

PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE

Tuesday 29 October 2019

Examination of proposed expenditure for the portfolio areas

TREASURY

UNCORRECTED

The Committee met at 10:30

MEMBERS

The Hon. Tara Moriarty (Chair)

Ms Abigail Boyd

The Hon. Ben Franklin (Deputy Chair)

The Hon. Taylor Martin

The Hon. Daniel Mookhey

The Hon. Adam Searle

The Hon. Walt Secord

The Hon. Natalie Ward

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CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

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

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

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The CHAIR: Welcome back everybody. Thank you all for attending. Welcome to the budget estimates supplementary hearings for the portfolio of Treasury. Before I commence I will acknowledge the Gadigal people, who are the traditional custodians of this land, but I also pay respect to Elders past and present of the Eora nation and extend that respect to other Aboriginals present.

I remind everyone that we are webcasting this whole supplementary hearing on the Parliament's website. 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. The guidelines for the broadcast of proceedings are available from the secretariat.

All witnesses in budget estimates have the right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. Any messages from advisers or members of staff seated in the public gallery should be delivered through the Committee secretariat. I remind witnesses that you are free to pass notes and refer directly to your advisers seated at the table behind you. I remind everyone to turn their mobile phones to silent. All of the witnesses, except for one, already have been sworn in. That still stands.

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JOHN NAGLE, Chief Executive Officer and Managing Director, icare, on former oath

SAN MIDHA, Deputy Secretary, Policy and Budget, NSW Treasury, on former affirmation

KIM CURTAIN, Interim Deputy Secretary, Trade, Tourism, Investments and Precincts, NSW Treasury, on former affirmation

MICHAEL PRATT, Secretary, NSW Treasury, on former oath

JOANN WILKIE, Deputy Secretary, Economic Strategy and Productivity, NSW Treasury, on former affirmation

PETER ACHTERSTRAAT, NSW Productivity Commissioner, sworn and examined

The CHAIR: There is no provision for any witnesses to make an opening statement so we will kick off with questions, which will be in rolling blocks as timed between the Opposition and the crossbench. We will open with the Opposition.

The Hon. WALT SECORD: Thank you, Madam Chair. Thank you for attending. Mr Pratt, earlier this week and earlier this month there was Federal discussion about unconventional monetary policy. Are you familiar with that? Have you heard of that?

Mr PRATT: Yes, I have.

The Hon. WALT SECORD: What is unconventional monetary policy?

Mr PRATT: Well, I suspect—

The Hon. WALT SECORD: Not a full lecture, just a snapshot. I saw you get ready.

Mr PRATT: I was going to say by way of opening, Mr Secord, that if you had a bunch of economists in the room and you asked them that question you would get many different answers, but I will get the economist in our group, Ms Wilkie, to speak in a moment. But largely it refers to a form of what is called quantitative easing where government intervenes in the economy to put more money back into the economy in various ways. There are different ways to do that. But that largely would encompass the point you are raising around what that means. If there is more detail required, I can get Ms Wilkie to answer, if you wish.

The Hon. WALT SECORD: I would be interested to hear.

Ms WILKIE: As Mr Pratt said, certainly during the global financial crisis, the United States Federal Reserve used many, many different types of quantitative easing. In the Australian context the Reserve Bank Governor has mostly referred to unconventional monetary policy in the form of purchasing government securities to reduce the risk around interest rates. That, from Treasury's perspective, is the only form or seems to be the main form of unconventional monetary policy that the Reserve Bank Governor has mentioned in recent months, so it is our expectation that if he decides to move to that, that is what will take place in Australia.

The Hon. WALT SECORD: Has NSW Treasury provided any modelling or any advice to the Government on what will be the impact to NSW Treasury and the New South Wales economy?

Ms WILKIE: I mean, that is something that we constantly look at. Weekly market economists come up with new predictions about what is going to happen and whether this is going to happen and that sort of thing. The indications at the moment are that interest rates were only lowered again at the beginning of this month. They are at 0.75 per cent at the moment. The Reserve Bank Governor, in his testimony to the Commonwealth Senate committee, was clear that we would need to be close to zero before he would be looking at any unconventional money policy moves. Market economists' consensus at the moment is that the next interest rate cut is unlikely to be until the first quarter of next year. At this stage we are some months away from any consideration that that may occur in Australia—that the Reserve Bank of Australia [RBA] may make those sorts of moves.

At the moment, from my economist perspective, it is more monitoring what is happening to the key economic indicators as to the state of the economy. The labour market has continued to be strong, both in New South Wales and across Australia. The Reserve Bank continues to say that what is happening in the labour market is one of its key indicators as to whether further interest rates cuts are required. There are some indications that the housing market is starting to turn around as a result of the interest rate cuts that we have already had and the Federal income tax cuts. At this stage, depending on what happens with economic indicators and the state of the economy in the next few months, we may not even need further interest rate cuts.

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In terms of what advice we are providing at the moment, the economists have regular conversations both with the secretary and with the Treasurer about the state of the economy. As usual, we are always in a state of looking at what is going on and considering what market economists are saying, considering what the Commonwealth Treasury is saying and paying attention, for example, when the Secretary of the Commonwealth Treasury provides testimony to Senate estimates in Canberra and just forming our view on where things are trending and heading. But at the moment there are indications that the economy is picking up and hence that is why most economists are now pushing out the prospects of an interest rate cut into next year.

The Hon. WALT SECORD: You mentioned that the housing market is starting to show a turnaround.

Ms WILKIE: Yes.

The Hon. WALT SECORD: Are you seeing the stamp duty revenue translating into Treasury coffers, so to speak? Anecdotally I have seen that in the property market from going to auctions that there has been sort of a new life to the housing market at the moment.

Ms WILKIE: Yes. I get this question a lot, particularly from other Government Ministers and other Government Ministers' offices.

The Hon. DANIEL MOOKHEY: Name them.

Ms WILKIE: They are very keen to find out what is happening with stamp duty. Yes, stamp duty revenue is starting to pick up. We are tracking very closely. We monitor on a weekly basis what is coming in. At the moment our stamp duty is forecasts—touch wood because this almost never happens: the one thing I can predict about a prediction is that any particular forecast is not going to be that number—from the budget revenue intake into Revenue NSW is tracking within less than 1 per cent error.

The Hon. WALT SECORD: Can you give me an indication then?

Ms WILKIE: I can give you some of the numbers. I think at the moment actual revenue in on stamp duty is within 0.2 per cent. Let me just find that.

Mr PRATT: While Ms Wilkie is looking for that, Mr Secord, I would add, just to dampen expectations a little—

The Hon. WALT SECORD: No, no.

Mr PRATT: —it is true that the market is lifting. In the last two months we have had a 1.4 to 1.6 per cent increase in median house price. The market has bottomed and is starting to turn. Most economists would agree on that. What we are not seeing, though, is the return to turnover. Auction clearance rates have improved but if you track back over the last three years they are nowhere near where they peaked over the last three years.

The Hon. WALT SECORD: So a higher clearance rate but fewer properties?

Mr PRATT: No, a higher median house price but fewer clearances.

The Hon. WALT SECORD: I see.

Mr PRATT: We in Treasury always look at clearances because that is where we drive revenue.

The Hon. WALT SECORD: Yes. I understand.

Mr PRATT: We are seeing higher prices, but we are not seeing higher expectations of revenue on the back of it yet.

The Hon. WALT SECORD: How is that impacting on first-time home buyers? Are they being squeezed out?

Mr PRATT: Well, it is still very early days. The market has just turned. It has been a good market for first home buyers and we have seen quite a significant lift—

Ms WILKIE: Yes.

Mr PRATT: —and take-up in first home buyers. It is still early days yet but there is no question and the Reserve Bank Governor referred to this recently. You would have heard his comments from overseas when he referred quite positively to the housing market as being some relief on the horizon, if you like, from some of the other economic trends. Auction clearance rates are always a good lead indicator of where the economy is going. Ms Wilkie, have you got any numbers there?

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Ms WILKIE: I have got the numbers. As at the beginning of this week the stamp duty transfer numbers were 0.7 million below what our forecast would indicate at this point in the year. So it is 0.1 per cent forecast error, which is not too bad really. What that means in terms of : Are we seeing more stamp duty revenue? Yes, we forecast that there would be a pickup in stamp duty revenue through the year as the housing market turned around and we are seeing that. What we are not seeing is revenue coming in that is significantly above—and also it is not significantly below—our forecast. At the moment it is on track with what we are forecasting in the budget.

The Hon. WALT SECORD: To a layperson like myself, will you translate that into dollars?

Ms WILKIE: Let me find the right line here. Total transfer duty month to date receipts is \$431 million.

The Hon. WALT SECORD: Is that since the beginning of the financial year?

Ms WILKIE: That is correct, yes.

The Hon. DANIEL MOOKHEY: Ms Wilkie, just then you gave the \$430 million figure but do you have the 0.7 per cent below expectations? Do you have that number as in what you expected at this point in time and therefore what the monetary difference was?

Ms WILKIE: What we would have expected was \$438 million.

The Hon. DANIEL MOOKHEY: Eight million, is not bad.

The Hon. WALT SECORD: It is pretty close.

The Hon. DANIEL MOOKHEY: Did you say that in the Treasury's expectation of the form of quantitative easing that the Reserve Bank would be engaging in would be the purchase of—did you say government bonds?

The Hon. WALT SECORD: Government securities.

Ms WILKIE: Yes.

The Hon. DANIEL MOOKHEY: To the best of your knowledge, is Treasury aware of whether the Reserve Bank is intending to enter the private bond market and purchase bonds from banks—which is the other form of quantitative easing, of course?

Ms WILKIE: You would need to ask the Reserve Bank Governor that but certainly based on the Governor's public statements and any statements from senior officials the Reserve Bank they have not mentioned that. They have only ever—like all other market economists, we keep a very close eye on the statements from the Reserve Bank and almost exclusively when it has referred to unconventional monetary policy it has been the purchase of government securities.

The Hon. DANIEL MOOKHEY: Do you mean Commonwealth Government securities?

Ms WILKIE: It is usually in the Commonwealth bond market but I can get my staff to check their statements. Usually it just says "government".

The Hon. DANIEL MOOKHEY: Are you aware whether one of the forms that the Reserve Bank may or may not be considering, and this would be Treasury as well—

The Hon. NATALIE WARD: Point of order: The first two questions have gone through; I understand what the Hon. Daniel Mookhey is getting at. The procedural fairness motion is that witnesses are here to answer what is within their purview. I understand the Hon. Daniel Mookhey is asking about conjecture but it is really not within the purview of the witnesses here to be conjecturing about what the Federal reserve might do.

The Hon. DANIEL MOOKHEY: To the point of order: I might rephrase my question. To the extent to which Treasury operates TCorp which, of course, issues New South Wales government bonds, are you aware whether the Reserve Bank is intending to enter that market to purchase?

Mr PRATT: No, we are not.

The Hon. DANIEL MOOKHEY: As a second aspect of what would arise from quantitative easing, there is a correlation between quantitative easing and asset price growth, particularly of equities and home prices, amongst other things. Are you aware of that?

Ms WILKIE: Yes.

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The Hon. DANIEL MOOKHEY: Has Treasury prepared any modelling as to what it would expect the intention of the Reserve Bank to answer quantitative easing will have on the housing market in New South Wales, for example, on which stamp duties obviously turns?

Ms WILKIE: No, we do not have any modelling to that effect.

The Hon. DANIEL MOOKHEY: Do you intend to commission any modelling on that?

Mr PRATT: Not at this stage. The other point to make is if you use the broad term "quantitative easing" there are other ways to pump prime the economy.

The Hon. DANIEL MOOKHEY: Plenty.

Mr PRATT: Infrastructure being another one, which is getting a lot of press at the moment as well. Getting to your question directly, we are not getting anything from Commonwealth Treasury on that at the moment.

The Hon. DANIEL MOOKHEY: Ms Wilkie, you also said that you are aware that the Reserve Bank is playing key attention to the condition of the labour market. So that is both unemployment level and hours worked, but to the best of your knowledge I presume you also meant wages and wage growth?

Ms WILKIE: Based on their statements, they track wages growth and from my understanding, having worked in Commonwealth Treasury macro-economic area as well, macro-economists will track a whole heap of different labour indicators. Obviously unemployment and wages are two of the most important ones but I mean the questioning we had in September—and Ms Boyd was asking about under-utilisation in the labour market—so under-employment and unemployment are also key things that they look at. Also things like labour productivity and how trends in labour productivity are impacting on the functioning of the labour market.

All of those things play into it. At any particular time—because all of those indicators interact and it is a system, at different times some indicators may be more heavily weighted in terms of what they may be looking at compared to others. At the moment it looks like economists are always, I guess, looking for signs of stress or pressure in the market, over-heating and at the moment the key indicator everyone is keeping an eye on in that sort of space is wages.

The Hon. DANIEL MOOKHEY: How are we tracking in terms of Treasury's forecast on wage price growth? In the same way that you did for stamp duty—that is, what is it at? What would you forecast it at?

Ms WILKIE: I will be able to find it here but it might take me a little while to get it.

The Hon. DANIEL MOOKHEY: We are happy to give you a minute or two in that respect.

The Hon. WALT SECORD: Mr Pratt, earlier you said that one of the measures the Federal Government could do would be infrastructure spending. You said it has been silent on that. I note comments yesterday by the transport Minister that he wanted the Morrison Government to cough up a contribution towards metro west. Assuming that he did not make those comments in isolation, what advice and what steps has Treasury taken to advise the Treasurer and the Government on approaching the Federal Government for infrastructure funding?

Mr PRATT: There are discussions that commenced between Treasury officials both here and in the Commonwealth around the Government's announcement of \$100 billion over 10 years on infrastructure and is there an opportunity to bring some of that forward or not. At the political level, that would be more of a question for the Treasurer but we are in early days of talking about what those opportunities would look like.

The Hon. WALT SECORD: You mentioned earlier—and I do not want to put words in your mouth—I think you said "silent" or "silence" from the Federal Government?

Mr PRATT: In this respect?

The Hon. WALT SECORD: Yes.

Mr PRATT: No, I did not say that.

The Hon. WALT SECORD: What has been the indication from the Federal Government?

Mr PRATT: As I said, at this stage it is officials talking only. I am not aware of the political discussions that I would expect the Treasurer would have with his counterpart, and Prime Minister to Premier.

The Hon. WALT SECORD: When you are having discussions with your Federal counterparts are you talking about projects per se because he nominated metro west yesterday?

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Mr PRATT: Yes. Broadly speaking we are looking at major infrastructure projects. That is the basis of the discussion that we are having.

The Hon. WALT SECORD: He made a plea yesterday that they needed them to "cough up". What would happen to those projects if the Federal Government does not give New South Wales its fair share?

Mr PRATT: A specific project that he was referring to as in metro west, we have \$6.5 billion as you are well aware in the budget statements. It fits our budget, our debt metrics going forward. What I think the transport Minister was referring to, was trying to get additional funding coming in earlier on that project.

The Hon. WALT SECORD: What would the additional funding be?

Mr PRATT: You would have to ask him. I have only read what you have read in the newspaper. I have no further information than what you have.

Ms WILKIE: I have got those numbers for you.

The Hon. DANIEL MOOKHEY: We will come back to that. We might just continue this. Mr Pratt, it is funny that you mentioned that. I asked the transport Minister these questions yesterday and he said—as did Transport for NSW, we had the opportunity to ask them like questions—in respect to metro west these discussions were being led by Treasury. In fact, he was very eager to make the point that they were being led by Treasury.

Mr PRATT: Which discussions are you referring to?

The Hon. DANIEL MOOKHEY: About metro west and the Commonwealth contributions to metro west. I am just unpacking what you said. When you say that the dialogues are happening at an official level, is that between you and the Federal Treasury or NSW Treasury and the Federal Treasury?

Mr PRATT: The Commonwealth Treasury, yes.

The Hon. DANIEL MOOKHEY: What about Infrastructure Australia?

Mr PRATT: I have had no dialogue with Infrastructure Australia. No.

The Hon. DANIEL MOOKHEY: Is anyone from Treasury in dialogue with Infrastructure Australia?

Mr PRATT: Not that I am aware of. Phil would be the one—no.

The Hon. DANIEL MOOKHEY: You are aware that earlier this year Infrastructure Australia published a critical infrastructure project list.

Mr PRATT: Yes.

The Hon. DANIEL MOOKHEY: And you are aware that it listed metro west as something that is a critical infrastructure project. Are you aware of that?

Mr PRATT: Yes.

The Hon. DANIEL MOOKHEY: Are you aware of some commentary out in the public domain from Commonwealth sources that their view is that the project is not shovel ready and the New South Wales Government really has not been in a position to provide them with what is required in order for them to make an appropriate recommendation to the Commonwealth Ministers as to whether or not this project is investment worthy? Have you seen any such media speculation?

Mr PRATT: I have not seen any of that, but as to whether the project is shovel ready, that is really a question for Transport, not for Treasury.

The Hon. DANIEL MOOKHEY: To the best of your knowledge, has NSW Treasury provided Commonwealth Treasury with every piece of information it has sought in order for it to make a decision?

Mr PRATT: No, because at this point, as I have said, we are only in early discussions with not only that project but a broader range of infrastructure opportunities. We have not got to that level of detail yet, Mr Mookhey.

The Hon. DANIEL MOOKHEY: When do you anticipate you will be at that level of detail?

Mr PRATT: I cannot answer that at this stage, really. I just do not know.

The Hon. DANIEL MOOKHEY: We learnt yesterday, from Transport for NSW, that the department has already initiated the planning processes for it, that it will be commencing the tender for the tunnelling—or the

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expression of interest process for the tunnelling at the start early next year. Certainly the implication was that it would be in the first half of next year. In your view, will the dialogue between NSW Treasury and the Commonwealth Treasury be completed before the expression of interest goes out at the middle of next year?

Mr PRATT: I would like to think so but sometimes these matters take much more time than one would hope. So I cannot commit to that but I would like to think it would, yes.

The Hon. DANIEL MOOKHEY: Should we find ourselves in a scenario where we have signed contracts without the Commonwealth having made an investment decision, will we have any provisions in the New South Wales budget or Infrastructure NSW or whatever to be able to cover the absence of a Commonwealth contribution? If so, where from?

Mr PRATT: We are doing a 10-year update on our debt metrics and our funding forecasts. We have provided for this project through that 10-year period.

The Hon. DANIEL MOOKHEY: In what respect—the \$6.6 billion that is in Restart?

Mr PRATT: In terms of our total debt and our borrowings and our current infrastructure funding that we have. Putting all that together it is provided for in that 10-year update.

The Hon. DANIEL MOOKHEY: Does Treasury have, at this point, a forecast final cost for the metro west?

Mr PRATT: No we do not.

The Hon. DANIEL MOOKHEY: You do not have a forecast final cost?

Mr PRATT: It is impossible to give you a final number in a project of this scale.

The Hon. DANIEL MOOKHEY: To be fair, it is a forecast final cost.

Mr PRATT: I cannot give you that.

The Hon. DANIEL MOOKHEY: Do you have an estimated total cost?

Mr PRATT: I do not, no.

The Hon. DANIEL MOOKHEY: So Treasury does not have an estimated total cost for the project?

Mr PRATT: No. You would have to ask the transport Minister that question.

The Hon. DANIEL MOOKHEY: We did, and he said that the project is anticipated to be north of \$20 billion. Yesterday he also said that they are not contemplating the use of betterment levies in the financing model. He has also said that we are in a position to finance it without the Commonwealth making any contribution. So we are sitting here going, "Okay, well where is the money going to come from?" As far as we can see, only \$6.6 billion of a project which is estimated to cost at least more than \$20 billion has been budgeted for. Do we have a clue where the rest of the money is going to be coming from?

Mr PRATT: That would go into a forward planning, really. I mentioned that we are refreshing our 10-year forecast, in terms of funding forecasts. At this point obviously metro west is getting all the focus in that respect. I cannot give you the answer to that question today but we are confident that we can fund this. That is obviously what the transport Minister has reaffirmed yesterday.

The Hon. DANIEL MOOKHEY: What is the source of the confidence, Mr Pratt?

Mr PRATT: There are a whole range of things the Government can do. Increasing debt is one, for example. These are the issues that we will need to look at over the next 10 years.

The Hon. DANIEL MOOKHEY: So it is a case that one of the options that Treasury is examining to pay for metro west is to increase debt.

Mr PRATT: Yes it is. Yes, absolutely.

The Hon. DANIEL MOOKHEY: In respect of the critical infrastructure process that the Commonwealth is currently engaged in, that does required State governments to provide a list in terms of order of preference. Is that your understanding, too?

Mr PRATT: That is correct.

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The Hon. DANIEL MOOKHEY: What is the list that the Treasury is working on that has been provided to the Commonwealth and the order of priority?

Mr PRATT: That is what I am referring to. We are in very early days of preparation for that so we are looking at getting that list to the Commonwealth.

The Hon. DANIEL MOOKHEY: We do not have a list yet?

Mr PRATT: We have a broad list of projects. We have not nailed that down.

The Hon. DANIEL MOOKHEY: You have not prioritised them or put them in some sort of order?

Mr PRATT: No, we have not yet.

The Hon. DANIEL MOOKHEY: When do you anticipate you will have that done?

Mr PRATT: I would say within the next month.

The Hon. WALT SECORD: Can I ask a question? Would metro west be at the top of that list?

Mr PRATT: I am sure the transport Minister would like it to be. This will be obviously for Cabinet members and the Expenditure Review Committee to decide. If you are asking my opinion, I would say that metro west would be central to a lot of that, but that needs to be worked through.

The Hon. WALT SECORD: Are there any rural and regional projects that are on the priority list?

Mr PRATT: Mr Secord, I am really unable to comment about the list at this stage. It is a work in progress with Cabinet and with the Treasurer.

The Hon. WALT SECORD: Has the Federal Government set out a timetable or deadline saying that you have to provide a list of potential projects by X date?

Mr PRATT: No, they have not, but they have requested it.

The Hon. DANIEL MOOKHEY: When did they request it?

Mr PRATT: I would have to check for you. I do not have a date. It was fairly recently.

The Hon. WALT SECORD: You talked about Federal Government request or Treasury request for projects.

Mr PRATT: Yes.

The Hon. WALT SECORD: Has NSW Treasury provided a list?

Mr PRATT: No, we are working in conjunction with the Department of Premier and Cabinet here on what that list would entail. That is currently a work in progress right now.

The Hon. WALT SECORD: Who is the lead agency in preparing that list?

Mr PRATT: Department of Premier and Cabinet [DPC] and Treasury. So it is the Premier and the Treasurer.

The Hon. WALT SECORD: So the Premier and Treasurer are in charge of deciding what is on the list.

Mr PRATT: It will go through the Expenditure Review Committee I would expect. But that will be a decision for the Premier and Treasurer.

The Hon. DANIEL MOOKHEY: What about Infrastructure NSW?

Mr PRATT: They would have input but not directly. Members of my team and members of DPC would meet with them regularly. We would hear their perspective definitely.

The Hon. DANIEL MOOKHEY: But that is not the agency that is letting development with the critical infrastructure lease for Commonwealth investment.

Mr PRATT: They will have input.

The Hon. DANIEL MOOKHEY: Through DPC presumably.

Mr PRATT: Yes.

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The Hon. DANIEL MOOKHEY: In respect to the critical infrastructure list, where is the Western Harbour Tunnel & Beaches Link up to?

Mr PRATT: As I said, I cannot comment specifically at this point. It is still in very early formation, and I cannot comment about specific projects.

The Hon. DANIEL MOOKHEY: In terms of the discussions that you are having with the Commonwealth, is that a project which is featuring in that discussion given that Infrastructure Australia does list it as a project that they are looking at?

Mr PRATT: No, comments that we have had with the Commonwealth to date—which I mentioned earlier—have been very high level about, "Is there an opportunity to revisit the \$100 billion 10-year plan, and how would we proceed if we were to look at that?" We have not got into any discussions about projects.

The Hon. DANIEL MOOKHEY: Is a Commonwealth contribution required to build the Western Harbour Tunnel & Beaches Link?

Mr PRATT: Again, I cannot comment on that.

The Hon. DANIEL MOOKHEY: What about the F6 proposal?

Mr PRATT: I cannot comment specifically, Mr Mookhey, on these projects.

The Hon. DANIEL MOOKHEY: The reason I am asking you is because of these three projects. The metro west has a cost which is estimated to be north of \$20 billion. The Western Harbour Tunnel & Beaches Link is estimated at a cost of \$14 billion to \$16 billion, depending, to be fair, which leak from Transport for NSW one is to believe. The third aspect is the F6, which is equally projected to be expensive—let's put it that way. We are looking at this and going, "How is the funding going to come from Restart NSW?" If you take all those costs in the absence of a meaningful Commonwealth contribution there does not seem to be the money there to pay for it.

Mr PRATT: I understand where you are coming from. Obviously in my role I fully appreciate that. But there has been no announcements yet on the Western Harbour Tunnel & Beaches Link et cetera. All these, in due course, if they were to proceed, will need to form part of our funding plan, and that is the work that we will get underway.

The Hon. DANIEL MOOKHEY: In terms of the debt profile contained in this year's Treasury papers, which forecast a rise in debt to circa 38 per cent at some point—

Mr PRATT: That is 39.

The Hon. DANIEL MOOKHEY: Does that 39 per cent—

Mr PRATT: No, \$39 billion.

The Hon. DANIEL MOOKHEY: Does that \$39 billion debt profile include funding for any of these projects or is it the case that none of those projects is incorporated in that \$39 billion debt figure?

Mr MIDHA: It did include metro west for \$6.4 billion.

The Hon. DANIEL MOOKHEY: That is it?

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: But the other ones are not.

Mr PRATT: What do you mean by "the other ones"?

The Hon. DANIEL MOOKHEY: The Western Harbour Tunnel & Beaches Link is not covered in that right. Is that right, Mr Midha?

Mr MIDHA: Projects that are not announced are not in our—

The Hon. DANIEL MOOKHEY: Uncovered. If further borrowing is required to build the Western Harbour Tunnel—the northern beaches link—and the F6, then the level of State debt will go up beyond the \$38 billion. Is that correct?

Mr MIDHA: If it is funded through debt, that is correct. There could be a privatisation of different projects. You can move different timing outs—

The Hon. DANIEL MOOKHEY: You can re-profile your projects and your expenditure.

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Mr MIDHA: That has to be done and will depend upon what needs to be funded.

The Hon. DANIEL MOOKHEY: But right now the \$38 billion debt projection does not include those two projects?

Mr MIDHA: I can check on that. I do not believe so.

The Hon. WALT SECORD: Ms Wilkie, you wanted to answer an earlier question?

Ms WILKIE: Yes, on the wages price index. The forecast for 2018-19 in the New South Wales budget was 2½ per cent and the June quarter of 2019 wages price index growth was 2.2 per cent.

The Hon. DANIEL MOOKHEY: So below by 0.3?

Ms WILKIE: Yes.

The Hon. WALT SECORD: Mr Pratt, at a previous hearing we asked some questions about the plan to revive the position of Agent-General in London. What work has occurred since the last hearing on that?

Mr PRATT: Since we spoke last time we have been putting together a job description for the role and forming up the basis of getting approval to look at taking that forward. That is where it is at the moment.

The Hon. WALT SECORD: Does NSW Treasury have any proposals to do what the Victorian Government has, which is pop-up trade offices—meaning that if there are emerging markets or emerging trends, rather than setting up a full-time office there, set up a New South Wales desk to capture or protect markets and things like that? Is any work being done in that area?

Mr PRATT: We are currently reviewing our footprint overseas and what form it should take and what markets. I am not familiar with the term "pop-up" but, certainly—

The Hon. WALT SECORD: Tim Pallas in Victoria has used it.

Mr PRATT: Right. I think it is for the Government to decide which markets it wants to be in, firstly, and then for me to give advice about how best to do that. Whether it is that form, as I understand your comment, or whether it is setting up hubs or spokes, if you like, which might be a similar concept. That is the work that needs to be done.

The Hon. WALT SECORD: What are some of the new markets that we are looking at?

Mr PRATT: At this stage it has not gone further so I cannot comment any further on which markets. That is the work that we are doing.

Ms ABIGAIL BOYD: Good morning. My first set of questions is to Mr Achterstraat—I hope I pronounced that correctly. I wanted to talk about the review of the Independent Planning Commission [IPC] and your productivity paper that proposed to minimise red tape in the planning system. Did that review come about after pressure was exerted on the Government by the Minerals Council? Is that correct?

Mr ACHTERSTRAAT: I have no idea.

Ms ABIGAIL BOYD: Okay.

Mr ACHTERSTRAAT: I am sorry.

Ms ABIGAIL BOYD: The review that you are undertaking, as I understand it your role is about increasing productivity and making it easier to do business.

Mr ACHTERSTRAAT: Correct.

Ms ABIGAIL BOYD: You have been tasked with conducting a review of a planning body that has been identified as a key anti-corruption measure in the planning system. How did that come about?

Mr ACHTERSTRAAT: I have been asked to do a review of the Independent Planning Commission and my role is to ensure that high-quality decisions are made on major State significant projects. I have been asked to review the nature of the IPC, comparing it with other jurisdictions, and then make a decision one way or the other should it go forward. If it should go forward, we will continue a number of issues in relation to how it operates. As it says in our productivity discussion paper, we refer to planning as being a key lever to improve productivity. We have a chapter on how we believe if we can improve the planning process and if we can get planning done quicker, more effectively, that would increase productivity.

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Ms ABIGAIL BOYD: The Independent Planning Commission, previously the Planning Assessment Commission [PAC], was set up after a series of investigations by ICAC back in 2012. For example, the ICAC observed how the weighing of economic, environmental and social considerations in the planning system had become skewed. It commented that economic considerations, such as job creation, have dominated State Government planning decisions and that there was less and less focus and discussion on environmental and social outcomes. The IPC is there to create a better balance between the environmental and social outcomes and the productivity and business outcomes. Do you think it is appropriate then for you to be the one to review the system that is supposed to be balancing the interests of social and environmental outcomes against what you are effectively set up to do?

Mr ACHTERSTRAAT: I think it is entirely appropriate for me to review the operations of the Independent Planning Commission. It has a number of different roles and, if we look at the definition of State significant development, there is a whole list, et cetera. It is early days—I have just started the review—and I am looking forward to seeing if there are any improvements which I can suggest.

Ms ABIGAIL BOYD: Will you be engaging with stakeholders and the people and communities impacted by the Independent Planning Commission's previous decisions?

Mr ACHTERSTRAAT: We have put the terms of reference of my review on the website and there is a link there for people who would like to make a submission to assist me in my review.

Ms ABIGAIL BOYD: Are you going to talk to environmental organisations, such as the Environmental Defenders Office, as well as the Minerals Council?

Mr ACHTERSTRAAT: I would hope that a broad range of people will engage with us for discussions because the more information that I get, the more appropriate and richer decision I can make.

Ms ABIGAIL BOYD: Have you met with the Minerals Council?

Mr ACHTERSTRAAT: No, not since this announcement.

Ms ABIGAIL BOYD: Are you aware that the minerals industry is on record as wanting to remove the PAC—or the IPC as it now is? That seems quite reasonable from their perspective, from a business perspective. Given your role is really on one side of that balance, do you not see that there is a conflict of interest there, with you conducting this review?

Mr ACHTERSTRAAT: No, not at all.

Ms WILKIE: Can I just jump in there?

Ms ABIGAIL BOYD: Yes.

Ms WILKIE: The Productivity Commission in New South Wales is similar to the productivity commissions in most other Australian jurisdictions in that they often have a two-focus role. One is obviously on looking at productivity and undertaking activities such as the one Mr Achterstraat is doing with the productivity discussion paper and looking at ways to improve productivity. The second role often revolves around regulation and best-practice regulation. From my perspective, Mr Achterstraat being asked to undertake the review of the IPC fits more into that second role, in terms of regulation and best-practice regulation and undertaking a review of a significant regulator in the State to ensure that they are working at best practice—not only within New South Wales' view on what is best-practice regulation and best practice for a regulator, but also comparatively with other domestic and international jurisdictions.

In that sense of the role of a productivity commissioner, whether it is the Federal commissioner, the Victorian, the Queensland or the New South Wales Productivity Commissioner, all of those productivity commissioners have that dual role—productivity broadly but also looking at regulation. The terms of reference for the review specifically look at whether it is in the public interest—that the IPC is in the public interest—and to look at the governance arrangements in operation of the IPC to make sure it is continuing to operate at best practice.

Ms ABIGAIL BOYD: Do those terms of reference include reference back to the anti-corruption aspect?

Ms WILKIE: I do not think—

Mr ACHTERSTRAAT: Not directly.

Ms WILKIE: In looking at the public interest, in my experience across New South Wales and Commonwealth jurisdictions, it is usual practice with this sort of review of a regulator to look at the history of the

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institution or the regulator that you are reviewing and look at why it was set up and the way it was and consider whether the regulator continues to be fit for purpose against those historical—when I say that, does it continue to operate at best practice? Does it have appropriate internal processes and protocols for undertaking the decision-making that it undertakes? Those sorts of issues.

Ms ABIGAIL BOYD: Which would make sense if you were looking at a regulator from a productivity perspective but if you were looking at a regulator as being a key part of anti-corruption measures to ensure that business does not get undue power and influence over our political processes, is it appropriate for a productivity commissioner to review that regulator?

Ms WILKIE: I think if you are looking at it from a fit-for-purpose perspective, this is a regulator that has to consider the planning, environmental and whole-of-community aspects. When you think about it being fit for purpose you cannot just think about it from a productivity lens or an economic lens, you have to take into account the broad range of benefits.

Ms ABIGAIL BOYD: Do you think it is appropriate that this regulator was not seen to require a review until it started making decisions that went against business and were instead in favour of the community and the environment?

Ms WILKIE: I am not going to comment on the timing of the review. That is the decision that the Government took. It has asked the Productivity Commission and the Productivity Commissioner to undertake that review. We have been given the terms of reference. We will undertake the review against those terms of reference.

Ms ABIGAIL BOYD: I understand that you are not responsible for the policy involved. But from an outsiders perspective, it is extraordinary to be looking at an independent planning commission that has approved well over 95 per cent of all mining approvals and then the moment it decides in its independent capacity that a couple of mines should not go ahead because of broader environmental and social concerns we suddenly have the Minerals Council jumping up and down and now we have the productivity review. It is obviously something of critical public interest.

Ms WILKIE: I have spent many, many years—more than I would want to admit to—working on regulation policy. Looking at regulators and the way they operate is just as important as looking at the regulation that underpins them. I think it is best practice for a government to undertake this sort of review of a regulator regularly, maybe every five years or ten years. From that perspective, the fact that we are looking at the way the regulator is operating is, in my experience of looking at regulators—

Ms ABIGAIL BOYD: I absolutely agree with you that we need to review regulators. The question that we have here is about the timing and who is doing the review. It would seem more appropriate for a different body to be reviewing something that was supposed to be balancing productivity against the interests of the environment. My time is up.

The Hon. ADAM SEARLE: Mr Achterstraat, in relation to the review of the IPC and the terms of reference, did your organisation have any input into that or was it just from the Government?

Mr ACHTERSTRAAT: I saw a draft of it and I was reasonably happy with it.

The Hon. ADAM SEARLE: Ms Wilkie, you said that it was sensible and appropriate to review the operations of regulators every few years—I think you said every five years. Should we read anything into the fact that the IPC in its current iteration has only been in operation for about 12 to 18 months?

Ms WILKIE: I do not think so. There is a usual practice when it comes to regulatory practice for new regulation and new regulatory bodies to be looked at in the first 12 to 24 months to make sure that they are fit for purpose, are functioning as intended and there are no unintended consequences. That is why a lot of jurisdictions have, for example, regulation impact statements. In the Commonwealth, if those statements have not been prepared before a piece of legislation is brought in then they always conduct a post-implementation review within 12 to 24 months. I do not see that there is anything untoward in that per se. It is good practice to look at the functions and the ways in which these sorts of bodies are operating.

The Hon. ADAM SEARLE: Sure, but most legislation provides for a three- or five-year statutory review. The legislative provisions that created the IPC in its current form are not that old. It is a little bit unusual, is it not?

Ms WILKIE: Not in my experience. I would continue to point to the distinction between a review of the legislation and a review of the way that the regulator is operating. They are quite different things. Any regulator has a certain amount of discretion as to how they choose to administer the rules. The terms of reference go to

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things like the commissioners' skills, expertise and qualifications; what the practices, policies and protocols are inside of the IPC as to how it recruits, appoints and determines which commissioners are going to look at particular decisions and issues; what procedures and guidelines are provided to staff; and what training is provided to the commissioners. I think they are all relevant questions.

The Hon. ADAM SEARLE: Sure. Mr Achterstraat, will you also be looking at the fact that the commissioners are part time, rather than full time, and what impact that might have on the operation of the IPC?

Mr ACHTERSTRAAT: I had not thought about that but I think that would be an excellent thing to look at.

The Hon. ADAM SEARLE: I think you will find that there are something like 30 commissioners and they are all part time. The question is: When they are not working for the IPC, to whom are they selling their services, and does that give rise to any perceptions of conflicts? I would invite you to have a look at that. In relation to the way in which the IPC operates, my understanding is that its administrative support is still part of the Department of Planning, Industry and Environment. The people working for the IPC in support of its independent decision-making are still part of Executive government and are still part of the public service. Is the question of whether or not it should be properly independent at an organisational level also something that you will look at?

Mr ACHTERSTRAAT: Yes, I will certainly be looking at that to see whether the secretariat and the staff employed should be employed directly by the IPC rather than coming through the department.

The Hon. ADAM SEARLE: That is the more usual way with independent decision-making bodies, is it not? They employ their own staff.

Mr ACHTERSTRAAT: I have not done a detailed analysis of all the other ones.

The Hon. ADAM SEARLE: The ICAC staff do not work for the public service per se. The Law Enforcement Conduct Commission staff do not work for the police.

Mr ACHTERSTRAAT: I do not want to be evasive. I just do not want to make a decision until I have all the facts.

The Hon. ADAM SEARLE: But it is certainly something you will turn your mind to?

Mr ACHTERSTRAAT: I am certainly going to look at it.

The Hon. ADAM SEARLE: How are you going to conduct the review? You have invited submissions, and that is good. Are you going to have public hearings? Are you going to go and meet with bodies? Will you meet with the ICAC?

Mr ACHTERSTRAAT: We are still working out our approach as to the stakeholders et cetera. We have the terms of reference up and we are putting a small team together to determine who to talk to and who to liaise with. We have not settled on a complete list of who we are going to liaise with at this stage. But the more people we can talk to the more data we will have and the richer the decision we will be able to come to.

The Hon. ADAM SEARLE: Ms Wilkie said that the history of the body and where it came from was important. In 2010 the ICAC recommended that the then Planning Assessment Commission, which was operating under delegation from the planning Minister, should be made properly independent. That is probably one of the things that eight years later led to the IPC being separated out. I think talking to the ICAC would be useful. There was also an ICAC hearing in the lobbying space on 22 October. It might be worth having a look at the evidence that the IPC chair, Mary O'Kane, gave there and more generally about those matters.

Mr ACHTERSTRAAT: Great.

The Hon. ADAM SEARLE: Are you open to at least meeting with groups that have put in submissions that want to come and talk to you about them?

Mr ACHTERSTRAAT: Absolutely. There is a timing thing; we have a fairly strict time frame. But I would love to meet with people who represent a group of people. If I start meeting with every individual person it could be a very lengthy process. I would prefer to speak to the people who speak on behalf of a group.

The Hon. ADAM SEARLE: Yes, institutional players.

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Mr ACHTERSTRAAT: Yes, but not just institutional players. They give us the institutional approach but sometimes it is better to have people who are a bit closer. We are still working out all the mechanics behind that.

The Hon. ADAM SEARLE: Thank you. Mr Pratt, we had a conversation during budget estimates about the investigation into the chair of Landcom. Do you remember that conversation?

Mr PRATT: I do recall that, yes.

The Hon. ADAM SEARLE: At the time I was working with a slight disadvantage in that the documents that we were discussing were the subject of a privilege claim. That has now been resolved and those documents, in a redacted form, have been published. Are you aware of that?

Mr PRATT: Yes, I am.

The Hon. ADAM SEARLE: Having seen the two investigation reports and having spoken to various people, your view was that there was no obstacle to the chair of Landcom returning to duty. You stood by that assessment. Is that correct?

Mr PRATT: I was satisfied that there was nothing in the report to justify dismissal, yes.

The Hon. ADAM SEARLE: Did you consider whether or not there needed to be any other management action short of termination?

Mr PRATT: You will recall at the time when you asked me this question I said that in the light of the report that I received I then met with the acting chair of Landcom and the CEO. The reason for that meeting was to ascertain their view about the chair, Suzanne Jones, returning to the role of chair. Their counsel to me was with the right support around her that that would be possible.

The Hon. ADAM SEARLE: Now, again, looking at Ms Telfer's submission to you, which is now available in a slightly fuller way, in her submission to you, having described all of those steps you have taken, she has included in her briefing note here, "The secretary concluded that the working relationship was untenable." That is the working relationship between Ms Jones, the CEO and the board. Was that true at the time but subsequently overtaken by new facts or was it just incorrect?

Mr PRATT: No. That was Ms Telfer's word. It was her briefing to me, as you would have read. It was not my word and I did not use that.

The Hon. ADAM SEARLE: Have you reviewed Mr Brogden's evidence to budget estimates on this topic?

Mr PRATT: No, I have not.

The Hon. ADAM SEARLE: In the transcript of 11 September at about page 36 Mr Brogden said he had a meeting with you, Ms Telfer and the then acting chair Mr Peter Roberts and that you indicated—I think these were his very clear words—that Ms Jones had been "cleared of all allegations". I pressed him on the use of that language and he was pretty firm that that was his recollection. Is that your recollection of the words you used in that meeting?

Mr PRATT: I certainly do not recall using those words. Mr Brogden can speak for himself but I have been clear about the wording that I used with you before, Mr Searle, and that is the wording that I have stuck to.

The Hon. ADAM SEARLE: No obstacle to her returning.

Mr PRATT: The wording was that in terms of the report and my review there were no findings to lead to the dismissal of the chair.

The Hon. ADAM SEARLE: But again did you consider whether any other management action short of termination was warranted?

Mr PRATT: Yes, I did. That is why I met with the acting chair and the CEO, as I have outlined.

The Hon. ADAM SEARLE: So there were two reports, one in March, and then I think you were not satisfied about one of the investigative aspects of that.

Mr PRATT: That is correct.

The Hon. ADAM SEARLE: One of the incidents, the assault event.

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Mr PRATT: Alleged assault, yes.

The Hon. ADAM SEARLE: I think the report then found that that complaint was substantiated, did it not?

Mr PRATT: The investigator found that. Ms Telfer did not find that.

The Hon. ADAM SEARLE: Ms Telfer was not the investigator and she did not speak to the people.

Mr PRATT: She met with the investigator. Mr Searle, can I just pause there? I have to say, Chair, this is budget estimates. I find it completely unacceptable that Mr Searle and I are discussing this matter publicly in terms of a serious bullying complaint. There is 18 per cent of our staff in the latest People Matter Employee Survey who are saying they are bullied. Have you thought for a moment about the impact you are having on people in that situation about not putting their hand up now? Have you considered that?

The Hon. ADAM SEARLE: Mr Pratt, have you considered the impact—

Mr PRATT: No, you answer my question; I am answering yours.

The Hon. ADAM SEARLE: Well, yes, I have.

The CHAIR: Mr Pratt, that is not how this works, with respect.

The Hon. NATALIE WARD: Point of order—

Mr PRATT: No. I am making a genuine point about caring for our people.

The CHAIR: I understand. The point has been made and it is on the record. The questions are in order but I have a point of order from the Hon. Natalie Ward.

The Hon. NATALIE WARD: Thank you, Madam Chair. I just ask that the witnesses be allowed to finish before any member speaks over the top of them and vice versa. There is just a level of courtesy here that we should be reverting to. I ask that honourable members let witnesses finish their sentences as a common courtesy and that you direct them to do so.

The CHAIR: They are entitled to answer questions and members sitting around this table are entitled to ask questions. In fact, the order of preference is the reverse. Mr Pratt, Mr Searle's questions are in order. You need to answer them. If you have a specific objection, then we can deal with that. Your point is noted but the questions are in order.

Mr PRATT: So, Chair, you think it is acceptable for an employee of government with a bullying allegation as serious as that to be discussed in public? You accept that, do you?

The CHAIR: I think that that is not—

The Hon. DANIEL MOOKHEY: Point of order—

Mr PRATT: I mean, I am more than happy to answer Mr Searle's questions.

The CHAIR: Sorry, Mr Pratt, a Committee member has taken a point of order. I will deal with that.

The Hon. DANIEL MOOKHEY: I have two points. Firstly, accepting the fact that witnesses have an entitlement to procedural fairness—that is a resolution—and to the extent to which witnesses have a particular ability to object to any questions it has to be in relation to procedural fairness. I would submit that the questions being asked by the Hon. Adam Searle are well and truly in accordance with procedural fairness. In fact, the Hon. Adam Searle is asking questions and giving the witness the opportunity to respond.

The second point is in terms of the scope of what is permitted in budget estimates. A wide view has been taken that has been consistently a rule throughout the 2019 hearings and separately that has to do with matters for which the officials have responsibility. This is something that is directly within the purview and the responsibility of the particular witness to whom the question is being asked. Of course, the Hon. Adam Searle has to follow procedural fairness but I would submit that he is giving the witness reasonable opportunity to respond. If Government members have an objection to the line of questioning they can take points of order. But hitherto no witness has ever been allowed to take a point of order.

Mr PRATT: No, that is not happening.

The Hon. NATALIE WARD: To the point of order: It is in order for the witness to answer in the manner that the witness chooses.

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The Hon. DANIEL MOOKHEY: Sure.

The Hon. NATALIE WARD: If the witness chooses to take objection to the question he or she is entitled to do so. I ask that you withdraw your comments. There is no blanket rule that a witness is not entitled to take objections—

The Hon. DANIEL MOOKHEY: To the point of order—

The Hon. NATALIE WARD: If I can finish—

The Hon. DANIEL MOOKHEY: Sorry.

The Hon. NATALIE WARD: These issues have been aired extensively in budget estimates. For the benefit of this Committee, I ask that the Hon. Adam Searle move forward with his questions rather than continuing on the same ground and that the witness be allowed in whatever manner he chooses to object if he so chooses.

The Hon. DANIEL MOOKHEY: To the point of order: Witnesses are entitled to make objections on the basis of procedural fairness. I am not even sure that we have a procedure yet—

The Hon. NATALIE WARD: Are you ruling or submitting?

The Hon. DANIEL MOOKHEY: I am submitting on that. The second aspect of what you said is that the witness is entitled to answer the question how he sees fit, which is of course true. But witnesses are not entitled—

The Hon. NATALIE WARD: No, I said he is entitled to object.

The CHAIR: The Hon. Natalie Ward, you were heard. We need to hear from the Hon. Daniel Mookhey.

The Hon. DANIEL MOOKHEY: I think your submission was that witnesses are entitled to answer questions how they see fit, which is of course true. But witnesses are not entitled to ask Committee members questions and they have never been entitled to ask Committee members questions. The witness was actually asking the Committee member questions whereas ordinarily in budget estimates it is the Committee members who ask the witness questions, as it is in all committee hearings.

The Hon. NATALIE WARD: Further to the point of order: I believe the witness was not just posing a question but asking about the appropriateness of the question, given his responsibility to a number of employees and the implications that the questions and the answers may have on his other employees, who are within his purview and responsibility. So the question he has asked is quite appropriate, in my submission, because he has other responsibilities that he must take into account in his answers. He was inquiring into the appropriateness of the question in light of those responsibilities.

The Hon. DANIEL MOOKHEY: Further to the point of order: A witness objecting to the appropriateness of it is not a grounds for a witness to take an objection.

The Hon. NATALIE WARD: In your submission.

The Hon. DANIEL MOOKHEY: On procedural fairness grounds.

The Hon. NATALIE WARD: In your submission.

The Hon. DANIEL MOOKHEY: That is my submission. I am making that submission. Witnesses are not entitled to. In fact, this came up yesterday in respect of the questioning of the Building Commissioner when this same point was raised and ruled on in a way that says questions are in order as long as they accord with the procedural fairness rights. This was already ruled on just yesterday.

The CHAIR: I have heard enough on this point of order and I have already ruled on it. The questions are in order.

Mr PRATT: Chair, may I make a comment then? I will not ask a question, I will make a comment, if I may.

The CHAIR: Yes, I will consider it. But I have made a ruling that the questions are in order. How you choose to answer them is a matter for you. I will hear your point.

Mr PRATT: My point is simply this: I am a leader in the public sector. Nearly 18 per cent of our staff have reported bullying behaviour. Rightly I should raise this issue and place on *Hansard* that I am very concerned about the impact of Mr Searle's questioning on that 18 per cent who may now be second-thinking about whether they will put their complaint and put their hand up. That is why I am raising it.

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The Hon. NATALIE WARD: Quite rightly.

Mr PRATT: I have no issue answering Mr Searle's questions. That is the point I am making.

The CHAIR: I understand. With respect, Mr Pratt, you have made that point a couple of times now. It is on the record, as we have acknowledged, but the questions are in order. The Hon. Adam Searle will continue.

The Hon. ADAM SEARLE: Mr Pratt, as you have said, you are a leader of the public service. Have you considered that the impact that may be occasioned on that 18 per cent and whether they would want to come forward will be influenced by complaints having been made against someone, with the majority of those complaints being found by an independent investigation to have been substantiated and decision-makers such as you having taken no action? Have you considered that?

Mr PRATT: Mr Searle, can we talk about the facts?

The Hon. ADAM SEARLE: Yes.

Mr PRATT: There were 17 allegations—

The Hon. ADAM SEARLE: And nine were found to be substantiated.

Mr PRATT: Nine were substantiated—

The Hon. ADAM SEARLE: Including ones—

Mr PRATT: May I finish? Two of which Ms Telfer disagreed with. There were five allegations unable to be substantiated and there were another three allegations not substantiated. So the point you make is actually wrong.

The Hon. ADAM SEARLE: No, the point was that nine of the 17 were found to be substantiated by the investigator. That is correct, is it not?

Mr PRATT: Two of which were not agreed with by Ms Telfer.

The Hon. ADAM SEARLE: Okay, but Ms Telfer did not have the advantage of interviewing the witnesses, did she?

Mr PRATT: My main concern here—

The Hon. ADAM SEARLE: No, Mr Pratt—

Mr PRATT: No, Mr Searle, my main concern—

The Hon. NATALIE WARD: Let him answer.

The Hon. ADAM SEARLE: Answer the question please. She did not, herself, speak to the witnesses.

The Hon. NATALIE WARD: Let him answer. He is attempting to.

Mr PRATT: That is why we had an investigator. But the point—

The Hon. ADAM SEARLE: So the investigator had the advantage of that.

Mr PRATT: My I answer the question?

The Hon. ADAM SEARLE: Sure.

Mr PRATT: We had three levels. We had the investigator do the report, I had Ms Telfer then do the review with the investigator and with legal advice, as you well know. I would suggest to you, Mr Searle, that Ms Telfer has more industrial relations experience than you and I put together so she was a very competent person to review this, and then I was the decision-maker. I played no part in any of the draft reports.

The Hon. ADAM SEARLE: I understand.

Mr PRATT: I received the final report and made my decision. So what I was concerned about was very good process and that is what we did. You have the full report now to read.

The Hon. ADAM SEARLE: I do, and I have read it. Just pause there. When you were making an assessment of the content of the report, did you have regard to the Landcom Discrimination, Harassment and Bullying Free Workplace Policy?

Mr PRATT: Yes.

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The Hon. ADAM SEARLE: So you see that Landcom itself describes workplace bullying as "repeated and unreasonable behaviour".

Mr PRATT: Yes.

The Hon. ADAM SEARLE: Including abuse.

Mr PRATT: Similar to Treasury, yes.

The Hon. ADAM SEARLE: Yes, including abusive, insulting or offensive language and unreasonable criticism or complaints. I will not read it out in great detail but, apart from the summary of the 17 instances or the nine that were found by the investigator to be substantiated, when you read through the more detailed parts of I will call it the report of 18 March, there are a lot of descriptors of the behaviour that match the description of workplace bullying, such as repeated and unreasonable attitudes, behaviours, criticisms of people. Would you accept that?

Mr PRATT: There was certainly commentary around that but there were multiple versions of conflicting stories on events.

The Hon. ADAM SEARLE: I am just talking about the investigator's assessment of the evidence.

Mr PRATT: Yes, but I am putting it in context, Mr Searle, in that, as you are well aware having read the report, and Ms Telfer comments on it frequently, there is a lot of "she said, she said", and it is very difficult to understand who to believe in that context. That is spread right through the report and Ms Telfer has commented on that on a number of occasions.

The Hon. ADAM SEARLE: Understood. But with respect to the investigator, he sets out in a table format the various complaints, the key evidence, other evidence and then findings and rationale. In those descriptors you see descriptions of behaviour that is rude, condescending, belittling of people, aggressive, making other people uncomfortable. All of those things match the description of workplace bullying in the document of Landcom, and indeed similar to Treasury, does it not?

Mr PRATT: Well, I have given you my response. Ms Telfer has been through that in detail. She has taken legal advice herself. I was clearly influenced by her recommendations to me, given her experience, and then I made my decision accordingly.

The Hon. ADAM SEARLE: So, given what was found to have occurred, you are comfortable about the signal that sends to the public service: that sort of behaviour from a senior person is deemed by you now to be acceptable. Are you happy with that?

Mr PRATT: No, the point here is that there was a proper independent inquiry with full assessment and good governance. That has occurred. I can absolutely stand behind that.

The Hon. ADAM SEARLE: Yes, which found the majority of these complaints occurred.

Mr PRATT: No, I have given you the responses. I found—

The Hon. ADAM SEARLE: With respect, Mr Pratt, they are unconvincing, having read the material.

Mr PRATT: That is your view.

The Hon. ADAM SEARLE: That is my view and I am asking you to reflect on it.

Mr PRATT: Okay, and I am giving you my view and I was the decision-maker.

The Hon. ADAM SEARLE: So can you please answer this question: Do you find the behaviours that Ms Jones was found to have engaged in acceptable in a senior person in any organisation in the public sector?

Mr PRATT: I am not talking about Ms Jones specifically because that is covered in the report.

The Hon. ADAM SEARLE: I am talking about the specific matter here and the decision you made.

Mr PRATT: Your question to me more broadly; of course, I do not.

The Hon. ADAM SEARLE: The question is very specific to this matter. You condone those behaviours.

Mr PRATT: Of course I do not condone those sorts of behaviours but I have made my decision on the report.

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The Hon. ADAM SEARLE: So why then did you find that there was no obstacle to her return, given that she had behaved in various ways towards people she worked with, including subordinates?

Mr PRATT: Because the basis of the review by Ms Telfer was that those behaviours had not passed a certain threshold for her to be dismissed, and I accepted that recommendation.

The Hon. ADAM SEARLE: She is not an employee. She is engaged at will as a chair by the shareholding Ministers.

Mr PRATT: That is correct; by the portfolio Minister and shareholder, yes.

The Hon. ADAM SEARLE: I do not think the portfolio Minister can remove—

Mr PRATT: The shareholder is the one that removes.

The Hon. ADAM SEARLE: Yes, such as the Treasurer—the Minister that you report to. So, again, reflecting on the behaviours that were found to have occurred by the chair of Landcom, you do not think there is a problem in terms of the signal that returning her to work without conditions sends to people in the public sector?

Mr PRATT: Well, she returned to work with counselling and support, as you well know. That is what was agreed with the acting chair and the CEO.

The Hon. ADAM SEARLE: If that is what you find acceptable, we will have to let that matter rest there.

The Hon. WALT SECORD: Mr Pratt, given the review into Federal financial relations and the commentary advocating the abolition of stamp duty in favour of broadening the GST and land tax, what modelling have you done in the area of land tax?

Mr PRATT: We are looking at opportunities across a whole range of taxation issues, Mr Secord. I think it is important to note this paper is a discussion paper. We have deliberately flagged a range of issues, as you would appreciate. There is concern, as I look forward, about the sustainability of some lines of taxation to fund some of the future issues that the Government wants to progress so we have put this paper out on the basis of getting a range of inputs as to how we might address these issues, particularly with the Commonwealth.

The Hon. WALT SECORD: You said that as part of the paper you had some concerns about substantiating lines of taxation. What lines of taxation are you referring to?

Mr PRATT: I think it is well acknowledged that stamp duty, for example, that we were discussing earlier, is a regressive tax. That is one that I think many governments would say is a tax that should be addressed. Increasingly, we are under pressure on other taxation lines but the main purpose of this Federal Financial Relations Review is to fundamentally stand back from the relationship between State and Commonwealth and Federation. For example, I think we comment on the discussion paper, we have around 40-odd agreements with Commonwealth Government under \$10 million. There is a huge amount of official time that is taken up in revisiting these agreements, often in a way that does not generate the real-citizen value that it should.

The Hon. WALT SECORD: Give me an example of one of those agreements.

Mr PRATT: There is quite a number of these. Maybe Ms Wilkie can talk to some of them but I can give you a list if you wish me to.

The Hon. WALT SECORD: If you want to take it on notice, that would be—

Mr PRATT: I can take it on notice.

The Hon. WALT SECORD: Or you can refer to them if there are ones that are particularly—

The Hon. DANIEL MOOKHEY: Can we have all of the above?

Mr PRATT: I am very happy to share them with you.

The Hon. WALT SECORD: You must have one that is a particular burr in your side.

Ms WILKIE: There are so many of them. I can give you a list. For example, some of the ones that we have significant concerns with are things like agreements that fund some dental services and breast cancer services. Those go to essential health services provided to our community and they are not part of the overarching health agreement grant. They are individual grants that we have to regularly renegotiate with the Commonwealth Government. So they fund ongoing services but yet we have to, every few years, negotiate with the Commonwealth Government to make sure that we continue to get funding for those services.

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The Hon. WALT SECORD: Why do they not fall into normal health agreements?

Ms WILKIE: That is a very good question, Mr Secord. That is one of the questions we are asking the Commonwealth.

The Hon. ADAM SEARLE: Back to Mr Pratt, as part of your discussions with the Commonwealth, what is your response to calls about broadening the GST?

Mr PRATT: We have had no specific discussions with the Commonwealth on GST at this point. It is purely what you read in the newspaper but I can assure you I have had no discussions with the Commonwealth. My discussions at this point have been more about the agreements. We waste a lot of time on debating clauses in agreements when, as you well know—we talked about this last budget estimates—we are moving here in New South Wales to outcome-based budgeting where we are genuinely looking at value creation for citizens. Agreements with the Commonwealth should have that same focus. They do not have anywhere near that focus today that they should have.

The Hon. DANIEL MOOKHEY: Mr Pratt, you made mention of the fact that the Treasury's objection to stamp duty was on the basis that it is an aggressive tax. Is that the prime reason why that tax has been nominated as the first candidate for a potential elimination in the reset of Federal-State relations?

Mr PRATT: It is one of the key reasons, yes. It is certainly a tax that governments talk about regularly and economists talk about regularly as well.

The Hon. DANIEL MOOKHEY: Do you think the GST is a progressive or a regressive tax?

Mr PRATT: We flagged GST in the discussion paper as a tax to be discussed. We think there are opportunities to look at this in the context of total tax. The Treasurer is on the record as this not being about higher taxes but to look at the whole taxation picture, including GST. I am not flagging this morning that we are pushing for a GST rise.

The Hon. DANIEL MOOKHEY: I am certainly not asking that. To be fair, I was asking whether or not in Treasury's view the GST is progressive or regressive?

Mr PRATT: It is more progressive, yes.

The Hon. DANIEL MOOKHEY: Than what?

Mr PRATT: It is a more progressive tax.

Ms WILKIE: It is a regressive tax.

The Hon. DANIEL MOOKHEY: It is a regressive tax?

Ms WILKIE: It is a regressive tax. As the discussion paper points out, one of the problems with the way Australia has instituted the GST—I was in the Commonwealth Treasury at the time so I will remember all of the negotiations about various things at the time—is that we have many exemptions in a fairly narrow base to that. We are outside the averages, so to speak, of the OECD, as the discussion paper points out on that.

More generally on the point of the *Federal Financial Relations Review* discussion paper, it is a discussion paper that has been put out by an independent panel appointed by the Government to look into these issues. It is just pointing out the issues at the moment. The discussion paper to some extent has already achieved what we intended it to do—a discussion and debate in the media about these issues—but the panel is a very long way yet from providing proposals or recommendations to the New South Wales Government, let alone the Commonwealth Government.

The Hon. DANIEL MOOKHEY: Our time has expired for this session but given that you said that it is there for discussion and debate we might rejoin the discussion and debate, as you would like us to do.

Ms WILKIE: Happy.

Ms ABIGAIL BOYD: I have a few quick questions to take us up to morning tea time. Ms Wilkie, when we spoke previously at the last estimates sessions, we had a chat about concerns about the low wage growth but fundamentally the levels of constrained household income and disposable income. When you lower interest rates in a normal environment, you would normally see an increase in housing prices, but in a low-interest environment when you see interest rates go even further down an increase in house prices can actually lead to greater housing stress unless it is coupled by wage growth or some other measure. Is that a concern for you and would you be recommending that the Government do anything to cushion that impact?

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Ms WILKIE: In low-interest environments, anybody who has a high mortgage as the interest rates go down is cheering about that because the debt repayments are lower and all those sorts of things. The economy is a system so whenever there is a positive, there is usually a negative there somewhere, and if there is a negative there is usually a positive there somewhere. It really then depends on where groups in our community fit and what the overall net impact might be. In a low-income environment, yes, people might feel the affordability for themselves because they might have lower mortgage payments, they might be prepared to go into the housing market, which might push up house prices in the short term because you have more people going into the market to buy in the short term. You cannot expand the supply of housing all that much so you get a push-up in prices. Yes, in the short term and if the supply of housing does not increase, that can lead to increases in rent and other housing affordability.

Ms ABIGAIL BOYD: And larger mortgages.

Ms WILKIE: That can have an impact on housing affordability, particularly for low-income houses. Assumptions in economic models are usually that the housing supply will expand and that because as the house prices go up, builders and construction companies want to supply more houses because they are going to get a better price for them. So over time you get the market moving back to an equilibrium. The very purpose for why the Reserve Bank lowers interest rates is that it wants to stimulate exactly that sort of activity. Generally economists consider and generally the advice we provide is that if there is going to be an impact on low-income houses, it is going to be in the short term.

But it is obviously something that we keep an eye on because if there are indicators that that is continuing over a longer period of time, and the supply of housing may increase, but there may still be indicators of pressure in low-income households. That then would be a point at which we would be advising the Government that it may wish to consider something along the lines of some of the things that we already have in play, like, say, the cash benefit payments for children doing sport and that sort of thing.

Not only are there those potential negative impacts because of what happens in the housing market, but also because low-income houses tend to have limited debt assets, they do not benefit as much from a low-income environment as well. Also, one of the well-known issues in a low-income environment is of course with retirees who are reliant on interest payments on deposits and that sort of thing. A low-income environment benefits some parts of the community but not others. In a system, you always have to be looking at it. It is one of the things that, yes, we constantly keep an eye on and if it looks like there is pressure building up in one point of the system that has particular negative benefits on one part of the community, we would provide that advice to Government, along with recommendations for how it might address those issues.

Ms ABIGAIL BOYD: Given that low interest rates and negative interest rates that have been a feature in many countries since the global financial crisis have not seen a significant increase again, a lot of people are saying that this is now the new normal. Would you be advising the Government to rethink and relook at some of the policy settings that Treasury currently has if we are going to stay in this low-interest environment for another decade or two?

Ms WILKIE: It is interesting. I was living in Japan some 20 years ago and Japan is one of the canaries in the coalmine in this sort of environment. Again, I have a team of economists whose daily job is to look at what is happening in other countries, what are the policy choices they are making and what are the policy recommendations that the International Monetary Fund [IMF] and the OECD are making to those countries. This is the sort of stuff that we look at and monitor all the time.

As Mr Pratt said earlier, the policy responses that a State government has in response to a macroeconomic event are more limited. The Reserve Bank is responsible for monetary policy. The Commonwealth Government can have a bigger impact when it comes to fiscal policy responses. The State governments have levers that they can use. Looking at potential fiscal policy responses are, of course, things that we look at. But we already have a huge investment in infrastructure and we have already had questions indicating what the potential fiscal implications and financial implications of increasing that investment might be.

You need to consider the short-term effects and the long-term effects of what impact would a large debt burden have on low-income households in 20 years to 30 years time as well so we have to look at that. As I said and as the Treasurer has on a few occasions run through the list of policies that the Government already has in play that are assisting people with the cost of living, those things are already there. Obviously, there is always the option of looking at moving to a deficit rather than a surplus on the budget. As the Treasurer likes to say, we do not rule this stuff in or out. There are always things that the Government is open-minded about when it comes to listening to our view and our advice. It will take a decision on that basis. Yes, we have those conversations.

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Ms ABIGAIL BOYD: There was an Essential poll reported on today showing that most voters think that we should be stimulating the economy instead of being focused on surplus. Is that a real consideration to be using this low-interest environment to issue more debt?

Ms WILKIE: When you have low interest rates that is something that you think about but, to turn around the usual phrase, what goes down will come back up at some point. We are in a cycle.

Ms ABIGAIL BOYD: Maybe.

Ms WILKIE: We are in a cycle. If you issued a massive amount of debt right now—that is why when people ask me, "Interest rates are low, house prices are down, should I go and buy a house?" My response is usually, "Well, think about the position you might be in in 10 years' time, not just the position you are in now."

Ms ABIGAIL BOYD: Households are very different to governments.

Ms WILKIE: Well, yes and no. Look, yes, that is obviously attractive but, again, we have to look at the whole economy. We already have a massive investment in infrastructure. There are parts of the construction economy in New South Wales where there are indications that it is already stretched to the limit, so if you put additional projects in there we might see the price of projects going up and that is not to our benefit or to the State's taxpayers' benefit either. Stimulation of the economy at the moment—to be honest, Federal tax cuts only came in on 1 July. We have only just had the most recent interest rate cut a matter of weeks ago. Those things in terms of the stimulus they provide to the economy take time to run through.

Ms ABIGAIL BOYD: Some would argue that that is not effective stimulus because it is not hitting the people who would actually be spending money. My time is up. We will pick up on this again after morning tea.

(Short adjournment)

The CHAIR: Welcome back.

The Hon. DANIEL MOOKHEY: Mr Nagle, I might just ask you a couple of questions. You escaped this morning and I do not want you to miss out on the fun as well. In the past two to three years how many forensic claim file reviews has icare commissioned?

Mr NAGLE: I would have to take the exact number on notice. I started a conduct risk review process back in early 2017. We are doing roughly 300 files a quarter.

The Hon. DANIEL MOOKHEY: What is the difference between a conduct review and a forensic claim file review?

Mr NAGLE: A forensic claim file review would generally be done when a specific issue has arisen and you are trying to understand what has occurred. A conduct risk review would be looking to say are we meeting all of the KPIs, all of the standards and conduct behaviours that we want across the scheme?

The Hon. DANIEL MOOKHEY: Would you agree with the characterisation that a forensic claim file review is a pretty serious step for icare to engage in?

Mr NAGLE: It would be, yes.

The Hon. DANIEL MOOKHEY: And it would only be engaged in matters where a complaint has been received and a complaint is deemed worthy enough for further investigation?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: Expenditure of public dollars on pretty in-depth investigations. Would you agree with that?

Mr NAGLE: No, because they are not public dollars. Unless it is on the Insurance for NSW account; everything else is premium funded.

The Hon. DANIEL MOOKHEY: Either way, would you accept therefore that it does impose a cost on the scheme?

Mr NAGLE: It does.

The Hon. DANIEL MOOKHEY: How much has been spent on forensic claim file reviews in the last three years? You might need to take that on notice.

Mr NAGLE: I would have to take that on notice.

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The Hon. DANIEL MOOKHEY: When you come back on notice can we get that itemised by financial year?

Mr NAGLE: Yes, absolutely.

The Hon. DANIEL MOOKHEY: Are you aware of icare commencing a forensic claim file review in relation to a claim put on the Treasury Managed Fund in regards to corrections officers and Corrections NSW?

Mr NAGLE: I am aware of the claim in general, yes.

The Hon. DANIEL MOOKHEY: icare commissioned a forensic claim review into allegations that were made about how that claim was treated. Is that correct?

Mr NAGLE: I understand there were some concerns around the allegations and how the claim had been investigated by the scheme agent.

The Hon. DANIEL MOOKHEY: Do you know when that forensic claim file review was commissioned?

Mr NAGLE: I believe it was in 2017.

The Hon. DANIEL MOOKHEY: When did icare first become aware of the complaint that gave rise to that forensic claim file review?

Mr NAGLE: I would have to check that, but I would imagine it was either early 2017 or 2016.

The Hon. DANIEL MOOKHEY: Who precisely in icare commissions these? Is it you? Is it your board? Is it your general managers?

Mr NAGLE: It is a combination. If it is an issue that is arising that we notice in the course of our conduct reviews or our general KPI reviews, it would be up to the group executive of personal injury claims or one of her general managers. If it is a complaint it could come in directly into our group risk compliance team, so it could be our chief risk officer.

The Hon. DANIEL MOOKHEY: So it does not require you or a CEO level to commission one of these forensic claim reviews; that is something which is within the power and authority of a general manager.

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: When did you become CEO?

Mr NAGLE: Good question. July 2018.

The Hon. DANIEL MOOKHEY: So this does relate to matters which arose prior to your appointment to that particular role, but I believe you were involved with icare before you were appointed CEO. Is that correct?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: Was it reported to the senior executives at the time that a forensic claim file review had been commissioned into allegations surrounding the treatment of a claim arising from a corrections facility in New South Wales?

Mr NAGLE: It was raised to our audit and risk committee of the board.

The Hon. DANIEL MOOKHEY: Was that the first time you became aware of it?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: Was that the first time the board became aware of it?

Mr NAGLE: I am not aware of that. They could have been made aware when a complaint was raised.

The Hon. DANIEL MOOKHEY: Did the audit and risk committee then report it to the board?

Mr NAGLE: As part of their updates, yes.

The Hon. DANIEL MOOKHEY: Who oversees that now? Once the investigation has commenced who oversees it?

Mr NAGLE: Generally it depends. If it is an allegation about poor service or poor outcomes, quite often it will stay with the group executive in charge of that area. If it is a more serious allegation it will go through to the audit and risk committee and then on to the board.

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The Hon. DANIEL MOOKHEY: At the time did the then general manager of compliance flag that one of the reasons why a forensic claim file review was required into the allegations surrounding the treatment of the claim arising from Corrections NSW, did they say at any point to you or anyone that it was because there may be undue influence placed on the agency or on the QBE, which at the time was the claims manager, to deal with the claim in a particular way?

Mr NAGLE: I never had any particular discussion about it, but I am aware that that was part of a subset of concerns.

The Hon. DANIEL MOOKHEY: So it was flagged by the general manager of compliance at the time that that person held a fear that undue influence would be placed on either icare or QBE to treat the claim in a certain way. Is that correct?

Mr NAGLE: I believe that is one of the allegations, yes.

The Hon. DANIEL MOOKHEY: So what did icare do when you understood that your general manager of compliance had that fear?

Mr NAGLE: My understanding of that particular claim is that we commissioned KPMG to undertake a review of the circumstances of the claim, how the claim was handled and were there any particular issues that needed to be reinvestigated.

The Hon. DANIEL MOOKHEY: Did you take any steps to investigate what specific fears of undue influence the general manager of compliance at icare had at the time? What was he worried about?

Mr NAGLE: That would have been part of the KPMG review—what were his concerns and were they validated.

The Hon. DANIEL MOOKHEY: I will turn to the KPMG review. This was given to icare in July 2018. Is that correct?

Mr NAGLE: It sounds familiar.

The Hon. DANIEL MOOKHEY: The complaint itself related to a series of allegations that were being made by a claimant to the scheme—sort of clusters of complaints. The first is that there was collusion between the employer and the claims manager—a whole set of allegations are about collusion—and then there was a set of allegations made about the employer influencing or altering evidence in respect to the treatment of their claim. Then there were also further allegations made about unfair or unreasonable claims management practices and there were also claims made about record keeping not supporting a sound rationale for claims management actions. Does that accord with your memory of the review?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: Going through them, KPMG undertakes an investigation into these claims and, just to be clear, the claim that has been made by the claimant is that the general manager of Corrections at the time provided two different documents, actually altered their statement, and on the basis of that alteration led to the claim being denied, and KPMG effectively upholds this. Is that your understanding of what KPMG found?

Mr NAGLE: No. My understanding, and I am not particularly close to this claim so I would have to review it further, is that there were a series of allegations. The allegations arose from a number of miscommunications and perceived behaviours. The investigation showed that there were a number of interviews and discussions amongst a number of parties. All of those parties consented to give information in confidence; some of that information was taken as proof positive, other information had yet to be checked. My understanding is that the investigation showed that when you worked your way logically through the file that the various allegations were perceived rather than real.

The Hon. DANIEL MOOKHEY: I am just going to read you the summary findings in relation to the allegation of altered or different versions of the same document. This is what KPMG says, "The allegation is supported in that two different versions of the statement were identified for claims 1 and 2, both dated 18.9.2015, and the reason for the changed statements is not documented." Furthermore, the report goes on to say that effectively, on the basis of the changed statement or the altered statement, that was the reason why the claim was denied. That is what the report says. So KPMG follows an investigation, it substantiates the fact that a very senior officer of Corrections goes to the claims manager, provides two statements to the claims manager, the claims

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manager effectively agrees to accept altered evidence, does not document it, and then on that basis denies the claim. That is what KPMG's report says. Do you agree with that or disagree with that?

Mr NAGLE: If that is what the report says, absolutely.

The Hon. DANIEL MOOKHEY: Do you agree with me that is pretty serious?

Mr NAGLE: I do not know. In the life of a claim you quite often have moving stories. So at any given point of time from when the initial statements are made until it is actually finalised, stories will change, the information will change. All claims will go through that process. In this particular case I am not aware. I understand, as you say, that if it was not documented why has the statement changed but that would not be uncommon.

The Hon. DANIEL MOOKHEY: That is in itself worrying if you are saying that the alteration of documents that are then used for claims is not uncommon. We might follow that up elsewhere but let us just stay on this matter. The KPMG report then goes on to say, "That evidence held on file did not support a sound rationale for the claims management actions, inactions or delays on claim." That is the allegation that has been made and this allegation is supported.

For example, "QBE's legal representative's IME report is not consistent. There is no case file note to evidence QBE identified this inconsistency. In our opinion, QBE's legal representative assessment of the evidence lacked balance and did not consider all of the evidence. Further, the sequence of events contained in the case file evidence is not consistent with QBE's legal representative's views. Specifically, the charges for claimant one occurred two weeks after the claimant was notified." They backed that up. I accept your point that things change as claims go on but that is, I presume, why you undertake a forensic claim file review.

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: You just said that that is a pretty serious step for you to take. The forensic claim file review comes back and says evidence was altered. That is their finding of fact. There is no ambiguity about that: Evidence was altered. What I am asking is: What did you do when you got this report?

Mr NAGLE: My understanding is that claim is still quite active. The reality is that the review found that there were changing circumstances through the claim, that a number of people had made initial statements but had not finished their statements, that the final statements were put in front of QBE and QBE reviewed it. There were questions about QBE, did they meet our standards? Those discussions continue with QBE. I am not aware of where the current state of that file is but it is still very active.

The Hon. DANIEL MOOKHEY: That is just inconsistent with what this report says is the scope of its inquiry. For example, I do not understand the relevance of the statements QBE may be making given that this says, "The scope of the engagement did not include the following: Interviewing the QBE staff who case managed or reviewed the claim, interviewing QBE's legal representatives, interviewing the Department of Corrective Services." They just looked at the files.

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: I just do not understand. You commission a forensic file claim review, you presumably spend a lot of money on it, it comes back and says that evidence was altered, and nothing happens.

Mr NAGLE: No, what I am saying is that the file is still very active. That claim has not finished. There are still ongoing discussions. There are still ongoing investigations. There is still ongoing activity.

The Hon. DANIEL MOOKHEY: What is going on with the claim? My understanding of the matter is that the Treasury Managed Fund has now accepted the claim and to the extent to which there is any—I do not believe there actually is anything else the claim is doing. I think what is happening is that those officers are pursuing civil litigation against the department of Corrections.

Mr NAGLE: Which is part of the ongoing claim—it would be around the liability claim against the department, what advice we would be giving them based on the claim file.

The Hon. DANIEL MOOKHEY: Have you provided them with this report?

Mr NAGLE: I am not close enough to the particulars of the claim to give you that advice. All I am saying is that it was a serious matter. It was looked at very seriously. The conclusion as I remember it is that, yes, there were issues around how the file had been put together, how the information chain had gone. And the last

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thing I remember we had gone back to both the injured worker and the employer to double-check our facts. The claim, as you say, was then accepted.

The Hon. DANIEL MOOKHEY: When you say that this report has been seriously taken, what is one change that icare has made to ensure that this does not happen again?

Mr NAGLE: We would have had discussions with QBE over their claims handling and investigation processes. We would have had—

The Hon. DANIEL MOOKHEY: When you say "would have", what does that mean? Did you? Did you have discussions and when did you have those discussions?

Mr NAGLE: I would have to take that on notice and come back to you.

The Hon. DANIEL MOOKHEY: So KPMG writes a letter to your then general manager of provider performance self-insurance: "Please find enclosed our report setting out our findings with respect to the allegations put to the Insurance and Care by an informant. This report does not include our recommendations for phase four—further investigations which icare has determined not to undertake. Our recommendations in relation to phase four are available separately and are commercial-in-confidence." What were the recommendations for further investigation that KPMG suggested you take?

Mr NAGLE: From memory it was just another round of further interviews and investigation.

The Hon. DANIEL MOOKHEY: You have said that you have taken the matter very seriously and you have acted on it. Why have you not followed the recommendations of KPMG to proceed with that?

Mr NAGLE: My understanding is that the conclusion was that there was no future benefit in resolving the issues by having another round of expensive interviews. We believed that we had understood whether various issues in the process had occurred, that corrective actions were being taken. So there was no further value in pursuing the matter.

The Hon. DANIEL MOOKHEY: Let me just get this right. You are saying that you had taken the matter really seriously. You get a letter from KPMG saying further investigations are required. You have then said that you have independently determined that they are actually not. On what basis did you reach that decision?

Mr NAGLE: There is a lot of information on the file. In terms of the investigation that KPMG did, it was part of what we were doing as the review. My understanding of this claim is that there were a series of allegations and counter allegations from various parties. KPMG concentrated on part of the claim; the claims investigation and the team continued to look at the other elements of the claim. All of that information was brought together in assessing our view.

The Hon. DANIEL MOOKHEY: Did you commission any other? To be fair, I do not think KPMG did investigate what effectively you have described as a "he said" "he said" story at all. In fact, I think that they reviewed the paperwork—

Mr NAGLE: They looked at a particular issue.

The Hon. DANIEL MOOKHEY: Yes. Was there any parallel inquiry being undertaken into any of these dimensions that we do not know about?

Mr NAGLE: No. My understanding is that that information would be on the file. As I say, there are a number of parties making accusations and counter accusations against one another.

The Hon. DANIEL MOOKHEY: The problem is that KPMG effectively resolves that. It does reach findings on fact in that regard and effectively resolves it in favour of the claimant and effectively says the claimant here is the victim—actually, there are a few claimants—of altered evidence being engaged upon by an employer in conjunction with a claims manager. Do you not accept, on the basis of a report that you recommended that finds that as fact, that may be something more should have been done in terms of investigating this conduct?

Mr NAGLE: Beyond a certain point in terms of handling the claim, no. We would have taken that information back to the department and had a discussion with them about what the findings out of that claim were.

The Hon. DANIEL MOOKHEY: Did you?

Mr NAGLE: I would have to double-check.

The Hon. DANIEL MOOKHEY: When did you take that back to the department?

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Mr NAGLE: I would have to check. As I say, I am not that close to that particular claim. The series of steps that would have occurred, once we had reached a conclusion, would be reasonably process driven. I can take that on notice and come back to you around those steps.

The Hon. DANIEL MOOKHEY: For example, did you perhaps check whether or not this practice by QBE might have taken place in other matters?

Mr NAGLE: As our conduct risk reviews that we undertake across the various portfolios, that is one of the areas that we check for.

The Hon. DANIEL MOOKHEY: I am asking specifically arising from these claims managers. What steps did icare take to ensure that this practice has not systemically been going on on behalf of QBE.

Mr NAGLE: I could not answer particularly on behalf of QBE but I know that is part of our conduct risk reviews across all of the portfolios. That kind of behaviour is what we look for.

The Hon. DANIEL MOOKHEY: It is a crime, is it not?

Mr NAGLE: A question of overdue influence from either an employer or a broker or another party in a claim is something we are very conscious of. It is one of the criticisms that we have at the moment that we are actually too friendly towards the injured workers. The reality we have is that we have to run a very neutral process.

The Hon. DANIEL MOOKHEY: When you say you have to run a very neutral process, what do you mean by that? Is it not your job to ensure that your policies are being followed and, for that matter, the law is being followed.

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: You get given a report that you commissioned—incidentally after your general manager of compliance flags concern about undue influence being exercised—that effectively corroborates that undue influence was exercised. What I am asking is: Why was icare not jumping at this? Why were you not looking at every claim that these claims managers have investigated? Why have you not commissioned a further forensic claim of failed reviews into other matters where this behaviour may well have been repeated?

Mr NAGLE: You would be saying that the issue is systemic across QBE's handling of portfolio—

The Hon. DANIEL MOOKHEY: I do not know whether it is systemic but I am saying is it not the responsibility to find out whether it is systemic?

Mr NAGLE: I would agree but what I am saying is that my understanding is that we did not believe that there was a systemic issue across the whole portfolio. There were particular issues at fault in this claim.

The Hon. DANIEL MOOKHEY: I am asking on what basis did you reach the conclusion that the issue was not systemic?

Mr NAGLE: The various reviews. We have a number of external reviews undertaken on the scheme agents. We undertake our own reviews. We look for those kind of behavioural issues as we go through the reviews. If we felt that there was a systemic issue, we would have taken action. The fact that we did not take action beyond this particular case implies that we do not feel that there is a systemic issue.

The Hon. DANIEL MOOKHEY: Yes, I agree that it implies that you think that there is not a systemic issue.

Mr NAGLE: In terms of the evidence about how we reached that conclusion, I would have to come back to you.

The Hon. DANIEL MOOKHEY: When you say "we" did all the steps that you did, do you mean icare staff?

The Hon. BEN FRANKLIN: Point of order: The witness has now said a couple of times that in terms of the specific evidence of what steps were taken, he would provide that information on notice. The member continues to ask these questions. Just for the benefit of the member, perhaps it would be better to move on to other forms of questions, unless he is willing to keep on getting the same answer.

The Hon. DANIEL MOOKHEY: I am potentially willing to get the same answer, but I might just clarify. When you said "we" had taken all the steps, who were you referring to when you said "we"?

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Mr NAGLE: Icare in general, so that would be a combination of our Audit and Risk Committee, the general manager of the group executive in charge of the Insurance for NSW and the team that were in charge of the relationship with QBE.

The Hon. DANIEL MOOKHEY: But you did not commission any external firm, like KPMG or anything like that, to assist you in reaching those conclusions?

Mr NAGLE: No, I do not believe we did.

The Hon. DANIEL MOOKHEY: So to the extent to which you say that you are satisfied that this is not systemic conduct, effectively it is icare agreeing with itself that it is not systemic conduct. Is that an unfair characterisation?

Mr NAGLE: I think what I am saying is that we have no other evidence to say it is a systemic issue.

The Hon. DANIEL MOOKHEY: But I am asking are you looking for the evidence?

Mr NAGLE: We do, because we undertake regular reviews, both internally and externally.

The Hon. DANIEL MOOKHEY: Did you report this to the State Insurance Regulatory Authority [SIRA]?

Mr NAGLE: Again, I would have to take that on notice. I believe they were aware of the issue, yes.

The Hon. DANIEL MOOKHEY: I know that they are aware of the issue, because I asked Ms Donnelly in the estimates hearing before. To be fair to her, she was not immediately aware of it, but she did come back to us with meaningful evidence about their knowledge of the matter. She, effectively, said that she was notified through the Workers Compensation Independent Review Office [WIRO]. To the extent to which you know, was it WIRO who told SIRA first, or you?

Mr NAGLE: I could not answer that with any particular regard in terms of what the timetable was. We would have made SIRA aware of it probably when we launched the review with KPMG.

The Hon. DANIEL MOOKHEY: When you say "we would have", is that something that you know or you do not know and you have just—

Mr NAGLE: As I say, I am not particularly close to this.

The Hon. DANIEL MOOKHEY: But you have, effectively, a form of continuous disclosure to your regulator, do you not?

Mr NAGLE: There are compliance matters that we have to report to the regulator, absolutely.

The Hon. DANIEL MOOKHEY: And this would fall within that—

Mr NAGLE: And then there are other matters that we report voluntarily to them.

The Hon. DANIEL MOOKHEY: Did this fall within which category?

Mr NAGLE: It probably would have been one that we would have advised them voluntarily. But we probably would not advise them in terms that we were launching an investigation to look into it.

The Hon. DANIEL MOOKHEY: Did you provide them with a copy of the KPMG review when it came back to you?

Mr NAGLE: Again, I would have to check and understand what occurred with that file.

The Hon. DANIEL MOOKHEY: Have they made any inquiries of you?

Mr NAGLE: I know there have been some conversations and discussions between the teams, yes.

The Hon. DANIEL MOOKHEY: About this matter?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: What did they ask?

Mr NAGLE: I am not aware.

The Hon. DANIEL MOOKHEY: When did they ask?

Mr NAGLE: I am not aware.

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The Hon. DANIEL MOOKHEY: Can you come back on notice on those two questions?

Mr NAGLE: Absolutely.

The Hon. DANIEL MOOKHEY: Have you said anything to SIRA about steps you are taking to ensure this does not happen again?

Mr NAGLE: Not as an outcome of this particular claim file. As I say, the claim is still live. In terms of how we undertake the ongoing reviews, SIRA undertake their own reviews of us. They are quite active in looking for exceptions across the portfolio. So the discussions that we have in terms of trying to look for systemic issues or issues that do not ring true, or if they have a particular complaint—we have something around about 30 or 40 inquiries from SIRA almost on a weekly basis.

The Hon. DANIEL MOOKHEY: Yes, but this is a forensic claim file review.

Mr NAGLE: And they can be from fraud issues through to particular complaints.

The Hon. DANIEL MOOKHEY: This is a forensic claim file review. I think you said earlier that is a pretty serious step. You are coming back to us about whether or not you have provided them with a copy of the forensic claim file review?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: And you are coming back to us about, if you did, when you did. Has SIRA issued any directives to you in respect of changes that need to be made?

Mr NAGLE: Not that I am aware of.

The Hon. DANIEL MOOKHEY: Do you provide all forensic claim file reviews to SIRA?

Mr NAGLE: I do not believe that is our normal practice. We would probably make them aware of a—I mean, they are very rare. So in terms of the seriousness of the issues, if we found it was an issue that the regulator has to be aware of, we would make them aware.

The Hon. DANIEL MOOKHEY: Given that you have said that they are very rare, I would give you another opportunity to say whether or not you have taken any actions to check whether QBE has not been engaged in this in any broader way. As you say, they only do the bulk of the claims, so let's just talk about EML. Are you checking in either of the methods that you said about whether or not this is taking place with EML?

Mr NAGLE: Absolutely. As I say, we have a regular process of conduct reviews. The other issue—since February we have moved all of the claims that EML handled onto our own system, so we can now look daily at what is occurring on individual claims. We have never had that capability before, and under the Insurance for NSW portfolio, which was where the claim with Corrective Services is, that is still on the QBE system. So if we are looking for information, we have to go to QBE in the first instance and ask for that information. We do not have it live; we do not have it at our fingertips.

The Hon. DANIEL MOOKHEY: This particular forensic claim file review was in relation to allegations that were made and then substantiated in relation to one claimant. But the actual incident that gave rise to the claim involved about nine officers, three of which there were various levels of dispute. I might turn away from the claimant that I am referring to in the KPMG one and turn to another. I am happy to give you the claim number because I do not want to necessarily identify this person in *Hansard*. But I will give you the claim number: It is [EVIDENCE OMITTED BY RESOLUTION OF THE COMMITTEE 29 OCTOBER 2019], and this is in relation to another person involved in the incident. It is a claim being made on the Treasury Managed Fund, which icare manages.

Given that the Treasury Managed Fund, as the KPMG report helpfully tells us, effectively accepted the income replacement component of the workers compensation claim at the first instance and first assessment, and to the extent to which you disputed anything, it was the medical benefits dispute. This says that, as of 31 January this year, the Treasury Managed Fund has spent \$1,435,129 disputing that one claim. Does that sound right to you? I am happy to table this, by the way, but we would have to redact it afterwards for adverse mention, if that is fine. Can I provide that to the witness?

The Hon. NATALIE WARD: What is the provenance of this document?

The Hon. DANIEL MOOKHEY: I have it.

The Hon. NATALIE WARD: You have it?

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The Hon. DANIEL MOOKHEY: Yes, I am tabling it. I am providing it to the witness.

The Hon. NATALIE WARD: But where does it come from?

The Hon. DANIEL MOOKHEY: That is a question that relates to my parliamentary privilege.

The Hon. NATALIE WARD: I beg your pardon?

The Hon. DANIEL MOOKHEY: That is a question that relates to parliamentary privilege.

The CHAIR: They are making a copy so that you can have a copy of it, Mr Nagle.

Mr NAGLE: Thank you.

The Hon. NATALIE WARD: I am not disputing your right to ask questions, Mr Mookhey, at all. But, Madam Chair, I am asking for Committee members' benefit that we clarify the provenance of the documents as we ordinarily would do in Committee hearings.

The Hon. DANIEL MOOKHEY: I am claiming parliamentary privilege on it. Documents provided to Parliament hearings to ask questions are privileged.

The Hon. NATALIE WARD: In fairness, you have got to identify where it comes from.

The CHAIR: I just took advice on that: We actually do not. What we do later is consider whether we publish the document and how the Committee deals with it formally. For now, we are entitled to—

The Hon. NATALIE WARD: I would like to place on record prior to the Committee meeting that I have a question around where the document originates from and its confidentiality.

The Hon. DANIEL MOOKHEY: More than happy.

The Hon. BEN FRANKLIN: It is unusual for you not to say, to be honest.

The Hon. NATALIE WARD: Yes, it is not the usual course.

The Hon. DANIEL MOOKHEY: I will check with the person.

The Hon. BEN FRANKLIN: So an individual has given you this document.

The Hon. DANIEL MOOKHEY: Yes, but on the basis I would have to claim parliamentary privilege on it—which, to be fair, is within our rights as parliamentarians. But I am happy to, when we get into deliberative, talk it through with the Committee.

The Hon. NATALIE WARD: I am just talking fairness to the witness, in fact.

The Hon. DANIEL MOOKHEY: I am providing a copy of the document.

The Hon. NATALIE WARD: But he does not know where it has come from. Anyone could have created it.

The CHAIR: For the Committee's information, I did just say that was getting copied so that you could have a copy of that, Mr Nagle. But, in fact, the copier is not working. Welcome to Parliament House. So we will need to get that back, but then we will deal with how we formalise copies, as I said earlier, in the deliberative later in terms of whether they are published or whatever else.

The Hon. NATALIE WARD: Copies should be made available, in fairness, to members.

The Hon. DANIEL MOOKHEY: I agree with that. I am sorry that it was not done.

The Hon. NATALIE WARD: It is just unusual to fling a document out that no-one has seen and that no Committee members have had the opportunity to review during the course of questions and we do not know where it has come from.

The Hon. DANIEL MOOKHEY: Mr Nagle, you can see there that that says the net cost of that claim incurred by the Treasury Managed Fund as of 31 January this year is \$1.4 million. That is in relation to a claim made by one person in relation to, effectively, medical benefits. You might need to take this on notice, but is that a wise expenditure of the fund's money?

Mr NAGLE: I think that is an impossible question to answer. The document from SIRA is from the common depository, the registry of data, it is a high level summary. It is a claim that has been going on for over

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four years. I do not know how much of it is wages, how much of it is medical, how much of it is investigation. For a four-year claim that is not an unusual amount.

The Hon. DANIEL MOOKHEY: \$1.4 million?

Mr NAGLE: I do not know the seriousness of the injury.

The Hon. DANIEL MOOKHEY: What is the average cost of defending these claims?

Mr NAGLE: I do not know that amount has anything to do with the defence. The defence must be in there in terms of the investigation and all the rest of it. The greater percentage of it could well be in terms of treatment, it could well be in terms of wages.

The Hon. DANIEL MOOKHEY: Let us accept that it could be the total cost of all categories, but it is \$1.4 million in respect of one of the nine claimants here?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: How much has been claimed in relation to all of it? How much has icare incurred on behalf of the Treasury-managed fund in respect of all these matters?

Mr NAGLE: Again, an impossible question on the information I have available. I am happy to take that on notice and come back to you.

The Hon. DANIEL MOOKHEY: How much did the KPMG report cost?

Mr NAGLE: Again, I will have to take that on notice and come back to you.

The Hon. DANIEL MOOKHEY: How much money has icare spent in litigating all matters in relation to these series of events?

Mr NAGLE: Same answer.

The Hon. DANIEL MOOKHEY: You have to take that on notice?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: I have to ask you so you can take it on notice.

Mr NAGLE: Absolutely.

The Hon. DANIEL MOOKHEY: Are you still involved in litigation in respect to any of these matters?

Mr NAGLE: Like I say, on these particular claims I am aware of them but I am not into the specifics of them.

The Hon. WALT SECORD: Before the break, Ms Wilkie, we had some questions in discussion on the GST and you said very helpfully that the advice that you have is it is a regressive tax?

Ms WILKIE: Yes.

The Hon. WALT SECORD: What do you base that on?

Ms WILKIE: It is a generally held view of economists that consumption taxes are regressive. Generally the definition of regressive or progressive, when economists are talking about taxes, is the proportion of income that is spent or that goes to a tax. Because consumption forms a larger part of a lower income earner's income then they tend to spend more on something like GST as a proportion of their total income than a high income earner.

The Hon. WALT SECORD: Therefore, it would have a greater impact on lower income families?

Ms WILKIE: That is right, yes.

The Hon. WALT SECORD: Have you provided any advice to the Treasurer or officials discussing with the Federal Government the goods and services tax?

Ms WILKIE: On the goods and services tax, on what specifically? We constantly provide advice to the Treasurer and the Government on GST—for example, what we think regularly through budget updates. We would provide advice on what we expect New South Wales receipts from the GST pool are likely to be. The discussion paper, some of my staff went along to panel meetings to talk to the panel in terms of our view on what is happening with the GST base. Yes, we constantly look at the GST and provide our view on what is happening with it on various different dimensions.

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The Hon. WALT SECORD: I will be specific. Have you provided advice on broadening it or increasing it?

Ms WILKIE: Not to my knowledge. NSW Treasury may very well have provided such advice in past years but certainly I have been in the department since February and we have not provided that advice in that time.

The Hon. WALT SECORD: Can you take it on notice and check to see if in fact since February you have provided any advice on broadening or increasing the GST?

Ms WILKIE: It would have come through me since February, so I can tell you that we have not provided that advice since February.

The Hon. DANIEL MOOKHEY: In respect to the expert panel's review of Federal-State tax relations, is one of the things they can look at in terms of providing advice to Treasury—is it within their scope to recommend that the base be broadened on GST?

Ms WILKIE: Yes, it is within their scope to do that. They have very broad terms of reference. There is essentially three things that the terms of reference ask them to inquire into. One is at the very broadest level the nature of relations, Federal financial relations. We were talking about before how we go about conducting negotiations on agreements. That is one element. Just that really broad, "How do we conduct relations?" and that sort of thing. The next thing is to look at the State sources of revenue from the Commonwealth. That includes grants as well as GST. The third thing is to look at the State revenue and particularly the State tax base.

I would anticipate that at the point that the panel gets to providing recommendations to the New South Wales Government that it will provide recommendations in all three of those areas. It could very well provide recommendations around the GST but that is then a recommendation to the New South Wales Government. The nature of the GST is that there is an intergovernmental agreement of all jurisdictions. This is a New South Wales Government commissioned review. Any proposals that are put to the New South Wales Government that would require other jurisdictions, including the Commonwealth, to actually be party to making a change we would then need to put those recommendations to those other levels of government.

The Hon. DANIEL MOOKHEY: Of course. Have you prepared advice about the extent to which the rate would either have to rise or the base would have to be broadened in order to achieve the objective of eliminating stamp duty in New South Wales?

Ms WILKIE: No.

The Hon. DANIEL MOOKHEY: Does Treasury know how much the GST would have to rise and the base be broadened in order to eliminate stamp duty at \$14 billion a year?

Ms WILKIE: We can pretty quickly make that calculation but at this stage Treasury is not doing any work on this except at the request of the panel. The panel is undertaking these investigations. They are requesting information of Treasury to put into their considerations and when we are asked a question by the panel we are providing information to them. We have a secretariat that is set up to support the panel members and that secretariat is offline from their usual work. The panel will make a request. The secretariat will then commission from a revenue policy team, for example, information on what is the nature of State taxes and those sorts of issues.

The Hon. DANIEL MOOKHEY: It would be correct to say that should the GST take the place of stamp duty we have effectively replaced one regressive tax with another regressive tax?

Ms WILKIE: Regressivity is one issue that you look at with a tax. Another issue around it is with transfer duty. It is generally considered to limit mobility because it is a cost of changing houses so it limits mobility in terms of movement from one area of New South Wales to another area of New South Wales to follow a job or to pursue better opportunities for school education or something like that. It is also a very volatile tax from the State Government's perspective, as we have seen.

The Hon. DANIEL MOOKHEY: The secretary earlier did nominate that the prime reason stamp duty was to be eliminated was because it was a regressive impact. If you follow that logic then you would rule out replacing it with GST because there is argument that the GST more regressive.

Ms WILKIE: What I am saying is, when you actually look at what are the characteristics of the GST, as you say they are both regressive. You do not stop at the first line of evidence. You continue looking down at all of the characteristics of those taxes to compare them.

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Mr PRATT: Ms Wilkie has given you the economist's technical definition of GST. I could equally argue, as I said, it is a progressive tax if you look at it as a percentage of household expenditure. The economist looks at it as a percentage of income and that argument is quite right. Equally, I could make the other argument.

The Hon. DANIEL MOOKHEY: Yes, that is an argument that you can make for very high income taxes too. I accept the point that it is theoretically possible to mount that argument but I would have to say that not many people would.

Mr PRATT: I think the point to make here is that to be really clear about your questioning we are not doing work specifically in Treasury on GST. It is in front of the review panel and they will look at it.

The Hon. WALT SECORD: I would like to return to Ms Wilkie. Are you familiar with the Australian Capital Territory [ACT] Government's changes involving land tax?

Ms WILKIE: I was a resident of the ACT until quite recently, so yes, I am quite familiar with them, having owned a property in the ACT.

The Hon. DANIEL MOOKHEY: Is that why you fled?

Ms WILKIE: I got a better offer.

The Hon. WALT SECORD: What is your response to the ACT land tax changes that are under way?

Ms WILKIE: The options in front of State jurisdictions in terms of transfer duty and land tax have been of some interest to State jurisdictions for many, many years. The ACT has taken a particular approach to making that transition in terms of lowering one as you increase the other, and it is an incredibly long transition. Of the various different models you can take to make this change between transfer duty and land tax, you can just make the change and you can say from a particular date nobody pays transfer duty any more and we all move on to land tax. There are obvious disadvantages with that. Someone who has been in a property for 40 years and all of a sudden—they have paid their stamp duty 40 years ago, they are planning to live in that property until the time they pass away—they have to pay land tax and they are cash poor and asset rich because they are retired. That particular option has obvious issues with it.

There are also benefits to it. You do not end up with a revenue gap because of a transition period. In terms of the approach that the ACT has taken, one of the benefits is there is no drop in revenue because at the same time your stamp duty revenue is coming down, your land tax revenue is coming up, so there is no major hit on the jurisdiction's budget. Again, there are potentially equity issues from the home owner's point of view, depending on when they purchase or sell property. Certainly my understanding from ACT Treasury officials is that there is a level of discomfort in the ACT community as the land tax rates are going up. There are lots of representations to the ACT Government about unhappiness with that. It is one of the acknowledged problems with that transition problem—that as more people pay more and more land tax, then they are going to complain more about it.

The Hon. WALT SECORD: But land tax is not subject to the volatility of stamp duty, is it not?

Ms WILKIE: That is correct, yes. That is one of the benefits to the Government, that it is a more predictable revenue stream.

The Hon. WALT SECORD: Are there any implications for New South Wales?

Ms WILKIE: From the ACT's transition? Not really. It is a small proportion of the Australian population and it is a small jurisdiction. If one of the bigger States was to—and to be honest to the extent when the ACT starts doing something like introducing land tax, to the extent that it encourages people to go across the border and buy a property in Queanbeyan and Goulburn, versus—

The Hon. WALT SECORD: That was the question. I did not phrase it properly, I meant cross-border issues.

Ms WILKIE: The population of the ACT is small enough that, to be honest, it is a rounding error for us; it is not really a major consideration for us. More of the consideration amongst the States is when the bigger States undertake a major policy change like that, it has more impact on us because there is more weight then across the jurisdictions on a particular shift in policy direction. It has more of an impact in terms of, I guess moral suasion rather than economic, because of an economic impact.

The Hon. WALT SECORD: While we are on the subject of the ACT, I direct this to Mr Pratt—and if you do not have the information here you can take it on notice—there is a proposal that just passed through Yass

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Valley Council last week involving a development called Parkwood. It is a large, large development. As part of that there is now speculation about changing or altering the New South Wales–ACT border involving the area of Murrumbateman. Has any work been done or any consideration of that proposal: changing the New South Wales–ACT border?

Mr PRATT: I am not aware that there is, Mr Secord. That would probably emanate through the planning department. It would be a question for them, I would suggest.

The Hon. WALT SECORD: I return to an area that has been in the public arena: the ongoing failure to respond to the apartment housing quality and cladding sector. In a recent report the Productivity Commissioner said that if the apartment construction sector is left unregulated this would cause "overall loss of confidence in the market for new apartments, which would reduce housing production." Mr Achterstraat, do you still stand by those comments from your report?

Mr ACHTERSTRAAT: Yes. Thank you very much, Mr Secord. If I can just answer that more fully by giving a bit of a schematic about the report. The aim of the report is a discussion paper to start a conversation on productivity. What we are hoping to do is elicit ideas from the general community, which we can then put in a more specific green paper that will say, "These are some of the ideas that can go forward." Then after the green paper we can move to my specific recommendations. We have got the six chapters. The planning is in there and we do make a couple of comments. We refer to best practice in other States, except we do not make any recommendations in there. We do cover things like the regulation of apartment sizes and things like that. But what we are after is for the general public to come to us—I think someone mentioned institutions as well—and say, "Here are some ideas which we think you should take forward."

The Hon. WALT SECORD: What is your time frame on that? When will the green paper occur?

Mr ACHTERSTRAAT: We have asked for public submissions by 27 November. I am out and about with roundtables etcetera, getting views from people. We are hoping for the green paper to be in the first quarter of next year. That will be other's ideas. The background to the discussion is to say: Look, bureaucrats do not have all the answers on productivity. Here are some thoughts that might jig conversation. We are getting the people who know a bit closer to it to come forward with ideas, including people involved with planning on all spectrums.

The Hon. WALT SECORD: Ms Wilkie, have the recent Opal and Mascot towers affected stamp duty return and return over other apartments in the sector?

Ms WILKIE: Not to any extent that is identifiable in the data, no.

The Hon. DANIEL MOOKHEY: Mr Nagle, these are questions arising from the line of questioning of my colleague to do with the Home Building Compensation Fund. Firstly, has icare determined whether or not the flammable cladding on a building is something that can be claimed against the HBCF?

Mr NAGLE: Cladding was made illegal some years ago.

The Hon. DANIEL MOOKHEY: Flammable cladding.

Mr NAGLE: So if a builder has actually put cladding on a building, it would be a claim against the policy. In the normal circumstances the builder has to disappear or go into default.

The Hon. DANIEL MOOKHEY: Have you undertaken any actuarial assessment as to what potential claims against the fund can be made in respect to the issue of illegal flammable cladding?

Mr NAGLE: For the home builders fund?

The Hon. DANIEL MOOKHEY: Yes.

Mr NAGLE: No.

The Hon. DANIEL MOOKHEY: Are you on the New South Wales Government's Cladding Taskforce?

Mr NAGLE: We have had some input into that.

The Hon. DANIEL MOOKHEY: What do you mean by that?

Mr NAGLE: Our Insurance for NSW team, which looks after all of the Government's assets, has given information on what assets we have recorded. We have been in discussion with the taskforce to understand: is there a cladding issue more broadly across some of the Government's assets. It is an important piece of information that we have to give global reinsurers when we talk to them.

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The Hon. DANIEL MOOKHEY: You insure New South Wales Government buildings?

Mr NAGLE: That is right.

The Hon. DANIEL MOOKHEY: How many New South Wales Government buildings are you aware of that there is an insurance liability? Sorry, when you say you insure New South Wales Government buildings, that is from the Treasury Managed Fund. Is that correct?

Mr NAGLE: That is correct.

The Hon. DANIEL MOOKHEY: It is not the HBCF?

Mr NAGLE: No.

The Hon. DANIEL MOOKHEY: I will break the questions down in those two respects. In terms of the New South Wales Government-owned buildings that have flammable cladding, have you prepared any assessments as to what the liability could be to the Treasury Managed Fund for them?

Mr NAGLE: I do not believe that we have any liability into the scheme at the moment. It is still a matter for the Government and government agencies as to how they want to go about replacing that cladding, because it would not be a claim per se unless there were damages.

The Hon. DANIEL MOOKHEY: Yes.

Mr NAGLE: I do not have information available as to which buildings are impacted at the moment.

The Hon. DANIEL MOOKHEY: But in order for you to do your risk assessment, presumably you would ask which Government buildings have the cladding on. That is correct?

Mr NAGLE: That is correct.

The Hon. DANIEL MOOKHEY: And have you asked that?

Mr NAGLE: Yes, we have.

The Hon. DANIEL MOOKHEY: And what was the answer that was given to you?

Mr NAGLE: I do not have the information. I would have to take it on notice.

The Hon. DANIEL MOOKHEY: We have heard from what I think is now the better regulation division of the Customer Service cluster that there are at least 17 Government buildings that are still at high risk of highly flammable cladding. Does that accord with your recollection?

Mr NAGLE: It sounds familiar.

The Hon. DANIEL MOOKHEY: One of which they have noted is, for example, the Ultimo TAFE. Are you aware of that?

Mr NAGLE: No. Look, I am not. I know the broad numbers of buildings involved but the issue would be: Is the agency in the process of replacing the cladding or not? We would pass that information on to reinsurers and for our own records. The cladding is not a problem unless there is a problem in that sense of fire.

The Hon. DANIEL MOOKHEY: Yes, I agree with that, of course. But every insurer, particularly in the process of issuing a premium or a contract of coverage, would go to any person seeking a premium to ensure that they are taking appropriate steps to minimise the risk to the insurer. That is correct?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: Does icare require the property owners of Ultimo TAFE, which I think is the Department of Education or the TAFE Commission, to take any changes down?

Mr NAGLE: I am not sure that we have required them to. We are in discussions with them over what their plans are. Quite often the cladding is actually okay if the appropriate fire protection is around the cladding. A lot of modern buildings are built with modern fire suppression on the external parts of the building and the cladding can actually be used quite safely at that point.

The Hon. DANIEL MOOKHEY: Given that these buildings already have been deemed high-risk cladding—and I accept your point that there is some cladding that is not at risk—for which we are still trying to get to the bottom of what rectification the New South Wales Government is pursuing, the question I am asking you is: As the insurer, are you making any requirements of them to make any changes to the cladding?

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Mr NAGLE: We are not making any requirement but we are monitoring their plans.

The Hon. DANIEL MOOKHEY: What about SafeWork NSW property?

Mr NAGLE: I am not aware of any particular issues with their property.

The Hon. DANIEL MOOKHEY: It has come to public attention that its headquarters, remarkably, has flammable cladding on it. It is a building designed by Property NSW. Is Property NSW now in this cluster?

Mr PRATT: No. It is in the Department of Planning cluster.

The Hon. DANIEL MOOKHEY: Right. It is hard to keep up. Are you taking any steps to mediate the risks there?

Mr NAGLE: It would be the same discussion. Our job as an insurer is to pay claims. Our job is to also give them advice on where we believe they may have risks and exposures that they are not aware of or, if they are aware of them, where that exposure could go to. In terms of a known problem like this, it is up to the agencies and Treasury to work through how that is rectified through their budget process.

The Hon. DANIEL MOOKHEY: What are you telling the global reinsurers about this risk?

Mr NAGLE: That we are aware that we have a number of government buildings. We have an assets schedule that is in the tens of thousands—\$198 billion worth of government assets—and we have about, as you say, 17 buildings that are impacted. On any particular single building it probably does not breach our reinsurance arrangements. It would be a net loss to the Treasury Managed Fund. If there was a pocket of buildings, in which case your exposure is greater, it could then go to the reinsurers. That is what they would look at: What is their exposure? What we are trying to show to them is that we are aware of the problem, that we are engaged with the customer, the department at the time, and what those plans are around replacement.

The Hon. DANIEL MOOKHEY: When you say that that is what you are saying to the global reinsurers—firstly, who are the global reinsurers?

Mr NAGLE: It is a combination of Lloyd's syndicates and global insurance companies.

The Hon. DANIEL MOOKHEY: When do you expect that dialogue to complete?

Mr NAGLE: We have just completed it.

The Hon. DANIEL MOOKHEY: They are satisfied? They adjusted the premiums?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: They have adjusted the premiums?

Mr NAGLE: Not for cladding or anything like that; just in terms of the normal cycle of reinsurance.

The Hon. DANIEL MOOKHEY: On the aspect of the HBCF, are you aware that the Cladding Taskforce has made a decision to automatically deem all buildings under three storeys to not be at high risk, even if they have highly flammable cladding?

Mr NAGLE: I am not personally aware of that, no.

The Hon. DANIEL MOOKHEY: We learned that yesterday. It is quite remarkable because the problem is that the HBCF covers buildings only up to three storeys. It kind of looks like they have transferred all liability onto you for buildings under three storeys. Did you have any input into that decision?

Mr NAGLE: I would have to check with our team. But, look, we have been involved in discussions so the way that the cover works is that as long as the builder has some interest in taking accountability, cover is one of last resort. The builder has to have died or gone bankrupt.

The Hon. DANIEL MOOKHEY: But you are aware that the New South Wales Government estimates that there are at least 5,000 buildings that have some form of cladding, of which it has deemed 600 to be of high risk, and it is working its way down to the removal stage. But to date we have learnt that only 17 buildings—I could be wrong in that but I think it is only 17 of those 4,000 or 4,466—have actually had the cladding removed. Over the period of time in which this was installed, it is reasonably foreseeable that a lot of those builders have gone bankrupt or they are no longer existing and therefore this claim would be triggered. It is just remarkable that the Government has automatically deemed all buildings under three storeys to be exempt—automatically deemed not high risk—and therefore not eligible for any further government action. Surely that must have some impact on the HBCF?

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Mr NAGLE: We would have to look into the incidences we have had where people have reported that they have cladding on their building and the builder has disappeared.

The Hon. DANIEL MOOKHEY: Do you know the list? Have you been provided with a list of every known building that the New South Wales Government has?

Mr NAGLE: I am not aware of that list, no.

The Hon. WALT SECORD: Mr Pratt, I was wondering if you could direct us to the official who has carriage involving funding of Restart NSW?

Mr PRATT: Yes. That is Mr Midha.

The Hon. WALT SECORD: What is the current status of the fund? What is the percentage at the moment? Can you bring me up to speed on Restart NSW? What is the current state of play?

Mr MIDHA: I will have a look at it. Most of the fund is committed. I will just find you the exact amount. It was reported in the budget paper. There is about \$24.8 billion in commitments as of 30 June 2019.

The Hon. WALT SECORD: I am sorry, can you repeat that?

Mr MIDHA: Sure. Commitments are \$24.8 billion and reservations are \$8.3 billion and the unallocated balance is \$0.2 billion.

The Hon. WALT SECORD: That is \$0.2 billion?

Mr MIDHA: Yes, \$0.2 billion.

The Hon. WALT SECORD: I understand there was a commitment that 30 per cent of the funding would go to regions.

Mr MIDHA: That is correct.

The Hon. WALT SECORD: What is the definition of regions?

Mr MIDHA: It is all of New South Wales that excludes the Sydney metropolitan area, Wollongong and Newcastle.

The Hon. WALT SECORD: So outside of Sydney, Wollongong and Newcastle?

Mr MIDHA: Yes.

The Hon. WALT SECORD: The commitment is 30 per cent. What is the current allocation in a percentage of the funding to regional New South Wales?

Mr MIDHA: It is 30 per cent and has been. If you look at the total of commitments and reservation, it is 30 per cent to the regions.

The Hon. WALT SECORD: I understood that in the mid-year review it was 18.9 per cent you were allocating so there is a discrepancy between 18.9 per cent and the budget papers saying 29 per cent or 30 per cent.

Mr MIDHA: Yes.

The Hon. WALT SECORD: Why is there a discrepancy?

Mr MIDHA: It is in the timing. It does not mean that all 30 per cent—it is the portion of expenditure that has occurred. Eighteen per cent of it is in the region, but eventually, once all the funds—the 30 per cent of Restart—have been expended, it will be 30 per cent.

The Hon. WALT SECORD: When will we reach the 30 per cent of Restart NSW?

Mr MIDHA: There is no absolute number because the projects have to be approved and the projects have to have been started and completed, and it will be beyond the forward estimates.

The Hon. WALT SECORD: Beyond the forward estimates?

Mr MIDHA: That is it. But it is anticipated that almost 80 per cent of the fund will be expended over the forward estimates.

The Hon. WALT SECORD: Is there a projected period when you will meet 30 per cent for regional New South Wales?

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Mr MIDHA: Is there a period, sorry?

The Hon. WALT SECORD: Is there a timetable or a circle on the calendar indicating that by 2023 we will have reached 30 per cent?

Mr MIDHA: No. It will depend on when the fund fully runs down.

The Hon. WALT SECORD: Okay. When will the fund fully run down?

Mr MIDHA: At this point in time, all the projects that are committed to finish were finished. As I said, if you take that into account about 80 per cent of the fund would be expended over the forwards and the balance of 20 per cent would go beyond the forward estimates.

The Hon. WALT SECORD: So 20 per cent would be beyond the forward estimates?

Mr MIDHA: Yes.

The Hon. WALT SECORD: Can you explain to me the \$8.3 billion reservation?

Mr MIDHA: Yes.

The Hon. WALT SECORD: Can you explain the concept of reservation?

Mr MIDHA: The reservation of projects that are identified—buckets of money that are to be spent from this fund but they have not got a project case or a business case that has been completely approved so therefore it has not been committed as yet.

The Hon. WALT SECORD: Do they appear on the business paper reservations?

Mr MIDHA: Yes, they are in *Budget Paper No. 1*, I think it might be. I can check on that.

The Hon. WALT SECORD: Mr Pratt, what is the status of the plans for the Forestry Corporation scoping study and a timetable?

Mr PRATT: Yes, I will get Mr Gardner to comment in a moment but, as you know, we issued the scoping study. We have just appointed advisers now, which Mr Gardner can cover so I will hand over to him.

The Hon. WALT SECORD: Those advisers are UBS, is that right?

Mr GARDNER: UBS, Minter Ellison, KPMG, Margules Groome, and Procure Group as probity adviser.

The Hon. WALT SECORD: How much has been budgeted for the scoping study?

Mr GARDNER: I do not have a number. Obviously all these contracts will be listed on eTendering. All the details of what we actually spend will be published in the Crown financial statements.

The Hon. WALT SECORD: Will you provide those names again?

Mr GARDNER: UBS, Minter Ellison, KPMG, Margules Groome and Procure Group.

The Hon. WALT SECORD: What is the timetable for the scoping study?

Mr GARDNER: The timetable for the scoping study is to complete that by the end of this year or early next year with a view that the Government will be given an opportunity to make a decision, depending on its own timetable, as early as new year.

The Hon. WALT SECORD: Have the terms of reference for the scoping study been released?

Mr GARDNER: No, they have not been released.

The Hon. WALT SECORD: Will they be released?

Mr GARDNER: No, that is a document that is there to assist the Government make its determination. So that will be a Cabinet-in-confidence document.

The Hon. WALT SECORD: The terms of reference will be Cabinet-in-confidence?

Mr GARDNER: It is part of that. It is just within the scoping study. That is correct.

The Hon. WALT SECORD: Do you know if the Blowering Nursery is part of the scoping study?

Mr GARDNER: I am not aware whether or not that is within the scoping study.

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The Hon. DANIEL MOOKHEY: In respect to the scoping study, it will provide advice to the Government on the method of sale which will be pursued?

Mr GARDNER: If the Government wants to pursue a sale, the scoping study would make recommendations around the different opportunities and the different types of sale strategies they could employ, yes.

The Hon. DANIEL MOOKHEY: Will it undertake a separate valuation of the asset, separate to what Treasury already maintains?

Mr GARDNER: The point of having the particular advisers on board, the technical advisers and the financial advisers, is to assist the Government to make a determination on prospective market value for the business that is going to be transacted, if the Government does make that decision, yes.

The Hon. DANIEL MOOKHEY: But will the scoping study rely on a Treasury assessment of its value or will it produce its own valuation?

Mr GARDNER: It will be producing its own—there will be a range of potential outcomes based on a range of different methodologies. That is common practice with scoping studies.

The Hon. DANIEL MOOKHEY: In terms of the scope of the asset that is being considered as part of the scoping study, does it include roads that the Forestry Corporation of NSW currently owns and maintains?

Mr GARDNER: The purpose of the scoping study is to actually very specifically define what assets are in and what assets are out, so that will be a result of the scoping study recommendations. It is then a matter for the Government to determine if that is in line with its intentions and policy.

The Hon. DANIEL MOOKHEY: You are saying that Treasury has not yet reached its own view as to what the assets comprise; you are relying on the scoping study to provide you with the advice on that?

Mr GARDNER: We have a range of people within the forestry business and within relevant departments who are familiar with the business and the assets. But I am just saying that we have not landed on a final recommendation to the Government about what is in and what is out. So that work is being undertaken at the moment.

The Hon. WALT SECORD: Mr Pratt, the budget papers contain a section on the drought. There was also some Treasury speculation that the drought would lift within the forward estimates. Is Treasury still operating on the assumption that the drought will end before the end of the forward estimates?

Mr PRATT: I would have to check the exact wording, if we could just check the budget papers.

The Hon. WALT SECORD: Is there someone else who can assist? Has the impact of the drought and the uncertainty involved with the drought—

Ms WILKIE: I remember us talking about this last time as well. In general on issues like the drought we would put a lot of weight on the forecast from the Australian Bureau of Agricultural Research Economics, or ABARES, the economic and research function that sits in the Federal Department of Agriculture. I must admit I have not recently looked at what their predictions or forecasts are in terms of when they expect the drought to lift. I would have to go back and have a look at those.

The Hon. WALT SECORD: Mr Pratt, has Treasury revised its projections or modelling involving the drought?

Mr PRATT: No, it has not yet but we will do a half-year budget update forthcoming in December and I would expect we will be looking at that as part of that review.

Ms WILKIE: We will do a full new economic forecasting round, and revenue round, for the half yearly review. That will include recasting our view on the drought and when its impacts are supposed to pan out.

The Hon. WALT SECORD: Has a date been picked for the handing down of the mid-year review in December?

Mr PRATT: Yes, it has, 12 December.

The Hon. WALT SECORD: Has any work been done about waiving payroll tax, or providing assistance to not people who are on the land but people who are in regional centres affected by the impact of the drought—for example, if you are in Dubbo, Tamworth or Armidale? Has any consideration been given to waive or defer payroll tax for large employers in those centres?

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Mr PRATT: No, it has not, not at this stage.

The Hon. WALT SECORD: Is that under consideration?

Mr PRATT: I would not rule anything out but it certainly has not been raised at this point.

The Hon. WALT SECORD: Has there been an increase in funding involving water carting or providing assistance for rural and regional areas involving the drought at the moment?

Mr PRATT: I would have to come back to you on this. Mr Midha has that detail with him on the full funding.

The Hon. WALT SECORD: Can you assist?

Mr MIDHA: Yes, I can give some details around the drought assistance package so far. In the budget we announced a \$700 million increase in drought assistance—\$350 million for the Farm Innovation Fund, which provides concessional loans to farmers; \$170 million for the Drought Stimulus Package to fund infrastructure and town water; and a further \$185 million to continue on-farm drought assistance. The \$185 million is made up of \$70 million in transport rebates for fodder, water and stock; \$50 million to waive Local Land Services annual rates; \$13 million to provide relief from fixed water charges for drought-affected irrigators; and \$10 million in Farm Innovation Fund interest relief.

The Hon. WALT SECORD: As part of the \$170 million water package, there has been an increase in the number of towns that are now weeks or days away from no water. I think that is up to 40 towns. Has that package been revised or altered?

Mr MIDHA: Not yet. A number of expansions have been made. I can list them out if you like?

The Hon. WALT SECORD: Yes.

Mr PRATT: There is \$15 million for a new groundwater supply in Dubbo; \$2.2 million to augment Coonabarabran's existing bore water supply; \$2 million for Narromine water security; \$2 million for Albert Priest Channel, Nyngan and Cobar; and \$8.2 million to enable the construction of a second water storage in Nyngan.

The Hon. DANIEL MOOKHEY: That is on the operating side of the budget, is that correct?

Mr MIDHA: Sure.

The Hon. DANIEL MOOKHEY: What about the capital side of the budget?

Mr MIDHA: Two new dams have been announced a couple of weeks ago. There was a \$650 million upgrade of the Wyangala Dam in central New South Wales and \$480 million for a new Dungowan Dam near Tamworth. These are both 50:50 contributions by the Commonwealth and by the New South Wales governments.

The Hon. BEN FRANKLIN: That is great.

Mr MIDHA: Twenty five per cent of the Commonwealth Government's contribution is in cash and 25 per cent is in a loan. There is also \$24 million that has been allocated for a feasibility assessment of dam projects on Mole River near the Queensland border.

The Hon. DANIEL MOOKHEY: Will this money be acquitted by WaterNSW? Are they going to be the people who use it?

Mr MIDHA: At this stage Wyangala will be run by WaterNSW. Dungowan is at the moment owned by the Tamworth Council. I think the dam is being built beside the existing dam, and that is in discussion with WaterNSW on how that will be built going forward.

The Hon. DANIEL MOOKHEY: Mr Gardner, this might be more for you—through you, Mr Secretary, of course. When is WaterNSW statement of corporate intent [SCI] due for next year?

Mr GARDNER: I think it will be tabled in the Parliament in late November.

The Hon. DANIEL MOOKHEY: So have you already resolved it?

Mr GARDNER: Most of the SCIs for the year have been resolved, so any updates that are made to the capital programs will be made through the quarterly reporting cycle that we receive. So there may well be some differences between SCIs and capital plans as the Government is still working with the businesses on what those plans look like.

The Hon. DANIEL MOOKHEY: Have you set the dividend target for WaterNSW for next year?

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Mr GARDNER: We have dividend targets in our budget but it will be a matter for review for the half year, and we will obviously take into account the updated status of the business and the drought and determinations across all the water entities, electricity entities. So there will be scope for change in the dividend profiles.

The Hon. DANIEL MOOKHEY: So expenditure of the money by WaterNSW, which Mr Midha just made reference to, is included in the capital budget for what period of time?

Mr MIDHA: I do not have a timing on it. There is no timing on the dam. It has just been announced. There will be a feasibility study and then that will proceed ahead.

The Hon. DANIEL MOOKHEY: WaterNSW would have to, when it submits its pricing charges to Independent Pricing and Regulatory Tribunal [IPART] for approval, incorporate the additional capital expenditure; is that correct?

Mr GARDNER: They will be seeking to recover those, but it depends on where that process is at when the determination is finalised.

The Hon. DANIEL MOOKHEY: Let us unpack that. When you say they will be seeking to recover that, would they be seeking to recover that in the next filing that they must make with IPART?

Mr MIDHA: I do not know whether they will be, at this stage.

The Hon. DANIEL MOOKHEY: Does Mr Gardner know?

Mr GARDNER: I do not know either.

The Hon. DANIEL MOOKHEY: When is the next filing due by WaterNSW, do you know?

Mr GARDNER: WaterNSW submitted its metro pricing proposal for the four-year period from 1 July 2020 to 2024 so IPART will issue its first issue paper in September. It must have just published it. Final determination is due in June 2020.

The Hon. DANIEL MOOKHEY: That is metro?

Mr GARDNER: That is metro, yes.

The Hon. DANIEL MOOKHEY: What about regional? Essential Water might be, too.

Mr PRATT: We will take that on notice.

The Hon. DANIEL MOOKHEY: Sure. But to be clear, at this point Treasury is not considering providing an exemption or a deferral on the cost recovery of the additional capital expenditure for the purpose of the next water determination? Is that accurate?

Mr MIDHA: The announcement has just been made so as part of, I guess, the half-year consideration there could be further discussions around that.

The Hon. DANIEL MOOKHEY: As of now there is no policy in place to defer the recovery of the additional capital expenditure by WaterNSW given that you said a minute or two ago that WaterNSW will be recovering the cost of capital of this aspect?

Mr MIDHA: We need to confirm that so—

The Hon. DANIEL MOOKHEY: But it means effectively that the end user will be paying for this capital. What additional price impact is going to be passed on to residences and businesses that rely on WaterNSW?

Mr MIDHA: If that happens, yes. But as I said, we need to have a closer look at that. I do not believe that any decision has been made on that as yet.

The Hon. DANIEL MOOKHEY: But right now the prevailing policy settings, absent any change from the Government, will be to pass those charges on through the next IPART determination? That is correct?

Mr GARDNER: We have not made a decision on that. We will be working with the State-owned corporations and with the Cabinet and with the department—

The Hon. DANIEL MOOKHEY: I accept that you have not made a decision on that, but the existing policy to recover capital expenditure—

Mr MIDHA: On water infrastructure. That is correct; that is the default.

UNCORRECTED

The Hon. DANIEL MOOKHEY: That is the default policy?

Mr MIDHA: We need to confirm on a drought condition if this is a drought investment and what fund it comes out of, and how it will be recovered. That is yet to be determined. This might be different.

The Hon. DANIEL MOOKHEY: We have had the two dams announced and the millions that you just said. It has been said that it is for drought relief but we do not know whether it is coming from a drought fund.

Mr MIDHA: I cannot tell you off the top of my head, specifically. I can have a look at which funds—

The Hon. DANIEL MOOKHEY: But do you accept that the residents of these towns who are under drought conditions, as well we businesses, might not necessarily see this as the victory it is if it is going to result in their water bills going up at a time when they can least afford to pay them? Is that something which can be considered by Treasury or not?

Mr MIDHA: We do not have a policy on it at this stage so we have to work on it.

Mr GARDNER: The WaterNSW rural pricing determination last came into effect on 1 July 2017, so it will be a 2021 determination.

The Hon. DANIEL MOOKHEY: But they have an opportunity to seek a variation to this determination.

Mr GARDNER: They do.

The Hon. DANIEL MOOKHEY: Is that something which is being considered by WaterNSW?

Mr GARDNER: That would be a matter for the policy Minister—for the business to work specifically with the policy Minister on, yes.

The Hon. DANIEL MOOKHEY: But whether they can do that depends on what requirements you set for them as to what the return is that they owe the taxpayers of New South Wales for the capital we have provided them. Thus it all eventually goes up to you, because WaterNSW cannot change this unless Treasury says to them: You can because we do not want as many dividends as we had before. You are pretty powerful.

Mr GARDNER: As I said, we are able to modify the dividend profile. We will be modifying dividend profiles based on determinations on the capital requirements and on the operating requirements of the business, how much they have to fund off their balance sheet, how much of it is recovered. As San said, we have to work through that process to work out where and when the costs of those programs—

The Hon. DANIEL MOOKHEY: When is someone in Armidale going to know what the price is when the water comes out of the tap?

The Hon. BEN FRANKLIN: With respect, Mr Mookhey, we have some hours to continue this. Perhaps the witnesses might like to break for lunch.

The Hon. DANIEL MOOKHEY: I am like the dripping tap; I just cannot stop.

The CHAIR: The witnesses are excused for the lunch break.

(Luncheon adjournment)

The CHAIR: Welcome back, everybody. We will start with questions from the Opposition.

The Hon. WALT SECORD: Thank you very much. I would like to ask a couple of quick questions to the Productivity Commissioner. You would have seen Deputy Premier John Barilaro's recent comments where he called for the considering of a position increasing Newstart. How would increasing Newstart affect productivity or what would be the impact in New South Wales?

Mr ACHTERSTRAAT: They are exactly the sorts of initiatives and ideas we are looking for in response to our discussion paper, Mr Secord. Whether that might help get more people into employment or education, et cetera, we will be considering all of those. I am not in a position to give a comment yet until we have done an analysis in more detail.

The Hon. WALT SECORD: Mr Pratt, earlier today we talked about discussions with the Federal Government involving infrastructure and you talked about the metro west. On that list, I know you said it had not been finalised, but is Parramatta Light Rail stage two one of the projects that is exercising your attention?

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Mr PRATT: As I said earlier, Mr Secord, I cannot talk specifically about what may or may not be on the list. It is in discussion at the moment and I cannot give you any further details.

The Hon. DANIEL MOOKHEY: On the Parramatta Light Rail, has Transport for NSW informed you that in order for it to build Parramatta Light Rail stage two a Federal contribution is required?

Mr PRATT: Not to my knowledge.

Mr MIDHA: No.

The Hon. DANIEL MOOKHEY: About two years ago it came to public light that the estimated total cost at the time for the Parramatta Light Rail was \$3.3 billion. One of the risks to the project that was clearly flagged by Transport for NSW was that the project could only proceed if there was to be a contribution from the Commonwealth Government of circa \$1 billion of that cost. Were you aware that Transport for NSW had that view?

Mr PRATT: I have not seen that, no.

The Hon. DANIEL MOOKHEY: Has Transport for NSW approached you in the past 12 months to nominate this project as something that should be pursued with the Commonwealth agency in any process whatsoever?

Mr PRATT: Certainly not to me.

Mr MIDHA: Not with us, no.

The Hon. DANIEL MOOKHEY: To the best of Treasury's knowledge, Transport for NSW is not engaging with the Commonwealth directly? They would have to come through you, wouldn't they?

Mr PRATT: Well, they should not be, no.

The Hon. DANIEL MOOKHEY: They should not be?

Mr PRATT: Yes, that is correct.

The Hon. DANIEL MOOKHEY: They have to come to you because that is pretty much exclusively within your province of your powers, is that correct?

Mr PRATT: Yes, funding is with us.

The Hon. DANIEL MOOKHEY: To the best of your knowledge, in the past 12 months they have not been in contact with Treasury to ask Treasury to speak to the Commonwealth on their behalf—on behalf of the people of New South Wales—to seek a contribution in respect of Parramatta Light Rail stage two?

Mr PRATT: Certainly not at this level, Mr Mookhey. Whether lower-level officials have had dialogue, I cannot say.

The Hon. DANIEL MOOKHEY: Presumably, you being the secretary, even if they have had some dialogue at a lower level, in order for this to be actually acted upon, you would have to know about it?

Mr PRATT: I would know about it, yes.

The Hon. DANIEL MOOKHEY: And you do not know about it?

Mr PRATT: No.

The Hon. DANIEL MOOKHEY: In the Restart NSW, how much money is reserved for the Parramatta Light Rail?

Mr MIDHA: I do not believe it is. I need to check on that.

The Hon. DANIEL MOOKHEY: Stage two is certainly not, is it?

Mr MIDHA: Stage two is not. No decision has been made on stage two at this stage.

The Hon. DANIEL MOOKHEY: And stage one is listed—I could be wrong—in the Transport for NSW capital expenditure parts of the budget papers, is that correct?

Mr MIDHA: Yes, that is right.

Mr PRATT: I think it is.

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Mr MIDHA: Parramatta Light Rail one is listed and that is funded but no decision has been made on Parramatta Light Rail two.

The Hon. DANIEL MOOKHEY: Either Mr Pratt or Mr Midha, is there any part of the budget that sets aside any money whatsoever for Parramatta Light Rail stage two?

Mr MIDHA: I am not aware of any, no.

Mr PRATT: We might have to take that on notice. I am just checking quickly, Mr Mookhey. If I cannot find it—

The Hon. DANIEL MOOKHEY: I could not find it so that is why I am asking.

Mr PRATT: We will take that on notice, if you do not mind.

The Hon. WALT SECORD: Mr Pratt, we read quite a bit and we noticed—what is the collection of royalties for mining in New South Wales in the last budget? I stand corrected, is it about \$2 billion?

Mr PRATT: That sounds about right, but I will check with Ms Wilkie.

Ms WILKIE: Just let me pull up the numbers for you.

Mr PRATT: Can we take that on notice too?

The Hon. WALT SECORD: That is fine. That has evaporated other questions I wanted to ask. Does Treasury tax new mining streams? They talk about new sources of minerals that are needed and things like that. How does Treasury determine or decide what the taxation level is on new resources or minerals? How does that occur?

Ms WILKIE: If there is no existing head of tax power, for example, the OECD or the IMF might have put out a research paper on the development of a new market and the prospects for taxation. We might look at how that might be applied in the New South Wales jurisdiction and might put a recommendation or proposal to the Government that that might be considered as a new taxation. We might be asked a question by the Government about whether—

The Hon. WALT SECORD: Does that happen very often?

Ms WILKIE: In the mining royalty space, not really, no. Certainly in the royalty space, particularly with the extraction and exploration of resources, we kind of know what is in the ground or have some idea of what is in the ground and most of that is covered through the taxation system. It is quite unusual for that sort of thing to happen.

The Hon. DANIEL MOOKHEY: Mr Nagle, I am going to ask a couple of questions about icare. First, I have a couple of questions about the matter we were talking about this morning that my staff reminded me that I forgot to ask. After the forensic file claim review was completed, was the report provided to your board?

Mr NAGLE: I believe it was provided to the Audit and Risk Committee.

The Hon. DANIEL MOOKHEY: What did they do with it?

Mr NAGLE: They would have reviewed it and reviewed the conclusions and the next steps.

The Hon. DANIEL MOOKHEY: Did they ratify any proposal for what the next steps should be?

Mr NAGLE: They would have confirmed those steps.

The Hon. DANIEL MOOKHEY: In so far as KPMG provided advice about stage four of the investigation and icare's decision not to proceed with that, was that decision endorsed by the Audit and Risk Committee?

Mr NAGLE: I would have to come back to you on that.

The Hon. DANIEL MOOKHEY: Were any of those matters sent from the Audit and Risk Committee directly to the board?

Mr NAGLE: The Audit and Risk Committee, which is made up of board members, would give a summary back to the board of any key issues.

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The Hon. DANIEL MOOKHEY: Do you mind coming back to us on notice with the meeting dates for the Audit and Risk Committee at which this matter was considered, as well as the meeting dates on which the Audit and Risk Committee provided that summary to the board?

Mr NAGLE: Sure.

The Hon. DANIEL MOOKHEY: Thank you. Did you impose any penalties on QBE by any chance?

Mr NAGLE: No. This matter was concluded earlier in 2018. My understanding is that there was a series of discussions with QBE and the corrections department, but I do not have that detail. I am happy to come back and provide additional detail.

The Hon. DANIEL MOOKHEY: But do you have the power to impose penalties?

Mr NAGLE: We do.

The Hon. DANIEL MOOKHEY: But you did not?

Mr NAGLE: Under the contract we could have had those discussions with them and changed the terms that they were operating under. We do not have a regulatory power to impose penalties, per se.

The Hon. DANIEL MOOKHEY: But you could, for example, impose a penalty on them for not complying with a key performance index or following the contract?

Mr NAGLE: Yes. That would have come through in their remuneration.

The Hon. DANIEL MOOKHEY: Did it, though?

Mr NAGLE: I would have to check and follow that through.

The Hon. DANIEL MOOKHEY: In respect to this matter, have you provided any advice or briefing, sent a note or disclosed any of this in any way, shape or form to either Treasury or your shareholding Ministers?

Mr NAGLE: I do not believe so, but we can look at that as well.

The Hon. DANIEL MOOKHEY: Were you meant to? Do you think you should have?

Mr NAGLE: No.

The Hon. DANIEL MOOKHEY: Moving on, do you know when the Dore review is coming out?

Mr NAGLE: My understanding is that it is due to come out in early December.

The Hon. DANIEL MOOKHEY: Yesterday we heard from the Minister for Customer Service that he has seen a draft report. Has icare been provided with a draft report?

Mr NAGLE: We have been given drafts of the Ernst and Young reports of expenses and claims and of the initial findings of the independent reviewer.

The Hon. DANIEL MOOKHEY: Have you had the opportunity to provide feedback on those initial findings?

Mr NAGLE: We have just finished giving feedback on facts. We have basically been fact checking and looking at context to understand how the conclusions would have been reached.

The Hon. DANIEL MOOKHEY: I will await the report before we ask you whether or not you accept the recommendations of the report, but are you in any discussions now with either SIRA or the reviewer about changes that icare might be making or has made that may or may not address the concerns it has?

Mr NAGLE: It is part of the technical responses we have given, because the review is very particular. It is primarily driven out of the 150 submissions that we received. You know, 126 of those were from employers and brokers so a lot of the questions have been around premiums and/or processes that were occurring in 2018. So a lot of our feedback has been about what has occurred in that period and then what changes we have made since that 2018/early 2019 period. Most of that goes around our single system, which launched in February 2019, and that is a fundamental shift that we now have in control over the scheme.

The Hon. DANIEL MOOKHEY: Did you see Ms Donnelly's evidence to budget estimates or have you read it?

Mr NAGLE: No.

UNCORRECTED

The Hon. DANIEL MOOKHEY: The way in which she explained the purpose of the review that she commissioned was to look into the decline of return to work rates. That is not necessarily what you just described as being the focus of the Dore review.

Mr NAGLE: No, it is part of it.

The Hon. DANIEL MOOKHEY: Well, she seemed to put it out that that was a major part of it or the predominant reasons for why she commissioned it, particularly about the decline of return to work rates by claims being managed by EML, which is the primary one. I think last time I checked the figures it was at the time of the main budget estimates hearings and it was circa 59 per cent within four weeks—but I could be wrong on that. Where are we up to now?

Mr NAGLE: EML are coming back closer to our longer-term targets.

The Hon. DANIEL MOOKHEY: What is your longer term?

Mr NAGLE: The biggest differential we have, and one of the key issues that has to come out of the review, is that there has been a significant difference between us and SIRA since they introduced a new measure in August 2018. The historical return to work measure, say, on the 26-week measure, which is the traditional one, would show a decline from around 75 per cent or 76 per cent to about 71 per cent. The SIRA measure shows a decline from about 88 per cent down to about 70 per cent, which is far more dramatic. That is because they are using a new methodology that we do not believe uses sound fields in terms of the data collection points that they have used. So that is going to have to be one of the key outcomes that we resolve following the review. In terms of where EML's performing is, we have been working with them progressively to iron out various issues. In February—they went backwards from February through to late March as we rolled out our new system. We got them to agree to bring in some support from a consulting firm, who has been working with them to bring their standard—

The Hon. DANIEL MOOKHEY: Which consulting firm?

Mr NAGLE: It is a firm called The Bridge International. And what they have done is they have helped them get consistency in their delivery, because that is what has been lacking.

The Hon. DANIEL MOOKHEY: Okay. Effectively is it an incorrect characterisation of what you just said, to say that you and the regulator disagree as to how your success should be measured?

Mr NAGLE: No. We accept return to work rates have declined—we accept that. The reasoning we have some differentials with the regulator and ourselves, and the degree of the decline we disagree with, is based on the measurements. So what we are saying is that when we introduced changes to the scheme in 2017 we were moving towards a fairer scheme. A lot of the feedback we had had in the law and justice and other committees and anecdotal evidence was that people were being forced back to work, that there was a lot of inequity across the scheme in terms of balance of power between employers and injured workers. We have tried to correct a lot of that and that automatically means that you will have a reduction in return to work rates.

In fact, we can measure now that people who are returning to work are returning to more sustainable work, which was one of the key outcomes of the legislation. In addition to that, the number of disputes that we are having across the scheme have dropped. The number of successful disputes across the scheme have reduced. That means that we are making better decisions as we go forward. So overall we think the scheme is headed in the right direction. If you are just taking a blunt instrument, which is what return to work rates are, you get a different reading.

The Hon. DANIEL MOOKHEY: Does icare accept that the Dore review is a fair review of its practices?

Mr NAGLE: Until she finalises her reports I cannot comment on that. What we do know is that we have upset a number of employers and brokers, sometimes quite rightly. We have changed just about everything in the way the scheme is administered. We have not always got that right, we have not always communicated that right and we do make mistakes.

The Hon. DANIEL MOOKHEY: EML's contract is up for next year as well. Is that correct?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: Are you intending to maintain the same delivery model?

UNCORRECTED

Mr NAGLE: The delivery model has been in development now for two years. We announced back in August that the model will be going onto its next stage, which is what we call the authorised provider model. That was designed around the large employer groups that have more employee benefits, of which workers compensation is one. Their feedback to us, when we first started looking at the reforms, was that workers compensation actually interferes in their relationship with the injured worker. So the model was designed to change the number of scheme managers we had in the scheme to make it more efficient.

Secondly, it was to actually allow us to get all of the data onto one system, which started to happen in February. So later this year—in fact, in a couple of weeks—we will be announcing who the authorised providers are. The larger employers will then have a choice as to who they engage. The larger employers generate 65 per cent of the claims. EML will continue to be the default provider for all other claims.

The Hon. DANIEL MOOKHEY: Now I want to turn to some of the answers that icare has provided on notice. Firstly, thank you for providing some of the data here. I apologise for the fact that, now that you have provided the data, I am going to ask some questions about it. On page 15 of the answers that have come back on notice you have listed the key performance indicators that EML is subject to. I do not know if you have that available to you.

Mr NAGLE: Not in front of me.

The Hon. DANIEL MOOKHEY: Okay, I do not think that you are required to have it but thank you for providing it. With respect to the return-to-work outcomes, which is KPIs 18 to 21, has icare imposed any penalties on EML for not meeting the standards that were required of it?

Mr NAGLE: EML has some incentives built around its performance.

The Hon. DANIEL MOOKHEY: Have you withheld?

Mr NAGLE: Yes, we have.

The Hon. DANIEL MOOKHEY: How much?

Mr NAGLE: So it was entitled to just short of \$5 million. We have paid \$750,000.

The Hon. DANIEL MOOKHEY: Is that a definitive decision? It will not have the opportunity to recover that?

Mr NAGLE: I am sure it will continue its discussions.

The Hon. DANIEL MOOKHEY: Is that \$5 million over a 12-month period?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: And so was that for the last financial year?

Mr NAGLE: That is right.

The Hon. DANIEL MOOKHEY: What about this financial year?

Mr NAGLE: We have not resolved those numbers yet. So it is actually running on calendar year. The new scheme started in January 2018.

The Hon. DANIEL MOOKHEY: When will you be making the decision about whether it gets payment for this calendar year?

Mr NAGLE: That will probably be in February or March.

The Hon. DANIEL MOOKHEY: Thank you. Coming back to your answers on notice, I turn quickly now to the issue of silicosis. Firstly, are you aware that last week the Government made some policy announcements in this respect?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: How much money will those policy announcements save the scheme?

Mr NAGLE: Sorry. I do not understand the context of the question.

UNCORRECTED

The Hon. DANIEL MOOKHEY: A week ago, I think, the New South Wales Government—by the way, did they consult you before they made any policy announcements about the treatment of silicosis? When I say "they", I mean the Better Regulation Division of the Department of Customer Service.

Mr NAGLE: We have answered a number of questions from them, yes.

The Hon. DANIEL MOOKHEY: So you are aware that they announced that they are going to be introducing a new exposure standard of 0.05 milligrams per cubic metre over an eight-hour day?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: And you are aware that they are offering \$1,000 rebates to businesses?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: So the New South Wales Government says that these policies are going to work. So how much money will they save and how many claims will they prevent?

Mr NAGLE: I could not calculate that. In terms of the new standard, the standard we have always measured to is zero: What is the actual impact on the people that we are screening? So if there is any sign—and over the last 12 months, because we have screened more people for silicosis, we have found more instances of people with silicosis but the ratio or the impact to them at zero is quite high. So there is a lot of people who have indicative signs but have no impact. I think we have had an increase from nine people per annum, as an average. Over the last 12 months, because we have more than doubled the screening, we have 40 people.

The Hon. DANIEL MOOKHEY: So does the insurer think the provision of a \$1,000 rebate to a business that is engaged in some way, shape or form in the business of installing, fabricating or selling manufactured stone is going to have any correlation with future claims?

Mr NAGLE: Yet to be proven, but it is better than doing nothing.

The Hon. DANIEL MOOKHEY: But it is not proven yet.

Mr NAGLE: The assumption is that most employers are not trying to injure their workers and anything that will support them, which is why we give rebates upfront in terms of the premiums that we offer in workers compensation, is to support them to take proactive action—protective gear or extra training to their workers to avoid injuries.

The Hon. DANIEL MOOKHEY: But we have been told that this will be effective in curbing the silicosis epidemic, effectively. You are saying to us now that at this point in time you have got no way of assessing whether that is true?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: I did ask you what is the test to be able to tell the future liability for silicosis and you have come back and said, "For all dust diseases, it is approximately \$1.9 billion at 30 June." Can you break that down, particularly for silicosis, given that is the one that is rising the fastest?

Mr NAGLE: We can provide that on notice.

The Hon. DANIEL MOOKHEY: Thank you.

The Hon. WALT SECORD: I would like to take you to the collection of poker machine taxes. Over the forward estimates is the collection of poker machine taxes increasing or decreasing?

Ms WILKIE: Over the forward estimates?

The Hon. WALT SECORD: Yes.

Ms WILKIE: I am not sure whether I am going to have the breakdown of data to that. I might just have gambling.

The Hon. WALT SECORD: Gambling will be fine. I guess I want to get an indication as to whether it is increasing, decreasing or stabilising.

Ms WILKIE: Gambling and betting taxes are forecast to provide \$2.6 billion in 2019-20 and are forecast to grow at an average annual rate of 3 per cent over the forward estimates. Of that gambling revenue about 65 per cent is poker machine duty.

UNCORRECTED

The Hon. WALT SECORD: What is the growth of 3 per cent based on? Is that usage? What is the basis for the 3 per cent?

Ms WILKIE: I would have to take that on notice.

The Hon. WALT SECORD: Have you done any modelling on what would happen if there is a reduction in poker machines in New South Wales?

Ms WILKIE: Not to my knowledge.

The Hon. DANIEL MOOKHEY: Mr Secretary, when will we expect to see the New South Wales Government 2018-19 *Report of State Finances*?

Mr PRATT: On 12 December.

The Hon. DANIEL MOOKHEY: Is that part of the mid-year update?

Mr PRATT: That is the half-year update, yes.

The Hon. DANIEL MOOKHEY: Presumably, as part of preparing that document, you have completed your re-evaluation of the value of State-owned assets that we have?

Mr GARDNER: We have an annual evaluation.

Mr MIDHA: We have an annual evaluation; we do not do it at half year.

Mr PRATT: I do not think we do anything at the half year one.

The Hon. DANIEL MOOKHEY: But have you done it for the purposes of the current report?

Mr MIDHA: No, we will do it for the full budget.

Mr GARDNER: The Crown entities will be coming out during the course of November. Are you talking about the 30 June numbers?

The Hon. DANIEL MOOKHEY: Have you got your answers to questions on notice?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: Turn to page 22.

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: There is a question there:

What is the valuation cycle? How often do you check?

You have said:

Each year as part of the Report on State Finances, the Government will report on the value of its equity investments in minority interests, including WestConnex, Ausgrid and Endeavour Energy.

Do you see that?

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: Is that done for the budget or is it done for the purposes of the update?

Mr GARDNER: That will be the Total State Sector Accounts [TSSA].

Mr MIDHA: It would have been included in the current TSSA. That would have been released a few weeks ago.

The Hon. DANIEL MOOKHEY: If you look to the answer above, it says:

The remaining 49 per cent stake—

That is referring to WestConnex—

will be valued on an equity basis, taking into consideration STP's control of the WestConnex Group. The upcoming New South Wales Government 2018-19 Report of State Finances will report on the equity value of the Government's minority share of WestConnex in the investment in associates' section of the General Government balance sheet.

UNCORRECTED

So we will get a value of the 49 per cent interest in WestConnex on 12 December. Can we infer that from that answer, Mr Pratt?

Mr PRATT: No, that would have issued already, Mr Mookhey. In the total State accounts, which have just gone out, that will appear in there.

Mr MIDHA: We will try to find out where exactly it is.

Mr PRATT: This is for the year ended 30 June.

The Hon. DANIEL MOOKHEY: So it is a time discrepancy between when you this received question and then you have released the document since.

Mr PRATT: Yes.

The Hon. DANIEL MOOKHEY: Now that you have got it, what is the total value?

Mr MIDHA: I will try to find out exactly where it is. It is available on the Treasury website but I will try to see if I can find it.

Mr PRATT: We will see if we can track that down for you.

The Hon. DANIEL MOOKHEY: While you are tracking it down, I might ask you to track down too what the remaining share in Ausgrid and Endeavour Energy are worth? Getting all three at the same time will be useful.

Mr MIDHA: I am not sure if it is provided in a split but I will have a look. I do not think we have a separation.

Mr PRATT: Can we come back to you in this session?

The Hon. WALT SECORD: Can I take you to the area of the Treasury cap? There has been some discussion in the past week or so of NSW Health where it said that the Treasury cap means that it has to find savings of \$252 million. Can you describe to me in layman's terms what the Treasury cap is?

Mr PRATT: I read that with interest, Mr Secord. I wish at times there were a Treasury cap. There is not. That was news to me. As I understand it, that was one of the health districts themselves putting that terminology in place with their own numbers but it did not come from Treasury.

The Hon. WALT SECORD: There was no Treasury cap?

Mr PRATT: No.

The Hon. WALT SECORD: They say in the documentation that the Treasury cap will increase over the next three years. How could something like this occur?

Mr PRATT: I skimmed the numbers that were in those pages. They made absolutely no sense to me in terms of trying to reconcile back to Health numbers. That really is a question for Health because we have had no involvement in that.

The Hon. WALT SECORD: You had no involvement. I remember from my years when I was chief of staff to the Treasurer that we actually had Treasury officials who were in charge and responsible for the line items that related to Health very clearly.

Mr PRATT: We do that. We work with Health clearly on the overall Health budget.

The Hon. WALT SECORD: Do you think that it would have occurred through those lines of communication?

Mr PRATT: Possibly, but that really is a question for Health. As I said, I was surprised when I saw that. We have had no involvement in that.

The Hon. DANIEL MOOKHEY: So there is no policy that is known as a "Treasury cap"?

Mr PRATT: No, there is not.

The Hon. DANIEL MOOKHEY: And you reject any allegation that any cut to the Health budget for the local health district may have resulted from a direction from Treasury?

Mr PRATT: The Health budget is the Health budget. It is in the budget papers for everybody to see. That has been agreed. There have been no changes to that budget position since.

UNCORRECTED

The Hon. WALT SECORD: Why would they take it upon themselves to say in the documentation—the introduction across government agencies of a Treasury cap?

Mr PRATT: I do not know. You would have to ask them.

The Hon. WALT SECORD: So you can say, hand on heart, that there is no Treasury cap?

Mr PRATT: There is no Treasury cap.

The Hon. BEN FRANKLIN: I am not sure he can be clearer than that, Mr Secord.

The Hon. DANIEL MOOKHEY: Are you offended that you have been verbally this way, Mr Pratt?

Mr PRATT: As I said, at times I would like a Treasury cap; it would certainly help me manage our budget. But there is no such thing out of Treasury.

The Hon. WALT SECORD: In the Parliament about 1½ weeks ago the Minister for Small Business and Finance talked about the collection of land tax or people failing to pay what he said was the appropriate level. He said that NSW Treasury and Revenue NSW were looking at sophisticated ways to capture or to pursue that.

The Hon. DANIEL MOOKHEY: What sophisticated ways are you looking at?

The Hon. WALT SECORD: Thank you, Mr Mookhey.

Ms WILKIE: This is actually more a question for Revenue NSW because it goes to compliance activities that it undertakes and it is looking at ways that it can improve its compliance activities in that space. I have a little bit of information on it but it is going to be hearsay more than anything else.

Mr PRATT: Just to support the comments from Ms Wilkie, as I understand it, it is much improved use of analytics to understand collection.

The Hon. WALT SECORD: Yes, he used the phrase "data capture".

The Hon. DANIEL MOOKHEY: Mr Midha, do you have an answer there?

Mr MIDHA: I have your answer. In total, Ausgrid, Endeavour, WestConnex and other entities in the total State sector is \$12 billion.

The Hon. DANIEL MOOKHEY: It is \$12 billion for all three?

Mr MIDHA: Sorry, it is \$12.057 million—I am too used to billions. It can be found in section 7 on page 46 of the TSSA, the *Report on State Finances* that has just been released.

The Hon. DANIEL MOOKHEY: Okay. But it is 12—

Mr MIDHA: Sorry, it is \$12 billion in 2019.

Mr GARDNER: There is a breakdown of the Total State Sector Accounts.

The Hon. DANIEL MOOKHEY: Okay, one at a time. Mr Gardner or Mr Midha, who would like to go first? What is the value of those three businesses listed in the accounts?

Mr MIDHA: In 2018 Ausgrid was \$3.9 billion rounded up and in 2019 it was \$3.6 billion. In 2018 Endeavour Energy was \$2 billion and in 2019 it was \$1.9 billion. In WestConnex there was no 2018 valuation. In 2019 it is \$6.4 billion.

The Hon. DANIEL MOOKHEY: In the span of one year the value of Ausgrid has dropped by—how much was that again?

Mr MIDHA: From \$3.9 billion to \$3.6 billion.

The Hon. DANIEL MOOKHEY: It has dropped by \$300 million. Ausgrid has dropped how much?

Mr MIDHA: That is Ausgrid.

The Hon. DANIEL MOOKHEY: Yes. Endeavour?

Mr MIDHA: From \$2 billion to \$1.978 billion.

The Hon. DANIEL MOOKHEY: About \$200 million.

Mr MIDHA: No, it is—

UNCORRECTED

The Hon. BEN FRANKLIN: Did you literally stop in the middle of a question?

The Hon. DANIEL MOOKHEY: You are saying right now that the State's 49 per cent interest in WestConnex is worth \$6.4 billion.

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: And that has been valued on an equity basis.

Mr MIDHA: That is right.

The Hon. DANIEL MOOKHEY: Can you briefly explain what you mean by "equity basis"?

Mr MIDHA: We will have to come back to you on the detail of how the equity basis is valued.

The Hon. DANIEL MOOKHEY: I ask because, given that we sold 51 per cent at \$9.9 billion and if you follow the same ratio, if 51 per cent of something is \$9.9 billion then the logic is that 49 per cent is worth \$9.3 billion.

Mr MIDHA: There is a breakdown. If I go through the breakdown on how we get to that valuation, the non-current assets, if you have got current and non-current assets it is a little over \$10 billion, but it has some liabilities associated with it, and that is about \$4 billion, and that makes it up to the \$6 billion.

The Hon. DANIEL MOOKHEY: What liabilities are associated with the State's continuing interest in WestConnex?

Mr MIDHA: I would have to come back to you on that.

The Hon. DANIEL MOOKHEY: But on that logic you are saying that, effectively, the difference between the liabilities is worth, say, up to \$4 billion.

Mr MIDHA: It is an entity and it has a balance sheet, and that is the valuation.

The Hon. DANIEL MOOKHEY: That is RRIPL we are talking about, the Roads Retained Interest Pty Ltd? That is the balance sheet we are talking about?

Mr MIDHA: That is right.

The Hon. DANIEL MOOKHEY: How has RRIPL managed to find itself with \$4 billion worth of debt? That is extraordinary.

Mr MIDHA: We will come back to you on the detail of that.

The Hon. DANIEL MOOKHEY: It is a holding company, so how is it that the consortium has managed to figure this out so that the net assets are worth \$6.4 billion, given that we were told effectively that this is meant to be sold clean?

Mr MIDHA: I am not close to how the capital structure has been created. I can come back to you with the detail on that.

The Hon. DANIEL MOOKHEY: In terms of the information that is already in the public domain, like the capital structure, effectively the debts that are accrued for WestConnex sit with the consortium. That was what we were told. So why all of a sudden have we found ourselves in a scenario where the holding company that is meant to hold our interest has got that much debt on it—or liabilities on it—to be fair?

Mr MIDHA: I cannot answer that question.

The Hon. DANIEL MOOKHEY: But do you accept that that is quite surprising?

Mr MIDHA: I am not close to RRIPL to that extent so I cannot comment on that.

The Hon. DANIEL MOOKHEY: You might have to take these questions on notice too. When were these liabilities incurred on the RRIPL balance sheet?

Mr MIDHA: A good question. No, I do not know.

The Hon. DANIEL MOOKHEY: Was this disclosed under the continuing disclosure requirements that RRIPL is subject to under the commercial framework policy?

Mr GARDNER: RRIPL does not have specific liabilities, so it has got to be some accounting treatment here that we will have to take on notice and respond to you on.

UNCORRECTED

The Hon. DANIEL MOOKHEY: Okay. Mr Pratt, do you have your answers to the questions on notice available to you?

Mr PRATT: I have, yes.

The Hon. DANIEL MOOKHEY: Turn to page 23. You recall in the budget estimates hearings we were asking you about the decision of Pillar to shift jobs out of Wollongong. Do you recall that line of questioning?

Mr GARDNER: Yes, I recall that line of questioning.

The Hon. DANIEL MOOKHEY: We were asking you at the time—and this was in the wake of an announcement by Pillar to effectively move jobs in spite of the commitments that were given to the employees of Pillar in Wollongong and as well to the city of Wollongong when Pillar was sold; we were told that they would be keeping a presence—about what powers and remedies are available to the Treasury should it decide that that is in breach of the contract. Do you recall that?

Mr GARDNER: Yes, I recall.

The Hon. DANIEL MOOKHEY: You have come back and said the contract itself does not specify a form of dispute resolution. So there is no contractual system for dispute resolution, I can infer from that answer?

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: To the extent to which the New South Wales taxpayers have any options, it is to sue for specific performance, I presume—

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: —in the Supreme Court of New South Wales.

Mr GARDNER: In whatever is the relevant court, yes.

The Hon. DANIEL MOOKHEY: Is it the Supreme Court of New South Wales?

Mr GARDNER: It is not my area of expertise.

The Hon. DANIEL MOOKHEY: The contract would specify—every contract specifies—what the jurisdiction is. That is pretty common.

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Can you take on notice whether it is specifically the Supreme Court of New South Wales and, if not, which court?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: It could be the Federal Court, you never know—whatever you guys decide at the time. Is the State considering pursuing litigation? You have said, on notice, that the State has the option of pursuing litigation to enforce contractual obligations. Given that Treasury is effectively the party to the contract, only you guys have the power to act on behalf of the taxpayers of New South Wales in this respect, so are you intending to?

Mr GARDNER: We are still in engagement with Mercer around their commitments. They are assessing their position on the jobs in the Illawarra.

The Hon. DANIEL MOOKHEY: When you say you are still in engagement with Mercer, what does that mean?

Mr GARDNER: They have sent a letter to the Treasurer confirming that they continue to be in their plans, continue to be in compliance with the letter. I will have to take on notice as to specifically what actions are being taken at the moment though.

The Hon. DANIEL MOOKHEY: Have you accepted that as a statement of claim they have made?

Mr GARDNER: We have not accepted that statement of claim as far as I know. We will document that on notice.

The Hon. DANIEL MOOKHEY: Are we in dispute with Mercer or not?

Mr GARDNER: We are not in a legal dispute with Mercer at the moment.

UNCORRECTED

The Hon. DANIEL MOOKHEY: Are we in any form of dispute? Whether you wish to characterise it as legal or otherwise, are we in a disagreement with them that is yet to—

Mr GARDNER: We have yet to form a view that we disagree with Mercer, so no.

The Hon. DANIEL MOOKHEY: When will we be in a position?

Mr GARDNER: I will have to take that on notice.

The Hon. DANIEL MOOKHEY: How many jobs have already left the Illawarra by Mercer's decision?

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Do you accept that delay here may allow Mercer to effectively change the facts on the ground?

Mr GARDNER: Mercer have continued to keep us informed and inform us that they believe that they are in compliance with their contract.

The Hon. DANIEL MOOKHEY: When did they do that?

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: When will either the employees of Mercer or the people of Wollongong know whether the Treasury has at least assessed whether Mercer's claims are correct?

Mr GARDNER: Again, I will have to take that on notice. I do not know the exact time frame of the discussions we are having at the moment.

The Hon. DANIEL MOOKHEY: Do you accept that if Mercer is able to effectively move their employees out of Wollongong before you even reach your determination as to whether they have breached, fundamentally your ability to seek recovery absent court action would be severely diminished?

Mr GARDNER: That is a hypothetical situation.

The Hon. DANIEL MOOKHEY: Do you think this matter should be treated with some element of urgency, given that Mercer is already intending to shift their people and may or may not be doing it? We do not know.

Mr GARDNER: I am not aware of a plan for Mercer to shift to be in contravention of the contract we have in place with them. We are engaging with them at the moment to determine the status. We do not have any evidence that they are contravening their contract at the moment.

The Hon. DANIEL MOOKHEY: That might be the case, but when this was privatised or outsourced—however you wish to characterise it—the people of Wollongong were clearly told that they would maintain a pretty vibrant presence and, in fact, on the explicit basis that the contract would protect that. We are not just relying on Mercer's word; we have a right to enforce here. You are saying you are not even sure whether or not we have those rights.

Mr GARDNER: We have the rights to pursue them under the contract through the courts.

The Hon. DANIEL MOOKHEY: In respect to their decision to move people or just in general? Is the contract specific that we have locked down what their presence in Wollongong is meant to be through the contract period?

Mr GARDNER: The contract—and I cannot recall the specific wording of the contract—required them to keep core functions within the Illawarra, within Wollongong.

The Hon. DANIEL MOOKHEY: What do you define as "core"?

Mr GARDNER: I will have to take that on notice because it is a three-year-old document.

The Hon. WALT SECORD: You would be aware of comments earlier this year where the RBA governor stated that you would like to see a lifting of the wages across State and Territories across the Federal government departments. For the current wages cap that is in place in New South Wales, how long is the cap actually in place? What is the duration of the cap?

Mr PRATT: The current position on the wages cap, as I understand it—and I will clarify it within the team—is 12 months. I think that is correct. Until they change it.

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The Hon. WALT SECORD: Until they change it.

Mr PRATT: Yes. It is 2.5 per cent this 12 months, and then until it is changed after that.

The Hon. WALT SECORD: To change the wages cap, would it require legislating? I remember when Greg Pearce was Minister for finance that it was legislated in place—

The Hon. NATALIE WARD: Hear, hear!

The Hon. WALT SECORD: You were the chief of staff at the time.

The Hon. NATALIE WARD: Deputy.

The Hon. WALT SECORD: To remove the wages cap, would it require a legislative change?

Mr PRATT: I would have to take advice on that.

Mr MIDHA: I am just checking on that now.

The Hon. WALT SECORD: Has Treasury done any modelling on what would occur if there was an adjustment to the wages cap?

Mr PRATT: No, we have not.

The Hon. WALT SECORD: Have you been asked to do any work in that area?

Mr PRATT: No.

The Hon. DANIEL MOOKHEY: Just continuing on the theme of matters arising from your answers on notice, are you able to turn to the joint financing arrangements on page 13. Thank you for coming back with the list of the joint financing arrangements that were approved for the period September 2017 to 2019. You have said that we have entered into joint finance arrangements with Transport for NSW and the ALTRAC light rail partnership, Transport for NSW and the Momentum Trains, and Roads and Maritime Services for the WestConnex. What exactly are the nature of those joint finance arrangements [JFAs]? I want specifically about the WestConnex and Momentum Trains.

Mr PRATT: Ms Curtain will answer that, Mr Mookhey.

Ms CURTAIN: Each of those three contracts were done under a PPP—or public-private partnership—style arrangement. It is where the PPP project vehicle will have private sector debt and equity as part of it. The general principle is that we would have a joint financing arrangement in place just so the Treasurer is signing off on those arrangements.

The Hon. DANIEL MOOKHEY: What precisely have we guaranteed to those?

Ms CURTAIN: It is not a guarantee.

The Hon. DANIEL MOOKHEY: Are we borrowing money on their behalf?

Ms CURTAIN: No.

The Hon. DANIEL MOOKHEY: What is the nature of the JFA? What does the JFA practically do?

Ms CURTAIN: The document of the JFA is just the Treasurer giving effect to Transport for NSW's or Roads and Maritime Services' obligations underneath those contracts to give more certainty to the debt and equity providers on the other side.

The Hon. WALT SECORD: Mr Pratt, you would be familiar with a number of arts projects involving Create Infrastructure or the Arts portfolio. Is any work being done on the monitoring of the cost blowouts involving the Wharf Renewal Project?

Mr PRATT: Yes, there is. There is some current work underway on that project, yes.

The Hon. WALT SECORD: What is the work that is being undertaken in that area?

Mr PRATT: It is through Mr Midha's team at the moment.

Mr MIDHA: Work is proceeding on wharves 4 and 5, so that is proceeding. There was an increasing cost for a couple of reasons: one was some remediation, and the second was there was litigation against the development application [DA] that was put in for that wharf. That took a period of time and had some costs associated with it, and some changes were made to the design.

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The Hon. WALT SECORD: How much has the project increased to?

Mr MIDHA: I will have to get back to you on that one.

The Hon. WALT SECORD: Are you familiar with the litigation that occurred? I thought the litigation was well before the project was announced. Or is it a second litigation?

Mr MIDHA: No, that was the litigation. It was after the project was announced.

The Hon. WALT SECORD: That goes to where my questions are leading to. It was not a separate litigation; it was the original litigation?

Mr MIDHA: Yes.

The Hon. WALT SECORD: The original litigation was not taken into the costs of the overall project?

Mr MIDHA: No, because the project was approved pre the litigation. So the cost of the project was increased post the litigation.

The Hon. WALT SECORD: I have been led to understand that the litigation occurred prior to the project being announced.

Mr MIDHA: It was after the DA was approved.

The Hon. WALT SECORD: What is Treasury's involvement in this project? Are you keeping a hand on the tiller? What is Treasury's involvement in this?

Mr MIDHA: No, we just get updates. Infrastructure NSW will project-manage it. We look at the assurance that happens at the different gateways, and then we just provide advice on it if required.

The Hon. WALT SECORD: Are you aware that the project has been delayed? The completion dates were pushed out.

Mr MIDHA: I can check on that, but I am not sure off the top of my head.

The Hon. WALT SECORD: As part of these updates that you receive, do you also receive updates on projects like the Sydney Modern?

Mr MIDHA: Yes.

The Hon. WALT SECORD: How is that project proceeding?

Mr MIDHA: I do not have an update on the current status of Sydney Modern. We can get back to you on that.

The Hon. WALT SECORD: What about the Opera House? What is happening with the work down there?

Mr MIDHA: The Opera House is proceeding to plan. That is expected to be completed in 2022. That is on track. I have no further update on that.

The Hon. DANIEL MOOKHEY: Is the Minister a shareholding Minister of the Port Authority of New South Wales?

Mr PRATT: Yes, he is.

The Hon. DANIEL MOOKHEY: They are a State-owned corporation as well as?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: They are therefore subject to the ports framework, is that correct?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: Has Treasury had the opportunity to engage with the Port Authority about the development of cruise terminals at Yarra Bay?

Mr GARDNER: Treasury not specifically. As a matter of keeping us updated on progress and the plan, they will be doing that through the relevant Minister's office so we are aware of it.

The Hon. DANIEL MOOKHEY: Let me unpack this. Were you told by the Port Authority of New South Wales, prior to the Government announcement to proceed with the detailed business case, that the

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Port Authority of New South Wales was engaged in an informal process of market soundings with cruise operators?

Mr GARDNER: I would have to take that on notice. We may well have been through regular engagement with the business. I am not sure.

The Hon. DANIEL MOOKHEY: To the best of your knowledge has the Treasurer sought any advice from Treasury in respect to this proposition?

Mr GARDNER: I am not aware of any.

Mr PRATT: Not that I am aware of either.

The Hon. DANIEL MOOKHEY: To be fair to the Port Authority, they have said in Transport estimates that they provided a briefing to Minister Constance' office, who is the other shareholding Minister.

Mr GARDNER: He will not be a shareholding Minister; he is a portfolio Minister. The shareholders are the Minister and the finance Minister.

The Hon. DANIEL MOOKHEY: We will go with that. They provided briefings to him as portfolio Minister. Did they provide any disclosures in the continuous disclosure regime, or anything like that, that they were engaged in this process?

Mr GARDNER: As I said, I am not aware. The continuous disclosure requirement is pretty broad in that it can be done by email or phone calls.

The Hon. DANIEL MOOKHEY: We will get to that.

Mr GARDNER: I do not know in my knowledge. I was not aware of any of those conversations but they may well have taken place.

The Hon. DANIEL MOOKHEY: You are not aware of it to the best of your knowledge?

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: Have they at all by any chance disclosed that a particular operator, namely Royal Caribbean, was prepared to make a financial contribution to this?

Mr GARDNER: Again, I will have to take that on notice. I do not know.

The Hon. DANIEL MOOKHEY: Was Treasury involved in the strategic business case phase of the proposition that there be cruise terminals in Yarra Bay?

Mr GARDNER: We would be involved in a strategic business case, yes.

The Hon. DANIEL MOOKHEY: Did you provide feedback or advice in that strategic business phase to the Port Authority?

Mr MIDHA: We do not provide advice to the Port Authority. We provide advice to Cabinet on the strategic business case. That is the normal process.

The Hon. DANIEL MOOKHEY: You can confirm that you did provide that advice?

Mr MIDHA: I can check. If a business case goes to Cabinet, then we tend to provide advice to the Cabinet.

The Hon. DANIEL MOOKHEY: Are you currently engaged with the detailed business phase process that they have embarked upon?

Mr GARDNER: Yes, we are.

The Hon. DANIEL MOOKHEY: What does that look like?

Mr GARDNER: We are on steering committees and working groups for that but beyond that I do not have any particular familiarity with the project.

The Hon. DANIEL MOOKHEY: Are you involved in any process being undertaken by the Department of Premier and Cabinet in accordance with the unsolicited proposals policy of any form?

Mr GARDNER: I am not aware of anything.

The Hon. DANIEL MOOKHEY: Mr Secretary?

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Mr PRATT: Only that they get reported and updated from time to time at what is now called the delivery and performance committee. Other than that we have no direct involvement.

The Hon. DANIEL MOOKHEY: There is nothing that has currently come to Treasury through that process?

Mr PRATT: With this issue, not that I am aware of, no.

The Hon. DANIEL MOOKHEY: With any issue. I am asking about both?

Mr PRATT: Yes, unsolicited proposals do come forward as an update, as I said, at the delivery and performance committee from time to time.

The Hon. DANIEL MOOKHEY: Are you in any discussions with anybody in relation to the pre-lodgement phase under that policy?

Mr PRATT: No.

The Hon. DANIEL MOOKHEY: In respect to any project?

Mr PRATT: No.

The Hon. DANIEL MOOKHEY: Just closing off that loop of questioning about continuous disclosure, which I was going to ask about, you have come back on notice and said that Treasury deems it acceptable for State-owned corporations to effectively provide disclosure requirements by phone or in writing via email. You have also said that it is therefore not possible to quantify the number of disclosures. That sounds extraordinary given, for example, the stocks register requires disclosures to be made in writing. Are you saying that Treasury cannot tell us how many disclosures have been made because this is not documented?

Mr GARDNER: The policy, and it is here set out in our commercial policy framework, says that they can—we have got a different shareholder model to a company on the listed stock exchange.

The Hon. DANIEL MOOKHEY: Clearly.

Mr GARDNER: So we have got Treasurer and finance Minister. We have responsibility within Treasury to determine what then is material and what we might take up to shareholders. So that continuous disclosure framework is entirely appropriate for the model that we have.

The Hon. DANIEL MOOKHEY: Accepting that, in the past 12 months how many have been considered to be material and therefore require reporting it up?

Mr GARDNER: It is difficult to put any particular matter on to be specifically continuous disclosure. You have obviously got drought environment for the businesses, for the water businesses—

The Hon. DANIEL MOOKHEY: Just on the answer that you have given, you have said that under TPP18-02 *Performance Reporting and Monitoring Policy for Government Businesses*, "Government businesses are required to make timely disclosure to Treasury of all material matters relating to its performance which might give rise to community concerns or affect the New South Wales Government's reputation or negatively impact government's policy objectives."

Mr GARDNER: That is correct, yes.

The Hon. DANIEL MOOKHEY: How many have you received?

Mr GARDNER: We do not keep a log of the conversations that come in. So I cannot tell you how many—

The Hon. DANIEL MOOKHEY: I am not asking you about the conversations. I am asking about how many have you received in the past 12 months that meet this criteria—namely, material matters relating to its performance which might give rise to community concerns or affect the New South Wales Government's reputation or negatively impact government policy?

Mr GARDNER: We do not keep a record of those on a line-by-line basis where we could say: Here is a specific number of these that have come through.

The Hon. DANIEL MOOKHEY: You get told by a State-owned corporation that something has happened which might negatively impact on the New South Wales Government's reputation and you do not keep a record of it? Is that the inference that I should draw from that?

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Mr GARDNER: We do not have a particular register. But it is our responsibility to determine then what we might raise—

The Hon. DANIEL MOOKHEY: To be fair, I am not asking about a register. I am asking how many of them have come in?

Mr GARDNER: Because I do not keep a specific number, I do not have a list and therefore I cannot give you a number.

The Hon. DANIEL MOOKHEY: That is my point. Do you not think this is something that should be documented and kept in some form?

Mr GARDNER: Well, it is the responsibility of us as the senior executive of Treasury to determine what we would then take on to—

The Hon. DANIEL MOOKHEY: When was the last time you received a notification from a State-owned corporation of a matter which might give rise to community concerns that reflect on the New South Wales Government's reputation or negatively impact government policy objectives, either by phone, in writing or via email?

Mr GARDNER: There are obviously a number of things such as the drought environment, the Essential Energy direction. There are a range of things that would either be in the public domain or something that business raised with us, but I cannot recall anything recently where unilaterally a business has raised something to us that we have not been aware of

The Hon. DANIEL MOOKHEY: But this policy's purpose, to be fair to you, you said this at the last estimates hearing, does somewhat mirror what a private company has to do in terms of its register, its disclosure obligations under Commonwealth law. Sitting here right now, why should we not infer that the senior executive of the Treasury does not have a system in place to record matters, not even incidental matters, but matters that are told to you about things which give rise to community concerns or affect the New South Wales Government's reputation or negatively impact on government policy? Is that not something we should have?

Mr GARDNER: I think that the procedures and policies we have in place for requiring the businesses to let us know in Treasury about any issues that they think, then we can escalate that appropriately to the right level, whether it is the secretary or the Treasurer and they can make a determination as to what extent we respond and how we respond to that.

The Hon. DANIEL MOOKHEY: So effectively it is people who just give you a call and you guys decide what happens after that. That is basically it?

Mr GARDNER: We have that authority and discretion to do that, that is correct. If it has particular implications through the budget, then we have very specific things that we will have to then work through in terms of approvals and the like. But if it is a reputational issue we will generally escalate that through media and comms avenues, so the relevant people in the ministerial offices, shareholder offices are aware of those things and they can determine if and how they might want to respond.

The Hon. DANIEL MOOKHEY: You made reference to the drought as being one that may have been passed through this process. What was reported to you which would negatively impact?

Mr GARDNER: All the water businesses have kept us constantly informed of the incremental amount of opex and capex around maintaining the resilience of the network, sort of education and advertising around water reliability and reducing water usage. So there are things like those that we know will hit their commercial financial performance and we know may well impact on their dividends. So we have quarterly meetings with them but I have members of my team that will meet with the chief financial officers. We have regular conversations with them.

The Hon. DANIEL MOOKHEY: I accept the financial oversights dimensions that you are describing but this is specifically about reputation. I am going off your answer, to be fair.

Mr GARDNER: No, that is right.

The Hon. DANIEL MOOKHEY: It is the reputation, community concerns and negative impact on the Government policy objectives that I am specifically focusing on.

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Mr GARDNER: Yes. We will raise that through our respective communications channels between Treasury and the respective shareholder or policy Minister's officers and enable them to make their determination as to whether there is anything particularly that they want to respond to.

The Hon. WALT SECORD: Mr Gardner, in response to your discussion on drought, what is Treasury's response to community calls when you have rural and regional communities dropping in population and people leaving smaller communities and coming to Sydney? What is the impact of government services? We have had calls for schools with major drops in enrolments to be kept open. What is Treasury's response to that? For example, a far western community population simply just leaves that community and closures occur and the population drops when government services no longer match the number of people in those communities. What is Treasury's approach to that?

Mr PRATT: Treasury specifically is responding to issues that would be raised in those circumstances. So I would expect there are a number of arms of government—what you are really talking about, Mr Secord, is a whole-of-government view on those issues, so that would often be coordinated through the Department of Premier and Cabinet.

The Hon. WALT SECORD: Is there a policy on retaining services? For example, when school enrolments drop how long does it take before a government decides to remove services to those communities?

Mr PRATT: In that specific example that would be a question for education. I assume there would be policies around these things but we tend to come in and then react to all these issues as they come up. I could not respond specifically to that.

The Hon. WALT SECORD: I am mindful of the short time available. The Council of Australian Governments has commissioned Chief Scientist Dr Alan Finkel to create a national hydrogen strategy and the governments of South Australia and Queensland have responded with their own State strategies and responses. Is New South Wales working on an extension or creation of a hydrogen industry in New South Wales?

Mr PRATT: I do not have knowledge of that in terms of specific work at this point from Treasury but I cannot answer whole of government on that.

Ms WILKIE: Ms Curtin may add to this. As part of the economic blueprint process that the Chief Economist is working through, hydrogen industry and the prospects of that in New South Wales have come up multiple times. I expect that that will be addressed in the blueprint when that is finally published.

The Hon. WALT SECORD: Ms Curtin do you have anything to add?

Ms CURTAIN: The same. Our industry development team is working closely with the Chief Scientist in terms of which industries New South Wales should be focusing on going forward. Again hydrogen is on the list.

The Hon. WALT SECORD: Are any measures occurring involving electric vehicles and servicing them?

Ms WILKIE: Specific infrastructure for electric vehicles is more a question for other portfolios but certainly again in the context of the blueprint and the future economy in New South Wales, electric vehicles and the spin off industries and service sectors and businesses that might need to develop to service them is again something that has come up in multiple conversations that the Chief Economist has been having as part of his consultations for the blueprint.

The Hon. WALT SECORD: To whom does the Chief Economist consult with?

Ms WILKIE: In preparing for the blueprint he has undertaken a number of consultations across government with groups like the Business Council of Australia, Australian Chamber of Commerce and Industry then individual companies and other chief economists across the financial sector and that sort of thing.

Mr PRATT: Mr Secord, I would just add, we talked earlier about the Federal financial relations review. Your example, I would expect, is the sort of thing that may well come through that working group around the decline in fuel excise, the rise in electric cars et cetera and how we think about that going forward. It is a good example of that.

The Hon. WALT SECORD: I wonder if you could take this on notice. Earlier in the session we talked about small State-Federal agreements and you mentioned there were about 40 of them. If we could have a full list of those on notice I would appreciate that.

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Mr PRATT: Good. We will do.

Mr MIDHA: There were some questions earlier I was going to clarify. If you want I can clarify those. You asked whether the Western Harbour Tunnel & Beaches Link and the F6 were included in the headroom. I said some projects were not included—the Western Harbour Tunnel & Beaches Link. The F6 is included. I said no to all three. So the F6 is included in the current projects.

The Hon. DANIEL MOOKHEY: In the debt?

Mr MIDHA: In the budget and the debt headroom modelling. There was a part that was included in the budget paper. I think Transport have announced—it is on the website—\$2.2 billion to \$2.6 billion. The range is for the estimated total cost [ETC] of the F6 project. Also Parramatta Light Rail stage two is in the budget papers. There is only \$2 million for 2019-20 in that.

The Hon. DANIEL MOOKHEY: That is \$2 million?

Mr MIDHA: That is \$2 million for planning.

The Hon. DANIEL MOOKHEY: But that is not on the capital side.

Mr MIDHA: It is just planning.

The Hon. DANIEL MOOKHEY: It is just planning.

Mr MIDHA: Yes. The other thing was around the wage cap. The wage cap is regulated. It is governed by the Industrial Relations (Public Sector Conditions of Employment) Regulation 2014. It would need to be amended and approved in Parliament. Lastly, I have the accountant's answer on the WestConnex equity evaluation. It was valued on 30 June at 6.4, being our share of the net assets of the entity accounted for under accounting standard AASB 128, which requires equity method being a 49 per cent share of the valuation of the underlying assets adjusted to align with our accounting policies, effectively, by ensuring that assets and liabilities are fair valued. So there is no debt held by this entity.

The Hon. DANIEL MOOKHEY: Thank you.

The CHAIR: Thank you everybody for attending today and for giving up your time. The hearing has concluded.

(The witnesses withdrew.)

The Committee proceeded to deliberate.