

2019 Supplementary Budget Estimates

Questions on Notice

Treasury Cluster

Western Harbour Tunnel & Beaches Link

Question 1

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.

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.

Answer

Please refer to the 2019-20 budget papers for project funding arrangements.

State-Federal Agreements

Question 2

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.

Answer

NSW is a party to thirty (30) intergovernmental agreements (National Partnerships and Project Agreements) with the Commonwealth where actual funding in 2018-19 was below \$10 million in that year.

The NSW Review of Federal Financial Relations Discussion Paper, October 2019 (page 24) states there were 30 National Partnerships that provided New South Wales less than \$10 million in funding, 25 of these were less than \$5 million in value.

Agreement	Sector	\$m 2018-19
Implementing water reform in the Murray-Darling Basin	Environment	9.40
Western Sydney City Deal	Infrastructure	7.75
Preparing Australia package	Environment	7.35
Natural disaster resilience	Environment	6.79
South Sydney Rabbitohs' Centre of Excellence	Other	6.00
Essential vaccines	Health	4.97
Provision of Fire Services	Other	4.82
Expansion of the BreastScreen Australia program	Health	4.78
Fussell House accommodation	Health	4.00
On-farm emergency water infrastructure	Environment	3.18
National Bowel Cancer Screening Program – participant follow-up function	Health	2.49
Hospital infrastructure projects	Health	1.85
Family advocacy and support services	Community Services	1.67
Disaster Recovery Funding and Natural Disaster Relief and Recovery Arrangements	Contingency payments	1.43
Prepared communities	Environment	1.30
Management of Established Pest Animals and Weeds	Environment	1.09
National Water Infrastructure Development Fund -/ Feasibility studies	Environment	0.98
Development of Business Cases for Constraints Measures and Potential Implementation	Environment	0.82
National Regulatory System for Community Housing	Affordable Housing	0.80
Encouraging more clinical trials in Australia	Health	-
World Heritage Sites	Environment	0.78
Suicide prevention	Health	0.75
Women's Safety Package-Technology Trials	Community Services	0.50
Assistance for pest animal and weed management in drought-affected areas	Environment	0.50
Mechanical fuel load reduction trials	Environment	0.50
OzFoodNet	Health	0.36
Vaccine-preventable diseases surveillance	Health	0.21
Interstate Road Transport	Infrastructure	0.10
Pest and disease preparedness and response programs	Environment	0.07
Financial assistance for police officers	Other	0.02

Forensic claim files

Question 3

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.

Answer

Comprehensive reviews of claims are generally undertaken by a senior icare claims specialist with significant technical claims experience, who undertake a detailed analysis of a claim or aspects of a claim. This type of review or analysis would have a specific focus, such as investigating fraud allegations.

External non-legal forensic reviews of claims are rare, to the best of icare's knowledge, this non-legal forensic review conducted on the claims in question has been the only similar review undertaken in the past three years.

Cost of forensic claim file reviews

Question 4

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.

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

Mr NAGLE: Yes, absolutely.

Answer

icare commissioned KPMG Forensic Pty Ltd to conduct a claim review into the claims. The cost of KPMG's report titled Forensic Claim Review to the Treasury Managed Fund equates to \$225,599.87 (excluding GST).

To the best of icare's knowledge, the forensic review conducted on the claims in question has been the only one undertaken in the past three years.

Forensic claim file review into a Treasury Managed Fund workers compensation claim

Question 5

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.

Answer

icare's records suggest concerns with the claims in question were first raised with icare in or around November 2017. On 22 November 2017, icare commissioned KPMG to conduct a review.

Forensic claim file review into a Treasury Managed Fund workers compensation claim – KPMG report

Question 6

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.

Answer

KPMG's initial draft report was issued in April 2018. icare held discussions with QBE and the Department of Corrections about the findings and recommendations from the report, and met with them on 16 May 2018.

icare also met with QBE on 12 March 2019 to identify high level improvements relating to claims management.

Forensic claim file review into a Treasury Managed Fund workers compensation claim – KPMG report

Question 7

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?

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.

Answer

KPMG's initial draft report was issued in April 2018. icare held discussions with QBE and the Department of Corrections about the findings and recommendations from the report, and met with them on 16 May 2018.

icare also met with QBE on 12 March 2019 to identify high level improvements relating to claims management.

Forensic claim file review into a Treasury Managed Fund workers compensation claim**Question 8**

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.

Answer

The matter was determined as not systemic based on KPMG's supplementary report dated 2 October 2018, which concluded there was no evidence of fraud or collusion.

KPMG's report did note matters relating to the quality of file documentation. icare has ongoing reviews in place to monitor and continuously improve the quality of file documentation.

Forensic claim file review into a Treasury Managed Fund workers compensation claim**Question 9**

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.

Answer

icare did report this matter to SIRA. The finalised report of the forensic claim review undertaken by KPMG dated 13 July 2018 was provided to SIRA on 23 July 2018. A

supplementary report prepared by KPMG dated 2 October 2018 was provided to SIRA on 6 November 2018.

Forensic claim file review into a Treasury Managed Fund workers compensation claim – KPMG report

Question 10

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.

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

Mr NAGLE: Absolutely.

Answer

SIRA received a ministerial complaint regarding the management of the claim in question, and on 8 May 2018 requested further information from icare.

The finalised draft report of the forensic claim review undertaken by KPMG dated 13 July 2018 was provided to SIRA on 23 July 2018. A supplementary report prepared by KPMG dated 2 October 2018 was provided to SIRA on 6 November 2018, which is to be read in conjunction with the first report.

Given concerns raised by both icare and SIRA that the findings of the draft review were not clearly articulated by KPMG, icare's Assurance and Quality team undertook a review of the KPMG report dated 13 July 2018, as well as the KPMG Supplementary Report dated 2 October 2018. Upon finalisation, the findings were provided to SIRA.

Forensic claim file review into a Treasury Managed Fund workers compensation claim

Question 11

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 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.

Answer

As at 30 September 2019, the total costs for the claim in question were \$1,812,213.21. This amount includes a common law settlement of \$1,250,000.00 which was made on 24 July 2019.

Forensic claim file review into a Treasury Managed Fund workers compensation claim

Question 12

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.

Answer

icare commissioned KPMG to conduct a claim review into the claims in question. The cost of KPMG's report titled *Forensic Claim Review* on the Treasury Managed Fund was \$225,599.87 (excluding GST).

icare is unable to provide specific costings for the matter in question without prejudicing the outcome of legal proceedings for the remaining claims, which are yet to be finalised.

This however, has been a significantly complex matter involving a number of individual claims, which resulted in various counter claims and allegations being made by various individual parties. This necessitated detailed investigations to be undertaken into the circumstances and the events that have been alleged to have taken place to ensure the claims were appropriately managed.

GST

Question 13

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.

Answer

No documents providing advice of this nature have been found.

NSW-ACT border

Question 14

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

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.

Answer

The question was answered in the hearing, please see the above response.

Home Building Compensation Fund – flammable cladding

Question 15

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.

Answer

Government buildings are managed directly by the relevant department. As of 15 November 2019, there are 8 government owned buildings that are currently undergoing assessment. Cladding figures are updated weekly, and are publically available on the Department of Customer Service website:
<https://www.customerservice.nsw.gov.au/programs-and-initiatives/fire-safety-and-external-wall-cladding>

Home Building Compensation Fund – flammable cladding

Question 16

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.

Answer

The NSW Cladding Taskforce has captured buildings under three storeys as part of the Government's effort to identify buildings with potentially combustible cladding. As of 15 November 2019, 44 buildings and 9 residential (class 2 and 3) buildings 1-3 storeys, are currently in progress to be cleared.

Restart NSW

Question 17

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.

Answer

The current position of investment plans of the Government in relation to the Restart NSW Fund are summarised in Chapter 3 of 2019-20 Budget Paper 2.

Budget reservations

Question 18

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.

Answer

Restart reservations are explained and set out in Chapter 3 of 2019-20 Budget Paper 2 on pages 3-4 and 3-5.

Drought Forecasts

Question 19

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.

Answer

At Budget, the ABARES March quarter Agriculture Commodities report was used to underpin NSW economic forecasts. The report indicated a possible easing in drought conditions from 2019-20 based on more promising weather patterns at the time.

Since Budget, ABARES has published their September quarter Agricultural Commodities report and Australian Crop report.

A deterioration in weather conditions ahead of these reports led ABARES to revise their forecast for 2019-20 national farm production lower (around 7½ per cent below than their March 2019 forecast)—pushing out the partial drought recovery by at least one year to 2020-21. NSW winter crop production was also revised down in the September crop report, to only around half its long-run average, although this still marks an improvement from the 2018-19 winter crop.

Funding for drought assistance**Question 20**

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.

Answer

The 2019-20 NSW Budget has committed more than \$700 million in funding to provide direct on-farm drought assistance, to improve drought resilience and to drought proof town water supplies. The NSW Government's Drought Assistance Package includes:

- An extra \$350 million for the Farm Innovation Fund which provides concessional loans to farmers for on-farm infrastructure to boost drought resilience and preparedness.
- The \$170 million Drought Stimulus Package to fund vital infrastructure, including works to safeguard town water supplies.
- \$185 million to continue on-farm drought assistance measures, such as:
 - \$70 million in transport rebates for fodder, water and stock;
 - \$50 million to waive Local Land Services Annual Rates;

- \$30 million to provide relief from fixed water charges for drought affected irrigators; and
- \$10 million in Farm Innovation Fund interest relief.

WaterNSW pricing

Question 21

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.

Answer

The last WaterNSW Review of prices for rural bulk water services is from 1 July 2017 to 30 June 2021. WaterNSW would most likely submit its pricing proposal for rural bulk water services in the second half of calendar 2020.

The last review of the Murray River to Broken Hill Pipeline services is from 1 July 2019 to 30 June 2022. WaterNSW would most likely submit its pricing proposal in the second half of calendar 2021.

The last review of Essential Energy's prices for water and sewerage services in Broken Hill is from 1 July 2019 to 30 June 2022. Essential Energy would most likely submit its pricing proposal in the second half of calendar 2021.

Parramatta Light Rail

Question 22

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: 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.

Answer

Please see page 63 of the transcript.

Mining Royalties

Question 23

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?

Answer

In the 2019-20 Budget, mining royalties were forecast to be \$1,861 million in 2019-20 and were projected to fall to \$1,777 million by 2021-22.

Audit and Risk Committee

Question 24

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.

Answer

The matter in question was not referred to icare's Audit and Risk Committee, as KPMG's final report showed no evidence of collusion or fraud.

Audit and Risk Committee

Question 25

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.

Answer

The matter in question was not referred to icare's Audit and Risk Committee, as KPMG's final report showed no evidence of collusion or fraud.

There was no penalty imposed by icare on QBE under QBE's existing contract under the Treasury Managed Fund (TMF), as KPMG's final report showed no evidence of collusion or fraud by QBE.

Forensic claim file review into a Treasury Managed Fund workers compensation claim

Question 26

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.

Answer

There was no penalty imposed by icare on QBE under QBE's existing contract under the Treasury Managed Fund (TMF). The contract remunerates claims managers on a fixed-base fee component to cover operational costs, and includes remuneration for incentive fees for achieving outcomes in targeted tail and return to work performance.

10 per cent of the fixed-base fee, known as a Service Performance Bonus, is at risk each year and is contingent on meeting critical service standards, including compliance with statutory obligations. It may be impacted in circumstances where a penalty notice has been issued by the State Insurance Regulatory Authority (SIRA), or where a successful prosecution has occurred.

The remuneration arrangements under TMF contracts differ from those under the Nominal Insurer.

The Treasurer's Office received correspondence from Members of Parliament about the claims in question. The correspondence was referred to icare for investigation and response as per standard Government protocol.

Dust diseases – Silicosis

Question 27

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.

Answer

As at 30 June 2019, the reserve for non-asbestos-related diseases was approximately \$100.5 million (on an inflated and discounted basis). This reserve includes the net outstanding claims payments and claims handling expenses.

Over 90 per cent of the reserve relates to silicosis, although it does include some other disease types.

Gambling tax

Question 28

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.

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.

Answer

At the 2019-20 Budget, gambling taxes were forecast to provide \$2,658 million in revenue in 2019-20 and grow at an average annual rate of 3 per cent over the forward estimates.

Gambling taxes include various racing taxes, club and hotel gaming machine taxes, lotteries and casino taxes. Each is forecast separately based on their respective historical growth rates and relationship to factors such as household consumption growth.

Revenue from gaming machine taxes, which accounts for around two-thirds of gambling revenue, is forecast to grow by 3 per cent, on average, over the forward estimates. This is slower than the 6.5 per cent average annual growth over the five years to 2018-19, and consistent with the slowdown in household consumption growth.

RRPIL**Question 29**

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.

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.

Answer

Response to the question was provided during the hearing – please see page 63 of the transcript.

Jurisdiction of Pillar/Mercer**Question 30**

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.

Answer

The contract does not specify a particular court. It provides for the non-exclusive jurisdiction of courts with jurisdiction in New South Wales.

Mercer

Question 31

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.

Answer

There is no statement of claim. Mercer has met with Treasury officials regarding its proposed restructure at Wollongong. Treasury is currently reviewing the proposal to ensure it is compliant with the contract.

Mercer

Question 32

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.

Answer

Treasury is currently reviewing the proposal to ensure it is compliant with the contract.

Treasury understands that no restructure decision has been made by Mercer.

Mercer

Question 33

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.

Answer

Mercer wrote to the Treasurer in both June and August 2019 providing assurances that it will not breach the contract and confirming its commitment to the Illawarra. Treasury has also met with Mercer and reminded them the Government would hold them to account in terms of their compliance with the Regional Guarantee.

Mercer

Question 34

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.

Answer

Please refer to the *Superannuation Administration Corporation (Pillar) (Authorised Transaction) Act 2016*.

Wharf Renewal Project

Question 35

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.

The Hon. WALT SECORD: How much has the project increased to?

Mr MIDHA: I will have to get back to you on that one.

Answer

The total Government contribution to deliver the redevelopment of the Walsh Bay Arts Precinct in the 2019-20 budget papers is \$245.1 million. However, additional design options were recently presented to the Government for its consideration. Further information regarding project costs in the context of these design options will be provided at the appropriate time.

Sydney Modern

Question 36

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.

Answer

I am advised the project is progressing well and on track to be completed in 2022.

Port Authority of NSW

Question 37

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

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.

Answer

The Port Authority informed Treasury during a regular meeting.

Port Authority of NSW

Question 38

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.

Answer

Yes.

Treasury advice

Question 39

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.

Answer

Yes

State-Federal Agreements

Question 40

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.

Mr PRATT: Good. We will do.

Answer

Please see response to Question 2.