based on our 2015-16 forecasts we have put down our 2016-17 forecast to the tune of \$1.7 billion over the forward estimates.

Mr JEREMY BUCKINGHAM: So less increase?

Ms GLADYS BEREJIKLIAN: Correct, \$1.7 billion less.

Mr JEREMY BUCKINGHAM: But still an increase?

Ms GLADYS BEREJIKLIAN: Yes, but it is less than what we anticipated we would get in the previous year.

Mr JEREMY BUCKINGHAM: Do you accept that coal is in structural rather than cyclical decline?

Ms GLADYS BEREJIKLIAN: I am interested in the factors which cause variations in the budget position. Some of the questions you have raised are questions for government but are more relevant to be put to my colleague the Minister for the Environment. I am happy to answer questions in relation to economic impacts, the budget position—

Mr JEREMY BUCKINGHAM: Are you saying that climate change has no role in Treasury and the economy?

Ms GLADYS BEREJIKLIAN: That is not what I said at all; I actually said the opposite. I actually said that my job is to assess the financial impacts of commodities and climate change and environmental factors on the budget.

Mr JEREMY BUCKINGHAM: How are you doing that? Are you modelling those impacts? You said before that you were not modelling those impacts, so how are you doing that?

Ms GLADYS BEREJIKLIAN: I will repeat some of the points I made in my previous answer. We are doing that by looking at factors such as the impact of the exchange rate, the impact of demand, the impact of volume and the impact of other factors that may affect the bottom line in terms of royalties. We look at all the factors that impact the budget position but clearly as a government the Minister for Environment has other considerations along the lines of the questions you asked. My job is to look at the financial impacts and ensure that we prioritise resourcing in relation to those matters. As I explained to you, we put a downward forecast on the quantum of royalties we would receive over the forward estimates. In the 2016-17 budget the budget papers indicate that there will be a downward revision of \$1.7 billion compared with the position in the previous year.

Mr JEREMY BUCKINGHAM: Treasurer, you were spruiking your position on renewable energy before. Do you think mandatory renewable energy targets drive economic development and renewable energy in New South Wales?

Ms GLADYS BEREJIKLIAN: There are a number of things that do, of which that is one. There is no doubt that if a government says it wants to have a particular component of its energy sourcing done by renewables that sends a message to people, as do a number of other factors.

Mr JEREMY BUCKINGHAM: So mandatory renewable energy targets are?

Ms GLADYS BEREJIKLIAN: We have a target. Our target is a target.

Mr JEREMY BUCKINGHAM: But it is not mandatory, is it?

Ms GLADYS BEREJIKLIAN: I personally as Treasurer would not support mandatory but I obviously support targets.

Mr JEREMY BUCKINGHAM: Why not mandatory ones?

Ms GLADYS BEREJIKLIAN: I am not sure how that is a budget question, that is just a personal view. I am very comfortable with the target we have set and I am comfortable that we will meet that target.

Mr JEREMY BUCKINGHAM: The Federal Government has a mandatory one, the Australian Capital Territory has a mandatory one and Victoria has one. Is it not the case that one of the biggest economic drivers in this State could well be renewable energy? It is a booming part of the economy and is driving economic development in this State, yet the thing that is driving wind power in this State is the Australian Capital Territory's mandatory renewable energy target. Is that not the case?

Ms GLADYS BEREJIKLIAN: I say to you that some of those questions you raise would be more appropriately directed to the Minister for the Environment. I am more than happy to answer financial questions regarding the budget and mining royalties, as I have done.

Mr JEREMY BUCKINGHAM: It is really interesting that you think that renewable energy is the bailiwick of the environment Minister.

Ms GLADYS BEREJIKLIAN: No.

Mr JEREMY BUCKINGHAM: It has nothing to do with the budget bottom line, economic development or the fact that there is no line item in the budget to stimulate the economic development—

Ms GLADYS BEREJIKLIAN: That is not true. If I am not mistaken, I refer you to the industry cluster in Budget Paper No. 3, which actually talks about renewables.

Mr JEREMY BUCKINGHAM: How many hundreds of millions of dollars or tens of millions of dollars is in the budget to stimulate renewable energy development in this State? How does that compare with Victoria or South Australia?

Ms GLADYS BEREJIKLIAN: I do not have State-by-State comparisons, and they do not form part of the budget, but I can tell you that we have specific targets as a government. You asked me a question based on the assumption that mining royalties were going to go up based on our previous forecasts and I have advised you that that is not the case.

Mr JEREMY BUCKINGHAM: They are not going up?

Ms GLADYS BEREJIKLIAN: No. You had said to me that they will continue to go up more than what we had said and I said to you that was the opposite position because we revised down our forecast for mining royalties over the forward estimates in 2016-17 compared with 2015-16, which was to refute the claim you are making.

Mr JEREMY BUCKINGHAM: Do you think—

Ms GLADYS BEREJIKLIAN: In relation to energy and—

Mr JEREMY BUCKINGHAM: Minister, I have limited time. Do you think that coal seam gas will play an important role in economic development in this State over the coming years?

Ms GLADYS BEREJIKLIAN: I think the Government has made its views on that issue very clear.

Mr JEREMY BUCKINGHAM: What are they?

Ms GLADYS BEREJIKLIAN: You should refer to what the Minister for the Environment has said about that. We appreciate the community concerns in relation to that and we have responded. In fact, we inherited—

Mr JEREMY BUCKINGHAM: I was talking about economic development. Do you think—

Ms GLADYS BEREJIKLIAN: No, you were not. You are kind of changing what you were saying.

Mr JEREMY BUCKINGHAM: The question was, "Do you think coal seam gas will play an important role in economic development in this State?"

Ms GLADYS BEREJIKLIAN: No. You asked me a question: Do I think it is going to provide economic development? No.

Mr JEREMY BUCKINGHAM: Thank you. That is the zinger right there.

Ms GLADYS BEREJIKLIAN: It is a zinger. I do not know what your impression of economic development is but when we look at sources of what will most stimulate our economy—

Mr JEREMY BUCKINGHAM: So you do not think that Anthony Roberts, who has been saying it is essential to economic development in this State and driving down prices—

Ms GLADYS BEREJIKLIAN: Hang on, they are two different things. The impression I formed from your question was: Is it in my thinking that overall strategically that is one of the top things that I would think about? No, my job is to look at the levers that generate economic development generally. Industry is one, but there are a whole bunch of factors that determine economic development. If you are asking me whether that is my realm of responsibility and area specifically, I would say that is not what takes up a lot of my time in terms of determining what is economic development in New South Wales.

The CHAIR: There have been some media reports that Ausgrid's bid was rejected because of the Federal Government's concern about security.

Ms GLADYS BEREJIKLIAN: I am sorry, I did not hear the question.

The CHAIR: Ausgrid has released a statement that they are now seeking to negotiate with an Australian company to be a partner in its bid and that this Australian company would take responsibility for the security aspect. The Chinese half of the company would not have any control over that and this would remove the security issue. Do you feel that the bid could be reconsidered if it becomes a joint China-Australia bid?

Ms GLADYS BEREJIKLIAN: I state at the outset that the Government is looking forward to successfully completing a transaction with Ausgrid and we are in the process of relaunching that process. In fact, because we have already been through it for nine months, a number of things are set up that we do not have to do again. I am pleased to hear that not only is there strong domestic interest from Australian entities; we are also getting a number of positive inquiries from foreign bidders—if I can be so specific, in particular from North America and parts of Europe. So we know it is a valuable asset, we know there is a lot of interest, and we are looking forward to a successful transaction.

The CHAIR: You are speaking about other bidders. My point was whether Ausgrid itself can revise its bid if it is a joint Australian-Chinese—

Ms GLADYS BEREJIKLIAN: No. The management of Ausgrid essentially has to conduct what is called business as usual. They run the organisation irrespective of what the Government is doing; their job is to run the organisation as efficiently and as equitably as possible during the course of the transaction process, which they have done, and I want to take the opportunity to thank both staff and management for their support and ongoing role during this process. We are now in the process of relaunching the next phase of the bids and I can confirm that we have had strong interest from both domestic players—a lot of Australian entities—and others from outside Australia.

The CHAIR: Are you anticipating there might be one from a joint Ausgrid-Australian company?

Ms GLADYS BEREJIKLIAN: It is general practice and best practice not to speculate on what bidders may do; that is a matter for them. But what we are really excited about is the number of parties that have shown interest, and some of them participated in the early stages of the first process. We are very encouraged by the depth and level of interest from both domestic players and also overseas players.

The CHAIR: We are all very pleased, obviously, with the development of infrastructure programs in New South Wales. I have received some criticism that it seems that the people who are benefiting from these projects are the large multinational companies or large interstate entities. Is there any strategy to ensure that smaller companies based in New South Wales get a fair opportunity to be involved in those infrastructure projects in New South Wales?

Ms GLADYS BEREJIKLIAN: Certainly. The beauty of our very assertive and huge infrastructure program is that we have a number of major projects that are of the order of billions of dollars, but we also have a number of medium to smaller projects that are a part of the process of tendering and contracting. The other

interesting thing is that often, if large consortia with global brands win a contract, they have a number of subcontracts that they give to medium and small businesses. If you look at any part of the chain, whether it is a small business, a medium business or a large global player, you will see that all of them are having a piece of the action in New South Wales, of which we are extremely proud. In fact, we are also now hearing that in the SME space—in the small and medium-sized enterprises that are participating in construction either as a subcontractor or direct contractor—a lot of Queensland firms are moving down south because there is no work up there. So we are finding that there is a lot more competition.

The biggest challenge that a lot of small and medium size players are now facing, which they probably did not face previously, is having so much on. There is a need for them to upscale their operations. The positive aspect is that there is now a lot of competition in their space which was not there before. That is good news for government because it means we get best price and best quality. But obviously that puts additional pressure on them because there is a higher competitive market. The good news is that there is a lot of work around and, to date, we have benefited from the fact that a lot of employees from mining sites in Western Australia and Queensland have come to New South Wales to work on these sites. I am keeping a close watch on our skills and labour position because we do not want to be in the position that overseas jurisdictions are in because they do not have enough skilled labour. Touch wood—in New South Wales we are doing very well in that regard, but it is something we are keeping a close eye on.

The CHAIR: Mental health is a major issue that can stem from abusive childhoods. Much of the abuse stems from parents not understanding how to raise their children and many issues are not detected until it is too late. Has the Government any plans to invest money in what I call prevention programs as opposed to reactive programs such as shelters and hospitals?

Ms GLADYS BEREJIKLIAN: Just to give you a headline figure, in this year's budget we were pleased to announce increased funding in mental health of \$106 million compared to last year. In 2016-17 the mental health budget is \$1.8 billion, which is \$106 million more than last year. If I am not mistaken, that is about a 5 per cent increase. Of course, not only in mental health—and the Minister for Mental Health and the Minister for Health are better placed than I am to discuss in detail the kinds of investments we are making—there is no doubt that prevention and community-based support is definitely part of the Government's strategy. What we do in all aspects of health care—and, again, I defer to my ministerial colleagues for more detailed responses—is that we want to make sure people are out of crisis care, whether it is in mental health or in other aspects of health care. So we are investing more than ever in prevention measures. I was pleased to support my ministerial colleagues in giving a huge boost to mental health in this year's budget.

The CHAIR: You referred earlier in other answers to the increase in stamp duty revenue because of the large turnover of properties. Stamp duty is a very negative factor with young couples seeking to purchase a home. Is there any plan to review stamp duty or reduce it, in view of the overall budget and income from leases and so on?

Ms GLADYS BEREJIKLIAN: We are very careful when it comes to stamp duty because in the past we have seen—in fact, Michael Egan highlighted this when he was Treasurer—that an unintended consequence of reducing or deferring stamp duty is that it puts upward pressure on prices. When it comes to the general issue of housing, the biggest concern for me as Treasurer is housing affordability. That is why we are working hard on the supply side to maintain downward pressure on prices. I would not want to do anything that had the unintended consequence of creating more heat, which would then put upward pressure on prices. In fact, Michael Egan put a policy in place when he was Treasurer which deferred stamp duty. He was then forced to reverse that because it had the consequence of putting upward pressure on prices. In fact, the Opposition leader announced a policy during the election campaign and then reversed it because he also got feedback from experts to say that those types of measures can have unintended consequences.

We have in place in New South Wales some first home owner grants that provide people with stamp duty concessions. If you purchase a new home below a certain threshold you will get a concession on your stamp duty. So we have first home owner grants—and we have concessions in place—and we are also spending a lot of money on the supply side to get more dwellings in the marketplace because we think that the best thing we can do as a Government is to put downward pressure on prices. I assure you and the Committee that that is something to which I pay close attention. I appreciate—going through my experiences and the experiences of family members—the stress that people are subjected to in getting into the market. If there are opportunities for us to improve their ability to get into the market beyond what we are doing, I am always open to those suggestions.

The CHAIR: Thank you for your answers.

The Hon. ADAM SEARLE: Treasurer, in relation to the transfer to the non-government sector regulation that your recently made, it deprives affected public sector workers of redundancy payments if they are made an offer of what is called comparable employment. However, in determining whether the employment is comparable it only weighs up the industrial instruments of their current employment and the new employment. That would exclude consideration of things like the managing excess employees policy, would it not?

Ms GLADYS BEREJIKLIAN: No. If I am not mistaken—Ms Telfer will correct me if I am wrong—that was confirmation of a Premier's memorandum that has been around since 1992. It was a policy that you had in government—

The Hon. ADAM SEARLE: It is not the same.

Ms GLADYS BEREJIKLIAN: I want to make this important point: that it is a policy that has been in place since 1992—was that when Labor was in government?

The Hon. DANIEL MOOKHEY: It was still the Greiner Government.

Ms GLADYS BEREJIKLIAN: Either way, it was a policy that Labor had when in government for 16 years.

The Hon. ADAM SEARLE: That is not true—

Ms GLADYS BEREJIKLIAN: Please let me finish the answer.

The Hon. ADAM SEARLE: But you just said something that is not true. The policy did not rule out the payment of redundancies; this regulation does.

Ms GLADYS BEREJIKLIAN: But what the regulation also does is identify criteria for what is defined as "alternative employment". It is a very broad definition which supports workers, if anything. So, in fact, what we wanted to do—which is what a good government would do—was to enshrine an existing policy for the point of clarity into regulation. That was to make sure that everybody knows what their rights are, that there is clarity in not just implementing but interpreting the Government's intentions. The four criteria we outlined—I cannot remember all four of them off the top of my head. However, I can tell you that when I read them my first response was—and I could be accused of being a mean Treasurer—"Gee, that is really generous", because it had a very broad definition for "comparable employment". Ms Telfer may wish to add to that. It is a policy decision.

The Hon. ADAM SEARLE: Treasurer, redundancies are dealt with by way of government policy. Workers do not generally have award rights to redundancy in the public sector. Your regulation excludes consideration of the contents of a managing excess employees policy, when determining comparable employment.

Ms GLADYS BEREJIKLIAN: That is not my understanding. I will defer to Ms Telfer but I will say this: That you also have to respect, Mr Searle, that in some situations employees seek redundancies. That is their first option. So one needs to make the regulation broad enough to give people, in different stages of their life and career, fair circumstances in which they can exercise their rights. Some of them want us to offer redundancies and want to take a package; others want to keep in employment. So what we aimed to do, through enshrining what has been around since 1992 as a general policy, is to clarify everybody's rights and responsibilities in relation to this policy position. It is always a matter of striking the right balance in providing choice for employers—sorry, choice for employees—in relation to voluntary redundancy.

The Hon. ADAM SEARLE: A Freudian slip there.

Ms GLADYS BEREJIKLIAN: You can interpret it as that; I would not. The intent was—and I think this is important because often governments are accused of having a particular motivation—to strike the right balance in providing choice, because some employees at certain stages of their lives will prefer to have a redundancy than having to do comparable work.

The Hon. ADAM SEARLE: Treasurer, just on that point—

The CHAIR: Let the Treasurer finish the point.

The Hon. ADAM SEARLE: Well, she has just finished that point. Treasurer, if there is a dispute about whether employment is comparable, the Industrial Relations Commission [IRC] cannot rule on that issue, can it?

Ms GLADYS BEREJIKLIAN: It depends on the award—but I am not sure on that answer.

The Hon. ADAM SEARLE: Well, just to inform you—

The CHAIR: No, you do not inform the Treasurer; you ask the questions.

The Hon. ADAM SEARLE: To assist the Treasurer in providing an answer: The Industrial Relations (Public Sector Conditions of Employment) Regulation 2014 clause 6 (1) (f) seeks to preclude the IRC from ruling on redundancy matters.

Ms GLADYS BEREJIKLIAN: Not at all. That is not my understanding. I will ask Ms Telfer to elaborate on that, if she has that advice.

Ms TELFER: What we need to do is to put this policy into a whole range of contexts. What was issued by the Government in June of this year is a memorandum that has a number of components. The first is about what is the definition. And it is underpinned by a new regulation; it is underpinned by a clear definition about what is and is not comparable employment and all forms of criteria need to be met. It is not just that one of those criteria need to be met, all four criteria need to be met. If even one of the criteria is not met, then the employment will not be considered to be comparable. In that case there might be the opportunity, it might be that someone is offered a voluntary redundancy. I think what is missing in this debate, in the discussion around all of this, is the other part of the memorandum that was issued earlier this year.

That is, the NSW Government Sector Placement Strategy which is a proactive, whole-of-government initiative, to maximise opportunities for continued employment in the sector for those employees who are affected by a transfer but will not be transferred to the new operator. What we would see happening is that, if there is not comparable employment in the terms of the definition, then we would swing into action in putting into place this proactive strategy about getting people placed. This is about making sure that we do not lose the talent, skill and capability of people in the sector but that we actually use that.

In regard to what the Industrial Relations Commission can and cannot do, the question has been asked about whether or not the commission can rule on redundancies. It is true that the regulation that was passed by the Parliament in 2014 does, in fact, say that it cannot rule on redundancies, per se. However, it has also been put to me by some of the parties that the IRC has no powers and I would contend—and we know through history and practice—that the Industrial Relations Commission has very broad powers and can hear matters of dispute around a number of issues, including about the definition of what is and is not comparable employment. I am sure that this will be a matter that is tested at some point in the Industrial Relations Commission. There will be a number of facts that need to be taken into account and there will be machinations and we will then get some decisions or recommendations from the commission.

Ms GLADYS BEREJIKLIAN: Thank you. Mr Searle, after Ms Telfer's response and prior to this day it was my understanding that there was not a black and white definition of "comparable employment" in terms of regulations, so this has provided certainty and clarity. I have the four criteria.

The Hon. ADAM SEARLE: I have the regulation before me.

Ms GLADYS BEREJIKLIAN: They are very clear. I would argue that it gives workers a bit more certainty and a bit more scope for stakeholders to take up matters which they find contravene those regulations.

The Hon. ADAM SEARLE: Thank you, Treasurer. In relation to the five-year job guarantees for electricity workers, in every other privatisation or long-term lease, straightforward job guarantees have been afforded to affected workforces. The Ausgrid management is saying essentially that they can get around the job guarantees passed by Parliament.

Ms GLADYS BEREJIKLIAN: No.

The Hon. ADAM SEARLE: Well, that is what they are telling their workers. Why will your Government not just honour the commitment given to the Parliament and to the people of New South Wales that you would, in fact, give a clear five-year job guarantee for all workers employed in that time frame?

Ms GLADYS BEREJIKLIAN: Firstly—and I want to be very clear about this—we will uphold every letter of the law to which we are committed.

The Hon. ADAM SEARLE: But not the spirit of the law.

Ms GLADYS BEREJIKLIAN: Can I say, Mr Searle, that I find your question extremely hypocritical because one of the reasons why our Government did not intervene in the appeal process of the networks—we allowed the networks to appeal the Australian Energy Regulator's [AER] decision—was because the AER determined that hundreds and hundreds of extra jobs should go in Ausgrid. And you opposed that.

The Hon. ADAM SEARLE: The AER does not determine the employment levels; the companies determine the job levels, not the AER.

Ms GLADYS BEREJIKLIAN: No, it is the same issue.

The Hon. ADAM SEARLE: It is not the same issue.

Ms GLADYS BEREJIKLIAN: You were not only okay with it but you publicly criticised the Government for not intervening when the networks wanted to appeal the decision—

The Hon. ADAM SEARLE: Because you just wanted to drive the sale price up.

Ms GLADYS BEREJIKLIAN: —which would see a reduction in the number of employees at Ausgrid overnight and Labor was okay with that.

The Hon. ADAM SEARLE: That is not true Treasurer, and you know it.

Ms GLADYS BEREJIKLIAN: It is a fact.

The Hon. ADAM SEARLE: It is not a fact. The AER does not decide how many employees Ausgrid has. Ausgrid decides that.

Ms GLADYS BEREJIKLIAN: That is correct and Ausgrid said, "You know what? You have not got your facts right, we need more employees." And the Labor Party said, "No, you should intervene and not let them appeal."

The Hon. ADAM SEARLE: No, that is not what was said at all, Treasurer.

Ms GLADYS BEREJIKLIAN: Well we could probably pull out what you said and what the Leader of the Opposition said at the time. I think it is the most hypocritical question to ask, when you were quite happy to see those employees go overnight and it was our Government that said, if the networks, the businesses actually felt that determination was not based on what the needs of the businesses were, we would allow the appeal process to continue. I just find that to be a very hypocritical question.

The CHAIR: I have finished my questions and Mr Buckingham has left the hearing.

The Hon. ADAM SEARLE: We have more questions, and we are here until 11.40.

Ms GLADYS BEREJIKLIAN: I am sure you have, but we will leave them until next year.

The Hon. ADAM SEARLE: You are not consenting to stay and answer further questions?

The Hon. SCOTT FARLOW: This is crossbench time.

The Hon. ADAM SEARLE: We are members of the Committee, I am sure we can find questions to ask the Treasurer.

The CHAIR: The time for questions has concluded. I thank the Minister and her officers and staff for their attendance.

(The witnesses withdrew)

The Committee proceeded to deliberate.