

# **PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE**

**Monday 9 March 2020**

**Examination of proposed expenditure for the portfolio area**

## **TREASURY**

**UNCORRECTED**

**The Committee met at 09:30**

### **MEMBERS**

The Hon. Tara Moriarty (Chair)

Ms Abigail Boyd (Deputy Chair)

The Hon. Ben Franklin

The Hon. John Graham

The Hon. Courtney Houssos

The Hon. Mark Latham

The Hon. Natasha Maclaren-Jones

The Hon. Taylor Martin

The Hon. Daniel Mookhey

The Hon. Adam Searle

The Hon. Walt Secord

Mr David Shoebridge

The Hon. Natalie Ward

### **PRESENT**

**The Hon. Dominic Perrottet, *Treasurer***

## **CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS**

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

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



**The CHAIR:** Good morning, everybody. Welcome to the public hearing for the inquiry into budget estimates 2019-2020 further hearings. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of this land. I would also like to pay respect to the Elders past and present of the Eora nation and extend that respect to other Aboriginals present. I welcome Treasurer Perrottet and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure of the portfolio of Treasury. Today's hearing is open to the public and is being broadcast live via 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 would also like to 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 a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. There may be some questions that a witness could answer only if they had more time or with certain documents to hand. In these circumstances witnesses are advised that they can take a question on notice and provide an answer within 21 days. Any messages from advisers or members' staff seated in the public gallery should be delivered through the committee secretariat. Treasurer, I remind you and the officers accompanying you that you are free to pass notes and refer directly to your advisers seated at the table behind you. Transcripts of this hearing will be available on the website as soon as possible. I remind everyone to switch their mobile phones to silent for the duration of the hearing.

**MICHAEL PRATT**, AM, Secretary, NSW Treasury, on former oath

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

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

**PHILIP GARDNER**, Deputy Secretary, Commercial, Commissioning and Procurement, NSW Treasury, on former oath

**KIM CURTAIN**, Deputy Secretary, Jobs, Investment and Tourism, NSW Treasury, on former oath

**STEPHEN WALTERS**, NSW Chief Economist, NSW Treasury, affirmed and examined

**PETER ACHTERSTRAAT**, AM, NSW Productivity Commissioner, NSW Treasury, on former oath

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

**The CHAIR:** Today's hearing will be conducted from 9.30 a.m. to 12.30 p.m. with the Minister and from 2.00 p.m. to 5.30 p.m. with the departmental witnesses. I declare the proposed expenditure for the portfolio of Treasury open for examination. There is no provision for any witnesses to make an opening statement before the Committee commences questioning so we will begin with questions from the Opposition.

**The Hon. WALT SECORD:** Good morning, Treasurer.

**Mr DOMINIC PERROTTET:** Good morning, Mr Secord. How are you?

**The Hon. WALT SECORD:** Well thanks. On the weekend AMP Chief Economist Shane Oliver stated that Australia's unemployment rate would soar to 7 per cent by Christmas due to the coronavirus-based recession. He says that a quarter of a million people will be out of work by the end of the year. That means 83,000 people in New South Wales will be out of work. I think maybe this is a question to the Chief Economist or to Mr Pratt. What are your projections on the unemployment rate for New South Wales by the end of the year?

**Mr DOMINIC PERROTTET:** I will pass to Mr Stephen Walters to make some comments in relation to the jobs figures. but can I make just an opening remark in relation to the coronavirus and the work that Treasury is doing?

**The Hon. WALT SECORD:** Yes.

**Mr DOMINIC PERROTTET:** I think what is most important at this stage is that it is early days and that we get an understanding of the broader impact to the State's finances and the economy. To date I have tasked the Chief Economist to conduct round tables with industry to gain an understanding of the challenges that they face, particularly in respect of the university sector, the tourism sector as well as small businesses. I have personally also met with all the vice-chancellors of the universities and once again they have said this is early days and a lot of them, whilst there are significant jobs at risk from their perspective, and given that New South Wales is particularly exposed to education and tourism off the back of education, this is of concern to the State. Mr Walters, did you want to make some further comments in relation to the outcomes of the round tables that you have had and then subsequent to that any impacts on jobs?

**Mr WALTERS:** Thanks, Treasurer. Yes. So I did have a round table, as the Treasurer said, a couple of weeks ago and met with various industry representatives from the Retail Association, for example, from tourism operators, from the Hotels Association, from the universities, from various business groups—chambers of commerce. Some of the feedback from that, as the Treasurer indicated, suggests there will be some job losses from this. Combined with the bushfire impact there probably already has been some job losses. We saw that in the official statistical release by the Bureau of Statistics a few weeks ago—that New South Wales did have a decline in employment across the month of January. We do not have February employment numbers as yet. That is all anecdotal evidence but, as the Treasurer said, there is an impact coming on our economy. I also heard Mr Oliver's comments on the weekend. My understanding was he was saying if we did have a recession that you would end up with unemployment rates of possibly 6 per cent and if you had a more serious recession you would end up with unemployment rates of, say, 7 per cent nationally. We are not forecasting a recession.

**The Hon. WALT SECORD:** You are not?

**Mr WALTERS:** There is too much uncertainty at the moment. We think there is a probability that the first quarter's growth, which we will not know until early June, could be a negative quarter of gross State product [GSP] growth for New South Wales. A recession would require two quarters of negative growth force. We are

not forecasting that. It is a risk but we do not know how extensive the damage or the impact from the coronavirus is on the economy. We are looking at options. We are doing modelling but we have not come to a conclusion yet that we are going to get two quarters of negative Gross State Product [GSP]. I am fairly confident we will get one but the second quarter has not started yet. We are still in the first quarter. We still have a few weeks to go of the first quarter.

**The Hon. WALT SECORD:** So NSW Treasury is working on the premise that we will not go into recession?

**Mr WALTERS:** We are assuming that we will have a negative quarter of GSP growth. We are not assuming we will have two quarters of negative GSP growth.

**Mr DOMINIC PERROTTET:** Let us put this in perspective, if you look at the growth figures in the national accounts that came out recently, New South Wales was 5 per cent. It is holding up the national growth in the national economy and a significant component of that has been public demand. So our public investment infrastructure is holding up the New South Wales economy and that is off the back of our asset recycling program. So yes, there are challenges but if you look at the unemployment rate, the unemployment rate in New South Wales is the lowest in the nation at 4.5 per cent. If you look at where we sit compared to the other States, we come from a much stronger position. But realistically, in certain areas, particularly in tourism and education, we are more exposed in relation to the coronavirus than other States.

**The Hon. WALT SECORD:** Mr Walters, when was the last time we had negative growth?

**Mr WALTERS:** I would need to check on that but I think it was early 2019. Negative quarters of GSP are unusual but we have had them fairly regularly over the last 10 years.

**Mr DOMINIC PERROTTET:** In the figures up to December, in that quarter they had Victoria in the negative 0.1 per cent. I think a number of other States had negative growth. It was only New South Wales, Queensland and the Australian Capital Territory [ACT] that were in positive territory.

**Mr WALTERS:** Correct, and in fact New South Wales, as the Treasurer said, was the best-performing State in the fourth quarter. Negative quarters occur from time to time. Clearly during the global financial crisis there were negative quarters of GSP growth. Other States suffer negative quarters of GSP growth around, for example, the Queensland floods back in 2011. You do get negative quarters from time to time.

**The Hon. WALT SECORD:** So NSW Treasury has a different view to the Federal Treasury? You guys seem to be quite optimistic, quite buoyant, quite confident.

**Mr DOMINIC PERROTTET:** I do not think the Federal Treasury is making any assessment in relation to the New South Wales economy.

**The Hon. WALT SECORD:** We are one-third of the entire economy.

**Mr DOMINIC PERROTTET:** And at the moment we are holding up the New South Wales economy. The Federal Treasurer came out last week and made comments about the strength of the Australian economy. What he should have been coming out and saying is that thanks to the New South Wales economy Australia remains on track because on almost every single figure, particularly on the unemployment side and in terms of economic growth, New South Wales leads the way. I particularly want to call out that that has been off the back of our public investment infrastructure. In fact, it is called out in the national accounts that government spend was again the biggest driver of State final demand growth in the quarter. As a Liberal it is odd to be saying we should be dropping the public sector investment but that in the past has been adding. Our investment in infrastructure, delivery of infrastructure has been adding about half a percentage point to our economic growth. But for that infrastructure investment we would not be in the strong position that we are today.

**The Hon. WALT SECORD:** Treasurer, you seem to be speaking at cross-purposes to every other Treasurer, every other Treasury, every other national and every other sub-national Treasury that seems to be worried about a recession. You seem to be saying to us that everything is fine. Unemployment might go up. You are saying that you are having some roundtables. Mr Walters, what are these roundtables telling you?

**Mr DOMINIC PERROTTET:** Just one second, in terms of the proposition that you put in your statement there, Mr Secord, what I am saying is that there is no doubt there are challenges facing the national economy and particularly facing the New South Wales economy. As you would be aware, we have come off a period of drought; 98 per cent of the State still remains in drought. We have come off the bushfires and we are in the early stages of the issues surrounding the coronavirus. What I am saying is that the New South Wales economy is best prepared compared to other States and Territories based on sound financial and economic management

here in New South Wales over the past nine years. When you look at the unemployment rate, when you look at the growth figures, when you look at the investment in public infrastructure, that it is driving our economic growth period our State. We are in a much stronger position than other States to deal with issues that come our way. I believe the New South Wales economy is incredibly resilient and what we will be doing as the issues of the coronavirus are laid out is making sure that we are informed and make investments where it matters.

**The Hon. WALT SECORD:** Mr Treasurer, you must be talking to different businesspeople than I talk to and, Mr Walters, you must be speaking to different people at the roundtables. That is not the feedback that I am getting. That is not the feedback that the economists are getting. That is not the feedback of Shane Oliver, AMP's chief economist. That was not the feedback that Deutsche Bank's chief economist had on the weekend. He expects a two quarter recession. Who are you speaking to then because you are presenting a completely—

**Mr DOMINIC PERROTTET:** I am going to challenge who you are quoting here.

**The Hon. WALT SECORD:** You are out of step with the Prime Minister too.

**Mr DOMINIC PERROTTET:** This is from the Australian Treasury. It has noted that bushfire has already wiped 0.2 per cent of the country's growth. Treasury Secretary Steven Kennedy said the coronavirus increases the risk of a downturn, however was quick to reassure the Senate that it was not forecasting a recession despite how bad some of the projections may look. This is not a time for hysteria. This is a time for statesmanlike leadership. That is what we are seeing. There are challenges that have faced our economy—

**The Hon. WALT SECORD:** So are Josh Frydenberg, the Prime Minister and Shane Oliver being hysterical?

**Mr DOMINIC PERROTTET:** What I am saying to your questions is the answer from our perspective is that we are speaking to industry and getting an understanding of the challenges that will face the economy and the opportunities and where the right areas to invest will be. I have tasked the Chief Economist of New South Wales, Stephen Walters, to do some of that work and we are working through that. Mr Walters, do you want to make some further remarks in relation to the feedback you are receiving from industry directly? What we are doing, Mr Secord, is working through in a measured way what we see as the impact and making sure that New South Wales is in the best position to respond.

**Mr WALTERS:** Feedback from some parties is worse than others. Certainly the impact on the tourism and education sectors we are well aware are probably the most acute.

**The Hon. WALT SECORD:** Would you say it is probably the worst that we have ever seen? You see tourist buses with one or two people on the bus.

**Mr WALTERS:** That is not my view but it is the view of the university and tourism sectors that I have spoken to that it is the worst that they have seen.

**The Hon. WALT SECORD:** It is not your view but it is the industry's view?

**Mr WALTERS:** I am not a specialist on education or tourism. I am passing on to you what their view is.

**The Hon. BEN FRANKLIN:** Point of order: He is not saying he disagrees with the view. He is just saying that it is the view of others.

**The Hon. WALT SECORD:** Sorry, continue.

**Mr WALTERS:** The feedback I received from them was that it is the worst experience they have had. For others it was less serious but we are working our way through, as is the Commonwealth Treasury, as is the Reserve Bank, in assessing the various stages of the impact of the coronavirus. At the moment the most acute impact is on tourism and education. There are potentially subsequent impacts on broader parts of the economy, on production chains, on confidence, on household spending. We are still working through our assessment of what those impacts may be.

**The Hon. WALT SECORD:** I remember from my days of being the chief of staff to the Treasurer that we would receive weekly reports and monthly reports, we would be able to track how we are doing or if there is going to be a surplus, how stamp duty is going, how payroll tax is going. What is happening in the area of payroll tax? Are people shedding jobs already?

**Mr DOMINIC PERROTTET:** In relation to—

**The Hon. WALT SECORD:** It was a simple question. Are people shedding jobs?

**Mr DOMINIC PERROTTET:** It is a simple question but let me make this point—and I want to be very clear about budget estimates today—we are having hearings into the budget estimates for 2019-20. What I am not going to be—

**The Hon. WALT SECORD:** It was rosy then so let's just talk about—

**Mr DOMINIC PERROTTET:** No, hold on a second.

**The Hon. NATALIE WARD:** Point of order: I ask that we allow the Treasurer to complete his sentence before the Hon. Walt Secord interrupts.

**The Hon. WALT SECORD:** To the point of order: The Treasurer was saying that budget estimates are about 2019-20. Therefore, he is arguing—

**The Hon. NATALIE WARD:** No, my point of order was about allowing him to finish his sentence. That is all.

**The Hon. WALT SECORD:** I have a right to ask what the Treasury's current position is on the economy.

**The Hon. NATALIE WARD:** I am not quibbling with the content of your question. I am asking you to allow him to finish his sentence.

**The Hon. WALT SECORD:** But he was not allowing me to put the question.

**The CHAIR:** I am going to rule on this. Committee members are entitled to ask a question and then we are entitled to hear an answer.

**Mr DOMINIC PERROTTET:** Let's look at the facts, Mr Secord. It is no surprise that Labor members come into a Committee like this to talk down the New South Wales economy.

**The Hon. WALT SECORD:** No, I want to work in partnership with you. We have an obligation, however, to give an accurate picture to the community. You should not simply sit here and say, "Everything is rosy."

**Mr DOMINIC PERROTTET:** No-one has suggested that. What we have said—

**The Hon. WALT SECORD:** You are suggesting that.

**Mr DOMINIC PERROTTET:** What we have said is that the New South Wales economy is incredibly resilient. We have the lowest unemployment rate in the country. The national account figures that came out last week showed once again that New South Wales remains the engine room of the national economy. A lot of that is off the back of our public investment in infrastructure. If you look at when it comes to payroll tax, yes there has been a decline in payroll tax receipts, but a lot of that is on the back of the fact that we have cut payroll tax for small businesses right across the State. We want to stimulate the national economy. We do not wait for an issue to arise. The management of the New South Wales budget and the New South Wales economy is always there in a strong way, regardless of issues that may arise. We want to pre-empt them on the way through. For example, if you look at the recent election campaign, we ran on a platform of cutting taxes; Labor ran on a platform of increasing taxes.

**The Hon. WALT SECORD:** That is not true.

**Mr DOMINIC PERROTTET:** Yes, it is. You ran on a platform of taxing farmers in the middle of a drought. You ran on a platform of increasing payroll tax for small businesses.

**The Hon. WALT SECORD:** Back to payroll tax, you are claiming that companies are not shedding workers. I am happy to stand corrected, but I think it is the largest single source of revenue, other than the GST, to the New South Wales Treasury.

**Mr DOMINIC PERROTTET:** At the moment, yes.

**The Hon. WALT SECORD:** Mr Walters, are companies shedding workers?

**Mr WALTERS:** Anecdotally, the feedback I have received is that yes, they are. But again, there is so much uncertainty about this and they may be reinstating workers. We do not know how the coronavirus will play out. I am not a medical specialist; I am an economist. We do not have the measures on jobs numbers for the February month. But the roundtables I have been having and the industry groups I have spoken to have indicated that there is some job shedding going on, particularly in tourism and the education sector. That is related to

students, particularly from China, not being in Australia. When those students return there is a strong probability, based on the feedback I am receiving, that those people will be re-employed, because they are casual tutors at universities, for example.

**The Hon. WALT SECORD:** Does the modelling show that once we lose those Chinese students we actually lose them for four years because of the way the academic year is structured in Australia versus Canada and the United Kingdom? If a student from India or China decides to defer until September and join the Canadian or United Kingdom system, they have, in fact, been removed from the economy for up to four or five years.

**Mr DOMINIC PERROTTET:** That is a hypothetical, Mr Secord. What we are doing currently—and you are correct in saying that based on the academic year, it causes a greater challenge for us because they commence in September, whereas this has occurred just prior to the academic year beginning in New South Wales. But at the moment we are working with the vice-chancellors at the universities. They have set up a number of online courses for these students to assist them in commencing their education. But my view is obviously that from the State's perspective, we want to do everything we can to have those students continue or commence their tuition year in New South Wales.

In some sense, some of those factors are outside of our control. The Federal Government obviously has to make sure the safety of Australians is paramount. But we will continue to work with the universities to see what we can do to assist them in making sure that those students have an open line of commencing or continuing their education here in our State. And we have a leading education system. We have some of the leading universities in the world. In my view there is a reason they have chosen to come to Australia and New South Wales universities in particular. We want to manage that situation as closely as we can.

**The Hon. WALT SECORD:** Mr Walters, on the weekend there was coverage of a wage freeze. In the current climate would a wage freeze stimulate or restrict the economy? What would happen with a wage freeze? What would be the impact on the New South Wales economy, considering that the New South Wales Government is the largest single employer?

**Mr DOMINIC PERROTTET:** Yes, it is. That is why, in respect of wages, we have been very proud of the fact that here in our State we have set our wages at 2.5 per cent. That is at a much greater rate than Labor States around the country. We can only do that because of the strong fiscal position here in New South Wales. As the State's leading employer, I am very proud of the fact that we are able to lead the country when it comes to public sector wages. Because you are right that providing support and income to our teachers, nurses and police officers helps to stimulate the New South Wales economy. In fact, the Reserve Bank Governor has come out and supported our position here in New South Wales to provide that. But I make this point: You cannot pay your employees if you are not in a strong financial position. That is what we have been able to do in this State and the wage position remains at 2.5 per cent.

**The Hon. WALT SECORD:** But you have ignored my question. My question is: What is your stance on the wage freeze?

**Mr DOMINIC PERROTTET:** From my recollection your question was in relation to whether increasing wages help to stimulate the economy. Obviously if our teachers, nurses and police officers have higher wages, that helps contribute to economic growth. That is exactly what we have done in this State. I made the point at the budget last year—and it is good we are answering a question about the 2019-20 budget—about the comparison to the Labor States. For example, Western Australia has a 0 per cent wage freeze and is giving \$1,000 only to public servants because of its budget position. In Victoria the unions are marching in the streets against the Labor Government because of wages policy. Here in New South Wales we are the best friend the worker has ever had.

**The Hon. WALT SECORD:** So you are not freezing wages?

**The CHAIR:** It is the crossbenchers' time, sorry.

**Ms ABIGAIL BOYD:** I will pick up on that line of questioning. Just to round it out and finish it off, are you saying that there will not be a wage freeze for the public service?

**Mr DOMINIC PERROTTET:** I am not here today to speculate about Government decisions in the upcoming budget.

**Ms ABIGAIL BOYD:** Okay. Given the statement you just made that obviously if we give higher wages or if people receive more in their pay packets it will stimulate the economy, what will your Government be doing to stimulate wage growth?

**Mr DOMINIC PERROTTET:** We have led the way when it comes to wages not only in the State but also around the country. As the State's leading employer, when you are seeing private sector growth at about 1.7 per cent, at a State level we are at 2.5 per cent. I think we lead the way. I will get you some figures on other jurisdictions. But it has to be married up. Let's remember, Ms Boyd, that the Government derives its revenues from the taxpayers of this State. There is a balance between wages in the private sector, which may be running at around 1.7 per cent. They are the ones who are funding the public sector wages. We need to make sure that both aspects are considered. When I look at public sector wages around the country from other governments—

**Ms ABIGAIL BOYD:** Perhaps we could get that on notice. I am not particularly interested in the other States. I am interested in New South Wales.

**Mr DOMINIC PERROTTET:** I think it is important because what it demonstrates very clearly is that you cannot have strong growth in public wages without strong financial management. That is what allows us to be able to provide that growth.

**Ms ABIGAIL BOYD:** You have consistently said that your Government has been a good financial manager—

**Mr DOMINIC PERROTTET:** Yes.

**Ms ABIGAIL BOYD:** —and yet, since 2011, we have had a cap on public sector wages.

**Mr DOMINIC PERROTTET:** But, Ms Boyd, at 2.5 per cent when private sector wages are at 1.7 per cent. With the taxes paid by people employed in the private sector who are having an annual wage increase of around 1.7 per cent, we are paying our public servants here in New South Wales a growth rate of 2.5 per cent. That compares to Victoria at 2 per cent, South Australia at 1.5 per cent and Western Australia at 0 per cent. These are Labor States. Tasmania is not, at 2 per cent. I am very proud of the fact that we are able to be investing more in the public service and making sure that our teachers, police officers and coppers are leading the way when it comes to public service wages.

**Ms ABIGAIL BOYD:** You would expect that if, as you say, New South Wales has been leading the way in financial management over the past while. You would expect the public sector wages here to be higher. Are you considering lifting that wage cap or the efficiency dividends in order to stimulate the economy?

**The Hon. NATALIE WARD:** Point of order: I do not mean to quibble with the line of questioning, but I would ask that it is relevant to the subject of today's hearing, which is the 2019-20 expenditure.

**Mr DOMINIC PERROTTET:** Just a comment on that—

**The CHAIR:** Sorry, I will rule on the point of order. The question is perfectly in order. Treasurer, I am interested in the answer.

**Mr DOMINIC PERROTTET:** Look, I respect this Committee very much, but when it comes to making announcements in relation to the upcoming budget, I may choose other means. I am sure Mr Secord would be running straight down to the press gallery and saying, "What a great announcement for the upcoming budget", but I am not here to speculate on the next financial year. You have decided to have two budget estimates. In fact, Treasury was called back for the entire day last year. As Treasurer, I am happy with these arrangements, but let us not forget that this is not budget estimates for the following financial year. It is budget estimates for this financial year.

**Ms ABIGAIL BOYD:** That is correct and in the 2019-20 budget there were a number of forecasts and a number of predictions made in relation to wages growth, in relation to household spending. We are now seeing that a number of those assumptions are not coming out as being true or as holding water. We have accepted that there is likely to be negative growth in this quarter, but that we do not expect or we are not assuming a second quarter. What are you doing to prevent a second quarter of negative growth?

**Mr DOMINIC PERROTTET:** What is the biggest contributor to our economic growth here in our State? That has been our public investment in infrastructure. That has added about half a percentage point to our economic growth. If you look at—particularly, the jobs growth on the back of those investments has been significant. We have created more jobs in regional New South Wales than any other region across the country combined. That has been at a time when New South Wales has grappled with being in drought. From my visits to the regions, I have met many small business operators, particularly subbies, who have increased their businesses and their employment off the back of public projects like schools and hospitals that we have been investing in.

We have \$97 billion of infrastructure over the next four years. When you talk about the economic growth figures in the national accounts—obviously forecasting is important, but let us look at the current run rate as well. When I look at other States that have had negative growth—other States have had negative growth in that quarter to December—the fundamental difference between New South Wales and those States was public demand, public investment in infrastructure. That is not possible but for the financial approach we have taken of asset recycling.

**Ms ABIGAIL BOYD:** Back to my question, which was: What will you do to stop that second quarter of negative growth? Is the answer investment in infrastructure?

**Mr DOMINIC PERROTTET:** Let us take the bushfires, for example. Obviously, we have had a number of communities, particularly on the North Coast and South Coast, devastated by those fires. We announced \$1 billion that we are investing in infrastructure. Obviously, State-owned infrastructure is a significant focus to have the schools and hospitals and the roads and the train lines repaired as quickly as possible. That will also help, I believe, stimulating those local economies and helping them get back on track. At the same time, the clean-up operation—we decided to make a decision to have a single head contractor with a view of preferencing local subbies to be working on the clean-up of those bushfire-related areas. I would also make the point, Ms Boyd, that you cannot just wait for a crisis to come to make investments to help stimulate growth. It is a constant job. That is why, as a Liberal Government, we believe in lowering taxes and helping stimulate businesses. That is why we have cut payroll tax and continue to cut payroll tax for small businesses right across the State—

**Ms ABIGAIL BOYD:** I will cut you off there because I am not getting enough time to ask my questions. Given that, as you say, a lot of the growth in New South Wales has come out of government spending on infrastructure, why do you think that has not translated into a boost in consumer spending or other parts of the economy?

**Mr DOMINIC PERROTTET:** If you look across the board, there is no doubt that the national economy has had its challenges, but what you can do, from a State's perspective, is lower taxes. If you look at business confidence, if you look at the figures that came out in the national accounts, which is the most recent quarter, whilst, to your point, the public sector investment did the heavy lifting, underlying business investment also increased as well. That was up 0.1 percentage point. And household consumption contributed to growth as well, up 0.1 percentage point.

**Ms ABIGAIL BOYD:** Was that 0.1 per cent?

**Mr DOMINIC PERROTTET:** That is 0.1 per cent. That is subdued, below the historical average, but if you take a broader perspective, and my point to you is if you look at where we sit with the other States, the fact that we were in positive territory and they were not I think is completely attributable to the policies of the Liberal-Nationals Coalition. By cutting taxes you allow businesses to not only invest—and we are seeing that business investment remain strong—but you are also seeing that translate into the jobs figures. When you look at the unemployment numbers here in our State, we are about a percentage point, I think, below the next closest State, in Victoria. We are at 4.5. They are at 5.4. So my point to you, Ms Boyd, is that it is our policies that are actually helping drive economic growth in this State, whether that is asset recycling leading into infrastructure investment or whether it is business investment and low unemployment off the back of our tax cuts.

**The Hon. MARK LATHAM:** Good morning, Treasurer. Just turning to the 2019-20 outlays funding the Independent Planning Commission [IPC] and its impact on investment conditions, not long ago I sat upstairs in my office and heard a major international company from South Korea saying that because of the incompetence of the IPC they will never again invest in our State. Have you heard similar reports?

**Mr DOMINIC PERROTTET:** No, I have not heard similar reports. What I would say in relation to the IPC—and maybe Mr Achterstraat might have some views on this as well, given that he has just led a review into the IPC, and, I would say, a much-needed review into that body—independence in the planning process, to a degree, is important. We saw the days of the old New South Wales Labor Party—the Labor Government here—who I think tarnished planning in this State for decades. But I do not think future governments should be tarnished with the Obeid brush.

**The Hon. WALT SECORD:** What about the Sidoti brush?

**The Hon. DANIEL MOOKHEY:** How is Chris Hartcher going?

**Mr DOMINIC PERROTTET:** Well, I just walked past the Supreme Court this morning. There is a hearing in there in relation to—

**The Hon. WALT SECORD:** How is Sidoti going?

**Mr DOMINIC PERROTTET:** The shadow of that previous Labor Government still hangs over.

**The Hon. WALT SECORD:** Tell us about Chris Hartcher.

**The CHAIR:** Order! Order!

**Mr DOMINIC PERROTTET:** Mr Secord is baiting me.

**The CHAIR:** Order! Everyone needs to be directly relevant here. Can you please answer the question?

**Mr DOMINIC PERROTTET:** Including Mr Secord. I want to address this. This is a very good question because there should be a balance and I think we have got to the point—without obviously referring to the previous Government—where governments cannot outsource their responsibility on decision-making. Members of the IPC are not getting elected to Parliament. We have a responsibility as a Government to make decisions to drive the economic growth of this State. I commend the work of the planning Minister, Rob Stokes, in appointing a Productivity Commissioner, who we appointed 1½ years ago now to help look at areas where we can drive productivity and drive economic growth. It can be frustrating where we are held back by independent bodies that are unaccountable to the public. No-one votes for the IPC; they vote for a government to come into office to make decisions in the State's interest. But I accept that there is a balance and there are concerns that need to be taken into consideration. The IPC plays an important role, but it is not an elected body—it is appointed. I think a balance needs to be there.

**The Hon. WALT SECORD:** Spoken like a Heritage Foundation boy.

**The Hon. NATALIE WARD:** Point of order—

**The CHAIR:** I have got a point of order to deal with.

**The Hon. MARK LATHAM:** Treasurer, what do you think it does for economic confidence in New South Wales to have an activist tribunal making decisions about the downstream consequences of developments for which the proponent has no control and no responsibility?

**Mr DOMINIC PERROTTET:** I do not want to get in too much trouble here for freewheeling, but you are encouraging me.

**The Hon. DANIEL MOOKHEY:** Channel your inner Deputy Premier.

**Mr DOMINIC PERROTTET:** Mr Latham, I have said that there is an important role for the IPC to play and I think that there is advice that they should provide the Government in relation to making decisions on planning proposals. But they should also do that in concert with the vision of this State going forward, and there are decisions that are made by unelected bodies that impede our economic growth. Let us move on to gas, for example. In Narrabri that decision is before the IPC and there are important considerations that will come out of that, but there are also broader economic implications for the State which should be considered. I am sure they will be. But this is a question that is going to test governments in years to come about who is actually in control and running the show. It is not the IPC—it is not unelected bodies that end up getting thrown out of government if the economy slows or decisions are not being made. It is the role of the Executive and the Executive should be taking responsibility.

**The Hon. MARK LATHAM:** Treasurer, as custodian of economic and investment conditions in New South Wales, are you worried that the IPC and the United Wambo mine near Singleton, having been told by the planning department and I think by any constitutional lawyer that New South Wales has no power over exports—it is a Commonwealth power—proceeded to tie the permit to certain export destinations according to the Paris Agreement? Why does the IPC exist if it is willing to break the law?

**The Hon. NATALIE WARD:** Point of order: I just raise the issue of relevance in this portfolio area. The Treasurer is welcome to answer if he wishes to, but it is a question for Planning.

**The CHAIR:** He seems happy to answer it.

**Mr DOMINIC PERROTTET:** Well, just an observational view on that—

**The Hon. COURTNEY HOUSSOS:** No-one is running interference he does not want.

**Mr DOMINIC PERROTTET:** No, no. It is an interesting question because—hopefully we get the chance to talk about climate change policy today because I think this is something that not just the Government but the private sector is grappling with.

**The Hon. WALT SECORD:** Throw in nuclear while you are at it.

**Mr DOMINIC PERROTTET:** I am assuming we are going to get to that. There are many private businesses that are now losing access to finance because of their emissions and their lack of environmental policies. But then there is a question off the back of it that if you take a company like Shell that then takes out areas of its business that are not polluting, but sells those businesses to a company in Malaysia, for example, that has less focus on emissions targets or actually does not care, should they be treated in a worse way than other corporations that perhaps maintain their current position and those areas of the business that do have a polluting arm? This is a substantial challenge not just for the private sector but for government bodies as well.

**The Hon. MARK LATHAM:** Treasurer, in the 2019-20 budget expenditure areas do you think that the Government has two devastating paradoxes on its hands—that we are spending record amounts on schools with the fastest-falling results in the world and we are spending record amounts on domestic violence programs and we hear last week that the results are getting worse? Why we spending these huge amounts of money in portfolio areas where the results are getting worse and what does the Government plan to do about it?

**Mr DOMINIC PERROTTET:** The worst thing about governments and oppositions is that success is measured on the size of the spend. We should not just have budget estimates; we should have performance estimates. We sit around these bodies and—Mr Mookhey is over there warming up.

**The Hon. WALT SECORD:** He is ready.

**The Hon. DANIEL MOOKHEY:** I practised on Victor Dominello.

**Mr DOMINIC PERROTTET:** Good. We will sit around these bodies and talk about the size of the expenditure, but it can be frustrating that we are not actually looking at how that funding is linked to outcomes. In last year's budget—the 2019-20 budget—we have commenced and continue to work on outcome-based budgeting. That is a start; we are nowhere near the conclusion of that work. But what I want to see is agencies and departments have the allocation of funding, but have the transparency down to a sub-program level where they can determine whether those funds at that program level are actually obtaining a better outcome. That may take time to roll out, but at least for the first time in a long time—or ever—we actually have a system in place where there is transparency from a department level to a Treasury level about where those funds are going.

Does it concern me that the size of Government just continues to grow and outcomes become poorer? Of course it does. If you take education, for example, I think there was a 20 per cent increase in the budget for education in the last year. That is a positive thing, but what a travesty it will be that, following the Gonski school funding announcements, we look back in five or 10 years and say, "Never before did State and Commonwealth governments invest more in public education, yet the outcomes were worse." I believe we are at the head of the curve and I would say that the education department, in terms of dealing with Treasury, has been so far probably the most receptive. Maybe that is because their funding is enshrined in law and it is there and it continues to grow. But we need to make sure that that funding—that the secretary and the department are accountable and responsible for the outcomes, not just asking for further funding.

**The Hon. MARK LATHAM:** Treasurer, what would you estimate to be the economic cost of our fast-falling school results given that in the medium- to long-term our competitiveness is closely linked to skills and human capital? Has Treasury done any detailed work on this crisis in our schools and the implications for the economy down the track?

**Mr DOMINIC PERROTTET:** The main focus right now, Mr Latham, is ensuring that we get access to the information that is going to help drive better outcomes in our education system. We need measurable targets. We have got to be talking less about virtue signalling and inclusiveness and more about actual academic results. The education department, given that they had this increase in funding, are on the hook for better outcomes and better educational outcomes in our future. That should be the number one goal. Given the increase in financial investment, there is no excuse. From the Treasury perspective here—from everyone lined up along here—we have done our job. We have invested more than ever before. The Commonwealth Government has invested more than ever before. Now it is the role, not just here but around the country, of education departments to be ensuring that our kids are getting the best education possible and getting the best results.

**The Hon. DANIEL MOOKHEY:** Treasurer, I would like to talk to you about icare. We learned in December that your agency lost \$892 million last year. To give some perspective, that is 6½ times the total operating budget of Treasury. The only corporation in Australia to have lost more money than your agency in the last year was AMP. Treasurer, why did you let your agency lose \$892 million last year?

**Mr DOMINIC PERROTTET:** Let us get some context here in respect of icare and I will pass to John Nagle to make some further statements in relation to this. I have come to budget estimates as finance Minister previously and Mr Shoebridge is always present to ask questions in relation to workers compensation. It is good we have a double act today. We established icare to improve most predominantly service to injured workers in this State. I have had questions each time in relation to the funding ratio of icare and Mr Shoebridge has, I would say without putting words in his mouth, criticised the Government on occasion in relation to having a funding ratio at a level that was particularly high. At one stage we might have been—

**The Hon. DANIEL MOOKHEY:** Treasurer, can you come to the question?

**Mr DOMINIC PERROTTET:** —around 140 per cent. We are—

**The Hon. DANIEL MOOKHEY:** Can you just come to the question?

**Mr DOMINIC PERROTTET:** This is directly relevant. We are at a funding ratio of around 109 per cent, I think, at the moment. It is a surplus of around \$2 billion. It is a fine balancing act to make sure we have funding available to provide support to injured workers and at the same time ensure that premiums do not increase. Unlike—

**The Hon. DANIEL MOOKHEY:** Treasurer, just to pick up on that one—

**Mr DOMINIC PERROTTET:** No, Mr Mookhey. This is unlike under the Labor regime, where we had a \$4 billion deficit, premiums for businesses were due to rise by 28 per cent and over 20,000 jobs were at risk. Even Bob Carr criticised that previous scheme. There are challenges for the workers compensation scheme. What I want to see—and when we established icare what I was focused on when I was finance Minister—is that we can ensure that we have a situation where we do not reduce support and benefits for injured workers and at the same time we do not increase premiums on businesses.

**The Hon. DANIEL MOOKHEY:** Treasurer, I want to go to your point about delivering better service for workers. We learned last week that your agency reported to the regulator that it reviewed 3,000 claim files and between 2012 and 2018 one in four injured workers were underpaid. The ramifications for that are massive. Your agency handled circa 396,000 claims in this period. If we are talking about one in four, we have a potential pool of 97,000 injured workers who might have been underpaid. Even if it is only a tenth of that, we are dealing with the biggest underpayment issue confronting Australian workers because of your agency. Why did your agency underpay one in four injured workers?

**Mr DOMINIC PERROTTET:** If you look at the actual facts, firstly, I commend icare on, once this issue arose, immediately self-reporting to the regulator. Actually this issue goes back a substantial period of time—in fact, to 2011 or 2012.

**The Hon. DANIEL MOOKHEY:** To 2012.

**Mr DOMINIC PERROTTET:** To 2012 and but for the IT advances that icare has pursued, potentially this discrepancy in relation to both underpayments and overpayments—and I will stress that it would appear that—

**The Hon. DANIEL MOOKHEY:** So one in every two is wrong?

**Mr DOMINIC PERROTTET:** It may be the case. It is early days and we will get to the bottom of it and ensure that any single person who has not received their entitlement receives it. That is obviously—

**The Hon. DANIEL MOOKHEY:** We will have the opportunity to hear from Mr Nagle this afternoon.

**Mr DOMINIC PERROTTET:** Let us be fair here. There have been underpayments and overpayments. We will resolve it but what is most important is that it is actually the work of icare that helped determine this issue in the first place. Because under the previous system, I do not believe this issue would have actually come to light. Mr Nagle, did you want add to that?

**The Hon. DANIEL MOOKHEY:** We will have the opportunity this afternoon to hear from Mr Nagle expansively. I want to move on. Treasurer, on 25 February this year icare published on the eTendering website the details of 179 contracts reporting \$180 million of expenditure. Almost all of these contracts were reported well after the 45 days legal requirement for them to be published under the GIPA Act. This is a very important anti-corruption measure. In fact, it has been recommended by ICAC and it is Treasury policy that agencies publish details in time. Your own agency, which is part of the Treasury cluster, did not follow the policy. Treasurer, why did you let your agency breach the anti-corruption sections of the GIPA Act at least 179 times?

**Mr DOMINIC PERROTTET:** I am not aware of that information. What I am aware of is that icare have incredibly improved the service to injured workers in this State compared to the previous WorkCover model. In terms of—

**The Hon. DANIEL MOOKHEY:** Treasurer, I accept that you do not know about it.

**Mr DOMINIC PERROTTET:** —that issue that you have raised with me, that is the first I have heard of it. What I would say is I am happy for you to table that and I will come back to it.

**The Hon. DANIEL MOOKHEY:** I am happy to table it at the end of the estimates hearings. Of the 179 contracts that were published a couple of weeks ago, 164 worth \$118 million were not tendered for in the past two years. In the past two years your agency has handed out effectively 90 per cent of the Treasury budget without going to tender. Why?

**Mr DOMINIC PERROTTET:** This is an operational matter, which I am happy for Mr Nagle—

**The Hon. DANIEL MOOKHEY:** No, it is actually your responsibility, Treasurer, because it is your agency.

**Mr DOMINIC PERROTTET:** And look at the strong response—

**The Hon. DANIEL MOOKHEY:** Can I just make the point—

**Mr DOMINIC PERROTTET:** If you were—

**The Hon. DANIEL MOOKHEY:** Sorry, Treasurer, but the policy—

**Mr DOMINIC PERROTTET:** No, Mr Mookhey—

**The Hon. NATALIE WARD:** Point of order—

**Mr DOMINIC PERROTTET:** You can choose your questions but you cannot choose my answers.

**The CHAIR:** Treasurer, a point of order has been taken.

**The Hon. DANIEL MOOKHEY:** You are not giving any answers.

**Mr DOMINIC PERROTTET:** I am trying to.

**The CHAIR:** I need to deal with the point of order.

**The Hon. NATALIE WARD:** My point of order relates to the fairness resolution, paragraph 19, that sets out that members have resolved as part of the resolution that witnesses will be treated with courtesy at all times. I ask Mr Mookhey to allow the witness, who is the Treasurer, to complete his answer before he interrupts.

**The Hon. DANIEL MOOKHEY:** Treasurer, do you want to explain why 164 contracts and \$118 million in the last two years was put out without tender?

**Mr DOMINIC PERROTTET:** I am happy to consider and get the advice in relation to that matter. But let us focus—

**The Hon. DANIEL MOOKHEY:** You have got to get the advice—

**The Hon. NATALIE WARD:** Let him finish.

**Mr DOMINIC PERROTTET:** I will, but let us focus on the outcomes. The feedback that I have received over the course of the last few years in respect of the transition to an icare model, as opposed to the previous WorkCover model, is that particularly support for injured workers has significantly improved. In fact, it is not just me who says it. Your own member for Cessnock actually wrote a letter where he said—

**The Hon. DANIEL MOOKHEY:** He actually wrote a letter.

**Mr DOMINIC PERROTTET:** Yes, he did. He said, "I wish to offer my thanks—

**The Hon. DANIEL MOOKHEY:** Treasurer, we are now moving well beyond the point of direct relevance.

**Mr DOMINIC PERROTTET:** No, this is important because it goes—

**The Hon. DANIEL MOOKHEY:** I would just like to move on.

**Mr DOMINIC PERROTTET:** No, it goes to outcome.

**The Hon. TAYLOR MARTIN:** It is in the letter.

**The Hon. DANIEL MOOKHEY:** Treasurer, an independent report—

**The Hon. NATALIE WARD:** He is giving his answer.

**Mr DOMINIC PERROTTET:** You asked me a question—

**The Hon. DANIEL MOOKHEY:** Treasurer, you have already said that you cannot answer the question.

**The Hon. BEN FRANKLIN:** He is answering the question.

**The Hon. DANIEL MOOKHEY:** He has already said that he cannot answer the question.

**The CHAIR:** Order! Committee members are entitled to ask questions. If the Committee member who is asking the question wants to move on then it is what we will do. We are on to the next question.

**The Hon. DANIEL MOOKHEY:** Thank you. Treasurer—

**The Hon. NATALIE WARD:** Point of order: That is not, with respect, okay. If a witness wishes to give an answer, he is entitled to complete at least his sentence.

**The Hon. DANIEL MOOKHEY:** He completed it.

**The Hon. NATALIE WARD:** Mr Mookhey is talking over the top not only of one of our colleagues—

**The CHAIR:** I have already ruled.

**The Hon. NATALIE WARD:** I am raising a further point of order that committees in estimates most often resolve that witnesses are entitled to be treated with courtesy and as a minimum to finish their sentence. I ask that Mr Mookhey restrain himself and allow witnesses to complete their sentence, if not their answer.

**Mr DAVID SHOEBRIDGE:** To the point of order: I think that is true but if the Minister is going to start reading onto the record a response from a Labor member and is not being directly relevant, that is when we get into this trouble and there are likely to be these kinds of interruptions. It requires both sides to respect the process.

**Mr DOMINIC PERROTTET:** Can I take a point of order to Mr Shoebridge?

**The CHAIR:** I am ready to rule on the point of order but I will hear from members.

**The Hon. NATALIE WARD:** To the point of order: I understand what Mr Shoebridge is helpfully saying. Other Ministers have read answers onto the record. They are entitled to refer to notes and to read and quote onto the record.

**The CHAIR:** I am ready to rule. In this case the answer has to be directly relevant and it was not. That is my ruling.

**The Hon. DANIEL MOOKHEY:** Treasurer, I want to talk about the legal compliance of icare. This is what the independent report says—

**Mr DOMINIC PERROTTET:** Sorry, what report is this?

**The Hon. DANIEL MOOKHEY:** This is the Dore report.

**Mr DOMINIC PERROTTET:** Which one?

**The Hon. DANIEL MOOKHEY:** The Dore report. Did you get a copy? It stated:

... icare's compliance with determining liability within the 12 weeks allowed for provisional liability status, is adhered to in only 54 per cent of cases.

The independent review also stated:

The report also suggests that 46 per cent of the NI's claims managed within the new claims model are non-compliant ... and that icare considers ... non-compliance as a lower order risk. This approach to compliance seems to indicate an absence of concern with regulatory matters.

We have an independent report that says to your regulator that your agency does not care whether it is complying with the law. Why do you not care?

**Mr DOMINIC PERROTTET:** Obviously I do care, Mr Mookhey. I think that it is very positive that you have a robust relationship between icare and the regulator in the State Insurance Regulatory Authority [SIRA]. I understand that the report was carried out and it is important that icare—and I have spoken to the board numerous times about this—works closely with SIRA to ensure that concerns that are raised are met. I think that is a healthy tension. It is something that I am focused on and I have raised that with the board last year. I have raised it with the CEO because it is certainly a focus for me that whether it is tendering or whether it is any other aspect of the business, injured workers are given the best support as possible and that the finances of the scheme are managed well in order to provide that support.

**The Hon. DANIEL MOOKHEY:** In financial year 2018-19, icare changed the rate by which it increases the premiums it charges employers who have claims made against them—in some instances increasing them by 70 per cent.

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. DANIEL MOOKHEY:** What this practically means is that some employers who have claims made against them can face an increase of premium of 425 per cent. Why did you let your agency so dramatically increase the premiums it charges employers without any public explanation?

**Mr DOMINIC PERROTTET:** I reject the proposition in your question, firstly. Secondly, I would say this: I believe that the previous scheme actually rewarded poor performance in the workplace. I wanted to have a scheme that actually protected injured workers in our State, that promoted safe work practices and that incentivised businesses right across New South Wales to look after their workers in whatever workplace environment they were in. This is not comparing—the comparative rates were against their own industry. You are right in saying that in certain circumstances there were increases to some businesses that, in some circumstances, may have been substantive.

From the very beginning, given that we changed the system as we moved into the new scheme under icare, when I receive notification from businesses who have had an increase that might be of substance, I have asked icare to work with them to help resolve the matter and, if relief was needed, it could be provided in certain circumstances to assist them in the transitional arrangements. That may mean that businesses have increases in premiums, but I am proud now to be in a position where, as a Liberal Treasurer, I am here standing up against the Labor Party for injured workers in New South Wales. That is our focus. When we made the changes to icare, I did not want there to be increases in business premiums. But at the same time, I did not want there to be any reductions to the support services that were provided to injured workers in New South Wales.

**The Hon. DANIEL MOOKHEY:** Your agency lost \$872 million last year, which was Australia's second highest corporate loss. It reported an underwriting loss of \$2.6 billion. Your agency says it may have underpaid one in four workers, which would rival Woolworths in the scope of the underpayment crisis we are dealing with. Your agency has not followed the law when it comes to publishing at least \$179 million worth of contracts. It has awarded 164 contracts, worth \$118 million, without tender. An independent regulator says your agency is nonchalant about following the law. Yet every single executive at icare entitled to a bonus got one. Why did your senior leadership of that agency, with this record, get paid their bonuses? How much were their bonuses, by the way?

**Mr DOMINIC PERROTTET:** I will take the last part of your question on notice. What I will say is that when it comes to measuring success of icare, I believe icare has been incredibly successful as a measure in providing greater and better services to those people who are injured in the workplace.

**The Hon. DANIEL MOOKHEY:** If losing \$892 million a year is success, what exactly is failure? What is required for icare staff to not be paid their bonuses?

**Mr DOMINIC PERROTTET:** It is interesting you say that when the scheme is still in surplus. We have now got to a point where apparent failure for the Liberal Government is a surplus. I would not want to see what failure for the Labor Party was, because let's not forget we inherited a scheme that was over \$4 billion in deficit. You had Bob Carr come out and say Labor ran the scheme like a shambles. That was the scheme the Coalition—

**The Hon. DANIEL MOOKHEY:** Why did they get paid their bonuses? Why did your Government pay them the bonus?

**Mr DOMINIC PERROTTET:** You are raising criticism of icare in circumstances where we still have a 109 per cent funding ratio and a surplus of \$2 billion. What a day it is and how good is our financial management in this State, where apparently a \$2 billion surplus is something that Labor would be concerned about? I know we

are good, but I will take a \$2 billion surplus—particularly in circumstances which, I am sure, over the course of the afternoon when you speak to Mr Nagle—

**The Hon. WALT SECORD:** We will get a different yarn then.

**Mr DOMINIC PERROTTET:** No, what you will hear about will be circumstances of the escalation in relation to medical costs which are particular here in our State and on those operational models—

**The Hon. DANIEL MOOKHEY:** Treasurer, I want to move on because you are not being directly relevant. Are you going to let your agency cut injured worker benefits again? Are you going to let your agency increase employer premiums? Are you going to hold the icare board responsible for the \$892 million loss? And are you going to insist that icare's leadership is not paid their bonuses next year?

**The Hon. NATALIE WARD:** Point of order: Could we have one question at a time?

**The Hon. DANIEL MOOKHEY:** He is happy to do it.

**The CHAIR:** The questions are in order. The Treasurer can answer them concurrently.

**Mr DOMINIC PERROTTET:** When we set up icare, I committed to making sure that support for injured workers would not be reduced. Mr Shoebridge would probably disagree with that.

**Mr DAVID SHOEBRIDGE:** I do not blame icare for it.

**Mr DOMINIC PERROTTET:** He will disagree with the starting point, but that was a core focus. I also wanted to make sure that we did not increase or decrease premiums for small businesses.

**The Hon. DANIEL MOOKHEY:** I am asking prospectively. Are you going to prospectively?

**Mr DOMINIC PERROTTET:** Past performance is the best indicator of future performance.

**The Hon. DANIEL MOOKHEY:** Yes, that is what worries me.

**Mr DOMINIC PERROTTET:** If you look at the resolution, we set up icare because what we were focused on was finding that balance between not increasing—

**The Hon. DANIEL MOOKHEY:** Treasurer, people want to know: Are you going to increase premiums? Are you going to cut benefits?

**Mr DOMINIC PERROTTET:** Under the new regime, we are finding a balance between where you maintain support for injured workers—and I am completely committed to that. I do not want to have an icare scheme that cuts support for injured workers. We have invested more—

**The Hon. COURTNEY HOUSSOS:** Just one that underpays them.

**Mr DOMINIC PERROTTET:** No.

**The Hon. DANIEL MOOKHEY:** One in four has been underpaid.

**Mr DOMINIC PERROTTET:** If you want to go back to that point, there have been overpayments and underpayments. I have said that we will not cut support for injured workers. There may be increases or decreases to business premiums based on their track record of workplace safety. That is a positive thing. I want to incentivise businesses right across the State to look after their workers, particularly ones in vulnerable workplace environments.

**The Hon. WALT SECORD:** Treasurer, you said past performance is the best indicator—and we are referring to 2018-19 budget. Do you stand by spending \$151,000 on two separate overseas trips to Switzerland, the United Kingdom and the United States, to visit right-wing think tanks in Washington? And do you also stand by, since the March 2019 election, the Berejiklian Government has spent \$764,000 on separate trips and, since the Premier became Premier, that your Government has spent \$2.092 million on overseas trips?

**Mr DOMINIC PERROTTET:** Creating this budget estimates extra budget estimates is costing taxpayers \$1 million.

**The Hon. WALT SECORD:** But you stand by these overseas trips?

**Mr DOMINIC PERROTTET:** What I am focused on—

**The Hon. WALT SECORD:** \$2 million since the Premier became Premier.

**Mr DOMINIC PERROTTET:** This body is worth \$1 million on the basis that you actually get an outcome.

**The Hon. WALT SECORD:** Well, it would be nice to get some answers.

**The Hon. TAYLOR MARTIN:** He is trying to give an answer and you are talking over the top of him.

**Mr DOMINIC PERROTTET:** Absolutely, I agree with you completely. When it comes to the use of taxpayers' money, it should be used in a way that provides outcomes. I think it is a very positive thing that ministerial travel is scrutinised and the outcomes of ministerial travel—

**The CHAIR:** We are in crossbench time.

**The Hon. WALT SECORD:** \$151,000 to visit right-wing think tanks in America.

**The Hon. TAYLOR MARTIN:** Point of order—

**Mr DOMINIC PERROTTET:** Hold on, I think it is important; that deserves a response.

**The Hon. WALT SECORD:** We will give you your time.

**Mr DOMINIC PERROTTET:** One of the interesting aspects of one of those trips you are referring to is the fact that, if you look at our visits to the rating agencies, New South Wales remains one of the few jurisdictions, not just in the country, in the world, that maintains a Triple-A credit rating. It is important, obviously, for senior Ministers, in the purview of their portfolios, to occasionally—

**The Hon. WALT SECORD:** \$2 million on overseas junkets.

**Mr DOMINIC PERROTTET:** Mr Secord, if you want to itemise ministerial travel accounts, you are well within your right to do that and I think it is important that Ministers are also accountable for the outcomes of those trips.

**The Hon. WALT SECORD:** You spent—

**Mr DAVID SHOEBRIDGE:** Good morning.

**Mr DOMINIC PERROTTET:** Mr Shoebridge is losing his time.

**Mr DAVID SHOEBRIDGE:** Good morning, Treasurer. You say that past performance is the best indicator of future performance, but in the last financial year reports, icare had an underwriting loss of \$2.391 billion. If you do that for another two years, the entire surplus will be gone. What are you going to do to turn that around and improve the financial management of icare.

**Mr DOMINIC PERROTTET:** Very good question. I will pass to Mr Nagle to talk on the operational side of things, but just before that, as I previously indicated, when I have come before this Committee before, Mr Shoebridge, your criticism has been that this scheme—

**Mr DAVID SHOEBRIDGE:** If this is on injured workers, I would be okay with that, but it hasn't. There has been no improvement or increase in benefits and injury rates are stable, yet there is a \$2.391 billion loss.

**Mr DOMINIC PERROTTET:** And the scheme is still in a strong financial position and able to provide support for injured workers and, at the same time, ensure that there is not a substantive increase to businesses when it comes to premiums. Now, in relation to—

**Mr DAVID SHOEBRIDGE:** Treasurer, what I am pointing out to you is that it is unsustainable, isn't it? If we are here again next year, the surplus will be gone.

**Mr DOMINIC PERROTTET:** You are right to raise those concerns and I will ask Mr Nagle to speak to what the specifics have been in respect of those increased costs. There is no doubt that the financial management of icare is paramount and, importantly, there have been challenges, particularly in relation to the escalation of medical costs. I will pass to Mr Nagle to provide that information.

**Mr NAGLE:** There has been a range of issues that have affected the surplus over the years. Primarily, though, the impact has been issues that are not related to the handling of claims. Since icare was created, we have managed to create \$2.7 billion worth of benefits—

**Mr DAVID SHOEBRIDGE:** Sorry, Madam Chair, we do not have a lot of time and I am asking about issues that explained the underwriting loss in the last financial year. It is not a history lesson in icare. Can we focus on the last financial year?

**Mr NAGLE:** The underwriting loss last year was driven by increases in medical cost provisions, which was about \$600 million to \$700 million into icare and a revaluation based on the forward look of our investment earlier. Traditionally, the scheme has earned around 6 per cent or more. The lower for longer philosophy that is impacting financial markets at the moment means that we had to revalue down to 4½ per cent as an estimated return. Given that the Nominal Insurer, in particular, has \$18 million in reserves, that impact is quite significant. That took into account about another \$600 million worth of returns that we had to take out. The actual losses that are occurring—the so-called underwriting losses—are actually a function of what is occurring in the scheme prior to the application of investment income. So the underwriting loss simply reflects what is occurring across the scheme either in claims numbers or in return-to-work outcomes. Primarily, though, what we are facing at the moment are the impacts of medical costs and economic costs.

**Mr DAVID SHOEBRIDGE:** Minister, do you seriously accept the assurance from icare that this blowout in the underwriting result is not related to the collapse in return-to-work rates, which have now been identified very clearly by the SIRA oversight? You had a collapse in return-to-work rates, workers staying on weekly benefits for longer not getting back to work—do you seriously accept the position from icare that that isn't a key part of the explanation?

**Mr DOMINIC PERROTTET:** I think it may be a contributing factor and it is something that I would be very much focused on because part of the work when we established icare—a significant focal point of that was to improve return-to-work rates for injured workers.

**Mr DAVID SHOEBRIDGE:** It has been failing. We cannot put a gloss over it. It has actually been failing—40 per cent of injured workers were wrongly characterised, wrongly triaged and not even given caseworker support. That is a failing system, Treasurer, isn't it?

**Mr DOMINIC PERROTTET:** I would not go that far. I would say that there is at all times—there are areas within this scheme which can be looked at and improved.

**Mr DAVID SHOEBRIDGE:** Some 40 per cent of new claimants being wrongly triaged—you cannot gloss that over. It is a disastrous outcome.

**Mr NAGLE:** That number is not actually correct and it is not backed up by any of the evidence from the external actuaries or independent actuaries.

**Mr DAVID SHOEBRIDGE:** Treasurer, that is in black and white in the Dore report. Do you reject the Dore report's finding that 40 per cent of claimants were wrongly triaged?

**Mr DOMINIC PERROTTET:** I have raised issues with the CEO and with the icare board in respect of that report. There are different perspectives and different views in relation to the calculations. Can I say, the icare board has a range of employee/employer representatives from a range of backgrounds. And, yes, the regulator has its perspective; icare has its perspective. What is most important to me, as Treasurer of the State, is that the scheme remains in surplus and is able to provide support for injured workers. Now, Mr Shoebridge, it is not about saying, "SIRA is right here," or "icare is wrong here" or the other way round. It is about making sure that the support is provided and, if we dispute figures—the Dore report says 40 per cent, icare—

**Mr DAVID SHOEBRIDGE:** Treasurer, this is not a perspective thing. Even icare agrees that there has been a collapse in return-to-work rates, primarily because its claims handling reforms in 2018 did not work. EML did not have the scale, did not have the capacity and stuffed up. Even icare acknowledges that.

**Mr DOMINIC PERROTTET:** Mr Nagle can make some comments on that—

**Mr DAVID SHOEBRIDGE:** We will go into detail on that later.

**Mr DOMINIC PERROTTET:** I would say on EML, from my perspective, there has certainly been some challenges as we transition. That does not necessarily mean, in my view, that it is the wrong approach. I accept your point in relation to scale and that is something that should be examined. That is why these reports are important.

**Mr DAVID SHOEBRIDGE:** Are we just going to see that EML contract rolled over when it expires in December and the same mistakes being repeated, or are you going to take an active role in making sure that the board does its job and properly oversees icare?

**Mr DOMINIC PERROTTET:** Absolutely.

**Mr DAVID SHOEBRIDGE:** What does it take to sack a board? A \$2.4 billion underwriting loss? A collapse in return-to-work rates? Thousands of workers underpaid? What are you going to do? What does it take to sack the board?

**Mr DOMINIC PERROTTET:** I have confidence in the board, first and foremost. Secondly, yes, there are challenges. There might be a disagreement in relation to the numbers from the Dore report and the numbers that icare provide but, let's be fair, there is no doubt that issues have been identified that need to be worked through and improved. I am completely focused on making sure that the scheme in areas that you refer to are improved. I have raised last year my concerns to the board in relation to matters that were raised in that report. As I said to you, there are different perspectives and different views as to the extent. But I think what we can agree on—and I accept the premise of your question—is that there are certainly areas that can be improved. When it comes to the scheme agent, we will look at that. It is not about simply rolling that over; it is about making sure that the outcome is improved return-to-work rates for injured workers.

**Mr DAVID SHOEBRIDGE:** We will come back to that in detail this afternoon with Mr Nagle. Moving on to another point. I know you were asked some questions earlier but I am going to give you the opportunity now to give an unambiguous guarantee that you will not put a pay freeze on the pay of nurses, firefighters, train drivers, teachers and public servants at this stage. A guarantee that you will not do a pay freeze in the upcoming budget.

**Mr DOMINIC PERROTTET:** I have not made any decisions in relation to that. I am proud—and you can take this how you will—of the fact that because of our strong financial management we are able to pay our teachers, nurses and our police officers more than any other State and territory. If you look at other States, at 2.5 per cent—and we have been criticised at 2.5 per cent—at 2.5 per cent we lead the way. With private sector wage growth at 1.7—

**Mr DAVID SHOEBRIDGE:** Treasurer, I will give you a suggestion for a pay freeze.

**Mr DOMINIC PERROTTET:** Just before you do—because I am assuming I know where you are going because I follow you profusely on Twitter—in the 2019-20 budget, which is what we are here to discuss, I was very strong in my view that we maintain the 2.5 per cent pay increase for workers. Let me tell you, that is always going against the Treasury advice in respect of that because clearly employee expenses are a substantial impact on the budget. We maintained the 2.5 per cent. It was backed in by the Reserve Bank Governor that at a time when wage growth was slow the New South Wales Government, as the State's leading employer, is leading the way.

**Mr DAVID SHOEBRIDGE:** I will take you up on that.

**Mr DOMINIC PERROTTET:** Have you got some quick suggestions?

**Mr DAVID SHOEBRIDGE:** Yes, here is a suggestion. What about a pay freeze on the CEO rate for the Sydney Water managing director who is on \$786,000 a year, the CEO of Sydney Trains on \$695,000 a year, the Landcom CEO on \$600,000 a year. In fact, why not put a pay freeze on anyone that is being paid from an MP's salary and above? We will take a collective pay freeze but leave the nurses and the firefighters alone.

**The Hon. MARK LATHAM:** Point of order: The bell clearly went.

**Mr DAVID SHOEBRIDGE:** I understand he does not want the pay freeze—

**The Hon. MARK LATHAM:** Mate, I have frozen lots of MP entitlements in my time, more than you can ever dream of. Hopefully I froze yours.

**Mr DOMINIC PERROTTET:** In last year's budget I put an end to performance pay for senior public servants. Once again you are asking a hypothetical. The Government has no plan at this stage—

**Mr DAVID SHOEBRIDGE:** No plan for a CEO pay freeze?

**Mr DOMINIC PERROTTET:** In the 2019-20 budget I rescinded performance pay for senior public servants. In terms of what we do in the following financial year when it comes to public sector wages, what I would say is that I think here in New South Wales, as a Liberal-Nationals Government, that we are by far the most generous of any State jurisdiction when it comes to supporting public servants.

**Mr DAVID SHOEBRIDGE:** The CEO of Sydney Trains would agree with you.

**Mr DOMINIC PERROTTET:** But I think that is an—we will come back. Are you staying around?

**The Hon. MARK LATHAM:** No, he dashes here and there.

**Mr DOMINIC PERROTTET:** Come back.

**The Hon. MARK LATHAM:** Treasurer, in terms of the Treasury's own use of resources in the 2019-20 allocations, what economic modelling has been undertaken about various climate change impacts on the 75,000 coal-reliant jobs in the Hunter Valley?

**Mr DOMINIC PERROTTET:** Obviously when it comes to mining and particularly the royalties off the back of that, we receive around \$2 billion each year so it is an important contribution to the State's budget. The Chief Economist might like to make some comments in relation to climate change and modelling as part of the budget.

**The Hon. MARK LATHAM:** Treasurer, do you remember at our last estimates giving an undertaking to do that modelling about the impact on those jobs in the Hunter Valley? Has that been completed?

**Mr DOMINIC PERROTTET:** It has not been completed. I did not think we would be back here so soon, as much as I love being in these budget estimate committees. I said we would have that done by the following year but we will see where we are up to.

**The Hon. MARK LATHAM:** This is the following year.

**Mr DOMINIC PERROTTET:** We are not in the following budget. We are now having two budget estimates for every budget. It is confusing the members here because they are asking about next year's budget. We will take that on notice. Let us move on.

**The Hon. MARK LATHAM:** What about the Government's policy for net-zero carbon emissions in 2050? Has there been modelling undertaken on the impact of that on various sectors of the economy?

**Mr DOMINIC PERROTTET:** We are working on that but can I just clarify that is an aspirational target for the New South Wales Government.

**The Hon. MARK LATHAM:** When do you think the modelling will be completed so we can look at the impact on the various sectors?

**Mr DOMINIC PERROTTET:** I will take that on notice and come back to you with a time. But I will make this point without freewheeling too much. When it comes to emissions targets, this is an issue that has been hijacked by the extremities of politics, from the left and the right. You have a side of politics, as we saw at the last Federal election, and this is just my own personal view, one of the reasons why Bill Shorten lost the election was when he was unable to provide an understanding or communicate with the Australian people what the economic costs were of an emissions target.

Where governments need to be at is to ensure that we have affordable, reliable and clean energy and we transfer to a cleaner energy future in an economically responsible way. But at the moment you have a debate where you have people on the far right who would say they probably prefer dirty energy over clean energy and you have people on the far left—like Mr Secord over here—who would prefer to talk in rhetoric around climate change policies without actually providing a pathway to a cleaner reliable future. It is that debate at the extremities that has held back any substantial policy development in this space. The average Australian would want an energy future that is reliable, affordable and cleaner.

**The Hon. MARK LATHAM:** So you have taken on notice to get back to us with your timetable for the economic modelling about net-zero 2050. Do you agree with the Deputy Premier—

**Mr DOMINIC PERROTTET:** I cannot confirm that you will necessarily agree with the modelling but I will come back to you.

**The Hon. MARK LATHAM:** I agree with all accurate professional modelling and follow the evidence in all policy areas. Do you agree with the Deputy Premier that the implementation of net-zero 2050 would be the end of agriculture and mining in New South Wales?

**Mr DOMINIC PERROTTET:** How could I comment on that without seeing the modelling?

**The Hon. MARK LATHAM:** So you will test the Deputy Premier's proposition in the modelling and report publicly on the assertions he has made, which are obviously bad for investment confidence in New South Wales, to say that agriculture and mining are going out the back door.

**Mr DOMINIC PERROTTET:** Instinctively I would disagree with the Deputy Premier in relation to that view. But the facts that we need to be focused on are moving to a renewable future in an economically sustainable way. That is what I believe we should be leading the way on here in New South Wales. The energy Minister in New South Wales is correct in saying there are significant economic opportunities as we move to a renewable future. The Deputy Premier is correct in saying there are concerns in relation to moving at a pace that might undermine the reliability of our energy sector. What we need is to take the rhetoric away and move towards a substantial policy development in this space and that is where I think we can lead from Treasury—down the sensible centre, which is where we generally sit in relation to government policy.

**The Hon. MARK LATHAM:** In that sensible centre there is a constitutional viewpoint that, given that climate change is a global issue and only the national government would sign up to agreements and have policy levers that deal with it, there is no legitimate State government role in this area. If I am wrong there, what do you think are the legitimate policy levers to achieve this clean energy future that you speak of at State level?

**Mr DOMINIC PERROTTET:** One of the areas that we came out with in the election campaign was, for example, helping provide the opportunity for low to medium income earners to have solar panels on their roof as we move to more of a self sustainable system. We also provided support for batteries in this space, which I thought was a much better policy than the Labor Party's policy at the time because, as you would well know, Mr Latham, the sun does not always shine and therefore some of these energy sources are not as reliable as others. I think there is a great opportunity in this country to move to—I think the State certainly has a role to play. The Federal Government cannot go alone. The State has many levers at its disposal to lead the development of strong renewable energy policy, but what we should also be doing is making sure that occurs in an economically sustainable way, in a way that does not hurt business, that does not hurt industry—you raised the agricultural industry—but at the same time transitions in a way that provides for a greener future. As the conservative party, we are at the forefront—it is in our name. We want to conserve the environment for future generations. That is why our party exists. I do not understand how The Greens were established in the first place, given that we covered the field here in the Liberal Party.

**The Hon. BEN FRANKLIN:** And The Nationals party.

**Mr DOMINIC PERROTTET:** Sorry, and The Nationals party.

**The Hon. MARK LATHAM:** Are you committed to a technologically agnostic approach to energy policy?

**Mr DOMINIC PERROTTET:** What I am focused on—I know where you are going with this.

**The Hon. MARK LATHAM:** Well, if you want to answer the next question.

**Mr DOMINIC PERROTTET:** Go on, ask the next question.

**The Hon. MARK LATHAM:** You could save my time. Do you stand by the commitment you had here last year in support of being technologically agnostic, including all technologies—including nuclear?

**Mr DOMINIC PERROTTET:** My view in relation to nuclear, as you raise, has been that we should move to an energy mix that is reliable, affordable and clean in an economically sustainable way. Progress was never made taking ideas off the table. We should not. We should consider them all and make an informed decision on that. What is frustrating at times is that scaremongering occurs from both sides of politics in respect of taking things off the table. My view is we should make an informed decision. We should ensure that any energy sources are clean, safe, affordable and reliable into the future. That is my view. It was last time—

**The Hon. MARK LATHAM:** Your stance on nuclear expressed at estimates last year has not changed?

**Mr DOMINIC PERROTTET:** My view last year was that we should be looking at all forms of energy in terms of the best mix going forward that meets those three principles that I have outlined.

**The Hon. MARK LATHAM:** You mentioned in these policy areas the importance of an economically responsible approach—to preserve jobs and investment with a cleaner environment. What input did Treasury have to the NSW Electricity Strategy in its development? It is obviously the key document in terms of the energy supply consequences of this policy in New South Wales.

**Ms WILKIE:** No, we have not provided any modelling for electricity.

**The Hon. MARK LATHAM:** No, did you have any input into the development of the policy, given the emphasis on economically responsible investment conditions as we transition to a cleaner environment?

**Ms WILKIE:** The department would have provided advice at some point, but I do not recall—I am not sure when the policy was put out, because I—

**The Hon. MARK LATHAM:** November.

**Ms WILKIE:** November? We would have provided advice generally in the context of it, but I do not recall my staff having significant engagement—

**Mr DOMINIC PERROTTET:** But don't worry, Mr Latham: We are doing that economic analysis for you in relation to the future emissions, and obviously that will form part of it.

**The Hon. MARK LATHAM:** This is obviously one of the most important economic documents in the history of the State, because we have no economy if we cannot keep the lights on.

**Mr DOMINIC PERROTTET:** Agreed.

**The Hon. MARK LATHAM:** Why has there not been modelling about the consequences of the energy mix that is outlined here in the policy announced?

**Mr DOMINIC PERROTTET:** We will take that on notice.

**The Hon. WALT SECORD:** Treasurer, I want to return to the very first bracket of questions we asked. Late last month I remember watching you on Sky News; it was around 23 February.

**Mr DOMINIC PERROTTET:** Which program was that?

**The Hon. WALT SECORD:** Sharri Markson's program.

**The Hon. MARK LATHAM:** He's our best viewer.

**Mr DOMINIC PERROTTET:** Did you enjoy the interview?

**The Hon. WALT SECORD:** I did. I watched it very faithfully and took copious notes. You said that there would be a \$700 million surplus that you said, quoted directly, "could be in jeopardy". This was revised from \$1.02 billion—

**Mr DOMINIC PERROTTET:** When was this?

**The Hon. WALT SECORD:** It was 23 February.

**Mr DOMINIC PERROTTET:** This year? This is the other day?

**The Hon. WALT SECORD:** Yes.

**Mr DOMINIC PERROTTET:** Sorry. I cannot keep up with my media engagements.

**The Hon. WALT SECORD:** You are in such demand. I see. Anyway, you said the \$700 million surplus "could be in jeopardy".

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. WALT SECORD:** You said that the coronavirus outbreak could wipe a third of a percentage point off the State's economic growth.

**Mr DOMINIC PERROTTET:** One-third to two-thirds, yes. That is with the bushfires.

**The Hon. WALT SECORD:** What is the status of the surplus today?

**Mr DOMINIC PERROTTET:** The surplus today stands as it stood at the half-yearly review: at \$700 million.

**The Hon. WALT SECORD:** So it is not gone?

**Mr DOMINIC PERROTTET:** You will have to wait until the budget, Mr Secord. I am not—

**The Hon. BEN FRANKLIN:** This is the last budget, not the next one.

**Mr DOMINIC PERROTTET:** I am not going to sit here and give the Labor Party and The Greens—

**The Hon. WALT SECORD:** You owe it to the community to explain what is going on.

**Mr DOMINIC PERROTTET:** Yes, that is why we have budget day. Stay tuned. It is going to be great, like it always is.

**The Hon. WALT SECORD:** No, you have a responsibility to explain to the community what is happening. Are we on the cusp of a recession? You did not answer that.

**Mr DOMINIC PERROTTET:** Actually, if you looked at the figures from the December quarter we were one of the few jurisdictions, as I said, that actually had positive growth. It is the New South Wales economy that is holding up the national economy. But when it comes to the fiscal issues off the back of it, I think some of the decisions that we have made previously in the lead-up to—

**The Hon. WALT SECORD:** Is the surplus gone or not? It is a simple question. Is the surplus gone or not? You were on the program saying it could be wiped.

**Mr DOMINIC PERROTTET:** No, I did not.

**The Hon. WALT SECORD:** You actually said the phrase "could be in jeopardy".

**Mr DOMINIC PERROTTET:** There are obviously pressures off the back of the drought, off the back of bushfires, off the back—we will see as we move through the coronavirus challenges that face our State and face not just the national economy but the global economy that there are downstream consequences to the budget position off the back of that. What I can tell you is that it is our strong financial management that has been able to protect us and ensure that New South Wales is resilient now and into the future. That is why if you look at the other States, I would say it is our policies—cutting tax, public investment in infrastructure—that have helped strengthen the New South Wales economy—

**The Hon. WALT SECORD:** Treasurer, it is a simple question. The community is hanging on this. They want to know: Is the surplus—

**Mr DOMINIC PERROTTET:** What the community wants is leadership. What the community wants is actually strong fiscal management—

**The Hon. WALT SECORD:** The community wants straight answers. Is the surplus gone or not?

**Mr DOMINIC PERROTTET:** And what I have said is I will always put people above numbers. I ensure that the State's finances are run well to insulate us from economic shocks that come our way. I believe the New South Wales economy is incredibly resilient and that we are well placed. We have a strong budget position here in our State and that ensures that we can invest where it matters. Yes, as I said, there are pressures. There are pressures every year.

**The Hon. WALT SECORD:** Mr Pratt, are you worried? Is everything rosy, as the Premier says?

**Mr PRATT:** Everything is not rosy, Mr Secord, and I think the Treasurer has spoken to that together with the Chief Economist. We clearly have challenges. We are working our way through that. As you would expect from the Treasury, we want to be well informed. We are gathering a lot of information. Whatever conclusions we come to, we want those really well based. That is exactly what we are doing. I am in daily communication with the Commonwealth. Once we have put that together, I will be in a position to advise the Treasurer then about next steps.

**The Hon. WALT SECORD:** Treasurer, in an earlier bracket you talked with pride about "asset recycling". Tell us, what is the timetable on the WestConnex? You are doing a scoping study?

**Mr DOMINIC PERROTTET:** I announced last Friday that we would proceed to engage some finances to do a scoping study for the residual interest in Sydney Motorway Corporation. My expectation is that scoping study will be carried out over the course of the calendar year, that they would report back sometime or make a recommendation to Cabinet sometime before Christmas.

**The Hon. WALT SECORD:** You made a commitment that you would not privatise the remaining 49 per cent.

**Mr DOMINIC PERROTTET:** What did I say?

**The Hon. WALT SECORD:** You said that very clearly before the election that—

**Mr DOMINIC PERROTTET:** No, I did not.

**The Hon. WALT SECORD:** You did not?

**Mr DOMINIC PERROTTET:** I did not.

**The Hon. WALT SECORD:** I will give you an opportunity now. On Sydney Water, will you rule out a scoping study—

**Mr DOMINIC PERROTTET:** No, I said—Mr Mookhey is very good at this. I do not know where he has gone.

**The Hon. WALT SECORD:** He is doing a press conference.

**Mr DOMINIC PERROTTET:** I am sure he is, about how great the estimates is going. I said at the time in December 2018 that the Government had no plans in relation to a future sale of Sydney Motorway Corporation.

**The Hon. WALT SECORD:** Sounds like a broken promise to me.

**Mr DOMINIC PERROTTET:** No, we did not have, and I did not have, any plans.

**The Hon. WALT SECORD:** At the time?

**Mr DOMINIC PERROTTET:** Back in December 2018 you had plans to be in government. How did that go?

**The Hon. WALT SECORD:** Back to the question before you.

**Mr DOMINIC PERROTTET:** Plans change, as you have seen, Mr Secord. You are now going to be in Opposition for the next 12 years.

**The Hon. WALT SECORD:** Yes, circumstances change, so it is not a core promise? Okay.

**Mr DOMINIC PERROTTET:** No, just like you planned to be in government and those plans changed, I did not have a plan at that stage to sell or consider any sale of any residual interest in Sydney Motorway Corporation [SMC], and even today, as I sit here today, I do not have a plan.

**The Hon. WALT SECORD:** You do not have a plan, but you have a core—

**Mr DOMINIC PERROTTET:** I may have a plan because I have commenced a scoping study into whether or not it is in the best interests of the people of New South Wales whether we should hold our retained interest in SMC.

**The Hon. WALT SECORD:** Will you be doing a scoping study into Sydney Water?

**Mr DOMINIC PERROTTET:** I have no plans of doing a scoping study into Sydney Water.

**The Hon. JOHN GRAHAM:** That sounds like a yes, given your actions.

**Mr DOMINIC PERROTTET:** I have no plans.

**The Hon. WALT SECORD:** Do you have plans for a scoping study for Hunter Water?

**Mr DOMINIC PERROTTET:** I have no plans to do a scoping study for Hunter Water.

**The Hon. WALT SECORD:** Do you have plans for a scoping study for rail maintenance?

**Mr DOMINIC PERROTTET:** I have no plans to do a scoping study.

**The Hon. WALT SECORD:** Ausgrid, Endeavour, Essential Energy?

**Mr DOMINIC PERROTTET:** I have no plans—the Government has no position in relation to that.

**The Hon. WALT SECORD:** How about the last one, Service NSW? The Canadians have told me they would love to get their hands on it.

**Mr DOMINIC PERROTTET:** You would be close to that; you would be close to the action.

**The Hon. WALT SECORD:** I am not. I am an Australian.

**Mr DOMINIC PERROTTET:** You are too, but I am sure you keep an ear to the ground on what is happening over in Canada.

**The Hon. WALT SECORD:** Any plans for a scoping study on Service NSW?

**Mr DOMINIC PERROTTET:** To my knowledge, no.

**The Hon. JOHN GRAHAM:** Treasurer, when you were asked and you said that you had no plans—this was before Christmas—you were asked because there was a Treasury document indicating that this was a live option. The truth is that it was a live option, was it not?

**Mr DOMINIC PERROTTET:** What?

**The Hon. JOHN GRAHAM:** The sale of the remainder of WestConnex.

**Mr DOMINIC PERROTTET:** No, I mean my position at the time was that I had no plans in relation to a residual sale in respect of SMC. That does not mean—

**The Hon. JOHN GRAHAM:** That Treasury document was right, it turns out, was it not?

**Mr DOMINIC PERROTTET:** It is always good for Treasury to be exploring options. Treasury is not the Government. I mean Treasury provides advice to the Executive and provides advice to me as the Treasurer, and then I make decisions off the back of that. The last time I checked, we are the ones elected to Parliament, we are the ones in the Executive. I think it is very positive for departments to provide advice to the New South Wales Government of whatever plans.

**The Hon. JOHN GRAHAM:** I will ask you about one of the comments from your former colleagues, that is Charles Casuscelli, in his role as CEO of Western Sydney Regional Organisation of Councils [WSROC], about the nature of the WestConnex deal. He said that over a quarter of a trillion dollars in tolls will be sucked out of Western Sydney via motorists commuting on the WestConnex. You sold half of that stake for just \$9.3 billion. Are you comfortable that that is a good deal?

**Mr DOMINIC PERROTTET:** A great result.

**The Hon. JOHN GRAHAM:** A quarter of a trillion dollars out of the pockets of Western Sydney motorists?

**Mr DOMINIC PERROTTET:** Great result.

**The Hon. JOHN GRAHAM:** In return for just \$9.3 billion.

**Mr DOMINIC PERROTTET:** Great result, great transaction. I want to particularly thank Phil Gardner and the work that they undertook in Treasury. That was a great result for the people of our State, and the Labor Party ran at the last election—

**The Hon. JOHN GRAHAM:** This is not the Labor Party, this is your former colleague—

**Mr DOMINIC PERROTTET:** No, Mr Graham—

**The Hon. JOHN GRAHAM:** Your former colleague.

**Mr DOMINIC PERROTTET:** Everyone is entitled to their opinion.

**The Hon. JOHN GRAHAM:** Yes, and I am asking you for your opinion.

**Mr DOMINIC PERROTTET:** The people who are most entitled to their opinion are the people of our great State who voted at the last election for a Coalition Government after the Labor Party ran a scare campaign on tolls in Western Sydney.

**The Hon. JOHN GRAHAM:** They are also entitled to the facts.

**Mr DOMINIC PERROTTET:** The people of Western Sydney have embraced WestConnex. They use it every single day.

**The Hon. JOHN GRAHAM:** Correct.

**Mr DOMINIC PERROTTET:** It has become a tourist attraction in its own right.

**The Hon. JOHN GRAHAM:** Treasurer, I am asking you about the facts. Is it the case—

**Mr DOMINIC PERROTTET:** Even your members drive on the WestConnex to get to work every day.

**The Hon. JOHN GRAHAM:** Is it true, though, that a quarter of a trillion dollars in tolls will be paid out of Western Sydney—

**Mr DOMINIC PERROTTET:** I am not going to comment on figures that a former member of Parliament is floating.

**The Hon. JOHN GRAHAM:** Why not?

**Mr DOMINIC PERROTTET:** What I will comment on is that we will always make decisions—

**The Hon. JOHN GRAHAM:** This looks about right to me.

**Mr DOMINIC PERROTTET:** No, we will always make decisions on any transaction on what is in the best interests of the people of this State. You opened your line of questioning today—Mr Graham, you were not here—on the New South Wales economy, and you have been running a line, talking down the State's economic fortunes.

**The Hon. WALT SECORD:** No, no, we just want some truth.

**Mr DOMINIC PERROTTET:** Yes, and the truth is that it is the New South Wales Government's policies that are driving economic growth in this State. Jobs growth—

**The Hon. WALT SECORD:** Infrastructure blowouts.

**Mr DOMINIC PERROTTET:** Mr Secord—

**The Hon. WALT SECORD:** Infrastructure blowouts.

**Mr DOMINIC PERROTTET:** Mr Secord, \$97 billion of infrastructure does not just happen. It happens because we have recycled assets, we have made decisions like the WestConnex—

**The Hon. WALT SECORD:** Blowouts upon blowouts upon blowouts.

**Mr DOMINIC PERROTTET:** That is \$9.26 billion we have been able to invest in further infrastructure that is driving economic growth.

**The Hon. JOHN GRAHAM:** Yes, \$9.26 billion, but I am asking—

**Mr DOMINIC PERROTTET:** You come in and ask about the national accounts.

**The Hon. JOHN GRAHAM:** Can you confirm how many hundreds of billions of dollars Western Sydney motorists are paying out of their pocket over the life of that deal? How many hundreds of billions?

**Mr DOMINIC PERROTTET:** We have a range of policies in place, such as our cashback program, which we took to the last election. The Labor Party—

**The Hon. JOHN GRAHAM:** Yes, but that is dwarfed by the amount coming out of motorists' pockets in Western Sydney, is it not?

**Mr DOMINIC PERROTTET:** Mr Graham, you are on the wrong side of history. When Labor—

**The Hon. JOHN GRAHAM:** I just want to know the facts.

**Mr DOMINIC PERROTTET:** When the Coalition was in Government, when we took to the public to build the M2, the Labor Party ran the same lines that you are running now.

**The Hon. JOHN GRAHAM:** I am asking if this is a good deal, Treasurer. Is this a good deal?

**Mr DOMINIC PERROTTET:** In fact in the upper House you said that there will be millions of dollars, billions of dollars, from taxpayers all across northwest Sydney that will be going to that toll road. The Labor Party called the M2 the road to nowhere.

**The Hon. JOHN GRAHAM:** This is not the Labor Party, this is your former colleague, Treasurer.

**Mr DOMINIC PERROTTET:** Under Labor we would be crawling up Epping Road to get to work every single day.

**The Hon. JOHN GRAHAM:** This is your former colleague, Treasurer.

**Mr DOMINIC PERROTTET:** It is your backward, conservative world view that is holding back progress—

**The Hon. JOHN GRAHAM:** From your former colleague.

**Mr DOMINIC PERROTTET:** Holding back progress.

**The Hon. JOHN GRAHAM:** He is a supporter of this road.

**Mr DOMINIC PERROTTET:** Well, good on Mr Casuscelli for having an opinion, but let me tell you this—

**The Hon. BEN FRANKLIN:** Point of order: Obviously the Treasurer is well capable of defending himself and there has been robust discussion. My concern is for Hansard. There are now two conversations happening at the same time—and sometimes three when Mr Secord comes in—and I think it is just impossible for them. I would ask if you could perhaps rule that we pull back a little so that one person is speaking at a time.

**Mr DOMINIC PERROTTET:** It is a very good point of order and I back that point of order in.

**The CHAIR:** Thank you, Treasurer, I just need to rule on that.

**The Hon. JOHN GRAHAM:** We might let the Chair rule.

**Mr DOMINIC PERROTTET:** Sorry.

**The CHAIR:** If we can just have questions and then answers, rather than back and forth, I think that is appropriate for Hansard.

**Mr DOMINIC PERROTTET:** Mr Graham, let us go back to the election when you ran a campaign against the WestConnex. You have opposed the WestConnex, your party opposed the WestConnex every single step of the way—

**The Hon. JOHN GRAHAM:** Treasurer, the question is simply this—

**Mr DOMINIC PERROTTET:** And now people are using the WestConnex—you see, if people are using the WestConnex and paying tolls—

**The Hon. JOHN GRAHAM:** Treasurer, I am just going to stop you there. Are you not better putting on the table the facts and just spelling out how much are Western Sydney motorists paying over the course of this—

**Mr DOMINIC PERROTTET:** I am happy to provide that information.

**The Hon. JOHN GRAHAM:** Thank you, will you provide it on notice?

**Mr DOMINIC PERROTTET:** Yes, absolutely.

**The Hon. JOHN GRAHAM:** That would be helpful.

**Mr DOMINIC PERROTTET:** Because I am assuming that that information has been provided before.

**The Hon. JOHN GRAHAM:** My concern here is the drag on urban productivity that this is causing right across Sydney, to take hundreds of billions of dollars out of the pockets of Western Sydney motorists. I look forward to your answer on notice.

**Mr DOMINIC PERROTTET:** Mr Graham, I will provide that, but when you talk about a drag on productivity, it is an improvement in productivity to allow the people of Western Sydney to get home to their families faster; they can get to work and get back home.

**The Hon. JOHN GRAHAM:** I accept that the Government will make that case on notice.

**Mr DOMINIC PERROTTET:** That is why we build motorways. We, the Liberal Government, are building more public transport than ever before in the history of our State. This is not one or the other, it is public transport, it is roads, it is rail—right across the board, \$97 billion of infrastructure. As I said in the House just last week, since coming to office and going forward, we are building a quarter of a trillion dollars of infrastructure in this State. That is what is keeping our economic growth ahead of the pack, that is what is helping drive productivity, because we do not build these projects for the sake of it. It is the outcome off the back of them that helps to improve people's lives, and that is why we are completely committed to the WestConnex. I would say to Labor to get out of the way as we continue to invest to make our State the best place that it can be to live, work, run a business and raise a family.

**The Hon. JOHN GRAHAM:** Thank you, Treasurer.

**The Hon. WALT SECORD:** On February 21 the transport Minister, Andrew Constance, stood up and said, "I'm sorry, there has been a blowout on the metro." What has happened since his apology? What is Treasury doing? Is it just another blowout, just add it to the list? What happens? You just say you are sorry and you move on? What is the state of play?

**Mr DOMINIC PERROTTET:** We continue to invest record amounts in infrastructure across the State. There is no doubt—

**The Hon. WALT SECORD:** But what do you do—

**Mr DOMINIC PERROTTET:** To your question—

**The Hon. WALT SECORD:** There is a trend developing here. You announce some project?

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. WALT SECORD:** It blows out, you say you are sorry and you move on. What actually happens?

**Mr DOMINIC PERROTTET:** It is not a trend.

**The Hon. NATALIE WARD:** Northwest was on time and under budget.

**The Hon. WALT SECORD:** Take me through the signature project. He says, "It has blown out by \$3 billion. I am sorry."

**Mr DOMINIC PERROTTET:** I will deal with that question in two parts. Firstly, as Treasurer of the State I would much prefer to be here when you are building a quarter of a trillion dollars of infrastructure across New South Wales and deal with some of the challenges that come with such a significant infrastructure agenda. I would much prefer to be here answering these questions than being here answering questions that the previous Labor Government would have faced, which was doing nothing.

**The Hon. WALT SECORD:** You have been in Government now for 11 years. Stop looking in the rear-view mirror and start taking responsibility. You have blowouts.

**Mr DOMINIC PERROTTET:** The past performance and future performance that you keep quoting back to me that is—

**The Hon. WALT SECORD:** You have been in Government for 11 years.

**Mr DOMINIC PERROTTET:** What does 11 years represent?

**The Hon. WALT SECORD:** Blowouts.

**Mr DOMINIC PERROTTET:** A quarter of a trillion dollars in infrastructure, record schools, record hospitals, record roads and rail. Never before have we seen a transformation of our State with infrastructure investment and we are seeing right now. As a result of New South Wales leading the way in this space, we are seeing other States also bring on their infrastructure agenda. Does that put pressure in the market? Yes, it does. In fact, it is the Victorians who have recently put together—

**The Hon. WALT SECORD:** I have heard this argument.

**Mr DOMINIC PERROTTET:** Yes, and it is true. Even Queensland is starting to build some things.

**The Hon. WALT SECORD:** What are you doing about the \$3 billion blowout? Andrew Constance stands there, drops his head and says "I'm sorry". We all move on. What are you doing about it?

**Mr DOMINIC PERROTTET:** We continue to build projects and invest in a way that ensures that right across our State people have access to the best public transport.

**The Hon. WALT SECORD:** What are you doing about the blowout—\$3 billion? What are you doing?

**The Hon. BEN FRANKLIN:** How about letting him answer the question?

**The Hon. WALT SECORD:** He is not answering the question.

**Mr DOMINIC PERROTTET:** There is no doubt that when you are building \$97 billion of infrastructure over the next four years that there are substantial challenges around it.

**The Hon. JOHN GRAHAM:** Take \$3 billion off that.

**The Hon. WALT SECORD:** So \$3 billion is like a rounding error?

**Mr DOMINIC PERROTTET:** As Treasurer of the State, I expect Ministers—and there are challenges in escalation costs across the board—to make sure that they manage their projects in the best way possible to get maximum benefit for the taxpayers of this State.

**The Hon. WALT SECORD:** How does that occur? Is there a monthly coordination meeting saying, "Okay, how are the blowouts going this month?"

**Mr DOMINIC PERROTTET:** Yes. Well, I mean, I am not going to accept the proposition of your question because many of our projects are under budget and delivered in advance of time, whether that is the Northwest Metro, which was \$1 billion—

**The Hon. WALT SECORD:** Okay, but you still have not answered.

**Mr DOMINIC PERROTTET:** —Western Sydney Stadium, WestConnex M4, the widened M4 and the International Convention Centre [ICC]. I can sit here and go through thousands of infrastructure projects.

**The Hon. WALT SECORD:** I have a simple question: What are you doing about the \$3 billion blowout?

**The Hon. COURTNEY HOUSSOS:** Are you making changes to the business case projects?

**Mr DOMINIC PERROTTET:** I will get to the insurance framework in a moment, Ms Houssos, but my job as Treasurer of the State is to finance the projects. We have \$97 billion of projects over the next four years. Now, to help Labor understand this, let's put this into this context. It is a bit like I am the guy who puts the cash in the Aldi bag and it is the Minister's role to pick up the Aldi bag and take it to Sussex Street.

**The Hon. COURTNEY HOUSSOS:** We do not need you to patronise, Treasurer.

**The CHAIR:** You need to be directly relevant, Treasurer.

**Mr DOMINIC PERROTTET:** That is the challenge.

**The Hon. COURTNEY HOUSSOS:** Are you changing the way that business cases are done? The Auditor-General found that the light rail project was half a million dollars over budget because of errors and omissions to the business case. Now the metro has "significant underestimates in the business case". Are you, as Treasurer, going to make changes to the way business cases are done going forward?

**Mr DOMINIC PERROTTET:** We are always monitoring the work that occurs in relation to the development of business cases. We are always making sure. As a result of known escalation costs in the national infrastructure market, we had Infrastructure NSW [INSW] conduct some work, which dealt with all stakeholders in the market, to look at ways in which we can keep down cost pressures or also manage the delivery of those projects in coordination with other State jurisdictions.

**The Hon. COURTNEY HOUSSOS:** There is something seriously wrong with the planning of these projects. Two of your signature projects are running over budget by so much money. What are you doing as Treasurer?

**Mr DOMINIC PERROTTET:** Last year through INSW we set up—this was well supported by industry—a 10-point construction plan. There were three aspects to that: promoting transparency for the market, better engagement with industry around design and project delivery, and encouraging more competitive tenders. There is a 10-point plan, which I can briefly take you through, which talks about procuring and managing projects in a collaborative way and adopting partnership-based approaches. I am happy to table that and give you that information but I think we did that early last year.

**The Hon. WALT SECORD:** You are still blowing out. Oh, but you have a 10-point plan.

**Mr DOMINIC PERROTTET:** Mr Secord, this is about working very closely with the industry on managing these projects on time. Because the reality is we are building more than ever before. In fact, the market cannot keep up with the Berejiklian-Barilaro Government. As a result of the significant investment in infrastructure, we need to make sure that we are working and partnering with the private sector to make sure these projects are delivered on time and on budget. You saw that more recently with the Sydney Football Stadium and Sydney Modern as well. Some of these projects have challenges, we accept that, but when you are building so much, that has become a general part of the challenges that face the Government. But what we are not going to do is sit on our hands. We are going to continue to build infrastructure to help drive economic growth and at the same time ensure that these projects are built, which will make a real difference to people's lives. If you go back through history, and I think this is important, because if you go back through history—

**Ms ABIGAIL BOYD:** I am going to interrupt you, Treasurer. Sorry, it is the beginning of crossbench time.

**Mr DOMINIC PERROTTET:** Mr Secord, can you come back?

**The Hon. WALT SECORD:** Yes, I will come back to this, don't worry about it.

**Mr DOMINIC PERROTTET:** Good.

**Ms ABIGAIL BOYD:** In relation to WestConnex, I hear that you are saying that you are very proud of the project and of the WestConnex road. If you are so proud of it, why are you so keen to sell it?

**Mr DOMINIC PERROTTET:** First of all, the Government does not have a plan at this stage. I have commissioned a scoping study into whether or not the Government should maintain its retainage within the Sydney Motorway Corporation.

**Ms ABIGAIL BOYD:** You have said that you will do that if there is clear evidence that doing so would be in the best interests of the people of New South Wales.

**Mr DOMINIC PERROTTET:** I believe that selling the 51 per cent interest was in the best interests of the people of our State. It has unlocked over \$9 billion in capital, which we are able to invest in further projects.

**Ms ABIGAIL BOYD:** Just on that, and you have said before there is \$9.26 billion to invest, my understanding of the deal is that the Government was obliged to plough \$5.2 billion back into WestConnex as part of that deal. So that leaves us with \$4 billion net, which is just slightly over the blowout that we have been discussing in relation to Andrew Constance's apology. I have also read reports that, in total, the Government has been putting in more than \$23 billion worth of cash, public assets, enabling works and connections and other incentives into WestConnex, including the toll cashback. That does not really look like a very good deal—\$4 billion when you have spent \$23 billion of community money.

**Mr DOMINIC PERROTTET:** That was a great deal for the State. If you want to go through some individual figures, I am happy to pass to Mr Gardner to discuss that from a transaction perspective.

**Ms ABIGAIL BOYD:** Just on that question though, do you think getting \$4 billion for a 51 per cent stake—

**Mr DOMINIC PERROTTET:** No, we got \$9.26 billion. That is capital that is unlocked that has been deposited into the NSW Generations Fund that allows the State to continue to have a very strong net debt position to build infrastructure. Even you have come in here today and asked questions around economic growth of the State that has been unlocked by our fiscal management and investment in public infrastructure.

**Ms ABIGAIL BOYD:** I am certainly not arguing against the investment in public infrastructure. I think that is great.

**Mr DOMINIC PERROTTET:** But you disagree with the investment in WestConnex

**Ms ABIGAIL BOYD:** What I believe is that if you are going to spend community money on a project, the community expects to own that for the time being or for as long as it needs to.

**Mr DOMINIC PERROTTET:** I do not think they do.

**Ms ABIGAIL BOYD:** The idea that you would spend \$23 billion and then gift that to a private company that then earns \$250 billion in tolls?

**Mr DOMINIC PERROTTET:** Why do you hate the private sector? No, I am serious, Ms Boyd. Why do you hate the private sector?

**Ms ABIGAIL BOYD:** I will answer your question, even though it is a little ridiculous. The private sector has a role in our economy but not in providing essential public services. When you have private institutions involved in essential public services the public always loses out.

**Mr DOMINIC PERROTTET:** That is completely untrue.

**Ms ABIGAIL BOYD:** Back to Transurban—

**Mr DOMINIC PERROTTET:** That is completely untrue. In a Greens world we would not have any roads, we would not have any public transport, because somebody has to pay for it. That is what The Greens have never worked out. Even the Labor Party understands that basic concept.

**Ms ABIGAIL BOYD:** So we are getting into ideological debate about the role of government and the role of the private sector.

**Mr DOMINIC PERROTTET:** No. Ms Boyd, you said the public disagree with the concept of the private sector owning and maintaining a toll road.

**Ms ABIGAIL BOYD:** No. What I said was that the public objects—

**Mr DOMINIC PERROTTET:** But they did not. Do not transpose your green ideology onto the people of New South Wales.

**Ms ABIGAIL BOYD:** The public objects to \$23 billion being spent—

**Mr DOMINIC PERROTTET:** They do not object. They back—

**Ms ABIGAIL BOYD:** —and then half of that being gifted to a private company for a mere \$4 billion.

**Mr DOMINIC PERROTTET:** The people of Penrith, the mums and dads in Penrith, who maybe The Greens should go out and visit a little more—

**Ms ABIGAIL BOYD:** We spend plenty of time in Penrith, thank you.

**Mr DOMINIC PERROTTET:** Well, it is not showing on the numbers because they backed in the New South Wales Government at the last election—despite all the scaremongering from the little team up the end there in relation to the WestConnex project and tolls—because they knew, they prioritised the fact that, yes, toll roads come at a cost. Everybody accepts that. In some ways they are a necessary evil.

**Ms ABIGAIL BOYD:** Why does it have to be—

**Mr DOMINIC PERROTTET:** They are a necessarily evil to provide people with the opportunity and the infrastructure to get home to their families.

**Ms ABIGAIL BOYD:** Why can't the public own a public project?

**Mr DOMINIC PERROTTET:** And by partnering with the private sector we have been able to unlock capital to invest—

**Ms ABIGAIL BOYD:** When we look at WestConnex—

**Mr DOMINIC PERROTTET:** —in the residual infrastructure investment in that road.

**Ms ABIGAIL BOYD:** —you have sold 51 per cent of that already for \$19 billion less than what the Government has spent on it. The next 49 per cent presumably will get sold for around the same amount. Do you think that is good value for the people of New South Wales?

**Mr DOMINIC PERROTTET:** This transaction was extraordinary value for the people of New South Wales. To be able to be in a position, we have continued to not just unlock capital, to build that road, but also to, most importantly, invest into essential infrastructure that does not just provide a benefit on completion but clearly, as we have seen, on the national counts during construction. So whether it is the thousands of jobs that are created during WestConnex or whether it is the economic growth that comes off the back of it—

**Ms ABIGAIL BOYD:** Again, all of which happens without the private investors.

**Mr DOMINIC PERROTTET:** The Greens and Labor want to sit here and ask questions about our projects. Well, these projects when built will make a real difference to people's lives and during construction they are holding up the New South Wales economy.

**Ms ABIGAIL BOYD:** We are not talking about the construction or the existence of the project. We are talking about why it then gets sold off to a private company—

**Mr DOMINIC PERROTTET:** But in a Greens world, where does the money come from? You live in this world that does not exist. How do the people of Western Sydney get the infrastructure they need? There is a reason—

**Ms ABIGAIL BOYD:** Through the revenue-raising of the government.

**Mr DOMINIC PERROTTET:** Oh, so increased taxes. Is that the solution—increase taxes on the people of our State?

**Ms ABIGAIL BOYD:** Not on lower-income people.

**Mr DOMINIC PERROTTET:** Labor comes in here today and talks about stimulus and your solution in The Greens is to increase taxes on small business—

**Ms ABIGAIL BOYD:** No, it is not.

**Mr DOMINIC PERROTTET:** —to increase taxes on families.

**Ms ABIGAIL BOYD:** No. It is increasing taxes on large businesses and high earners.

**Mr DOMINIC PERROTTET:** We believe in reducing taxes, partnering with the private sector to deliver opportunities and outcomes.

**Ms ABIGAIL BOYD:** This is not a question about The Greens policy. Treasurer, what I am getting from all of this deflection and argument—

**Mr DOMINIC PERROTTET:** Ms Boyd, you cannot come in here with your green frustrations about—

**Ms ABIGAIL BOYD:** —is that you do not have a good answer for why you have spent an extra \$19 billion—

**Mr DOMINIC PERROTTET:** —the people of New South Wales—

**Ms ABIGAIL BOYD:** —on a project that was given to Transurban.

**Mr DOMINIC PERROTTET:** Do not come in here and try to convince me of green ideology. Go and convince the public, who backed the Coalition in at the last election.

**Ms ABIGAIL BOYD:** This is not about green ideology or your ideology.

**Mr DOMINIC PERROTTET:** It is.

**Ms ABIGAIL BOYD:** This is a question of your financial management.

**Mr DOMINIC PERROTTET:** You seem ideologically and fundamentally opposed to the Government partnering with the private sector to unlock capital to invest in infrastructure.

**Ms ABIGAIL BOYD:** Answer me this: When the—

**Mr DOMINIC PERROTTET:** The State without transactions such as the one we did with our 50 per cent sale of SMC that unlocked \$9.26 billion—

**Ms ABIGAIL BOYD:** Four billion dollars—\$19 billion less than you spent.

**Mr DOMINIC PERROTTET:** —the State would not have the capacity to invest in the road infrastructure. Under your world view there would be no roads—

**Ms ABIGAIL BOYD:** No, it is not about my world view.

**Mr DOMINIC PERROTTET:** —there would be no public transport and there would be no economic growth.

**Ms ABIGAIL BOYD:** Can you answer me this: Does the cash back not just effectively go back into the pockets of private corporations because you have sold—

**Mr DOMINIC PERROTTET:** We do not provide—that was the Labor scheme.

**Ms ABIGAIL BOYD:** I am not talking about Labor.

**Mr DOMINIC PERROTTET:** We provide—

**Ms ABIGAIL BOYD:** I am talking about your current policies and the continued propping up of private companies running the roads.

**Mr DOMINIC PERROTTET:** That was Labor's proposal.

**Ms ABIGAIL BOYD:** I am not talking about Labor. I am talking about you and your policy.

**Mr DOMINIC PERROTTET:** Yes, so we provide a reduction in registration costs for those who are—

**Ms ABIGAIL BOYD:** That money effectively goes straight to the toll operator, doesn't it?

**Mr DOMINIC PERROTTET:** No. Those funds go to help people right across our State—

**Ms ABIGAIL BOYD:** And then those people pay.

**Mr DOMINIC PERROTTET:** No, reduce their car registrations. It is about providing cost-of-living measures to help families and at the same time—in fact, even the Reserve Bank Governor came out in a report last year and talked about a number of our cost-of-living initiatives such as the Active Kids rebate, the Creative Kids rebate, the registration—

**Ms ABIGAIL BOYD:** What does the governor think of the continuous privatisations?

**Mr DOMINIC PERROTTET:** You will have to ask the Reserve Bank of Australia [RBA], but I can tell you what the RBA is in favour of: public investment in infrastructure—not just the RBA—

**Ms ABIGAIL BOYD:** As we all are.

**Mr DOMINIC PERROTTET:** Yes, but Ms Boyd, The Greens, you have got to realise the money just does not grow on trees.

**Ms ABIGAIL BOYD:** Every budget is about priorities.

**Mr DOMINIC PERROTTET:** It comes from the taxpayers of New South Wales. That is where we are funded from. And that is why when Mr Secord and Ms Houssos come in here and ask questions about stimulus, it is our Government that has strong public sector wage growth, that has strong investment in infrastructure, cuts taxes and provides opportunity that grows wealth. That is what our party is about. That is why—

**Ms ABIGAIL BOYD:** Cutting taxes results in fewer services and greater economic inequality.

**Mr DOMINIC PERROTTET:** If you ask about the Reserve Bank's view or the World Bank or the International Monetary Fund [IMF] or the International Finance Corporation [IFC], wherever you go around the world they will say the best thing that sub-sovereign jurisdictions particularly can be doing to drive economic growth at this time is invest in public infrastructure.

**Ms ABIGAIL BOYD:** And we all agree with that. So I am not quite sure why that is relevant.

**Mr DOMINIC PERROTTET:** Yes, but you need to have a means to be able to do that.

**Ms ABIGAIL BOYD:** Yes.

**Mr DOMINIC PERROTTET:** And that is why in our State with our strong fiscal management we are able to have a very affordable and manageable debt position and at the same time, through the use of making better use of our assets—when you talk about assets and privatisations, let's not forget that the asset base has grown under the Coalition—

**Ms ABIGAIL BOYD:** Let's have a look then—

**The Hon. MARK LATHAM:** Next time.

**Mr DOMINIC PERROTTET:** —from \$150 billion to \$250 billion. So never before have the people of New South Wales, when it comes to assets, been wealthier than they are under the Liberal Party and The Nationals.

**The Hon. MARK LATHAM:** Treasurer, is it the policy of the Treasury and yourself to ensure that major statements of Government policy and expenditure do not go out in other departments uncoded and unfunded?

**Mr DOMINIC PERROTTET:** Are you saying do we have an official policy in relation to that?

**The Hon. MARK LATHAM:** Well, you know, in a perfect world what would you want?

**Mr DOMINIC PERROTTET:** I think you do want to have some leniency for Ministers and agencies to throw their ideas around the place.

**The Hon. MARK LATHAM:** But to publish their ideas as official—

**The Hon. WALT SECORD:** Throw their ideas around?

**Mr DOMINIC PERROTTET:** What is the matter with a bit of public debate?

**The Hon. MARK LATHAM:** Well, no, more than debate. For Ministers to publish their ideas as official Government policy, with massive government expenditure consequences and economic flow-on consequences, without having a coded and funded document, is that not just economically irresponsible and something that Treasury should not tolerate?

**Mr DOMINIC PERROTTET:** Not everyone is as economically responsible as us in these estimates, Mr Latham, but I have no issue with Ministers or members of Parliament coming out with ideas, whether they are coded or uncoded, because if an idea—

**The Hon. MARK LATHAM:** Not ideas—policy statements.

**Mr DOMINIC PERROTTET:** If an idea has merit, let's debate it.

**The Hon. MARK LATHAM:** Why then was the 2019 NSW Electricity Strategy released without a costing or without any funding and will it be funded in the next budget?

**Mr DOMINIC PERROTTET:** As I have said, when it comes to budget bids, which that process has become, we consider all those budget bids and we consider the merits of those bids accordingly, Mr Latham.

**The Hon. MARK LATHAM:** And, Treasurer, you earlier declared your support for battery storage to help keep the lights on. This document, of course, relies heavily on that. How much will it cost?

**The Hon. WALT SECORD:** How many batteries do we have?

**Mr DOMINIC PERROTTET:** More than we had under Labor's policy because your policy on solar did not have batteries included.

**The Hon. COURTNEY HOUSSOS:** Come on, Dom, it has been nine years. Stand on your own record instead of attacking ours.

**The Hon. MARK LATHAM:** If I can have my question answered rather than Walt Secord's—

**Mr DOMINIC PERROTTET:** Nine years. No, I am just saying I thought it was a very short-sighted policy that you brought to the election because we have become, under the Liberals and Nationals, the greenest party in this place.

**The Hon. WALT SECORD:** Just throw those ideas around.

**Mr DOMINIC PERROTTET:** It is true. You know it, Ms Houssos.

**The Hon. MARK LATHAM:** Can I have an answer to my question—

**Mr DOMINIC PERROTTET:** Sorry. I am being distracted.

**The Hon. MARK LATHAM:** —which was: In your support for battery storage, how much does it cost according to this State Government strategy?

**Mr DOMINIC PERROTTET:** I will take it on notice. I will have that figure.

**The Hon. MARK LATHAM:** Will you also ensure in the further development and funding of this policy that it is updated? Because the policy actually says that wind and solar are cheaper than new coal and gas based on a levelised cost of electricity generated, relying on CSIRO gen cost documents. Maybe the energy Minister got a little bit unlucky because a month later the CSIRO updated its analysis of the relative costs of energy supply and said when storage—and you are a supporter of storage—is added to solar and wind, this raises their cost to a similar level to that of fossil fuels.

**The Hon. BEN FRANKLIN:** Point of order: I understand what the member is doing but I think we are now straying very far into the domain of the Minister for Energy rather than the Treasurer. This is a specific policy position from the Minister for Energy, not from the Treasurer. I therefore ask that the member be pulled back.

**The Hon. MARK LATHAM:** To the point of order: These are very, very expensive initiatives that need to be costed. I am here for responsible fiscal management.

**Mr DOMINIC PERROTTET:** I will just talk to the principle then. Mr Franklin is correct and I find I constantly have to answer questions across the board.

**The Hon. MARK LATHAM:** That is your lot in life.

**Mr DOMINIC PERROTTET:** I am not complaining. Do you know it is a public holiday in every single jurisdiction today except New South Wales?

**The Hon. COURTNEY HOUSSOS:** You could fix that, Mr Treasurer.

**Mr DOMINIC PERROTTET:** Where is the New South Wales union movement?

**The Hon. WALT SECORD:** Productivity, stand strong.

**The Hon. MARK LATHAM:** We rely on you for good public policy. That is why we ask you across the board. You are our saviour, so step up to the plate.

**Mr DOMINIC PERROTTET:** The issues you are raising also go to nuclear.

**The Hon. MARK LATHAM:** They do.

**Mr DOMINIC PERROTTET:** I will talk to the principle of this and that is, as I said the start, when we talk about the energy mix it has got to be affordable and reliable as we move towards a clean energy future. Obviously safety is a component of that too. Is it right to consider the cost of solar? Yes, it is, just like it is right to contest what the cost of nuclear energy may be as well. I do not have the answers to that. But are they important considerations? For sure, and they should be worked through. That energy policy, Mr Latham, will be worked through and I can assure you it will be rigorously assessed by Treasury.

**The Hon. MARK LATHAM:** Treasurer, do you support the concept of good citizenship in the corporate sector such that the legal legitimate business entities can make further contributions to the provision of worthwhile public services in New South Wales?

**Mr DOMINIC PERROTTET:** Absolutely.

**The Hon. MARK LATHAM:** And do you regard the Wallarah 2 coalmine on the Central Coast as a legal business entity in our State, given it has been approved by the New South Wales Government, it is operating with Government approval and will be paying other revenue sources such as royalties in the future?

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. MARK LATHAM:** Why then have the Government knocked back a \$15 million donation from that business to the local hospital, given the fact we have also got massively stretched health services needs in New South Wales? If they are legal and they are legitimate—

**Mr DOMINIC PERROTTET:** Who knocked that back?

**The Hon. MARK LATHAM:** Why do we knock back their money?

**Mr DOMINIC PERROTTET:** Who knocked that back?

**The Hon. MARK LATHAM:** The Health department has. I have an answer from the health Minister saying that because of air and noise pollution concerns it is okay for the Wyong hospital board to knock back the \$15 million donation. How does this Government operate? If there are noise and air pollution concerns, how was the program ever approved in the first place?

**Mr DOMINIC PERROTTET:** It is pretty hypocritical.

**The Hon. MARK LATHAM:** It is hypocritical?

**Mr DOMINIC PERROTTET:** It is hypocritical because we get \$2 billion in royalties, a lot of which are off the back of mining royalties anyway. The reality is in New South Wales that many hospitals are funded off the back of royalties that we receive as a State.

**The Hon. MARK LATHAM:** You are not going to redirect the coal royalties away from Wyong hospital?

**Mr DOMINIC PERROTTET:** I will raise it during the budgetary process with the health Minister.

**The Hon. MARK LATHAM:** Will you intervene to ensure that the company's donation is accepted as it would be in other parts of the State trying to contribute in good faith, in good corporate citizenship to our health services on the Central Coast? Because \$15 million in the health budget is not insignificant. I live in a region where no government has funded a new community health centre this century. If we are stretched in health, why are we knocking back \$15 million?

**Mr DOMINIC PERROTTET:** Two things on that. I do not know the answer and as I said to you I think that would be a hypocritical position to take in circumstances where we receive \$2 billion in royalties each year, which in reality fund our teachers, our nurses and others. I will go a bit broader though. This is a significant challenge facing not just the private sector but the public sector as well. Here in New South Wales, when it comes to our fiscal sustainability we have issued a green bond and sustainability bond. You might have seen in respect of Queensland and Western Australia that Sweden's central bank said it had sold off bonds from the oil-rich Canadian province of Alberta and parts of Australia because it felt greenhouse gas emissions in Australia were too high. For that reason they sought out holdings in State bonds issued by Queensland and Western Australia. I think—I would have to check this figure—in Queensland it was around \$1 billion they pulled out of.

We can look at the world as we want it to be but the reality is that there are substantial pressures that are going to come onto State governments in respect of their environmental policies if they do not start pursuing

action in respect of reducing emissions. Labor likes talking about reducing emissions but the New South Wales Government since 2005 has reduced its emissions more than the Labor States of Western Australia, Queensland and Victoria combined. We are more environmentally conscious and doing a lot more in relation to the climate change space than the Labor governments of those jurisdictions. This is a significant challenge that is going to come our way in relation to the flow of capital and the capacity for States to borrow money because our environmental credentials will continue to be assessed by those bodies.

**The Hon. MARK LATHAM:** And just on this question of infrastructure, I think any reasonable person would acknowledge that the Government does have a record infrastructure spend, various constructions and tunnelling right across Sydney in particular, but do you acknowledge that the success of these projects is relative to the extent of population growth?

**Mr DOMINIC PERROTTET:** There is no doubt that the greater the increase in population, the greater demand for infrastructure. Population is a driver of economic growth but I also think—and we could unleash Steve Walters here—but without wanting to speak at cross-purposes, to some degree population growth is important but so is productivity growth. That is probably a more significant area that the Government should be focusing on in driving economic growth into the future.

**The Hon. MARK LATHAM:** We want all of that. We want productivity growth and infrastructure but it is relative to population growth. Do you worry that congestion costs in Sydney are projected to rise over the next decade?

**Mr DOMINIC PERROTTET:** Yes, but that is why we continue to invest. I do not think we are chasing our tails here, by the way. I think if you plan a city properly and if you invest in the right infrastructure. That is a balance of road—despite Ms Boyd's objection to it—or other transport. Whether it is Sydney Metro West, Metro Southwest, Metro Northwest, getting those public transport lines in place, building a road capacity and at the same time making sure that as the population increases in your area, in your neck of the woods in south-west Sydney, there is adequate education and health facilities there to support those communities.

That is one of the pleasing aspects of the Greater Sydney Commission and the work they are doing. For the first time ever we are actually having our city grow with a plan and making sure that infrastructure is invested in properly. That is why when you look at the airport metro that we are currently in a funding arrangement with the Federal Government for, we are making sure that infrastructure is built as that city comes on, because build it and they will come. We want to make sure that we are not playing catch up. You would be aware as a former member of the Labor Party that in north-west Sydney, where I grew up, that project was promised year after year. I was in primary school when it was promised—

**The Hon. COURTNEY HOUSSOS:** Treasurer, I am going to stop you there because we have got limited time.

**Mr DOMINIC PERROTTET:** I am going to finish. Those projects were promised because the Labor Government at the time knew the population was going to increase and the infrastructure was needed.

**The Hon. COURTNEY HOUSSOS:** That is the end of the sentence. You are cutting into our time now.

**The Hon. MARK LATHAM:** Why can't I get a full answer to my question?

**The CHAIR:** You have had an answer.

**Mr DOMINIC PERROTTET:** Very quickly, I do not believe that Labor had poor intentions, and this goes to Ms Boyd's point. They just did not have the fiscal capacity to build that network. We were able to do it.

**The Hon. COURTNEY HOUSSOS:** Treasurer, last week the Prime Minister foreshadowed a stimulus package which we expect will be announced in the coming days. What projects have you put forward for New South Wales to be included as part of that stimulus program?

**Mr DOMINIC PERROTTET:** Let us talk in two areas here—bushfires and coronavirus—in respect to the economic challenges coming our way. In respect of the bushfire issues particularly on the North Coast, on the South Coast and our tourism operators, we have negotiated with the Federal Government that we will deal with a lot of the infrastructure investments. We have allocated \$1 billion to invest in infrastructure in those fire-affected communities. In respect of the clean-up, we discussed a 50/50 arrangement with the Federal Government in respect of that process. That will obviously inject stimulus into those communities as well. In relation to the coronavirus, as I have indicated and as the secretary and chief economist have set out, what we will be doing in this State is getting informed, getting an understanding of where any stimulus and investment can be made that will make the best difference to our State.

At the moment what we need to do is consult with those parties and those industries that are most likely to be affected. That is why I have immediately asked the chief economist to meet with those stakeholders, which he set out earlier today. We have initial advice in relation to that. The second step is the development of potential policies off the back of that to help stimulate growth where it is needed. We are currently working towards some policy for where we think there are some gaps and where some policy solutions can be found.

**The Hon. COURTNEY HOUSSOS:** I appreciate that, Treasurer. But what are the specific projects? Have you made specific recommendations to the Prime Minister to be included in the stimulus package?

**Mr DOMINIC PERROTTET:** No.

**The Hon. COURTNEY HOUSSOS:** Sorry. Was that a no?

**Mr DOMINIC PERROTTET:** It was our understanding that the Federal Government would be coming out with a package this week. What we will be doing is not doing policy on the run.

**The Hon. WALT SECORD:** But you just said earlier that you encourage Ministers to throw those ideas around.

**Mr DOMINIC PERROTTET:** Yes, but there is a difference between throwing ideas around and the Executive Government making an informed decision.

**The Hon. WALT SECORD:** So you do not apply that discipline to your colleagues? They are allowed to throw ideas out there and overrun projects. Now you will not tell us. Last week the Prime Minister asked for a list of projects for infrastructure. You are not doing that.

**Mr DOMINIC PERROTTET:** Mr Secord, we are investing \$97 billion in infrastructure over the next four years. No-one is investing more in infrastructure than the New South Wales Government.

**The Hon. WALT SECORD:** Let's go through the list. How much of that is cost blowouts?

**Mr DOMINIC PERROTTET:** It is \$97 billion in infrastructure. Is that a serious question?

**The Hon. WALT SECORD:** How are going to find the \$3 billion that Andrew Constance said the project is short.

**Mr DOMINIC PERROTTET:** Are you asking me about coronavirus or—

**The Hon. WALT SECORD:** We are not at university tactics here—

**Mr DOMINIC PERROTTET:** Which question do you want me to answer?

**The Hon. WALT SECORD:** You said, "throw those ideas around." Ms Houssos asked very seriously about the Prime Minister's call last week to Premiers and chief Ministers around the country to come forward with your ideas for stimulus measures.

**Mr DOMINIC PERROTTET:** We are working on that.

**The Hon. COURTNEY HOUSSOS:** Have you made specific recommendations?

**Mr DOMINIC PERROTTET:** No, we are working on making sure that any recommendations—

**The Hon. COURTNEY HOUSSOS:** He is about to announce it. We are expecting it in two days' time. Have you made any recommendations?

**Mr DOMINIC PERROTTET:** The New South Wales Government and Treasury are currently undertaking work in respect of identifying where the economic challenges will be and where the best investment may be required to help stimulate economic growth.

**The Hon. WALT SECORD:** I put it to you that you have missed the boat. The Prime Minister said that he is going to announce it in the next 48 hours. What have you been doing? What projects have you put forward? Have you missed the boat?

**Mr DOMINIC PERROTTET:** We have had numerous discussions with the Federal Treasurer in respect of opportunities for infrastructure investment.

**The Hon. WALT SECORD:** Have you missed the boat for New South Wales?

**Mr DOMINIC PERROTTET:** Mr Secord, I think you need to realise that when it comes to mature economic management, we do not do policy by the 24-hour news cycle. We make informed and measured decisions in respect of public investment of taxpayer funds to ensure that—

**The Hon. WALT SECORD:** Earlier in the proceedings you said that you allow Ministers to throw their ideas around. That does not sound like the discipline you are describing now. Do you apply that discipline to your colleagues, for example Andrew Constance, with the \$3 billion on the Sydney Metro West? Are you just going to completely ignore that?

**Mr DOMINIC PERROTTET:** No, I am—

**The Hon. WALT SECORD:** Then the Prime Minister asked you for infrastructure projects and you cannot tell us what you put forward. Can I suggest: the M1 at Raymond Terrace; improved rail links between Canberra, Goulburn and Queanbeyan; and the Singleton bypass.

**Mr DOMINIC PERROTTET:** You can suggest—

**The Hon. WALT SECORD:** I am offering very good suggestions but I figured that Treasury would do the same thing. The Prime Minister has said that he was coming to Premiers and chief Ministers. Now he is going to announce a package in 48 hours. What have you put forward?

**Mr DOMINIC PERROTTET:** We have always argued—

**The Hon. WALT SECORD:** What have you put forward?

**The Hon. NATALIE WARD:** Point of order—

**Mr DOMINIC PERROTTET:** We have always argued that when it comes to the New South Wales Government, our investment—

**The Hon. WALT SECORD:** You have not put anything forward.

**The Hon. NATALIE WARD:** Point of order: Mr Secord has asked a series of questions.

**The CHAIR:** Let the Treasurer answer the question.

**Mr DOMINIC PERROTTET:** Mr Secord, you are coming from a position where the New South Wales Government is investing \$97 billion in infrastructure over the next four years. In the last few weeks alone we have announced that we are investing an additional \$1 billion in infrastructure to help communities in the North Coast and South Coast of New South Wales.

**The Hon. COURTNEY HOUSSOS:** And the Federal Government is saying that it is going to invest more. Are you saying, "This is our priority list"?

**Mr DOMINIC PERROTTET:** We continue to cut taxes.

**The Hon. WALT SECORD:** Treasurer, the Prime Minister is opening the chequebook to New South Wales.

**Mr DOMINIC PERROTTET:** Let's also look at the Labor Party. You came to the last election offering up an increase of close to \$400 million on small business taxes.

**The Hon. WALT SECORD:** I am asking about your failure—

**The Hon. COURTNEY HOUSSOS:** What projects have you put forward to the Prime Minister? We do not need a lesson in Labor Party policy. We are well versed in it ourselves. We want to hear from you about what projects you have put forward to the Prime Minister?

**Mr DOMINIC PERROTTET:** We have \$97 billion of infrastructure investment over the next four years.

**The Hon. COURTNEY HOUSSOS:** So that is enough? No projects were put forward?

**Mr DOMINIC PERROTTET:** We have cut \$3 billion in taxes. We are the lowest taxing State in the country. There is a reason—

**The Hon. COURTNEY HOUSSOS:** You can go through your talking points all you like, but I want to know, and the people of New South Wales want to know, whether you are advocating on their behalf. Are you going to the Prime Minister? What projects are you giving to the Prime Minister to fund?

**The Hon. BEN FRANKLIN:** Point of order—

**Mr DOMINIC PERROTTET:** I have regular discussions, if not daily discussions, with the Federal Treasurer in respect of the economy and infrastructure investment. We have always advocated, whether it is on the issue of GST, that New South Wales should receive a greater share in circumstances where—

**The Hon. WALT SECORD:** Treasurer, you are not answering the question.

**Mr DOMINIC PERROTTET:** You do not like the answers, Walt.

**The Hon. WALT SECORD:** You did not answer the question. What projects did you put forward?

**The Hon. BEN FRANKLIN:** He has answered the questions a dozen different times.

**The Hon. WALT SECORD:** And he refused to answer. It is very simple.

**The Hon. BEN FRANKLIN:** No, he talked about the ongoing discussions he has had with the Treasurer.

**Mr DOMINIC PERROTTET:** I will end my statement with this: What we will not be doing, unlike other governments around the country, is announcing policies for political purposes. What we will not be doing is announcing policies that deal with the 24-hour news cycle. What we do when it comes to investment and economic management—

**The Hon. WALT SECORD:** I think the answer is that you forgot or failed to put a list forward.

**Mr DOMINIC PERROTTET:** When it comes to economic management—whether it has been the bushfire response or any other issue in this country, particularly those that have an impact on New South Wales—New South Wales had led the way. What we will not be doing, Mr Secord, is coming out with policies on the run, throwing good money after bad. What we will be doing is what we always do, which is to get an understanding of where support can be provided and will have the best economic benefit for the people of our State. That is our track record and that is what we will continue to do.

**Ms ABIGAIL BOYD:** We are limited for time.

**The Hon. WALT SECORD:** The answer is clearly that you did not put any projects forward.

**The Hon. MARK LATHAM:** What about the crossbench?

**Ms ABIGAIL BOYD:** I would like to ask you a question about the Eraring Power Station and Origin Energy. I asked you a question without notice in the House in October and got your written answer on notice.

**Mr DOMINIC PERROTTET:** I cannot remember it. Do you have it there?

**Ms ABIGAIL BOYD:** I have written all over it. Sorry, you cannot have it. Let me ask you the question again. The Eraring sale contract requires the Government to pay half of the additional costs that Origin will incur in putting in place its alternative ash dam extension proposal. Just checking we are all on the same page?

**Mr DOMINIC PERROTTET:** Yes.

**Ms ABIGAIL BOYD:** I asked you if you were aware that the current proposal they have for extending their ash dam is not the same as the one they had in their 2013 contract. You said that yes, you were aware of that. My second question was, "How much will it then cost for the Government to pick up half of the tab for that additional cost of doing the new ash dam extension?" Your response was just "no". I want to ask again whether you know how much the State will be liable for under that old privatisation contract.

**Mr DOMINIC PERROTTET:** Mr Gardner?

**Mr GARDNER:** I will come back in the afternoon session with that. I do not have a number.

**Ms ABIGAIL BOYD:** That would be very good, even if its just an estimation. Any information you have would be very useful.

**Mr DOMINIC PERROTTET:** Hold on. We will not make an estimate. We will see what information we have. If there is a broad figure, we will provide it in the afternoon.

**Ms ABIGAIL BOYD:** Okay. The question that I would like you to take on notice is: Has Origin given you any indication of the cost to the State of that ash dam proposal?

**Mr GARDNER:** I will take that on notice.

**Ms ABIGAIL BOYD:** In relation to those old privatisation contracts—we talked last year about the contingent liabilities and the potential for that to be billions of dollars—has any progress been made in relation to quantifying those contingent liabilities, particularly in relation to Liddell? As the closure date comes forward, you would expect those liabilities to become more quantifiable.

**Mr GARDNER:** We have two sets of liabilities that relate to those particular assets, all the generation assets, those that are quantifiable, and they are reflected in provisions in the budget.

**Ms ABIGAIL BOYD:** So nothing new from the budget?

**Mr GARDNER:** Nothing new from the budget.

**Ms ABIGAIL BOYD:** The questions that we asked last time in relation to that, I pointed out to you that Hazelwood was \$1.4 billion in rehabilitation costs and so I have grave concerns that in relation to the coal-fired power stations that this Government has sold that we are still on the hook for hundreds of millions of dollars in rehabilitation costs. Is that something that the rating agencies are aware of?

**Mr GARDNER:** Treasurer, I might just respond on the Hazelwood aspect of Ms Boyd's line of questioning. The Hazelwood coal-fired power station has an open-cut mine next to it. The various scenarios we have with the generation assets that we have sold or leased here in New South Wales, that is not the case.

**Ms ABIGAIL BOYD:** Even on a conservative estimate though, we are talking hundreds of millions just for the ash dams.

**Mr GARDNER:** It is the existence of the open-cut coalmine that is predominantly the larger part of the conservative estimates around the cost of the remediation.

**Ms ABIGAIL BOYD:** That is not the information I have. I understand that is your belief but that is not the information we have. So hundreds of millions of dollars is still the estimate. Let us make the most conservative estimate—let us say it is a couple of hundred million for each of those sites. We are still looking at at least \$1 billion in rehabilitation costs. What effort has been made to prepare for that in the future? Do the rating agencies know about that potential liability?

**Mr DOMINIC PERROTTET:** You are making an assumption. We will take that on notice and provide you with the relevant advice.

**The CHAIR:** Mr Latham has the final four minutes.

**The Hon. MARK LATHAM:** Treasurer, by far the biggest employment-generating project in New South Wales over the next 30 years will be the Aerotropolis, with a projected 200,000 new jobs. At the last estimates it was said that Treasury was checking the modelling on that and coming up with updated figures. Has that work been completed?

**Mr PRATT:** Yes, Mr Latham, we are still working through a lot of the detail but in broader terms a lot of that modelling work has been done. We are currently talking to a range of global organisations about location in that environment, the Aerotropolis, and that target of 200,000 jobs still holds in terms of where we are at with that work.

**The Hon. MARK LATHAM:** In the infrastructure construction around the airport site, would it be government policy to always prioritise the projects that have the highest cost-benefit outcome for the people of New South Wales and to add to the 200,000 jobs?

**Mr DOMINIC PERROTTET:** I would say obviously business cases and benefit-cost ratios [BCRs] are a substantial guide to investment decisions that are made by the New South Wales Government. But I would also say that it is not necessarily the case that projects that may not have a substantially high BCR are not projects that are worth investing in. Even if you take some of the areas in regional New South Wales—and we have had some of this challenge, I particularly think, around Restart NSW where projects need a BCR of one. If you have a small bridge in a regional town centre it may be a struggle to get that project above one but in reality that project has a significant safety issue for those communities.

**The Hon. MARK LATHAM:** These are multibillion-dollar projects around the airport site. In the modelling and in Treasury's assessment, do you agree with the head of the Aerotropolis, Sam Sangster, who said that a fast rail link to the centre of Sydney is integral to realising the 200,000 new jobs objective?

**Mr DOMINIC PERROTTET:** Yes.

**The Hon. MARK LATHAM:** Given that the St Mary's link has a lower cost-benefit outcome than an extension of the heavy rail from Leppington to Badgerys Creek, why is St Mary's going ahead of the project that could produce a fast link to the centre of Sydney which actually has a higher cost-benefit outcome?

**Mr DOMINIC PERROTTET:** I might pass to Treasury but I would go back to my previous point and that is that it is not a perfect science in suggesting that simply because one project has a higher BCR than another that somehow that project should not be invested in. For example, I would say that the rail going out to the airport may have a lower BCR today but by building that infrastructure that is city-shaping infrastructure that will help the growth out there occur in a way that makes that airport viable from the outset.

**The Hon. MARK LATHAM:** Can you give an undertaking to have a look at this, given that you have conceded the importance of the fast rail link along with Sam Sangster. We have got to the point where we know that the Leppington extension is the highest cost-benefit outcome. We are interested in getting the 200,000 jobs. You might also find in your budget management that Leppington to Badgerys Creek is a lot less expensive than the St Mary's line, which is a lot longer. They seem to be pretty compelling factors in doing Leppington first.

**Mr DOMINIC PERROTTET:** There is a substantial challenge when there are so many infrastructure projects underway and on foot. As we are building our city, the Government has to make decisions in relation to which ones they prioritise. As I said, the benefit-cost ratios are always taken into consideration by the Government when making those decisions but there are also other factors and broader factors that should be taken into account.

**The Hon. MARK LATHAM:** Just finally, there was a Channel 9 report—it may well be fake news—that we would not have a rail link from Badgerys Creek when the airport is scheduled to open in 2026. Can you rule that out and confirm that we will have a rail link to the new international airport on its opening day?

**Mr DOMINIC PERROTTET:** Well, the former Prime Minister made that commitment. We have engaged with the Federal Government in a split funding arrangement in relation to that project, and that is the view that we have taken. People have said, "Well, that project may have a lower BCR." That is a project, I believe, that is essential in ensuring that when the airport comes online as quickly as possible that there is a public transport infrastructure link to it. Every modern airport these days is built with public transport associated with it, and we do not want a situation like Victoria where you are trying to build infrastructure after the event.

Our belief as a government, and working very closely with the Federal Government, given that there seem to be some concerns in relation to the Federal Government down the end there, is that getting into a fiscal arrangement with them in relation to that airport infrastructure ensures that it remains a strong priority for the Government. And that may also be—to your question on BCRs—that is a fact that the Government will take into consideration in relation to investment and timetabling. Because if the Federal Government is putting funding on the table for a certain project, that will certainly guide, in some respects, the State's investment decision off the back of that.

**The Hon. MARK LATHAM:** Thank you, and thank you for your time today.

**The CHAIR:** Just before we wrap up, I am advised that the Parliament is celebrating Commonwealth Day today. In the Fountain Court there is a large procession of children waving flags for the Governor. If witnesses when they leave the hearing today—

**Mr DOMINIC PERROTTET:** I thought they were for this Committee?

**The Hon. WALT SECORD:** They are for you!

**The CHAIR:** You are welcome to join the procession, Treasurer, but otherwise if people could leave via the Legislative Council exit that would be helpful. Thank you, Treasurer.

**Mr DOMINIC PERROTTET:** I thought we were going until 12.30 p.m.

**The Hon. BEN FRANKLIN:** That was only if there were any questions from Government.

**The Hon. MARK LATHAM:** I thought that too. They had no questions over there.

**The Hon. NATALIE WARD:** We can ask some.

**The CHAIR:** You can keep going if you like.

**The Hon. BEN FRANKLIN:** No, that is the agreement.

**The Hon. MARK LATHAM:** How can we have Commonwealth Day without an agent-general in London?

**Mr DOMINIC PERROTTET:** Well, on that, that is exactly what we are doing. I know you have some ideas in relation to the appointment.

**The Hon. WALT SECORD:** Mr Latham has got an idea.

**The Hon. COURTNEY HOUSSOS:** They want someone who is already there.

**Mr DOMINIC PERROTTET:** Just on that, I think it is a very good question because it is very clear that New South Wales has fallen behind other jurisdictions when it comes to a presence in London. We are not at the back of the room, we are not even in the room at all. I think that the decision of the Government last year to— in fact, when Mike and I were over in London on one of those great trips that Mr Secord was referring to earlier—

**The Hon. WALT SECORD:** Actually, speaking of trips, is the Premier still going to Israel next month on a trade mission?

**The Hon. BEN FRANKLIN:** Point of order—

**The CHAIR:** Thank you.

**Mr DOMINIC PERROTTET:** I am unaware.

**The Hon. WALT SECORD:** On a trade mission.

**Mr DOMINIC PERROTTET:** Yes, she will take Mr Moselmane with her.

**The CHAIR:** Thank you, Treasurer. The Committee has concluded its questioning of you. Treasurer, you are excused. The Committee will reconvene at 2.00 p.m.

**(The Treasurer withdrew.)**

**(Luncheon adjournment)**

**The ACTING CHAIR:** Welcome back. Thank you very much for returning after the break. We are going to commence with questions from the Opposition.

**The Hon. JOHN GRAHAM:** I might start with returning to the issue of the regional seniors travel card, which has been the subject of some questioning with the Service NSW team. Transport has previously given evidence that Treasury manages this contract with Westpac. Is that correct?

**Mr PRATT:** That is correct.

**The Hon. JOHN GRAHAM:** Essentially this product is best described as maybe a Westpac preloaded card. That is the form in which the Government is offering it. Is that correct?

**Mr PRATT:** Yes, it is.

**The Hon. JOHN GRAHAM:** What payment has been made to Westpac for providing this service for the Government?

**Mr PRATT:** I will make a couple of introductory comments and, Mr Graham, I will get Mr Midha to talk directly to that. You will recall that we went to tender last year for our banking contract. Westpac came through as one of three bankers going forward, the other two being ANZ and Citibank. This particular travel card is an overlay on the existing contract. It was an extension specifically to bring this travel card to market. Treasury's role has been to work with Westpac to deliver to the specifications of Transport, just to put that in context for you.

**The Hon. JOHN GRAHAM:** That is useful.

**Mr PRATT:** To that direct question, Mr Midha, can you answer regarding the cost, please?

**Mr MIDHA:** Yes, sure. Obviously it is a commercial contract, so we have worked with them and the details of that contract in terms of the financial commitment are commercial-in-confidence. We have three providers that provide financial services to the sector—Westpac, ANZ and Citibank. We go to them for provision of all our financial services. This was a very bespoke product that we worked on with Transport to deliver this product.

**The Hon. JOHN GRAHAM:** So you are saying that number is commercial-in-confidence. I am not especially happy with that answer but I might put that aside for the moment. You are confirming that for this additional overlay, as Mr Pratt called it, there is a payment for this overlay. You can confirm that?

**Mr MIDHA:** That is right. They had to build a new product for us specifically for this.

**The Hon. JOHN GRAHAM:** Exactly. So, sensibly, they were given an additional payment. I am interested in the data protections for the data that Westpac might be able to access. In the Service NSW estimates, Service NSW have confirmed that the only protection is provided in the product disclosure statement [PDS] for this product. That is where the protections are housed. Is that correct, Mr Pratt?

**Mr PRATT:** It certainly would be in the PDS. Whether it is more than that—can you answer that, Mr Midha?

**Mr MIDHA:** There are a couple of protections in there. Firstly, to be a provider to the State all the banks had to go to quite an extensive due diligence process, which included conditions for data security as part of the contract. Also as part of a banking licence there are obviously Australian Prudential Regulation Authority and Australian Securities and Investments Commission requirements for confidentiality and how data is anonymised. We have had that.

**The Hon. JOHN GRAHAM:** Those standard provisions, yes.

**Mr MIDHA:** On top of that we have our own, as part of the contract. And then as part of this we did due diligence on the provider that builds the product so we could cover that off and we would have been comfortable. They would have met our requirements.

**The Hon. JOHN GRAHAM:** That is helpful. That product disclosure statement is quite up-front about what Westpac is doing with this. It says it is using this product to help:

... us develop insights and conduct data analysis to improve the delivery of products, services, enhance our customer relationships and to effectively manage risks ...

They are not managing risks in relation to this program. There is no real risk to Westpac of handing out these cards. It is clear they are using it across their broader Westpac program. To what extent is that occurring, Mr Pratt, as a result of this?

**Mr PRATT:** Well, that is more a question for Westpac, I would suggest.

**The Hon. JOHN GRAHAM:** I was hoping it might be a question that Treasury, on behalf of Government, had asked of Westpac.

**Mr PRATT:** I will get Mr Midha to pick it up in a moment, but I just would say to you that all credit card companies these days are running significant risk management across their portfolios. To that extent this would be a broader approach, I would think. Specifically on this card—

**Mr MIDHA:** Yes. This card is a little bit different to what you would get in a prepaid card if you went to, say, a Westfield or a Myer where you get a prepaid card that is unencumbered. If you lose it, you have lost the card and the value on the card. The product that was created was for—if a senior citizen lost the card and they spent only \$50 out of the \$250 they can ring up and get a reimbursement or get a new card issued. To be able to do that, particular details were required. To provide the customer service, we have been through it in a lot of detail. The eligibility was very unique because it is by geography, it is by all different transport types and eligibility. The amount of information required was unusual for a prepaid card but because of what was requested for this particular product it had to be provided.

**The Hon. JOHN GRAHAM:** And Westpac has access to all that information?

**Mr MIDHA:** They have anonymised access.

**The Hon. JOHN GRAHAM:** But they have the names, addresses and dates of birth of the people with these cards. Is that correct?

**Mr MIDHA:** Yes. The system will use that information to provide eligibility. However, that data that is stored is anonymised. They can use it on a transaction basis but not—

**The Hon. JOHN GRAHAM:** How do you anonymise the name and address?

**Mr MIDHA:** They can use it for the transaction. The transactions that are stored—

**The Hon. JOHN GRAHAM:** So the transactions are separate to the—

**Mr MIDHA:** To the eligibility. Once the card is eligible the transactions for the card are anonymised.

**The Hon. JOHN GRAHAM:** Alright. So they have access to two things: first, the name, address and date of birth of a whole lot of citizens who have this card; and, secondly, they have all the financial transactions—all the petrol bought and all the transport subsidised—although that is anonymous. They are not linked databases.

**Mr MIDHA:** I do not know the technical details on how they are kept but I believe the transactions that are stored are anonymised so they can use them in an anonymised fashion—how much was spent at a particular service station, how much was spent in a geography et cetera.

**The Hon. JOHN GRAHAM:** Westpac is up-front that they are using this to manage the risk to their broader portfolio. Mr Pratt, what is the sense of the Treasury valuation for the benefit Westpac might be getting out of that data, for tailoring the risk of its broader portfolio for selling leads to these people whose names it has?

**Mr PRATT:** I would think because this is a unique card it would be quite minimal in respect of a broader portfolio, I would have thought.

**The Hon. JOHN GRAHAM:** You think that. Has Treasury assessed that value?

**Mr PRATT:** We would have looked at this as part of the delivery of the card when we looked through the risk management pieces that Mr Midha has talked about.

**Mr MIDHA:** Just to put it in context, this is 434,000 customers that may or may not already be Westpac customers.

**The Hon. JOHN GRAHAM:** I agree.

**Mr MIDHA:** They have 25 per cent, we think, already of that sample size. We do not have an estimate of exactly how much would be incremental information for them.

**The Hon. JOHN GRAHAM:** Has Treasury assessed that value of that data? Banks are making big money from data. Has Treasury assessed the value of this data to Westpac?

**Mr PRATT:** Not that I am aware of, no.

**Mr MIDHA:** Not specifically.

**The Hon. JOHN GRAHAM:** Surely that should have been part of the commercial negotiation? We are paying to have this done but we are just handing this benefit over. Mr Pratt, is that what we are doing?

**Mr MIDHA:** As part of the commercial negotiations, we understand the benefits they get from this and the benefits to us and that would have been included as part of the commercial negotiations.

**The Hon. JOHN GRAHAM:** But we have not assessed that value?

**Mr MIDHA:** We know it is of value—

**The Hon. JOHN GRAHAM:** But we do not know how much.

**Mr MIDHA:** —but we do not know exactly how much.

**The Hon. JOHN GRAHAM:** Thank you. Lastly I will ask about the statement in the product disclosure statement:

Sometimes we may disclose your personal information to organisations outside the Westpac Group who help us deliver or support our provision of products and services to you.

How many outside groups might have access to this data? Mr Pratt, do we know that information?

**Mr PRATT:** I could not answer that, no.

**Mr MIDHA:** We can take that on notice, but the data they are using and they can store is anonymised. They are not allowed to use personal information.

**The Hon. JOHN GRAHAM:** Some of the data is anonymised and some of it is the names, addresses and dates of birth of New South Wales citizens—434,000 of them, I think you said?

**Mr MIDHA:** Yes. That is the cohort that has access to this.

**The Hon. JOHN GRAHAM:** Is that information being passed on to third parties?

**Mr MIDHA:** We can check on that and come back, but we do not believe that they can provide personal information to other third-party providers. They can provide anonymous data.

**The Hon. JOHN GRAHAM:** But are they not saying that in the product disclosure statement, putting that up in lights?

**Mr MIDHA:** We can come back to you on that.

**The Hon. COURTNEY HOUSSOS:** Mr Pratt, I am happy for you to answer these questions or to direct them to the appropriate people. I want to ask questions about the scoping study that was announced last week into the potential sale of the remaining stake in WestConnex. Are you able to tell us who will be conducting this study?

**Mr PRATT:** Not at this point. I will get Mr Gardner to comment shortly, but bear in mind we have just issued the scoping study. The next stage will be the appointment of advisers on a range of references.

**Mr GARDNER:** The Treasury team will be running the scoping study but, as Mr Pratt said, we have not appointed advisers to that project yet.

**The Hon. COURTNEY HOUSSOS:** When do you anticipate appointing those?

**Mr GARDNER:** We will probably seek market opportunities over the next month.

**The Hon. COURTNEY HOUSSOS:** Roughly over the next month and then you will make an announcement after that?

**Mr GARDNER:** We will choose whether the Government wants to announce which advisers. At points of time in the past they have made those announcements and at other times they have not. It will just be a matter for the Government as to when and if they want to make those announcements.

**The Hon. COURTNEY HOUSSOS:** Mr Pratt, I understand that there was a scoping study that was recently finalised into the potential sale of Forestry Corporation. I am happy if you provide this on notice. How many other scoping studies have been undertaken by the Government since 2011?

**Mr PRATT:** I would have to take that on notice. I do not know the answer today.

**The Hon. COURTNEY HOUSSOS:** That is fine. If you could provide me with a list of the scoping studies and the years that they were completed, that would be helpful.

**Mr PRATT:** That is fine. We can do that.

**The Hon. COURTNEY HOUSSOS:** And, if there was an external adviser, if you could provide me with that information as well. Within the scoping study, have you already established the parameters that the study will cover?

**Mr GARDNER:** No, we have not. It is still very early and we will be working through those in the next couple of weeks before we go to the market for the advisers.

**The Hon. COURTNEY HOUSSOS:** The Government has said publicly that nothing will change for motorists. Will that be part of the parameters for the study?

**Mr GARDNER:** Most likely it will be, yes. We are obviously happy to do that work, but if that is what the Government's position is then that will be part of the parameters of the scoping study.

**The Hon. COURTNEY HOUSSOS:** Are the parameters publicly disclosed or are they just an internal document?

**Mr GARDNER:** The terms of reference parameters are documents for government consideration, so they remain internal.

**The Hon. COURTNEY HOUSSOS:** This might be a simple question, but is the amount for the appointment of external advisers publicly disclosed?

**Mr GARDNER:** Yes. In our annual Crown entity reports we disclose the names and amounts we paid to advisers over \$50,000. These will most likely be in excess of that, so that will be disclosed.

**The Hon. WALT SECORD:** Mr Pratt, at the last estimates you answered some questions about overseas trade offices for the New South Wales Government. What is the current status of the plan to establish an agent-general in London?

**Mr PRATT:** To take you to the substance of those announcements before Christmas, where we announced what we are referring to now as Global NSW, which is the coming together of the trade and investment functions in government, part of that announcement was the creation of six hubs in global cities, the geography of which you could guess fairly easily in terms of London, New York et cetera. The first appointment we are making is agent-general to London, as the Treasurer indicated earlier. That process of recruitment has been going on now for a number of weeks and we are close to finalising that. I would like to think in the next month we would be in a position to make some announcements.

**The Hon. WALT SECORD:** When you use the phrase recruitment, have advertisements been placed or is this internal recruitment?

**Mr PRATT:** Yes, that was the first one that we publicly advertised. The advertisement was publicly in *The Australian Financial Review*. I could check this for you, but it was also in one of the newspapers in the local city, in this case London. In addition to that, we have employed a headhunter to do a global search.

**The Hon. WALT SECORD:** You mentioned six hubs. What is the current status of operation of the New South Wales trade representatives in Guangzhou, I think, and where is the other one?

**Mr PRATT:** In Shenzhen and also in Hong Kong.

**The Hon. WALT SECORD:** So there are three in China?

**Mr PRATT:** That is right.

**Mr DAVID SHOEBRIDGE:** All within 50 kilometres of each other.

**The Hon. WALT SECORD:** Are they open? Are they operating?

**Mr PRATT:** As you would expect at the moment, there are a lot of unknowns in China right now. Are they operating for business? I would suggest that they are there but they are operating in a very restricted way.

**The Hon. WALT SECORD:** Are they working from home, so to speak? Are they in lockdown?

**Mr PRATT:** Yes. Ms Curtain might know that level of detail.

**Ms CURTAIN:** That is right, they are working from home.

**The Hon. WALT SECORD:** Has the New South Wales Government given any consideration to what the Victorian Government is doing? They have used the phrase "pop-up trade offices", not a long-term permanent presence but offices that respond to emerging trends, emerging markets and things like that. Is New South Wales looking at that?

**Mr PRATT:** Not specifically, Mr Secord, at the moment, but certainly the model is flexible. We have agreed hubs and we will have satellite hubs as well, who may take that form. That is something that we are currently investigating as we do the next phase of work.

**Mr DAVID SHOEBRIDGE:** Can you have a satellite hub?

**The Hon. WALT SECORD:** Mr Pratt, on 25 February the Governor announced at the Australia Israel Chamber of Commerce lunch that the Premier was going to Israel next month. Is that trade mission still going ahead?

**Mr PRATT:** I could not answer that. You would have to ask the Premier that.

**The Hon. WALT SECORD:** Could I switch to electric cars? In the David Thodey review into Federal financial relations, the fuel excise levy is flagged as "the most imminently under threat of the next decade". Has your department done any work in the area of taxation involving electric cars or any modelling involving the impact of electric cars in relation to the fuel levy?

**Mr PRATT:** Yes, we have and I will get Ms Wilkie to talk to that in a moment. This is an important issue. It is well documented around fuel excise that the growth of electric vehicles means that we need, as government, to address this. I will get Ms Wilkie to talk through some of the detail.

**Ms WILKIE:** I do not have the detail of the modelling with me, but certainly through the process that we have with the Commonwealth and all the other States and Territories, one of the issues we are looking at is the future of various revenue streams—fuel excise levy, the future of GST are obviously things of significant interest to all jurisdictions. Both through our own work just as a New South Wales jurisdiction but also through the work with our COAG counterparts, we have been looking at those sorts of issues.

**The Hon. WALT SECORD:** How would a levy work on electric cars? How would you go forward?

**Ms WILKIE:** There are various different models. The premise basically is that as petrol and diesel vehicles are phased out, either because legislation has changed or consumer preferences have changed or whatever the reason is—and there are various different ways that unfolds—particularly the Commonwealth will lose a key source of revenue. Electric vehicles at the moment are obviously subject to registration duties, like all cars. But apart from that, they do not contribute to taxation collected that is then used for the upkeep of roads and that sort of thing. Governments also need to consider, into the future, what sort of infrastructure model we are looking at

for charging stations. For example, I live in an apartment and I have a communal garage so I could not have a purely electric car because I have nowhere to plug it in, nowhere to charge it. Who pays for that? Is it a private-sector delivery model or is it a public-sector delivery model? All of those things are part of what is being generally looked at both inside treasuries but also by people like the Grattan Institute and other bodies like that.

In terms of how you then fund that, there are various different revenue models that are being looked at. Do you use a model where you extend registration duties specifically on electric vehicles? Do you use some sort of excise levy that the Commonwealth would need to levy because the States could not necessarily do that?

Do you look at some sort of models? New Zealand have some pilots going at the moment.

**The Hon. WALT SECORD:** What is New Zealand doing?

**Ms WILKIE:** New Zealand has a pilot going at the moment where they look at distance charging. There are various different models that a government could consider and bring in, so we are keeping an eye on all of the public policy experiments that are going on around the world and that are being looked at on that front. For some of those we have done more extensive work than others in terms of running some numbers.

**The Hon. WALT SECORD:** Have you looked at Norway? Norway is an oil-producing nation but it has a disproportionate take-up of electric vehicles.

**Ms WILKIE:** We are looking at a range of different international experiences. Norway would undoubtedly be on the list but I do not have at my fingertips or on the tip of my tongue specific comparisons of Norway for Australia.

**Mr PRATT:** Mr Secord, two examples of how that might play out. You might take an annual reading of the meter of the car kilometres at registration point, and then you charge point to point on an annual basis. You could think about it as an operating lease of a vehicle, where you are required to travel 15,000 kilometres a year, et cetera. There are a number of ways that Ms Wilkie and the team are looking at how we might do this, but it is an important issue to address.

**Mr DAVID SHOEBRIDGE:** Let's be clear: While other jurisdictions around the world are looking to give tax and registration concessions to encourage the uptake of electric vehicles, the New South Wales Government is looking at new and novel ways to add additional taxes to electric vehicles. That is what is happening at the moment in New South Wales.

**Ms WILKIE:** I do not agree with the framing of the question or the statement that you are asking me to respond to. At the moment, electric vehicles in Australia are subject to less taxation than fuel vehicles and therefore do not contribute as taxpayers to road upkeep, and there is significant infrastructure that needs to be built to support their use generally in the population.

**Mr DAVID SHOEBRIDGE:** In a majority of states in the United States and across Europe, there are sales tax concessions and registration concessions to encourage electric vehicle use. New South Wales has none of that and instead is looking to add additional taxes specifically targeted at electric vehicles. Mr Pratt, is that seriously the policy direction that the New South Wales Government is going: trying to actually discourage electric vehicle use by taxing?

**Mr PRATT:** I think, Mr Shoebridge, I was responding to a question by Mr Secord: Are we looking at it? The answer is yes, we are looking at it. The points you raise are all part of the policy formulation that we will make. It is still very early days. Your point is taken. But also to the point Ms Wilkie makes, generally today the people who own electric vehicles are the wealthier end of society, who are not paying a dollar for road transport.

**The Hon. WALT SECORD:** He has got seven.

**Mr DAVID SHOEBRIDGE:** That is a farcical suggestion, that they are not paying a dollar for road transport. They pay registration, they pay sales tax and they contribute to general tax revenues. But you are working on taxation models to discourage electric vehicle use because it does not provide an excise stream, largely to the Federal Government, on fuel. Is that is what is happening?

**Ms WILKIE:** Mr Secord asked us a question specifically on a particular tax. We have responded, saying this is the work we have done on that. As Mr Pratt has just pointed out, should the Government bring forward a policy on this there would be, undoubtedly, a broader policy package that may consider or may include some of the issues you have just raised. We answered a question specifically on one narrow question.

**The Hon. WALT SECORD:** He just wants upper-class welfare.

**Mr DAVID SHOEBRIDGE:** I accept you are not setting government policy and I accept that, if you did, you would not take it from the Hon. Walt Secord.

**Mr PRATT:** I note your point. We are not blind to the other issues that you have raised.

**Mr DAVID SHOEBRIDGE:** Going to icare—probably either through you, Mr Pratt, or directly to Mr Nagle, however you choose to answer this—does icare accept that the implementation of the single provider model beginning in 2018 had significant flaws and is a significant reason why we have seen a deterioration in return-to-work rates?

**Mr PRATT:** I will get Mr Nagle to answer that.

**Mr NAGLE:** I think the first part of the question is the implementation. The implementation certainly had issues, which we have acknowledged—a very complex issue where we were transitioning five scheme agents down to three. That allowed a scenario to develop where pre-2018 claims went to GIO and Allianz and they were generically run quite well. The 2018 year, when we implemented with EML, we ran across a number of issues around the operationalising of the new model. We have worked on that since late 2018 all the way through 2019, and so the current results—we are quite comfortable getting back to the pre-2018 outcome. In terms of the funding ratio, the 2018 model impact is virtually zero on the funding ratio at the moment. The funding ratio has been impacted by a number of issues, primarily—

**Mr DAVID SHOEBRIDGE:** I was not asking about the funding; I was asking about the implementation. There will be plenty of time to go to funding ratios later.

**Mr NAGLE:** But there were two parts, because you made the comment that because of the implementation that had an impact.

**Mr DAVID SHOEBRIDGE:** That was earlier questions. Rest assured that we will come back to that. Has icare engaged third-party providers to assist icare and/or EML to remediate their performance in this transition process?

**Mr NAGLE:** Leading into the development of the program, we had PwC working with icare and EML across the implementation. We did a number of dry runs and a number of test runs, which worked very well. Once the actual program got underway and we discovered that there were problems, we asked PwC to do another review. We then also engaged A.T. Kearney and a firm called The Bridge International to do a review on the operational issues. EML engaged The Bridge International in 2019 to assist them to get over their operational issues.

**Mr DAVID SHOEBRIDGE:** So both EML and icare have separately engaged The Bridge International? Is that right?

**Mr NAGLE:** At various times, yes.

**Mr DAVID SHOEBRIDGE:** Was the engagement of The Bridge International by icare part of a competitive tender?

**Mr NAGLE:** Yes, they tendered for some other work. A.T. Kearney were successful.

**Mr DAVID SHOEBRIDGE:** No, for the contract that they received. Was there a competitive tender for that contract?

**Mr NAGLE:** They have had a number of contracts. Some of them they have tendered for, and on two occasions we have asked them to undertake work directly.

**Mr DAVID SHOEBRIDGE:** In terms of the work they were doing to help with implementing and resolving issues regarding the single provider model, was that under a tender or was that under a direct approach?

**Mr NAGLE:** EML contracted them directly.

**Mr DAVID SHOEBRIDGE:** Are the fees being provided by icare to EML the funding source for that EML contract?

**Mr NAGLE:** I would have to take that on notice. There would be an arrangement but some of that fee would come back to icare. Some of it would be for EML.

**Mr DAVID SHOEBRIDGE:** Did icare have a role in approving that contract with The Bridge International?

**Mr NAGLE:** That was an EML contract. We checked the scope of the contract to make sure they were addressing the issues we were concerned about.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, has there been conflict of interest considerations in the contracting between The Bridge International and either EML in its role as single provider or icare, given the fact of the substantial crossover between the leadership team at icare and The Bridge International directors and leadership teams, with each of you having substantial common involvement with Wesfarmers general insurance and its subsidiaries?

**Mr NAGLE:** Yes. Part of the reason that The Bridge International were considered was because of their expertise in large-scale operationalising of the kind of model that we were looking for. So the interests between myself and others in the icare team and The Bridge International principals were declared.

**Mr DAVID SHOEBRIDGE:** Were they declared at the time the direct approach was made and there was a non-tender for the contract? Were the potential conflicts and those former connections declared at that time, when the decision was made not to go to tender but to have a direct approach to The Bridge International?

**Mr NAGLE:** Sorry, we just have to go back and understand which contract you are talking about. If you are talking about the contract between EML and The Bridge—

**Mr DAVID SHOEBRIDGE:** Yes.

**Mr NAGLE:** —that arose because we had previously gone to tender with A.T. Kearney and The Bridge. We had asked The Bridge to do an overview to make sure that we understood the issues. That was the tender.

**Mr DAVID SHOEBRIDGE:** How many contracts has The Bridge International obtained without a tender to either you or icare?

**Mr NAGLE:** In terms of my knowledge, only one.

**Mr DAVID SHOEBRIDGE:** Was that with icare?

**Mr NAGLE:** Yes, that was a \$50,000 contract.

**Mr DAVID SHOEBRIDGE:** Did you declare a potential conflict of interest at the time that that contract was awarded?

**Mr NAGLE:** We declared a conflict of interest with Bridge International right at the original engagement.

**Mr DAVID SHOEBRIDGE:** What is the value of the other contracts that Bridge International has had with icare? There is the \$50,000 one. I think there was another one for slightly over one-quarter of a million dollars. But you might be able to put on record—

**Mr NAGLE:** It tendered most recently for a contract to help us review our EPMO.

**Mr DAVID SHOEBRIDGE:** Can you break down the acronym for me?

**Mr NAGLE:** Enterprise project management office.

**Mr DAVID SHOEBRIDGE:** Was that by competitive tender?

**Mr NAGLE:** Yes, we had—it was not a tender. We had pricing under expression of interest.

**Mr DAVID SHOEBRIDGE:** Did you and/or the Group Executive for Prevention and Underwriting for icare have any role in assessing that?

**Mr NAGLE:** For that EPMO contract?

**Mr DAVID SHOEBRIDGE:** Yes.

**Mr NAGLE:** No, that was undertaken by a separate group.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, given there is such substantial overlap in the professional record of yourself, the Group Executive for Prevention and Underwriting and each of the Director, the Director and Company Secretary and the two senior managers at Bridge International, have you reported to the board about potential conflicts of interests, given how many contracts Bridge International has had with icare and/or EML?

**Mr NAGLE:** Not specifically. It would be on our conflict register. I have been in the insurance industry for 43 years. I know most people and most organisations around the country. It is almost inevitable that I would

have worked or had some understanding of the individuals involved. Where there is a scenario where there is any potential conflict of interest, we can declare it and remove ourselves.

**Mr DAVID SHOEBRIDGE:** Can I ask you then to table the conflict of interest register and provide on notice the details of the contracts that Bridge International had and whatever conflicts were declared at the time.

**Mr NAGLE:** I am happy to take that on notice.

**The Hon. MARK LATHAM:** With the question of economic forecasting, there was a report a week ago in *The Sydney Morning Herald*—I assume not directly—from Treasury talking about Treasury modelling and the impact of the bushfires and, I assume, the domestic impact of the coronavirus, to say that one-third to two-thirds of a point of GSP would be knocked off our growth here in New South Wales. Is that an accurate assessment of where we are at?

**Mr PRATT:** Yes, that has come directly from some of our modelling. I will get the Chief Economist, if he wishes, to speak to the detail on that.

**Mr WALTERS:** Mr Latham, yes, that is the modelling that the Treasury team has undertaken. The breakdown of those two components is the bushfire impact, we think, is about 0.25 per cent off GSP growth—that is before any rebuild. That is the impact from the suspension of tourism activity and travel and so on. The coronavirus impact we are modelling daily because the numbers keep changing and the impact keeps changing. The assessment was somewhere around another 0.6 per cent off GSP. That is just including impact on travel and education.

**The Hon. MARK LATHAM:** That is domestically?

**Mr WALTERS:** On the New South Wales economy. So there are impacts on the university sector, of course. There are impacts on tourism, if there are not people travelling here from China and other countries because of the travel ban. There are flow-on effects through the rest of the economy. It does not just affect those two sectors. If the students are not here they are not staying on campus, they are not shopping, they are not travelling, they are not going to the movies. Those impacts are in addition to that. We have included that in those assessments.

**The Hon. MARK LATHAM:** And what is a knock-on revenue consequence for the State budget for the 0.85 per cent GSP downturn?

**Mr WALTERS:** I will pass that on to Ms Wilkie.

**Ms WILKIE:** We are about to enter the forecasting round for the budget, so that will come out as we do that forecasting round for budget. For coronavirus, as Mr Walters said, it is a daily proposition in terms of keeping abreast of the difference between an impact on the New South Wales economy that comes through the trade bans and external impacts through our trade flows versus what happens if we have a significant outbreak within Australia and within New South Wales. In terms of the revenue impacts—Mr Walters just referred to the bushfire impacts—we have already started to see through monthly cash receipts for revenue impacts coming through from the bushfires, particularly in payroll, with a drop below our half-yearly forecast, in terms of what we were expecting to receive in payroll tax. That is directly from bushfires. At this stage the numbers we have are only up until the end of February and where the coronavirus impacts were, they would not really have been affecting things to that point. So that one will be a wait-and-see game.

**The Hon. MARK LATHAM:** In terms of revenue though, what does past experience tell us about a 0.8 per cent decline or increase in GSP for the likely rough figure impact on State revenue?

**Ms WILKIE:** It really depends on which sectors are—

**The Hon. MARK LATHAM:** Where it is coming from?

**Ms WILKIE:** Yes.

**The Hon. MARK LATHAM:** And this is unprecedented?

**Ms WILKIE:** That is correct.

**Mr PRATT:** Mr Latham, I would just add that in respect of bushfires, in the medium term there will be some economic benefit as rebuild starts to occur. That, in fact, will become positive. The issue we talked about with education at the moment, the risk is that the students do not return. If they enrol in the Northern Hemisphere that is a direct hit to revenue and broader economy. In terms of travel and tourism, as I understand it—Ms Wilkie can comment on this as well—we looked at severe acute respiratory syndrome [SARS] and within 12 months most

of that tourist dollar had returned. So the tourism dollar will come back. My bigger concern is the broader education dollar with university students.

**The Hon. MARK LATHAM:** Can I congratulate Treasury on the thoroughness of the New South Wales budget half-yearly review released in December—which makes for compelling bedside reading, I have to say—and the prescient—I do not know who came up with this—analysis you put forward at page 94 onwards about a slowdown in China's economic growth. When we look at those figures, which are distinctly unhelpful for the forthcoming budget period—a five point GDP downturn in China is said to have a 1.2 per cent hit to GSP in New South Wales, increases unemployment by 1.3 per cent and has a \$1.1 billion decline in revenue for 2021. Is that on top of the figures you just quoted regarding the impact of coronavirus? I am assuming the modelling you did in December, before anyone had even heard of coronavirus, looked at a generalised downturn in the Chinese economy, which undoubtedly we are seeing right now, and the loss of business contracts and economic opportunities between New South Wales and China, not necessarily relating to the education and travel concerns arising from domestic impact of coronavirus?

**Mr PRATT:** Yes, it is separate. Mr Walters was responsible for that modelling, so he might like to talk to that.

**Mr WALTERS:** Thanks. Yes, the modelling was quite prescient. Before we heard about coronavirus this was a generic shock to the Chinese economy. We took four percentage points off growth in China, not five. So we took growth down from the 6 per cent it had been averaging for the prior few years down to 2 per cent. As you say, that takes around 1.2 percentage points off growth in the New South Wales economy over the subsequent four years. It was a much more elongated shock, so to speak. There are various shapes of shocks and recoveries we talk about.

There are V-shaped shocks which, as Mr Pratt referred to earlier, is what the SARS episode in 2002-03 was, a V-shaped shock—a sharp decline in activity and a very quick spring back, although it took travel 12 months to recover, as Mr Pratt said. We are more inclined to think of this episode as a U-shaped recovery. So you have activity go down, it stays weak for a period of time and then springs back. That is my understanding of what most economists are assuming this recovery will be. There are various other shaped recoveries. There is L-shaped recovery, which is no recovery at all; there is W-shaped recoveries. There are various alphabetical letters that are used by economists. We are assuming that it is a U-shaped recovery; recovery will come. Again, to the point of that modelling that was done back in November-December, that was on a generic shock to China's economy, not an infectious disease-type shock.

**The Hon. MARK LATHAM:** Of course you could not have foreseen that, but this type of analysis is helpful, is it not—to get a handle on where things are headed? Although, for clarity, it does say on page 94 that this scenario assumes that China's level of real gross domestic product declines by 5 per cent relative to baseline forecasts due to some unspecified negative shocks. Is it four or five?

**Mr WALTERS:** Let me check on that. I thought it was 4 per cent. My understanding was that it was four but I am happy to check on that.

**The Hon. MARK LATHAM:** Five is better for you. But how do you get a handle on what is happening in China to see how much of that five is being realised?

**Mr WALTERS:** There are various forecasts that have been done by the OECD and others. They have downgraded their growth numbers by less than 1 per cent so far. We know that probably the best indicator—and certainly the one that financial markets reacted to 10 days ago—was the Purchasing Managers Index [PMI] out of China. That is a leading indicator of industrial activity in China. That fell to 35.7 the weekend before last. The global financial crisis [GFC] type level of that indicator more than a decade ago was 39. So as a comparison between what happened during the global financial crisis in China, when growth in China did go from 6 per cent to 2 per cent coincidentally, was a 39 PMI. We are below that level now.

**The Hon. MARK LATHAM:** So this could be the full shock that you looked at in December.

**Mr WALTERS:** Possibly.

**The Hon. MARK LATHAM:** If that is the case, it is a 2 per cent hit combined to the gross domestic product in New South Wales?

**Mr WALTERS:** No, it would be 1.2 per cent.

**The Hon. MARK LATHAM:** So 1.2 per cent.

**Mr WALTERS:** Over four years; over the forward estimates. Most of that is lost in the first year. So 1 per cent is lost in the first year.

**The Hon. MARK LATHAM:** You have 0.8 from the domestic impacts here, with education and travel—

**Mr WALTERS:** That is including the bushfires.

**The Hon. MARK LATHAM:** That is including the bushfires. What then are you factoring in on top of that because of the generalised downturn in China, which you say is potentially as bad as the GFC?

**Mr WALTERS:** We need to think through what type of a shock this is. The global financial crisis, which I referred to a moment ago, was a financial systems shock. This is a very different shock. It is a demand shock in that there has been a drop in demand for our education and tourism products. It is a supply shock—we think—given what happened with the Chinese PMI. That indicates Chinese production has fallen to record low levels so there could be a shock in terms of production chains for businesses in New South Wales. You cannot get components for your manufactured goods—your iPhone, your car parts and so on. It is also a confidence shock.

**The Hon. MARK LATHAM:** In China itself, is it not even worse? It is a productivity shock because the mobility of people is limited. When a country that size goes into some form of semi-lockdown the economic consequences will be severe, will they not?

**Mr WALTERS:** Based on that PMI, which is an independent survey that is put out, it does suggest the impact is profound. China is an economy of 1.44 billion people. Wuhan is a city of 11 million people and Hubei province is a province of 60 million people. These are very significant numbers but in the overall scheme of China's economy, it is an enormously large economy. It is six times bigger now than it was during the SARS episode in 2002-03. So there are broader impacts here that we are assessing. That 0.6 that I mentioned is based on the travel and education and related impacts. There could be further impacts that we are monitoring on a daily basis.

**The Hon. WALT SECORD:** Mr Pratt, what are the rating agencies that the New South Wales Government deals with? So Standard & Poor's, Moody's—

**Mr PRATT:** Mainly those two.

**The Hon. WALT SECORD:** So you do not deal with Fitch or the other smaller ones?

**Mr PRATT:** I am sorry?

**The Hon. WALT SECORD:** So you do not deal with Fitch or the other smaller ones?

**Mr PRATT:** Normally, no.

**The Hon. WALT SECORD:** Have there been any discussions or dialogue with Standard & Poor's or Moody's since the bushfires?

**Mr PRATT:** I have not personally but our balance sheet function has done. Mr Midha, would you like to comment on that please?

**Mr MIDHA:** Yes. We have had conversations with them. I will check and come back a little bit later but they have made a statement. Despite the effects, they have said that because of our diversified economy and fiscal management we are still on track and there has been no ratings change at this stage. But I will confirm the exact words for you.

**The Hon. WALT SECORD:** Did not one of the two rating agencies cite insecurity involving water supply as one of the future threats to our economic future and our credit rating?

**Mr MIDHA:** Yes, they did.

**The Hon. WALT SECORD:** Which one was that?

**Mr MIDHA:** I think it was Moody's but we can confirm that.

**The Hon. WALT SECORD:** What was the response to them pointing that out?

**Mr MIDHA:** We have not officially responded to that at this stage. There is no policy that has been released on that.

**The Hon. WALT SECORD:** So what happens when an international rating agency points out concerns? What is the response from the New South Wales Government? What happens?

**Mr MIDHA:** Within Treasury, we normally assess any statement that the rating agencies have released. As part of that we would make comments on the areas of weakness that they have pointed out to our fiscal management. That is provided for consistency to government.

**The Hon. WALT SECORD:** To follow up what Mr Latham referred to you about China and the impact, and, Ms Wilkie, you talked about monthly receipts—monthly cash receipts—payroll and that, what has been the response involving, I guess, mineral royalties in New South Wales? Have you seen a decline? What is happening in that regard?

**Ms WILKIE:** Just let me check the revenue numbers we have got. The mining duties are not one of the taxes that we monitor for the purposes of cash receipts so I do not have that information.

**The Hon. WALT SECORD:** But has there been a slowing of exports?

**Ms WILKIE:** I do not think we have seen a slowing of exports at this stage. Prices are doing interesting things.

**Mr WALTERS:** Export volumes have held up. Coal exports, to the best of our knowledge and the data, have not declined but prices have come down about 2 per cent because China has shut down some of its industrial capacity. Our coal is mainly used for electricity generation not steelmaking. So that is an advantage for us as it is cold. It is winter in China so they need to keep the heating on, they need to keep the lights on so coal volumes have held up. If it is from other jurisdiction—like Queensland's coal is more for steelmaking; coking coal—so I would imagine it may be a different story although I have not seen their numbers. But ours is more for power generation.

**The Hon. WALT SECORD:** This morning the Treasurer made reference to the Narrabri project. Has Treasury provided any advice on the Narrabri Gas Project?

**Mr PRATT:** Not to my knowledge. No, we have not Mr Secord.

**The Hon. WALT SECORD:** Also this morning, the Treasurer referred to an expenditure of \$1 billion on drought. Can you take me through what that \$1 billion is actually being spent on?

**Mr PRATT:** Yes, we will give you the breakup of that. Mr Midha will have that.

**Mr MIDHA:** So the expenditure is a lot larger than that. At the moment, we have approximately \$1.7 billion for emergency services. On top of that, we estimate there will be at least another \$2.6 billion, of which \$1 billion is for replacement of—and this is at this stage at the moment—infrastructure. So that will be roads, schools, bridges et cetera.

**The Hon. DANIEL MOOKHEY:** Is this bushfires or drought?

**Mr MIDHA:** Bushfires.

**The Hon. DANIEL MOOKHEY:** We are asking about drought.

**Mr MIDHA:** Sorry, my mistake. I can give you the drought numbers. I will have to take that on notice and come back to you with the details on the drought.

**The Hon. WALT SECORD:** You mentioned \$1 billion for replacement for roads and schools in the bushfires. Back to my previous question, can you tell me how much has been spent of the \$1 billion? And also on the \$1 billion for replacing infrastructure on roads, schools and that, how much of that has actually been spent?

**Mr MIDHA:** So on the bushfire recovery?

**The Hon. WALT SECORD:** Yes. You took the other one on notice.

**Mr MIDHA:** There are a number of different ways for the expenditure to take place. What is happening with infrastructure is that there is a gap between actually the work that has already started because agencies are getting on and actually spending out of their current cash limits to fix infrastructure. That is being recouped in a couple of ways. Firstly, through the Treasury Managed Fund [TMF], through the self-insurance scheme and then the rest will come through the bushfire assistance program. So while the cash is coming directly from the agency, we have a much later visibility on the incremental spent that is occurring in agencies' budgets. So it is hard to know exactly what is the incremental spend out of the \$1 billion at this stage.

**The Hon. WALT SECORD:** Taking you back to some questions from this morning about the wages policy and a debate about a freeze on wages, if there is a freeze on wages, what is the modelling of a freeze at the current rate with 337,787 full-time employees? What would that actually translate to in dollars?

**Mr PRATT:** As the Treasurer indicated this morning, we are not doing any work on wages policy at this point. As he said, there are no plans for any form of wages freeze. There is no modelling at this point, Mr Secord.

**The Hon. DANIEL MOOKHEY:** Mr Pratt, is there any work Treasury is doing on the implications for a reduction in the—

**Mr PRATT:** For a reduction in wages?

**The Hon. DANIEL MOOKHEY:** Yes. Are you preparing any modelling as to what the impact to the budget would be if the wages policy was dropped from 2.5 per cent to 2 per cent?

**Mr PRATT:** We have not been asked to do that, no.

**The Hon. DANIEL MOOKHEY:** Are you doing it, though?

**Mr PRATT:** No.

**The Hon. DANIEL MOOKHEY:** You are not examining at all any changes to the 2.5 per cent wage cap?

**Mr PRATT:** No, we are not. But I say that, Mr Mookhey, bearing in mind that the Industrial Relations portfolio does not sit with Treasury anymore, either.

**The Hon. DANIEL MOOKHEY:** Yes, but for the purposes of you preparing a budget on labour expense—which is the biggest cost to the budget—presumably, given we are only a couple of months away, if work was being undertaken you would be advised. Is that a fair statement?

**Mr PRATT:** Yes, it would be, and we are not doing anything, as I have said.

**The Hon. DANIEL MOOKHEY:** So the assumption heading in, unchanged from the budget, is there will be a 2.5 per cent cap?

**Mr PRATT:** That is really a government decision, not mine. All I can say in answer to your question is factually we are not doing anything at this point.

**The Hon. WALT SECORD:** How do you actually determine what work is done? You have done work on possible electric car levies but then you have not undertaken work involving the wages policy. Who actually determines what modelling or when you decide to pursue certain avenues?

**Mr PRATT:** As you would expect, Mr Secord, primarily we are directed by the Treasurer. The work that we do is at the will of the Treasurer and that is what we do. We have been asked not to do any work on wages policy, hence we have not done any work.

**The Hon. COURTNEY HOUSSOS:** It was publicly reported yesterday that some of the departments, or at least one of the departments, had proposed the wages freeze in its pre-budget submission. At what point would you begin work on that? Would that require approval from the Treasurer for the work to begin?

**Mr PRATT:** Ms Houssos, I would not assume that to be the fact. I am not aware there has been any budget submission from an agency on a wages freeze or reduction at this point. I am not sure where that has come from. We are just at the beginning of the budget bidding process. I have not seen anything. Mr Midha leads that work. I will just confirm with him as well. Has there been any form of reduction in wages coming through a budget bid process?

**Mr MIDHA:** There is no additional.

**Mr PRATT:** No. To my knowledge there has been nothing submitted.

**The Hon. COURTNEY HOUSSOS:** On an unrelated matter, I wanted to ask about the Transport Asset Holding Entity, which I think people refer to as the TAHE.

**Mr PRATT:** TAHE, yes.

**The Hon. COURTNEY HOUSSOS:** Can I just check that the savings from that have already been banked? Is that correct?

**Mr PRATT:** No, there has been some benefit to date, but that benefit will continue because of depreciation, which is in the TAHE rather than in the government sector. That is ongoing.

**The Hon. COURTNEY HOUSSOS:** But that is very much in place and that has been finalised from a Treasury perspective?

**Mr PRATT:** Not totally yet; it will be finalised by 30 June. But ongoing implementation, the Government will retain the TAHE model, yes.

**The Hon. COURTNEY HOUSSOS:** Perhaps you can provide me on notice with what is yet to be undertaken and what will be done before 30 June?

**Mr PRATT:** Yes, we can do that. There will be some work after 30 June as well.

**The Hon. COURTNEY HOUSSOS:** If you could provide me with what work will be done after 30 June that would be helpful.

**Mr PRATT:** Thank you.

**The Hon. DANIEL MOOKHEY:** Secretary, I just want to explore the relationship between Treasury and icare if that is possible. So icare is in your cluster; is that correct?

**Mr PRATT:** Yes.

**The Hon. DANIEL MOOKHEY:** Do they report to you?

**Mr PRATT:** No, they do not. Having said that, there is a regular dialogue between the CEO of icare, Mr Nagle, and myself.

**The Hon. DANIEL MOOKHEY:** How regular?

**Mr PRATT:** Usually monthly.

**The Hon. DANIEL MOOKHEY:** Is it a State-owned corporation [SOC]? Mr Gardner might be able to—

**Mr GARDNER:** No, it is not.

**The Hon. DANIEL MOOKHEY:** Its status is what precisely?

**Mr PRATT:** It is a financial services entity.

**Mr GARDNER:** A public financial corporation.

**Mr NAGLE:** Public trading.

**The Hon. DANIEL MOOKHEY:** Public trading, okay. So who is its shareholders? Ministers?

**Mr GARDNER:** The Treasurer is the responsible Minister but is not a shareholder.

**The Hon. DANIEL MOOKHEY:** What is its governance structure in that sense? Under which Act is it created? Mr Nagle might be able to—

**Mr NAGLE:** Sorry, it was created under the State government insurance Act.

**The Hon. DANIEL MOOKHEY:** Were you receiving regular written reports from icare for the last two years?

**Mr PRATT:** I get a report, yes.

**The Hon. DANIEL MOOKHEY:** Written?

**Mr PRATT:** Yes.

**The Hon. DANIEL MOOKHEY:** When was it first brought to your attention that there was a deterioration in the underwriting position?

**Mr PRATT:** I would have to take that on notice, Mr Mookhey. It certainly had been an ongoing discussion, yes, definitely.

**The Hon. DANIEL MOOKHEY:** What steps did you take when you were informed that there was a deterioration in the underwriting result?

**Mr PRATT:** The steps in terms of my feedback to Mr Nagle is around action plans on how that is recovered, bearing in mind the funding ratio is still at 109 per cent.

**The Hon. DANIEL MOOKHEY:** Are you concerned about the underwriting result?

**Mr PRATT:** Yes, I am. Principally the structure is that there is an accountable executive reporting to the board, so that first line is accountability at the board. I come at this from an independent voice, as such, even though it is part of the Treasury cluster. I talk with Mr Nagle regularly about the appropriate actions that he might be looking at.

**The Hon. DANIEL MOOKHEY:** Were you advised in any of those written reports that there were concerns around—actually, were you advised about the Dore review?

**Mr PRATT:** Yes, I was.

**The Hon. DANIEL MOOKHEY:** What advice were you given about the Dore review?

**Mr PRATT:** I have met with Ms Dore as well, post her review being tabled. I have her feedback as well and I have obviously talked about it with Mr Nagle. I have discussed that both with the regulator and the operator.

**The Hon. DANIEL MOOKHEY:** What did you say to Ms Dore?

**Mr PRATT:** It was not really what I was saying; it is what she was saying to me by way of her report.

**The Hon. DANIEL MOOKHEY:** What did she say to you by way of her report, which was not in the report?

**Mr PRATT:** I cannot think about anything that was not in the report. She talked—

**The Hon. DANIEL MOOKHEY:** It is a comprehensive report.

**Mr PRATT:** I am sorry?

**The Hon. DANIEL MOOKHEY:** It is a comprehensive report.

**Mr PRATT:** It is an extensive report, I agree. I was asking her for specific highlights in that report and then I discussed that with Mr Nagle, yes.

**The Hon. DANIEL MOOKHEY:** One of the things that she did draw attention to in her report was that she had concerns about the ongoing solvency of icare. Was that discussed? In fact, she actually said, "The poor underwriting position of the [Nominal Insurer] is a real risk to the [Nominal Insurer's] sustainability." Do you share that view?

**Mr PRATT:** The funding ratio is still very healthy—I did make that point—and the scheme is significantly in surplus. However, there are actions in my opinion that we need to look at and Mr Nagle is looking at those. That is an ongoing discussion with icare.

**The Hon. DANIEL MOOKHEY:** But I am asking you, do you share her concern when she says that the poor underwriting position of the Nominal Insurer is a real risk to its sustainability?

**Mr PRATT:** I have answered that in terms of the position of the scheme at this point.

**The Hon. DANIEL MOOKHEY:** Has the Treasury done anything in that respect in terms of that particular view that Ms Dore expressed to you?

**Mr PRATT:** Yes, there is a team that supports the SOCs and organisations like icare sitting under Mr Gardner. They work with icare, in this case, on those issues.

**The Hon. DANIEL MOOKHEY:** One of Ms Dore's findings was that Treasury needs to undertake an assessment as to the capital adequacy. Do you recall that finding?

**Mr PRATT:** Yes, I do.

**The Hon. DANIEL MOOKHEY:** I think it was finding number five. That was given in December. What have we done since?

**Mr PRATT:** I might get Mr Gardner to talk to that.

**Mr GARDNER:** Mr Nagle, do you have any update on that? We have got working groups that—

**The Hon. DANIEL MOOKHEY:** Sorry, I just want to hear from Treasury before we hear from icare, because you are separate entities and this was a recommendation made to Treasury about the work that Treasury is doing to assess the capital adequacy provisions. Before Mr Nagle answers, can you give the Committee your views as to what precisely Treasury is doing?

**Mr GARDNER:** Yes, we have working groups that are going on between icare and meeting separately with the SIRA. I do not have day-to-day insights into what the current status of those conversations is, but we are keeping track of the conversations across both the regulator and icare.

**The Hon. DANIEL MOOKHEY:** When will Treasury complete its work as to the assessment of the capital adequacy provision?

**Mr GARDNER:** I do not know. I can take that on notice.

**The Hon. DANIEL MOOKHEY:** It was the only recommendation Ms Dore made to the Treasury. It is an important recommendation. It goes to the solvency and the sustainability of the scheme—that is, is there enough money to deal with the liabilities. Does Treasury have a view on those questions and can you give us any update as to when we are going to have this work completed?

**Mr GARDNER:** As Mr Pratt said, the current funding is in surplus. There are a lot of different things, such as the return to work rate, medical expenses and the return on markets. Right now, today, there is adequate capital in the fund, so this is about mapping out the medium-term strategy around those different—

**The Hon. DANIEL MOOKHEY:** I am told by icare—and, Mr Nagle, if this is not right, feel free to correct it—that the board targets a capital adequacy provision of 110 or 115 to 130.

**Mr PRATT:** It is 110 to 130.

**The Hon. DANIEL MOOKHEY:** Yes, and I think previously, a couple of years ago, we were trying to target above 130, but that was a different issue. Even on icare's own admission, we are already below that target range, we are at 109 I think at 75 per cent sufficiency or 80 per cent sufficiency, so we are below the target. The scheme is deteriorating even further. Are you effectively saying that you have to wait for that funding ratio to step into negative territory before we start acting?

**Mr PRATT:** No, Mr Mookhey, I would not want you to take that away from this discussion.

**The Hon. DANIEL MOOKHEY:** Please correct me in that respect.

**Mr PRATT:** I take Ms Dore's report seriously. As Mr Gardner has indicated, we have a team working on this with both the regulator and the operator at icare. I can come back to you with the status of that work, if that is okay with you.

**The Hon. DANIEL MOOKHEY:** Sure, if you could.

**Mr PRATT:** I cannot give it to you now, but I just want to reassure you it has a lot of focus.

**The Hon. DANIEL MOOKHEY:** I imagine it does—and it should—and I would appreciate it if you could come back to us with a bit of an update on that. Again, Mr Nagle can correct me if I am wrong, but as I understand it, every year at the end of December we have the valuation that has been done for the previous six months, and I understand that that is due soon. I do not know precisely when, but I think it is pretty soon from what SIRA says, they are expecting it in the next couple of weeks. Has Treasury been provided with a copy of that or have you seen a draft?

**Mr PRATT:** I have not seen a draft, no.

**The Hon. DANIEL MOOKHEY:** Are you provided a copy before it is given to SIRA?

**Mr PRATT:** I would expect we would be, yes.

**The Hon. DANIEL MOOKHEY:** Prior to it being given to the regulator or after it is given to the regulator?

**Mr PRATT:** It is usually after.

**The Hon. DANIEL MOOKHEY:** After you receive that report, in your ordinary practice, do you seek your own actuarial assessment?

**Mr PRATT:** No, we would not normally, no.

**The Hon. DANIEL MOOKHEY:** So you would rely on icare's actuarial assessment?

**Mr PRATT:** Yes, we would.

**The Hon. DANIEL MOOKHEY:** Do you engage in any direct dialogue with SIRA, because they just told us that they undertake their actuarial assessments of that report? Do you engage in any direct dialogue with SIRA?

**Mr PRATT:** We do, yes.

**The Hon. DANIEL MOOKHEY:** When was the last time you had a conversation with SIRA about this?

**Mr PRATT:** I met with Carmel Donnelly, the CEO of SIRA, around the end of last year.

**The Hon. DANIEL MOOKHEY:** What did you discuss?

**Mr PRATT:** We discussed the Dore report. That was in the presence of Janet Dore as well.

**The Hon. DANIEL MOOKHEY:** She was at the meeting?

**Mr PRATT:** Yes.

**The Hon. DANIEL MOOKHEY:** It was the same meeting that you were describing?

**Mr PRATT:** Same meeting.

**The Hon. DANIEL MOOKHEY:** Did SIRA advance the view that they had a concern about the capital adequacy and the trajectory of the capital adequacy?

**Mr PRATT:** They did.

**The Hon. DANIEL MOOKHEY:** What was their concern?

**Mr PRATT:** As expressed in the Dore report, which I noted, and I also made the point that we have just made several times around the fund itself regarding the current position, but I cannot do any more than acknowledge to you that I am addressing the issues both with regulator and operator.

**Mr DAVID SHOEBRIDGE:** The 109 per cent capital sufficiency figure relates to what date, Mr Nagle?

**Mr NAGLE:** It is 30 June.

**Mr DAVID SHOEBRIDGE:** Can you give an indication—you would have seen draft reports—whether or not that has improved or deteriorated since 30 June?

**Mr NAGLE:** It would have deteriorated since 30 June, but until it is finalised I cannot give you a number.

**Mr DAVID SHOEBRIDGE:** You indicated earlier that the decline in return to work rates had not yet shown up in that 109 per cent capital funding ratio. Do you expect the decline in return to work rates to show up in the December valuation?

**Mr NAGLE:** Yes.

**Mr DAVID SHOEBRIDGE:** Do you have any indications to date about what the likely effect of that will be in terms of its impact upon the capital adequacy?

**Mr NAGLE:** Based on the drafts that I have seen to date, it is about \$300 million, but I think it is worthwhile drawing the full facts out. When you look at the return to work rates and you look at impact on funding ratio, you have to look at the portfolio across a couple of areas. If you look at the Auditor-General's report, they confirm on page 40 that, over the last five years icare has continued, collected premiums exceed claims paid in each of the last five years. Combined with investment earnings, this has resulted in investments increasing by \$2.5 billion, or 16.4 per cent, over the five years to \$17.7 billion at 30 June 2019.

The concept of ruin to the scheme—if the scheme had no more money coming into it today, it would still take 10 years before there were any issues. The funding ratio is a mix of what is happening in the financial year and what is happening long term to the scheme. The scenario that we face at the moment is we are being impacted by historical impacts on medical costs and the outcomes from prior legislative change, and the 2018 year will impact probably from about December onwards. When you look at the continuum of the return to work rates and what we have achieved over five years, if you put the value of what we have achieved as returns to valuation

versus what the valuation costs are, we would still be ahead based on the efficiencies that we generated in the scheme.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, is that the first time you have heard an indication that the likely cost to the scheme of the deterioration in return to work rates is in the order of \$300 million?

**Mr PRATT:** Yes.

**Mr DAVID SHOEBRIDGE:** Do you have a relationship with icare where that kind of information is provided on a timely basis to you? I mean, that is a very large deterioration related to an identifiable ongoing problem. Do you think that kind of information should be provided to you in a timely fashion so that you can adequately resource the response?

**Mr PRATT:** I would like to think it would be, yes. I mean any really key information like that, yes, definitely.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, can you explain why that kind of information—I mean a figure as large as \$300 million associated with a known and identifiable problem, which is the collapse in return to work rates—has not been provided previous to this budget estimates hearing to the Treasury secretary?

**Mr NAGLE:** Probably because our last scheduled appointment was cancelled, but prior to that our finance team and the Treasury finance team would meet and update the numbers on a regular basis.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, SIRA is on record expressing concerns about the difficulty in getting timely data out of icare and you are having a kind of data war on return to work. Is there a pattern here of icare not providing timely data when the data does not show favourably on icare's performance?

**Mr NAGLE:** I would not have thought so because I think if you looked on our website you would see a string of data, both good and bad, that we put up quite frequently. In terms of trying to keep everybody who is interested in the scheme across it, we try to do that as well. In terms of making sure that the secretary was aware, that is probably on me as I probably assumed that our meeting would cover that and it did not occur.

**Mr PRATT:** I might add, Mr Shoebridge, there are connections at lower levels across Treasury and icare where Treasury may have been aware. The fact in this instance that I am not aware should not be held out in terms of a pattern.

**Mr DAVID SHOEBRIDGE:** Were you aware of the \$300 million indicative figure, being the deterioration attributable to the deteriorating return to work rates, before now?

**Mr GARDNER:** I am generally aware that the return to work rates have been deteriorating. I do not have a recollection of that particular number.

**Mr DAVID SHOEBRIDGE:** By all means you can take it on notice if you were given any prior notice about it.

**Mr GARDNER:** I will find out what notice we have got.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, earlier in budget estimates I think you wanted to respond to a proposition that I put to the Treasurer about approximately 40 per cent of the files that were reviewed by the Dore report being inappropriately triaged and the negative impact that had on return to work outcomes. I remember you wanting to contest the figure in some way and have a response to it, so I am giving you that opportunity now.

**Mr NAGLE:** Thanks very much, Mr Shoebridge. I think the Dore report struggled with the triage concept. If you look at it today, for instance, over 90 per cent of our new claims are triaged accurately, and there is no issue. At the time Janet Dore looked at the review, two things were happening. She struggled to separate the model and the operation. So when you look at the model, the model says that if you have an injury and you lodge your claim with a medical certificate it goes through a process where there are about 90 factors that we look at. It is tested against the physical disability guidelines, which is a global portfolio of best treatment, and it gives us a duration estimation. The bulk of those new claims were estimated against that correctly but what occurred was, because of the operational issues that we are having with EML, they carried on beyond the duration date, so they had to be re-triaged. For some reason Janet Dore struggled to understand the differential between initial triage and the re-triage, so she came to the conclusion that 40 per cent were triaged wrong. They were triaged correctly if they have been handled correctly in the initial period.

**Mr DAVID SHOEBRIDGE:** But Ms Dore's report says there is a consequence of the poor triaging and notes that those claims from the 2018 cohort, which were impacted by inaccuracy in the triage systems, meant

that those injured workers were not assigned a dedicated case manager, which resulted in passive case management and a lack of intervention to ensure that claimants received the most effective treatment. Do you say that Ms Dore's conclusions about the impact of the poor triage are wrong as well?

**Mr NAGLE:** Yes, because of what I am saying. She confused the two different issues. That comes through in a number of areas. The issue is the triage work properly. If the claims had been handled properly, it would not have been an issue. Because of the operational issues that we were having with EML at the time, they went over the duration and therefore had to be re-triaged and that had an impact. So the original concept that we set up the new model on, 65 per cent of claims that come into the Nominal Insurer are not complex. They are strains and sprains that do not need case management. What happens though if you go beyond two or three weeks, your reliance on a case manager grows.

**Mr DAVID SHOEBRIDGE:** Rather than go to jargon, because there is a lot of it in this space, isn't what really happened that with the new claims management model, you looked at the previous data and realised, as you say, 65 per cent of claims are relatively small and people get themselves back to work in due course? You took that data and then you determined that you would come up with an algorithm where you try and find those 65 per cent of claims and then not do anything with them for two or three weeks. That meant because of the poor identification in the algorithm that a large number of workers who should have had active case management did not. That is what happened, is it not?

**Mr NAGLE:** No.

**Mr DAVID SHOEBRIDGE:** Do you want to explain how that is wrong?

**Mr NAGLE:** As I said, the triage model works very well. Even when Janet Dore was going through her review, over 77 per cent of new claims were being triaged correctly. Where there was any question, we have a team of specialists who review what is going on. Again, separating a function of the triage model and the actual operation is two different things.

**Mr DAVID SHOEBRIDGE:** So a collapse in operation. You say it was a good design, it just fell over when you try to implement it, is that your position?

**Mr NAGLE:** There was a problem with it, yes.

**The Hon. MARK LATHAM:** Just coming back to the economic forecasting, the scenario that was painted earlier about the combined impact of Chinese downturn because of coronavirus, supply and demand and productivity shock, New South Wales domestic impacts because of coronavirus and the loss of economic activity during the bushfire period, it would be reasonable to say, would it not, that if we avoid a negative quarter of gross State product [GSP] in the quarter we are currently in that would be quite good fortune, would it not?

**Mr PRATT:** Yes.

**Ms WILKIE:** Yes.

**The Hon. MARK LATHAM:** So our expectation is for a number near zero or below?

**Mr PRATT:** Or below, yes, for this quarter.

**Mr WALTERS:** Can I just clarify something on that? We do not get quarterly GSP reported for the States. We get State final demand. So we get a national figure of gross domestic product [GDP], which most economists now expect will be negative. You can infer from that that probably New South Wales is also negative, but it is only on an annual basis that you get full gross State product reported for all States in November each year.

**The Hon. MARK LATHAM:** And the demand numbers might not show up the supply impacts.

**Mr WALTERS:** Because they exclude exports, imports, inventories and interstate trade. So there are large components of the economy that we cannot measure on a quarterly basis by State. So when you say "What will the number be?", we will not know a number.

**The Hon. MARK LATHAM:** That is all right. We anticipate bad news in general.

**Mr WALTERS:** You can do the sums.

**The Hon. MARK LATHAM:** Just on that point, Mr Walters, which is quite interesting, in our recent memory there is no Australian precedent, is there, for these supply-side issues, the supply shock question out of coronavirus?

**Mr WALTERS:** I am trying to think of one.

**The Hon. MARK LATHAM:** That makes it unprecedented in even trying to gauge its economic impact.

**Mr WALTERS:** We originally used the SARS episode from 2002-03 as the comparable episode and then quickly realised it was worse than SARS. Off the top of my head I cannot think of something comparable. In terms of economic impact, it may be the GFC. As you would recall, Australia did not have a recession during the global financial crisis. We did have one quarter of negative GDP in the final quarter of 2008. In the first quarter of 2009 we did not have a negative quarter of GDP. Again, that is at the national level. We do not know the State patterns. I am not suggesting it is the global financial crisis impact but that is the most recent comparison when you get a supply shock.

That was a different nature of shock, as I said. It was a financial system shock globally. It had an impact on our economy because financial markets and credit markets became dysfunctional. That has not happened this time, so it is a very different shock. It may be a productivity shock, as you say. I did not describe it as a productivity shock. I called it a combination of demand, supply and confidence. Implicit in all of that is that productivity will go down if there are not workers at work, that is true. But I cannot think of a natural comparison outside the global financial crisis.

**The Hon. MARK LATHAM:** And in terms of the fiscal position, on a no policy change basis, we would also be thinking that the Government would be doing well to keep it in surplus in the coming financial year?

**Mr PRATT:** It certainly will be challenging. As we indicated earlier, we are trying to track what the actual revenue impact of this might be. In the meantime we are looking to the Commonwealth to see what is announced from its perspective. As you would expect, we will look at what might be complementary from a State perspective.

**The Hon. MARK LATHAM:** In that regard do you think the State budget has much impact in terms of fiscal stimulus and the like or is the Treasury advice that you are better to hold the discipline of balanced budgeting through the cycle?

**Mr PRATT:** That is something for the Government that we are working through. We will give advice as we work through opportunities for stimulus. I want to see what the Commonwealth puts on the table first to make sure that if we were to do something that it is complementary to that. But the overall structure of the budget is really for the Government as to what it wishes to do, whether it wants to maintain a balanced budget or go into deficit.

**Ms WILKIE:** There is also a distinction from a more theoretical fiscal policy perspective. Applying stimulus at a time of crisis does not necessarily imply a lack of fiscal discipline. For example, in the global financial crisis the Commonwealth Government applied a lot of stimulus and then had a sustainable plan to come back to surplus for keeping fiscal discipline through the medium term. That is what the rating agencies will look for: What is the medium-term plan looking through the crisis?

**The Hon. MARK LATHAM:** But that is the point I am making about the nature of State responses, because if they are based on infrastructure there is a considerable time lag in getting approvals, capital, construction and even finding things that are so-called shovel ready as opposed to what actually worked in the GFC, which was cash stimulus straight into pockets. The things that did not seem to work in the GFC were overpriced school halls and the pink batts scheme, which killed some fellas in the roof. I can go back—for me these days it has a different meaning—to the One Nation statement in the 1990s recession where, again, it was an emphasis on capital works and infrastructure and the lag time was such that the economic stimulus impact was well and truly after the economic slump. So isn't that the limit in State responses, that your infrastructure has a long time lag, whereas the Commonwealth, through the transfer payment system, can get money to people quickly if it decides that is the best approach, as it did in part in the GFC?

**Mr DAVID SHOEBRIDGE:** That is where the One Nation thing came from, was it?

**Mr PRATT:** Clearly we have a very significant infrastructure program already. The sectors that seem to be really struggling are small business, and the Commonwealth is rumoured to be looking at that. We have talked already about the education and the tourism sectors. So if we were to form a response we would be thinking about those sorts of sectors by way of addressing it.

**The Hon. MARK LATHAM:** But in a U-shaped decline, as described by Mr Walters, the State response through infrastructure is likely to come when we are heading up the right side of the U, is it not, when it is not necessarily needed? It is an obvious limit, is it not, in the nature of State stimulus?

**Mr PRATT:** Yes, that is right. But it was there for the medium and longer term, obviously, in terms of that ongoing investment.

**The Hon. MARK LATHAM:** It is. Well, the way Sydney is growing and all the infrastructure programs, they do it anyway—medium to longer term. I am sure we will hear more about that in the budget that is forthcoming. If I can go back to a point about the IPC and Peter from the Productivity Commission. The Treasurer was here and we were trying to rattle through his words of wisdom as best we could, but you did not get a chance to elaborate on what you think the solutions would be to the issues I raised concerning this dreadful outfit run by Calamity O'Kane.

**Mr DAVID SHOEBRIDGE:** Point of order—

**The Hon. MARK LATHAM:** You do not like nicknames?

**Mr DAVID SHOEBRIDGE:** I think it is deeply disrespectful of the head of the IPC to refer to her in that derogatory fashion and I would ask the member to refrain, to apologise and to withdraw.

**The Hon. MARK LATHAM:** For the sake of the humourless Greens, I will withdraw.

**Mr DAVID SHOEBRIDGE:** No, for the sake of being decent to a highly professional and competent woman who you are being derogatory like that.

**The Hon. MARK LATHAM:** Oh, come on. Enjoy yourself. Yeah, yeah. A competent woman? Have you had a look at the IPC lately? They broke the law, they are driving away investment—

**The CHAIR:** Order!

**Mr DAVID SHOEBRIDGE:** Totally out of order.

**The Hon. MARK LATHAM:** Anyway, let's hear from the Productivity Commissioner, please.

**Mr ACHTERSTRAAT:** Thank you, Mr Latham. My report looked at two issues. The first was whether the IPC should be retained as an independent decision-making body and, secondly, if it is to be retained as such, are there any areas for improvement? We called for submissions. We got over 100 unique submissions and quite a number of other general submissions. We analysed those and met with interested stakeholders. On the first question of whether the IPC should be retained, I formed the clear opinion and recommendation that it should. The IPC forms an integral and valuable part of enhancing and maintaining the integrity of the planning system and so it should be retained as an independent decision-making body for contentious State significant developments. That was the threshold question, Mr Latham.

The second was: Are there any areas where it could be improved? I made 11 recommendations in that area, ranging from the fact that the rules should be clarified so it is absolutely clear the IPC is an independent agency and not just part of the department of planning. To that extent I recommended that under the Government Sector Employment Act the IPC be separate; that the chair of the IPC be accountable; and that the people in the IPC secretariat, as it was called then, be employed and report to the chair rather than to the secretary of the department. I also made other recommendations in relation to the scope of technical advice, whether rather than being duplicated by the IPC it could be done more holistically and also with policy advice et cetera; and a new mechanism whereby if there are uncertainties on policy there can be a forum for the IPC to clarify that policy.

**Mr DAVID SHOEBRIDGE:** Excellent recommendations.

**The Hon. DANIEL MOOKHEY:** Mr Secretary or perhaps Mr Gardner, just to confirm, the Treasury commercial framework would not apply to icare. Is that correct?

**Mr GARDNER:** It applies to differing degrees to the self-insurance side of the business and the notional insurance side of the business.

**The Hon. DANIEL MOOKHEY:** Does it apply to the Nominal Insurer?

**Mr GARDNER:** No.

**The Hon. DANIEL MOOKHEY:** So therefore the continuous disclosure obligations that are required do not apply to the Nominal Insurer, is that correct?

**Mr GARDNER:** In the same way, no.

**The Hon. DANIEL MOOKHEY:** Mr Secretary, when were you first advised about the underpayments issue?

**Mr PRATT:** I have to take that on notice, Mr Mookhey. It was not that long ago but I could not give you an exact date.

**The Hon. DANIEL MOOKHEY:** Were you advised before the regulator put out its bulletin last Thursday?

**Mr PRATT:** It would have been before then, yes, but probably not long before that.

**The Hon. DANIEL MOOKHEY:** Mr Nagle, did you provide the advice directly to the secretary?

**Mr NAGLE:** Not directly to the secretary, no.

**The Hon. DANIEL MOOKHEY:** Who did you provide it to? Or did you provide the advice to Treasury?

**Mr NAGLE:** I will take that on notice, actually. We advised SIRA and then we entered into discussions with SIRA. I would have to check which part of the team notified who.

**The Hon. DANIEL MOOKHEY:** Mr Secretary, who advised you?

**Mr GARDNER:** I advised the secretary. It had been raised with me by the CEO of SIRA.

**The Hon. DANIEL MOOKHEY:** The CEO of SIRA called you up.

**Mr GARDNER:** That is correct.

**The Hon. DANIEL MOOKHEY:** And said what?

**Mr GARDNER:** The CEO talked me through the circumstances of the work that icare had done to identify the issues from their own investigations and that she had been notified. She then just stepped me through what she was thinking and I let the secretary know.

**The Hon. DANIEL MOOKHEY:** When you say "what she was thinking" are you referring to her proposed remediation plan or the directions she was intending to issue?

**Mr GARDNER:** Yes, she just gave an indication that obviously from her perspective the State or icare recouping overpayments was unacceptable and that we would look to make sure a plan was in place very quickly. So we just talked about that and I similarly let the secretary know straight after that.

**The Hon. DANIEL MOOKHEY:** Did you hear from anyone in icare or did you hear this exclusively from SIRA?

**Mr GARDNER:** No, I did not hear it directly from icare. This sort of goes to the role of SIRA as the regulator. It is important for icare to go to the regulator first and we do not have that same oversight role.

**The Hon. DANIEL MOOKHEY:** We are not taking umbrage at icare's decision to self-report. I am just trying to explore—because, you are right, icare does answer to the regulator, but they are part of the Treasury cluster. So can you confirm whether or not Treasury was informed by icare at all?

**Mr GARDNER:** As far as I am aware that call from the CEO of SIRA to me was the first time that had been raised.

**The Hon. DANIEL MOOKHEY:** Okay. And this happened when in time? Do you happen to recall? Because SIRA says it found out about it on 27 February.

**Mr GARDNER:** It was in the matter of the last week.

**The Hon. DANIEL MOOKHEY:** Okay, so it was a week. And then you informed the secretary presumably within a week. When did you inform the Treasurer? Or did you inform the Treasurer?

**Mr PRATT:** I would have—I would have to check that. I am not sure whether I had that discussion with the Treasurer or not.

**The Hon. DANIEL MOOKHEY:** So would you like to take that on notice?

**Mr PRATT:** Yes, I will take it on notice, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Do you not think this is something which perhaps you should have been told directly by icare?

**Mr PRATT:** Yes, I would have liked to have known that from icare but I think to Mr Gardner's point, their first responsibility is to the regulator and this has only just occurred, so I would expect that in any case I would hear from Mr Nagle.

**The Hon. DANIEL MOOKHEY:** Mr Nagle, why did you not pick up the phone and just call Mr Pratt?

**Mr NAGLE:** Because we had notified the regulator, we had notified our board and I must admit it did not occur to me to ring Mr Pratt.

**The Hon. DANIEL MOOKHEY:** Do you meet with the chair of the board of icare regularly, Mr Pratt?

**Mr PRATT:** Not in the sense of how we manage the other SOCs because of the responsibilities re icare. But I would see the chair perhaps on a quarterly basis or thereabouts.

**The Hon. DANIEL MOOKHEY:** Have you raised any concerns about icare's performance directly with the chair?

**Mr PRATT:** Yes. Some of the issues that we have canvassed today I have discussed with him.

**The Hon. DANIEL MOOKHEY:** In terms of the issues that we have canvassed today, are we talking about the underpayments, the funding ratio or the deteriorating return-to-work rates?

**Mr PRATT:** Mainly those discussions have been around funding ratio and the operations of the rollout of the icare model. The under and over payments only just occurred so I have not spoken to the chair about that.

**The Hon. DANIEL MOOKHEY:** Do you maintain written records of these discussions?

**Mr PRATT:** Normally no but if appropriate we would have, yes, for follow-up. But normally I would not, no.

**The Hon. DANIEL MOOKHEY:** Have you issued any formal correspondence to the chair of the board in the last six or 12 months about any of these issues?

**Mr PRATT:** I would have to take that on notice.

**The Hon. DANIEL MOOKHEY:** Have you discussed with the chair the Dore review?

**Mr PRATT:** Yes.

**The Hon. DANIEL MOOKHEY:** Have you asked the chair what precisely is the board doing about this?

**Mr PRATT:** His response to me on that was, yes, they take the review seriously, as you would hope they would, and that they are addressing the issues. That is their responsibility.

**The Hon. DANIEL MOOKHEY:** Did the board act at any point prior to the appointment of the Dore review to correct the failure of return-to-work rates in particular, to the best of your knowledge?

**Mr PRATT:** You would have to ask the board that, Mr Mookhey. I did speak to the risk and audit chair of the board.

**The Hon. DANIEL MOOKHEY:** When?

**Mr PRATT:** This is going back to when the Dore report was being finalised. As Mr Shoebridge has alluded to, there was some real discussion about data integrity and coming out of that discussion was a suggestion that the risk and audit chair of icare meet with the risk and audit chair of SIRA to get over the data conflict issues, that they should sit down between them and work through that. Because what I did not want was Ms Dore's report coming forward and people arguing about the data rather than arguing about substance. I did organise for that to occur, yes.

**The Hon. DANIEL MOOKHEY:** Is that the only discussion you had with the chair of risk and audit?

**Mr PRATT:** Yes, it was.

**The Hon. DANIEL MOOKHEY:** On notice, can you come back and tell us when that was?

**Mr PRATT:** Yes.

**Mr DAVID SHOEBRIDGE:** And what, if anything, was the outcome of the meeting as a result of the data issues?

**Mr PRATT:** Yes.

**The Hon. DANIEL MOOKHEY:** The direct procurement guidelines. This is the guideline ICAC issues for the conduct of direct negotiations. Does that apply to icare, Mr Gardner, to the best of your knowledge? It is listed on ProcurePoint? As I understand it, it applies to all agencies.

**Mr GARDNER:** It applies to icare to the exception of specific procurements for the national insurer.

**The Hon. DANIEL MOOKHEY:** So for the Nominal Insurer you are saying that ICAC's guidelines do not apply?

**Mr GARDNER:** You would have to ask the board or the executive of icare specifically about that.

**The Hon. DANIEL MOOKHEY:** To the best of your knowledge, do you think that those guidelines apply to you?

**Mr NAGLE:** Yes, and we align to them.

**The Hon. DANIEL MOOKHEY:** You do align to them. As we were discussing this morning, we had listed on the tender database 179 contracts on 25 February of which 164 were issued without tender. Clearly some of them are from the icare Foundation and that is entirely appropriate that some of the funding support that you would be giving to a variety of victim groups, mesothelioma groups, the Bernie Banton Foundation are without question, but there are a whole set which are not. I want to go through and ask why it seems like the general practice to issue in the space of two years \$118 million of contracts without tender?

**Mr NAGLE:** On the information I have been able to receive since you raised it this morning, the contracts you are talking about were uploaded into the contract disclosure log: 183 contracts were uploaded and 170 are marked as non-tender for the method of marking engagement. Of that 170, 101 were under the prequalification scheme and 24 were under funding agreements that have already been agreed. The great bulk of our day-to-day procurement activities around information and communications technology systems or services for the schemes. Wherever possible, we try to use the whole-of-government prequalification scheme.

**The Hon. DANIEL MOOKHEY:** Mr Gardener I am sure will agree with this and, if he does not, feel free to disagree. The prequalification scheme, membership of the prequalification scheme does not excuse agencies from having to tender. That is correct, isn't it? They are prequalified but they still have to put to tender.

**Mr GARDNER:** It depends. The word "scheme" is very broad. It applies very differently in a number of different situations. This will be—

**The Hon. DANIEL MOOKHEY:** For example, just because you are handed a contract to a prequalification participant does not mean you do not have an obligation to potentially tender that work. That is correct?

**Mr GARDNER:** Yes. So icare has a responsibility to comply with the Procurement Policy Framework. The specific detail around this and the schemes that they have operated under, I would need to take on notice.

**The Hon. DANIEL MOOKHEY:** Sure. The icare guidelines—which you say, Mr Nagle, do apply to you—so the direct negotiations should only really be entered into in rare circumstances and all assessment should be made about whether or not a competitor could deliver the result. For the 170 contracts—I thought it was 164 but we will go 170—did you assess every one of them to determine whether or not the service could be provided in the market?

**Mr NAGLE:** Not personally, no. But our procurement teams would have done that work. The bulk of the work that we undertake comes under rate cards so that within a band you know exactly what you are getting for the services and you know of the people who are on the prequalification scheme that the variation is minimal.

**The Hon. DANIEL MOOKHEY:** So Cognizant Technology Solutions? I do not think they are on the prequalification scheme. They got 10 contracts without tender worth \$20 million cumulatively across all of them. Why was that one chosen?

**Mr NAGLE:** I do not have the exact detail of that. Cognizant are our provider of IT system software and coders. I believe that they would have tendered for a number of the contracts and we would have been in pre-agreement.

**The Hon. DANIEL MOOKHEY:** Those 10 contracts that were listed non-tendered—\$20 million, Deloitte, 16 contracts; \$13 million, no tender; KPMG, six contracts, \$2.1 million, no tender; PwC, 11 contracts,

\$3.5 million, no tender—surely Deloitte could have been performing the work of KPMG, KPMG could have been performing the work of PwC yet all of them got millions without tender. Why?

**Mr NAGLE:** I would have to look up the individual contracts that you are talking about. Effectively, what we have been running is a program of work around the transformation. Where we have had a party come in and win a contract generally it has made more sense—and this is allowed for in the rules—that you can actually keep extending that work because you get the benefit of the knowledge that they have built up on the program. You would not chop and change providers part way through a program if it is delayed or extend.

**The Hon. DANIEL MOOKHEY:** That is one scenario when projects are going particularly well. This would not imply that these projects are going particularly well if that is what was happening. This incidentally is why we have what is called a "piggyback clause", which allows you to effectively describe that. Incidentally, on all of these contracts not once was a piggyback clause invoked. Going out of the ICAC guidelines, the ICAC guidelines say that a senior official has to sign off on the decision to enter into direct negotiations. That is designed to make sure that staff below people who are not making that decision on their own. Who was the senior official at icare who decided to issue 170 contracts without tender?

**Mr NAGLE:** It could be a variety of our group executives. Each group executive has—

**The Hon. DANIEL MOOKHEY:** How many have authority? You are saying your entire group executive has the authority to enter into direct negotiations?

**Mr NAGLE:** If it is within their delegation.

**The Hon. DANIEL MOOKHEY:** That is what I am asking. Some of these contracts are well north of \$1 million, presumably you would have to sign that off.

**Mr NAGLE:** There is one executive who has had a delegation of \$3 million.

**The Hon. DANIEL MOOKHEY:** Who is that?

**Mr NAGLE:** Mr Rob Craig.

**The Hon. DANIEL MOOKHEY:** And which contracts did he enter into?

**Mr NAGLE:** I would have to look through the list to understand that. I am happy to come back on notice with that.

**The Hon. DANIEL MOOKHEY:** How many have you done yourself? How many have you authorised directly?

**Mr NAGLE:** I would have to come back to you on notice with that. Any contract that is above \$3 million would have to come through me.

**The Hon. DANIEL MOOKHEY:** It says in the icare guidelines that every meeting with a supplier in the context of the direct negotiations has to be documented. Have you documented every meeting with any of your suppliers in the context of direct negotiations you entered into for the obtainment of these services?

**Mr NAGLE:** Not personally because I would not have met with the suppliers.

**The Hon. DANIEL MOOKHEY:** Has icare?

**Mr NAGLE:** icare would have.

**The Hon. DANIEL MOOKHEY:** How do you do that though? Do you have a log?

**The Hon. NATALIE WARD:** Point of order: On a number of occasions the Hon. Daniel Mookhey has prefaced his questions with, "On notice". It is a matter for the witness whether they choose to answer or take a question on notice. If they want to answer a question in time it is not for the member to suggest that they should take a question on notice.

**The Hon. DANIEL MOOKHEY:** I do not think I have done that, Natalie.

**The Hon. NATALIE WARD:** Many times. It is about the fourth or fifth time.

**Mr DAVID SHOEBRIDGE:** Well, you are on notice now.

**The CHAIR:** I remind witnesses that if they do not want to take a question on notice they may choose to answer.

**The Hon. DANIEL MOOKHEY:** Do you maintain a central register of your direct negotiations?

**Mr NAGLE:** We maintain a central register of all of our contracts.

**The Hon. DANIEL MOOKHEY:** I am asking about the negotiation phase though.

**Mr NAGLE:** I would have to look at that. I am happy to take that one on notice and come back to you.

**The Hon. DANIEL MOOKHEY:** This also says that in undertaking direct negotiations there should be probity advisers that review them afterwards, which is pretty common sense because you get a different bunch of people to check whether or not policy has been followed. Can you guarantee, Mr Nagle, that with these 170 contracts every one of them was checked by a probity adviser?

**Mr NAGLE:** I cannot guarantee that, no. I know that we use probity advisers quite frequently across icare.

**The Hon. DANIEL MOOKHEY:** The other requirement that is listed in the ICAC guidelines is that every officer who is undertaking a direct negotiation has to undertake declarations of any conflicts of interest. That is an issue that Mr Shoebridge was alluding to before. In respect of all of the 170 direct negotiations, did your officers provide written declarations of any conflicts of interests, including written declarations that there were no conflicts of interest?

**Mr NAGLE:** For all of the major tenders I know that is a standard form of the tender arrangements. I think with where you are going, I am happy to give you a complete rundown of all of our tendering arrangements.

**The Hon. DANIEL MOOKHEY:** I would appreciate that, of course, but I am actually just checking your compliance with the ICAC guidelines. Because that is what it says. As you said, you apply this to your contracting. I just return to my question: Did all of your staff who entered into these direct negotiations, particularly those who executed the contracts, provide written declarations of any conflicts of interest or no conflicts of interest?

**Mr NAGLE:** As I mentioned, I am happy to take that on notice and look through that. As I mentioned, it is a standard part of our contracting arrangements and procurement arrangements that that is done. In terms of the ICAC guidelines, we did a complete revision of our procurement rules through 2019 and updated our policy in October, which the audit and risk committee and the board signed off on. We strengthened some of our requirements to make them fall more in line with those ICAC regulations.

**The Hon. DANIEL MOOKHEY:** It says in the ICAC guidelines that when you are doing these negotiations you should be developing an evaluation protocol and formally evaluating and even scoring the counterparties' offers. Was that done for all 170?

**Mr NAGLE:** I cannot say that it was done for all 170, but I know it is done for the majority of our contracts.

**The Hon. DANIEL MOOKHEY:** Mr Secretary, are you aware of any other agency that has let \$118 million out without tender in the last financial year?

**Mr PRATT:** No, I am not. But I would not normally expect to be, if that was the case.

**The Hon. DANIEL MOOKHEY:** Mr Gardner?

**Mr GARDNER:** One of the features of the consultant procurement process is the standard commercial framework that does allow agencies to procure with a single provider for up to \$250,000 without going to multiple quotes. It is a question for me as to whether it is in compliance or is it outside of that.

**The Hon. DANIEL MOOKHEY:** Did you seek multiple quotes for these contracts, Mr Nagle?

**Mr NAGLE:** Again, I will have to take that on notice. But a number of them have competitive pricing or come off a rate card or, depending on the size of the contract, we go for expressions of interest or we go to tender.

**The Hon. DANIEL MOOKHEY:** Secretary, is this going to be something that Treasury reviews in terms of icare? Do you have the power to review this?

**Mr PRATT:** I would have to check whether I have the authority or not.

**The Hon. DANIEL MOOKHEY:** If you have the authority, will you review it?

**Mr PRATT:** If I have the authority I will look at whether we do undertake a review or not, yes. I will not commit at this point, Mr Mookhey, until I have looked at the detail.

**The Hon. DANIEL MOOKHEY:** I understand. Mr Nagle, why did it take you so long to publish on the database?

**Mr NAGLE:** I do not have an answer for that. Unfortunately, I will have to take that on notice. I understood that we undertook an audit. There was a bit of confusion about whether the Nominal Insurer contracts had to go in the database. The great bulk—about 80 per cent—of what we do is for the Nominal Insurer because the Nominal Insurer has a carve out from the procurement rules. There was some question about whether that had to go on the database or not.

**Ms ABIGAIL BOYD:** For the convenience of the Committee and witnesses we will have a quick five-minute break.

**(Short adjournment)**

**The CHAIR:** Before I hand over to Mr Shoebridge, I understand that Mr Midha has some answers.

**Mr MIDHA:** I have an answer to the question on the \$1 billion drought fund. It is also called the Farm Innovation Fund. To date, we have spent \$514 million from the fund. We have a balance of \$486 million at the moment. That is being tracked by the Rural Assistance Authority on a regular basis. That is available online too now.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, one of the key criticisms in the Dore report about the claims handling arrangements with EML is the fact that only 1 per cent of their total remuneration is related to effective outcomes for the scheme. That is that 1 per cent of their total remuneration is responsive to the return to work measure. First of all, is that right?

**Mr NAGLE:** I think that is correct. But the contract was designed around the provision of services. The concept is that if they operate the model correctly they will get the right outcomes, so there should not have to be any incentive paid for them to do additional work on return to work. Primarily what led us to that conclusion at the time was the 2016 Ombudsman report from Victoria, where they pointed out that the perverse incentives that apply across most contracts led to very poor behaviours from scheme agents in terms of how they treated injured workers. What we were trying to do was focus EML on the provision of services to a high standard and we did not want to have poor behaviours coming through in the return to work.

**Mr DAVID SHOEBRIDGE:** EML gets almost twice the benefit under the contract for reducing scheme operating expenses—being at 2.1 per cent of total remuneration. They get more than twice as much for reducing scheme operating expenses than they do for providing a positive return to work measure of just 1 per cent. That is a flaw, is it not? Looking backwards and seeing what has happened with return to work, you can identify this as a problem, can't you?

**Mr NAGLE:** I think it is a question that we have gone back to re-examine when we recently tendered the TMF contracts. Part of those contract negotiations was a more robust focus on return to work and what kind of incentives could be paid. What we are trying to do is again balance those behaviours. I noticed that last year the Victorian Ombudsman again updated their report and still called out the very poor behaviours from perverse incentives for return to work. It just needs to be one of those areas where we have tried both methodologies. We were criticised prior to the EML contract for the incentives that were paid to certain agents for behaviours. We negated that in the EML contract. We will go back to it as part of the TMF contract. I think it is an area where we are just going to continue to have to try and balance.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, who signed off on that contract? Was it signed off by you and, if so, what was the board involvement before the contract was signed?

**Mr NAGLE:** Given the size of it, it would have had to go to board approval.

**Mr DAVID SHOEBRIDGE:** Was the board briefed on the issue about only 1 per cent of the contract fee being related to return-to-work outcomes?

**Mr NAGLE:** I would have to go back and look at the board briefing notes at the time. I know the issue of the change in the contract and the change in terms of what we were trying to drive as an outcome with EML and the style of contract was quite hotly debated across the board.

**Mr DAVID SHOEBRIDGE:** When you say "the change", what are you referring to?

**Mr NAGLE:** The prior contracts—

**Mr DAVID SHOEBRIDGE:** The concept of going to a single—

**Mr NAGLE:** No, well, partly going to a single but partly changing to a supply-style contract. Prior to the 2018 contract, because we were totally dependent on scheme agent systems and processes, we were virtually blind with the data coming in about three months late. It was very difficult for icare to get the right behaviours out of scheme agents in an appropriate time frame. So when we changed to the limited number of suppliers—we came down from five to three—we were very clear with EML that what we wanted them to do was run the model effectively and efficiently.

**Mr DAVID SHOEBRIDGE:** When does the EML contract expire?

**Mr NAGLE:** December this year.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, given the content, in particular, of the Dore report and those deep criticisms it makes of the way in which EML's contract operated, both in its terms and practice, what are you going to do to try to ensure that those mistakes are not repeated if there is either a re-contracting with EML or further contracting with another entity or other entities.

**Mr PRATT:** Mr Shoebridge, as you are aware, I do not have any direct authority to intervene but what I will be doing, as I am doing now, is questioning around some of these key issues and look at where we can take some action in conjunction with regulator and operator. We referred earlier, but recommendation five in the Dore report refers to the monitoring of the funding ratio by the regulator in liaison with Treasury. I have accepted that recommendation. I will continue to do what I am doing. I cannot directly intervene.

**Mr DAVID SHOEBRIDGE:** No. You would agree with me that, given what is in the Dore report, given the expiry of that contract on 31 December this year, there is one very big decision that is going to be made by icare going forward. What, if any, advice or guidance—I accept you cannot provide direction, given the statutory model—will you be giving to icare to ensure that the best outcome is achieved?

**Mr PRATT:** I will be seeking to have the team that sits under Mr Gardner look at that contract and from there make a judgement on that, and then I will have discussions with the CEO and the chair.

**Mr DAVID SHOEBRIDGE:** I assume this is going to go to tender?

**Mr NAGLE:** That will be part of decision-making that we will reach over the balance of the year, so the EML contract has the opportunity for two one-year extensions. The model is changing, as we predicted when we announced them. So we have now announced the authorised provider model. That has an impact into the overall volume of claims that EML will be handling. We also announced late last year that we will be introducing an industry model, which is designed to look at the small- and medium-sized enterprise portfolio. Once you take those impacts and the volume of claims that EML will be handling directly, we will start changing.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, are you seriously saying that, given the disastrous review that Dore has undertaken—and by that I mean the outcomes in the Dore review—of the contracting with EML, the lack of scale with EML, the raft of problems, you are contemplating extending that contract by 12 or 24 months without going to tender? Is that seriously the position you are putting to this Committee?

**Mr NAGLE:** If EML is reaching the benchmarks that the contract allows for. You have got to remember that the Dore report was focused on the 2018 year. The 2018 year is the most complicated year we have had. If you look at the current performance of EML in the area that she criticised the most, which was the Guide segment, at the moment with the work that we did last year with EML, that is now the most popular segment by Net Promoter Score feedback from both employees and injured workers. It is hitting all the benchmarks that we set for it. In terms of the other segments that they are working on, they still have some operational hurdles that they have to meet. Once we can assess that—and what we have agreed with EML is that we will use the period between April and June to assess that because moving or making any changes would also be a major risk to people in the scheme—so we have to negotiate a pathway that makes sense for the scheme.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, have you got any 31 December figures for the underwriting result of the Home Building Compensation Fund?

**Mr NAGLE:** I do.

**Mr DAVID SHOEBRIDGE:** The figures I have were that as at 30 June there was a \$235 million negative underwriting result on a \$202 million net negative result—the December figures.

**Mr NAGLE:** I would have to double check those numbers. The scheme deficit in the most recent year—the 2018-19 year—was \$201 million.

**Mr DAVID SHOEBRIDGE:** The net result in your annual report was \$202 million. What about the figures as at the end of the financial year, December? How is it tracking? How much did it go backwards in that six months?

**Mr NAGLE:** I do not have those details.

**Mr DAVID SHOEBRIDGE:** Can you provide them on notice?

**Mr NAGLE:** Happy to take them on notice.

**Mr DAVID SHOEBRIDGE:** Can you explain why the Lifetime Care and Support Scheme had a net underwriting negative result of \$1.12 billion and a net negative result of \$576 million in the 2019 financial year?

**Mr NAGLE:** We had to make two adjustments to the valuation estimates. One was following the change in the NDIS carers contract. The major driver of costs in the lifetime care is carers. The NDIS has had a significant impact into those costs across the system, so the average cost went up by over 15 per cent. When you put that in a forward valuation of over 40 years, it has a significant dollar impact. The other change that we had to make is that we had to adjust for the commercial impact where, again, the lifetime care has been estimated to be returning about 10 per cent. The forward estimates, based on the advice we had, is closer to 5 per cent. We have had to make both of those adjustments but they were very large numbers, given the valuation size and duration.

**The Hon. MARK LATHAM:** Mr Pratt, when we were last here for estimates you said that Treasury was going to do some research and work on the optimal economic efficient population size of Sydney. Has any progress been made in that regard?

**Mr PRATT:** No, it has not, to my knowledge. I will just check with Ms Wilkie.

**Ms WILKIE:** No, we have not.

**Mr PRATT:** No, we have not, Mr Latham.

**The Hon. MARK LATHAM:** All my brilliant suggestions last time—only a fraction of them have been taken up. I shall persevere. Could you please have a look at it in the context of the Productivity Commissioner's excellent report. If I could go to Mr Achterstraat about his findings that for a family of five in Sydney over the next decade congestion costs are going up by \$7,000. That is \$1,400 per head. Why is this happening at a time of record infrastructure spend and construction?

**Mr ACHTERSTRAAT:** That is a projection into the future if nothing else is done, to a certain extent. There are a number of reasons for that. I guess as the population grows, generally as the economy changes there is more demand. There is only a limited amount of space. A limited amount of space, more people, means congestion will increase.

**The Hon. MARK LATHAM:** And that is economically inefficient. So does that not indicate that for all the talk about congestion-busting projects our population is growing too fast and too extensively in Sydney to lower congestion costs and create a more economically efficient metropolis?

**Mr ACHTERSTRAAT:** I would not draw that conclusion necessarily.

**The Hon. MARK LATHAM:** Why not?

**Mr ACHTERSTRAAT:** I think with congestion there are a number of ways to address it. One is to build more infrastructure. Another is to use the existing infrastructure better, maybe to spread the usage over a period of time. Many pieces of infrastructure, whether they be buildings, buses, trains, roads, are not used at certain times of the day. There are other suggestions that have been put to us. Our discussion paper was aimed at kickstarting the discussion on productivity and we are getting lots of submissions in relation to ideas that people have got on how to do that. Congestion has been quite a topical one where people are making various suggestions, which are filtering through and we will be putting them in our green paper, which will be published towards the end of next month.

**The Hon. MARK LATHAM:** Just to flesh that out, if congestion costs are going up and infrastructure spending and construction is at an all-time high, does it not indicate that something else has gone wrong in the system?

**Mr ACHTERSTRAAT:** It indicates that the world is changing. Everyone might all of a sudden be using the infrastructure at the same time. That is what could be happening. We are still delving through all that information.

**The Hon. MARK LATHAM:** Okay. I think it is because of population growth. In that regard has Treasury done any work or through the Treasurer made representations to Canberra about fulfilling the Government's policy to halve the net overseas migration rate to New South Wales and the flow-on benefits to Sydney?

**Mr PRATT:** There are discussions at the officials level. I do not know of the political level, Mr Latham, but certainly we have had discussions with Commonwealth Treasury about these issues. That is ongoing.

**The Hon. MARK LATHAM:** What are the nature of those discussions?

**Mr PRATT:** About the States really having more say in the number of immigrants that come into the State and what the skill set looks like. At the moment, as you are well aware, we have very little say in that whatsoever. That has been the focus of a working group within Treasury departments across the country with the Commonwealth.

**The Hon. MARK LATHAM:** So 18 months after the Government's election promise, it is still at discussion stage?

**Ms WILKIE:** There has been centre of population that has been established within the Commonwealth Treasury and new governance models are now in place in terms of the consultation that the Commonwealth undertakes with the States and Territories to go into their determination of the immigration numbers.

**The Hon. MARK LATHAM:** Does Treasury think cities can get too big in terms of economic efficiency and that establishing an optimal level for Sydney would be a useful guide for government in population policy?

**Ms WILKIE:** Establishing what is an efficient size or an effective size for an economic market is quite complicated. It is not just determined by the sheer population number; it is also determined by geography and cultural factors. For example, society's preferences around things like housing density and things like that, that is not an answer that is dependent just on population size.

**The Hon. MARK LATHAM:** It could be optimal size and density?

**Mr PRATT:** Could I just add, Mr Latham, in my opinion this is the argument for the three cities. The predominant travel and congestion is related to the east-west travel in Sydney, hence an argument for the north-south rail that you were talking about earlier, which is a key part of the 40-year transport strategy plan where the city has to be providing opportunities for north-south travel much more. The whole intent of the three city model is a 30-minute commute to work. That is the intent of that work.

**The Hon. MARK LATHAM:** Good luck with that. I live in the outer city and let me tell you, there is less congestion in the inner city. I can give you an example of Narellan Road, which went from two lanes to six and they are still banking up two or three kilometres to get on the M5 of a morning. It is just extraordinary. For 30 minutes you would need the Turnbull's' helicopter, I think, to cope with that. It is a joke if you live in outer western Sydney. Be that as it may, can I turn to the question of Treasury recruitment and staffing practices? I have got an answer from the Treasurer here in relation to diversity and inclusion and workplace practices, that a world-class public service reflects the diversity of the community it serves. Is that something you agree with, Mr Pratt?

**Mr PRATT:** I absolutely agree with that, yes.

**The Hon. MARK LATHAM:** Why is diversity defined in terms of personal identity and characteristics rather than socio-economic status?

**Mr PRATT:** I have not got our definition in front of us, Mr Latham, but it would include all those issues you have just raised, in my opinion.

**The Hon. MARK LATHAM:** Would it? Socio-economic status? So you are going to have a world-class public service and Treasury staff reflecting the diversity of the community it serves. I do not imagine you are recruiting too many homeless people or people out of public housing estates or unemployed people or low income people. Why have they been left out of the diversity definition?

**Mr PRATT:** Our recruitment is on the basis of capability and skill. The intent around diversity is that we reflect as much as possible the community we serve. To your point, I acknowledge that. But having said that I would like to think that in our consultation on various issues, all those groups are brought into any consultation process, where appropriate, even though they may not be employees of Treasury as such.

**The Hon. MARK LATHAM:** It goes to the event that Ms Wilkie posted on 27 February. In the diversity definition are the CH communities included? I get feedback from them every day that they feel excluded in the current definition of diversity. The "C" stands for "Christian" and the "H" stands for "heterosexual" and they feel very excluded from these events. Do you have Christian and heterosexual cupcakes as well?

**Mr PRATT:** I can assure you it would not be by design. We do not have cupcakes that I am aware of.

**The Hon. MARK LATHAM:** You had the rainbow cupcakes.

**Mr PRATT:** We had a rainbow cake, I think. Those groups are certainly not excluded by design and they should be included, yes, is the answer to your question.

**The Hon. MARK LATHAM:** Along with the homeless, the unemployed and public housing tenants?

**Mr PRATT:** As we could, yes.

**The Hon. MARK LATHAM:** How many of those are in Treasury?

**Mr PRATT:** There are none, to my knowledge, but the point I am making is that if they are not directly employed then where policy is appropriately targeted we should be consulting with those groups.

**The Hon. MARK LATHAM:** As a former public housing tenant myself I love *Housos*, but I do not think anyone is expecting that Treasury would have a recruitment policy other than getting the very best economists and the best financial advice, particularly in these current challenging economic circumstances, to grow the State economy. Factors of race, gender, sexuality and where you live are not really relevant to merit selection. Is that an unfair thing from a taxpayer's perspective?

**Mr PRATT:** I think the primary lens should always be on capability and what Treasury needs to fulfil its obligations. Having said that, part of that is diversity in terms of the danger of groupthink. If we all look like each other and come from the same backgrounds, the danger is you get the same answer no matter where you ask. I would like to think that we have a very diverse group in Treasury giving us different perspectives. That is deliberate, by design.

**The Hon. MARK LATHAM:** But is the diversity of policy viewpoint a function of race, gender and sexuality?

**Mr PRATT:** It clearly gives you a base of experiences to talk from, yes, which is why I would argue that getting consultation with some of those groups you were referring to is important, albeit they may not work in Treasury. But we should be talking to them.

**The Hon. MARK LATHAM:** When did you last consult with homeless people, public housing tenants, the unemployed and low-income earners?

**Mr PRATT:** Personally I could not answer that.

**The Hon. MARK LATHAM:** Personally you have not done it?

**Mr PRATT:** No, I have not done it personally.

**The Hon. MARK LATHAM:** Has anyone here done it? I find this extraordinary.

**Mr ACHTERSTRAAT:** As part of our consultations we deal with NSW Council of Social Service and other areas in relation to housing areas and social housing.

**The Hon. MARK LATHAM:** They are middle class activists with not much diversity themselves.

**The Hon. DANIEL MOOKHEY:** They are not that active, either.

**The Hon. MARK LATHAM:** I think we will leave that there but it seems an empty shell. My time is gone.

**The Hon. DANIEL MOOKHEY:** Mr Nagle, with the EML contract that you were discussing with Mr Shoebridge you said that they have options to extend. Is it each year or is it for two years?

**Mr NAGLE:** They do not have the option. It is a mutual option. The contract originally, when it was tendered, allowed for a three-year term with two one-year potential extensions.

**The Hon. DANIEL MOOKHEY:** Have they been completed? No. We are at the end of the first three-year term. Is that correct?

**Mr NAGLE:** It will end in December this year.

**The Hon. DANIEL MOOKHEY:** Are termination payments payable to EML if icare is to not grant them the extension?

**Mr NAGLE:** No, not to EML. There is a provision where we can transfer staff and equipment between premises.

**The Hon. DANIEL MOOKHEY:** What is the notice requirement if you intend to terminate the contract?

**Mr NAGLE:** Termination? You will have to take this from the top of my head. It is six months.

**The Hon. DANIEL MOOKHEY:** But you are saying that if you decide to not give them a one-year extension you will not be paying them any termination payment?

**Mr NAGLE:** There is no termination for the end of the contract, no.

**The Hon. DANIEL MOOKHEY:** What fees would be due to them?

**Mr NAGLE:** As I say, there is a mechanism whereby we work out—some staff may be made redundant if that occurred and we would reimburse them for those redundancies.

**The Hon. DANIEL MOOKHEY:** Are you able to provide the Committee with an itemised list of what fees are payable—not the amount that is payable but what fees are payable if the contract is terminated?

**Mr NAGLE:** Yes, I am happy to do so. I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Thank you. Are you intending to provide the single agent model to the Treasury Managed Fund?

**Mr NAGLE:** No. We tendered for the Treasury Managed Fund recently and we announced those successful outcomes back in October. The model was more complex, based on these strong interrelationships between the agencies and the agents they have been using. At the same time, what we concluded was that because of that expertise and particularly the emergency services who are dealt with through combinations, there would not be much benefit for the TMF. What will occur though is that they will all move on to our single system and the same model design in how they operate progressively over the next two years.

**The Hon. DANIEL MOOKHEY:** State Emergency Services personnel, Police, paramedics will be going through the same triage model that is currently used for claiming through the Nominal Insurer effectively?

**Mr NAGLE:** Ultimately that is our aim but it is at least a few years away. For the triage model—and we are happy to provide you with the latest update—the problem is the Dore report is cast in time. It is cast in the time of 2018. The amount of work that has gone into that model and its operation has been significant. It is probably world leading in terms of a model that operates with accuracy.

**The Hon. DANIEL MOOKHEY:** Mr Nagle, does that mean that any police person who wishes to make a claim, or for that matter anyone else in the emergency services or paramedics, does not have an automatic entitlement to a case manager if you apply that model? Is that correct?

**Mr NAGLE:** No, not with the emergency services.

**The Hon. DANIEL MOOKHEY:** Can I pick up from the supplementary estimates hearings where we are up to in terms of the forensic file review issue that we were talking about? Have you reached a conclusion with the person who was subjected to the forensic file review?

**Mr NAGLE:** That claim is still active.

**The Hon. DANIEL MOOKHEY:** Are you still in dispute?

**Mr NAGLE:** My understanding is yes.

**The Hon. DANIEL MOOKHEY:** Is the nature of that dispute about effectively the communication payment or the common law damages?

**Mr NAGLE:** The common law damages is my understanding. My understanding is the individual wants some other additional form of payment that we cannot provide.

**The Hon. DANIEL MOOKHEY:** In terms of the common law aspect of it, are you maintaining the view that a payment is not old?

**Mr NAGLE:** Sorry, what was that?

**The Hon. DANIEL MOOKHEY:** Are you maintaining your position in that dispute, might be a better way of putting it?

**Mr NAGLE:** We have tried to undertake a mediation but the individual does not want to engage.

**The Hon. DANIEL MOOKHEY:** We were talking about the decision to commission a KPMG forensic claim file review. As you said in supplementary estimates, I think last year, the only one that you have done in a while has not been in the time that you have been CEO. How many versions of the KPMG report were created?

**Mr NAGLE:** I could not answer that. I know that there was a preliminary report. That report had some deficiencies. There was a series of questions put back to KPMG that we asked them to investigate and they then issued a supplementary report.

**The Hon. DANIEL MOOKHEY:** Were four versions produced?

**Mr NAGLE:** I do not have that information.

**The Hon. DANIEL MOOKHEY:** What I am asking is: Was the final draft the fourth draft?

**Mr NAGLE:** I do not have that information.

**The Hon. DANIEL MOOKHEY:** Are you in a position to provide each version of that report?

**Mr NAGLE:** I can make inquiries and I am happy to provide that on notice.

**The Hon. DANIEL MOOKHEY:** I think you came back and said that, on notice, the cost of that report was \$225,000. Was that for the entire KPMG engagement in this matter?

**Mr NAGLE:** I believe so, yes.

**The Hon. DANIEL MOOKHEY:** I think also in supplementary estimates you made some undertakings that you would review the recommendations that KPMG made and act accordingly if you felt that action was required. Can you give us an update on where you are up to on that?

**Mr NAGLE:** I asked our internal audit teams and our quality assurance teams to go through the files and understand exactly what they believed had happened both in handling by QBE and handling by our own staff. They are still working through that process.

**The Hon. DANIEL MOOKHEY:** In terms of discussions, what steps have you taken to ensure that there are not any further incidences of employers requesting operations to give evidence on which liability decisions are made? Have you updated any of the rules around that?

**Mr NAGLE:** Sorry, could you repeat the question?

**The Hon. DANIEL MOOKHEY:** The issue, if you recall, that was in dispute was whether or not at the employer's request, in this case Corrections, evidence was changed and that led to the denial of the claim, which incidentally triggered the dispute. One of the questions I put to you last time was whether or not you had taken any other action to ensure this does not happen again, or for that matter the probability of it happening ever is reduced dramatically. Have you taken any steps in that respect?

**Mr NAGLE:** Part of the change that we have made is in how we actually run the TMF claims, the report for TMF claims and under the personal injury claims. The same rigour and controls that we have over those are now applying to TMF. What that means is that we are still looking at trying to make sure that we understand the allegation versus what we understand the reality to be. But the reality is in any given scenario, particularly in a dispute between an employer and an employee, you will always have different versions.

**The Hon. DANIEL MOOKHEY:** I do not want to repeat the substance of the questioning in supplementary estimates but effectively in the review KPMG upheld the original claim that evidence was changed. I will conclude with this question: Are you intending to take any further action in this matter?

**Mr NAGLE:** In this matter while it is still under dispute, yes.

**The Hon. ADAM SEARLE:** Mr Pratt, on 29 August I asked you some questions about the investigation into allegations of bullying against the then chair of the WorkCover board. Do you remember those questions?

**Mr PRATT:** Yes, I do.

**The Hon. ADAM SEARLE:** I think it was your evidence that the investigation was initially commenced by Landcom itself, who engaged Wentworth Advantage, but because of the nature of the investigation you took over the investigation from a governance point of view.

**Mr PRATT:** I did, Mr Searle, and the reason why was that the investigator wanted to interview two of the directors.

**The Hon. ADAM SEARLE:** Understood.

**Mr PRATT:** It was inappropriate then to continue.

**The Hon. ADAM SEARLE:** Understood, but just to cut to the chase, you received the investigator's reports and on the basis of those reports you saw no obstacle to Ms Jones returning to her duties. That was your evidence. But I think on the last occasion you did not feel able to discuss the details of the investigation because at that stage they were privileged.

**Mr PRATT:** Yes, they were.

**The Hon. ADAM SEARLE:** Do you remember that?

**Mr PRATT:** Yes.

**The Hon. ADAM SEARLE:** You are aware that subsequent to that the Legislative Council has caused the final report to be disclosed and you are aware that most of the allegations against Ms Jones were found to have been substantiated.

**Mr PRATT:** I do not have the report in front of me, Mr Searle—

**The Hon. ADAM SEARLE:** But in substance.

**Mr PRATT:** —but there was quite a number that were not substantiated.

**The Hon. ADAM SEARLE:** I understand, but a majority were. Do you accept that?

**Mr PRATT:** I would have to count the numbers but there was a lot that were unsubstantiated.

**The Hon. ADAM SEARLE:** Subsequent to that, the Legislative Council also caused the draft reports to be disclosed. Are you aware of that?

**Mr PRATT:** Yes, I am.

**The Hon. ADAM SEARLE:** And you are aware that in the draft of March 2019 there is a handy little table at the front where all of the allegations are set out and the ones that were described as bullying were identified. The then draft report states, "It has been determined that a majority, 71 per cent, of the allegations are examples of bullying." There is sufficient evidence to conclusively support and prove that the allegations against Ms Jones do exhibit bullying behaviour. Are you aware of those comments?

**Mr NAGLE:** That draft report we have spoken about before, Mr Searle.

**The Hon. ADAM SEARLE:** Yes, we have.

**Mr PRATT:** As you know, that draft report did not come to me. The whole investigation was handled by Ms Telfer.

**The Hon. ADAM SEARLE:** You did not see the draft report at any stage?

**Mr PRATT:** I did not see the draft report. I got the final report from Ms Telfer.

**The Hon. ADAM SEARLE:** You got both final reports. Was Ms Telfer the only person—

**Mr PRATT:** Sorry, can I just clarify that I got the final report and I then asked for one of the complaints to be further investigated.

**The Hon. ADAM SEARLE:** Yes, that is the addendum report in May.

**Mr PRATT:** Yes, and that is the final, yes.

**The Hon. ADAM SEARLE:** I understand, but in relation to this draft you said you did not see it.

**Mr PRATT:** That is right.

**The Hon. ADAM SEARLE:** You accept that the draft is quite different to the final report.

**Mr PRATT:** I have not seen the report still. I have not looked at the draft report.

**The Hon. ADAM SEARLE:** I am happy to provide you with a copy of the draft report and I will put some questions on notice for you. You did not see the drafts but Ms Telfer did. Who else saw the draft?

**Mr PRATT:** It would have been the legal firm that was giving Ms Telfer advice as well. I would think that they would have seen the draft but I cannot answer that question because Ms Telfer managed that quite deliberately. Could I just add, Mr Searle, that was a deliberate decision so that I was not seen to be interfering in any way in the final report until I received it and then I could make a judgement on that basis.

**The Hon. ADAM SEARLE:** So you did not cause the report to be changed from the draft to the final?

**Mr PRATT:** I certainly had no involvement, no.

**The Hon. ADAM SEARLE:** I will provide, through the Committee, a copy of the report, which is a matter of public record now and I will put some questions on notice for you.

**Mr PRATT:** Thank you.

**The Hon. WALT SECORD:** I have some questions for Mr Achterstraat, author of *Kickstarting the Productivity Conversation*. I notice that in your report you dedicate a lot of energy to literacy and numeracy results and their impact on productivity in New South Wales. You talk about the OECD PISA report, which is the Program for the International Student Assessment for 15-year-olds.

**Mr ACHTERSTRAAT:** Correct.

**The Hon. WALT SECORD:** You highlight that the number of high performers in New South Wales has decreased and we have had worsening scores in maths and science, and that teacher quality is the biggest influence in tackling problems involving literacy and numeracy. What has been the response to your report into these findings?

**Mr ACHTERSTRAAT:** Thank you very much, Mr Secord. Our report has, in fact, generated a lot of discussion on productivity. The aim of the discussion paper was precisely that. In relation to the skills—

**The Hon. WALT SECORD:** I congratulate you on the numeracy and literacy.

**Mr ACHTERSTRAAT:** Thank you. Can you say that again?

**The Hon. WALT SECORD:** I said I congratulate you on the literacy and numeracy. I mumbled it on purpose, but I will say it loudly.

**Mr DAVID SHOEBRIDGE:** Now we need to work on diction and then we will be there entirely.

**Mr ACHTERSTRAAT:** We have had a wonderful response to the discussion paper and particularly in relation to the skills area. A lot of the submissions have been in relation to vocational education and training [VET], et cetera. But in relation to the schooling, we have had a lot of ideas. They are only ideas and we have to sift through them to see what the best results are. There is a bit of a theme with the teachers. A number of people are saying, "Is there a way that we could get people to enter the teaching profession mid-career?" That is the sort of discussion we are getting, so we are going to follow up those sorts of things.

These people are saying, "Look, we've got these bankers or these finance people who were excellent in their role, but they want to give something back. They want to join the teaching profession, but they can't take three years or four years off to do a teaching degree. Is there any way to get them in?" They are the sorts of ideas, Mr Secord, that we are getting and we are really encouraged by those.

**The Hon. WALT SECORD:** What will be the next step of the process involving your report?

**Mr ACHTERSTRAAT:** Absolutely. It is a three-stage report. When the Treasurer asked for a white paper, I indicated—also, I think, to this Committee—that before I gave my views and my answers as to what I think was good policy, I wanted to really test it with the community—NGOs, business, academics, think tanks—to find out the best recommendations I could put up in the white paper. We issued the discussion paper, which is precisely aimed at generating views. After the discussion paper, when we filter all the ideas—we have had well

over 100 submissions and they have been quite meaty. We are filtering through those and we are going to be preparing our green paper to be published, hopefully, at the end of next month.

The green paper will set out more concrete ideas. They will not necessarily be my preferred ideas, Mr Secord; they will be a group of ideas that various people are putting. Those specific ideas will go out to the marketplace. We will test them with a wide range of people and that will give me more confidence, when I prepare the white paper, that the recommendations in the white paper will have more community acceptance and be tested more.

**The Hon. WALT SECORD:** Thank you. Mr Pratt, this question relates to TCorp. I understand that last year TCorp said it was launching Australia's first Sustainability Bond Programme.

**Mr PRATT:** Yes.

**The Hon. WALT SECORD:** Can you take me through that? How does that differ from other bond issuances that TCorp has done?

**Mr PRATT:** I will give you a broader answer and I will get Mr Gardner to give you the detail, Mr Secord. There are two bonds that have been issued by TCorp, both of \$1.8 billion—one being a green bond, as we have called it, and the other one being a sustainability bond, which is the one that you are referring to. I will get Mr Gardner to give you the detail behind that.

**The Hon. WALT SECORD:** As part of your answer, can you describe the differences between the green bond and the sustainability bond?

**Mr GARDNER:** I can do, yes. The green bond focuses specifically on projects where there are green—i.e. positive environmental—outcomes attached to it. A sustainable bond can have green assets in it but also can have other social programs, such as access facilities for people with disabilities to train stations and the like—so other things that are not necessarily specifically green but have a social component to them.

**The Hon. WALT SECORD:** A number of years ago, former Premier and, before that, Treasurer Mike Baird talked about something called the Waratah Bonds. What has happened with the Waratah Bonds? Do they still exist? What if you had made deposits involving the Waratah Bonds?

**Mr PRATT:** Yes, the Waratah Bonds do still exist. They are more of a form of retail bonds. I would have to come back to you with how much is still outstanding, Mr Secord, but Mr Gardner might have that number. I think it is below \$100 million—to my knowledge, anyway.

**Mr GARDNER:** Yes, it is a very small program and there is very new additional uptake for that.

**Mr PRATT:** May I come back to you with the detail?

**The Hon. WALT SECORD:** Okay. How does \$100 million compare with other bond issuances?

**Mr PRATT:** Very small.

**The Hon. WALT SECORD:** That is very small. Was it very unsuccessful in uptake, so to speak?

**Mr PRATT:** One would think so, but if I can please come back with the detail on that—I do not have that with me today.

**The Hon. WALT SECORD:** There is something that came to my attention several days ago. The Treasurer issued a directive involving gifts of government property. It was circular TD 20-01 and it was quite comprehensive. What triggered this declaration or this directive from the Treasurer involving gifts of government property? What prompted this?

**Mr PRATT:** I will check with the team if anyone is aware of that.

**Mr MIDHA:** No, we will have to come back. It could be updating of the Government Sector Finance Act [GSF Act], but we will have to look at it and come back. When we introduced the GSF Act, a lot of old Acts were consolidated into it. As part of that, some new directions had to be issued. This could have been part of that, but we will have to look at the details and come back to you on it.

**The Hon. WALT SECORD:** There is an unusual clause in here that says it does not authorise a person to make a gift of firearms. Can you, as part of your answer, explain why there is a special clause that relates to the giving of gifts of firearms and why did it occur?

**Mr DAVID SHOEBRIDGE:** It is about the police Minister.

**The Hon. NATALIE WARD:** No, gifts from the Shooters.

**Mr PRATT:** There will be a technical answer to that, Mr Secord, but we will find it.

**The Hon. WALT SECORD:** This morning the Treasurer made reference to a number of projects. He said that there was an issue involving the Sydney Modern. Is it on track and who has carriage of that project in Treasury?

**Mr PRATT:** Mr Midha will answer that.

**The Hon. WALT SECORD:** He made a passing reference. He named three projects that he said you guys were keeping a watching brief on, including Sydney Modern. Why is that occurring?

**Mr MIDHA:** We keep a watching brief on all projects in terms of our risk management register. We update the risk register on projects on a periodic basis. Usually before the budget on the half-year, we get an update. This would have been, because it is a large project—most projects are assured through Infrastructure NSW as part of their gateway reviews and progress updates are provided, so that is another mechanism. So those two mechanisms—

**The Hon. WALT SECORD:** Did it meet its benchmarks involving philanthropist private sector donations? Did it meet the target or its goal?

**Mr MIDHA:** From what I understand, I think it did.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, I could have taken it down incorrectly, but did you say that the Net Promoter Score that EML has is going to be one of the key indicators for whether or not the contract is extended by 12 months?

**Mr NAGLE:** It is one of the measures that we had, but the measures are mixed. There are about 128 measures that we have. What I was saying is that that was the area of greatest dissatisfaction when Janet Dore did her report. It is now the area that has the highest satisfaction.

**Mr DAVID SHOEBRIDGE:** Because EML is basically dealing with almost all new claims, its Net Promoter Score is going to be, you would expect, significantly higher than those other scheme agents, like GIO or Allianz, that are dealing with long-term claims. You would expect that?

**Mr NAGLE:** No.

**Mr DAVID SHOEBRIDGE:** And has that been taken into account?

**Mr NAGLE:** No, Allianz have actually had the highest Net Promoter Score for new claims and for existing claims, followed by GIO and then EML.

**Mr DAVID SHOEBRIDGE:** Yes, and those insurers are dealing with long-term claims, where you would normally expect more grievances and a higher degree of grievance than you get with new claims. That is what I am putting to you, Mr Nagle.

**Mr NAGLE:** Which is correct, but both of them have carried on with new claims as well. They both had cohorts of employers who we agreed would stay with them—smaller groups; I think GIO had 80 and Allianz had about 30 employers, which included new claims and ongoing claims. Then we use that as a comparative test against EML. Then we have our own operation down in Wollongong, where we handle a number of accounts directly because of issues they've had with EML or due to other complexities and we track that net promoter score [NPS] for new claims and ongoing claims against EML's performance, as well.

**Mr DAVID SHOEBRIDGE:** If EML is performing worse than GIO or Allianz on NPS, how is that a positive indicator for giving them a 12-month extension? I don't understand.

**Mr NAGLE:** What I am saying is that it is not the total score; it is one of the scores. As I said, we have 128 measures but we look very closely at that because, basically, customer outcome is the whole purpose for changing the model. The old way of running a model with the five scheme agents never particularly worked well, and the areas that we had when we were trying to take the scheme, it was much easier to drive the changes across one large provider than try to do it five times. Allianz and GIO carried on for small portfolios, but what we've managed to achieve with EML is that we've driven out a lot of the issues that come from trying to run the scheme in a more logical way.

**Mr DAVID SHOEBRIDGE:** Is it true that a series of employers from the transport, construction and property sector approached icare and effectively said, "If you don't give us an out from EML, we are going to

establish our own scheme." That is what led to changes in in December—a bunch of employers came to you and said, "If you don't give us someone other than EML, we are going to step out and set-up on our own." Is that what happened?

**Mr NAGLE:** No.

**Mr DAVID SHOEBRIDGE:** Were you approached by employers from the transport, construction and property sector with significant grievances about the way in which they were being served through EML and the single provider?

**Mr NAGLE:** Not that I am aware. We announced the authorised provider model in late 2017, before we moved to the new model. We provided an update in January 2018, where we advised the market that Allianz was piloting it for us and from that pilot we have kept a small reference group that was involved in the pilot all the way through. Construction—there is a group of construction industries who, every year, apply—or every second year—for their own licence. I know we have had some discussion with transport operators but I am not aware of any particular issues such as you are raising.

**Mr DAVID SHOEBRIDGE:** When I say you, I mean icare more broadly. Will you take that on notice?

**Mr NAGLE:** I am happy to, yes.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, you would have heard some questions to the Treasurer earlier today regarding premiums. It is true that the benchmark premium in New South Wales is 1.4 per cent, is that right?

**Mr NAGLE:** That is correct. That is the average rate.

**Mr DAVID SHOEBRIDGE:** Though, for some employers, for example those that have a reasonably large premium of \$2 million or more, a single claim can increase their rate from 1.4 per cent 5.985 per cent of their wages bill, is that right?

**Mr NAGLE:** Not necessarily.

**Mr DAVID SHOEBRIDGE:** I did not say "necessarily", I said "can".

**Mr NAGLE:** The rating methodology can change due to a number of factors. It is either down to individual loss ratio for that employer, it is the employer wages growing, it is a change when they move from being a small employer, where their premium is capped and they become an experienced—

**Mr DAVID SHOEBRIDGE:** Mr Nagle, I did not ask general treatise on how premiums go up. I am asking you whether or not a single claim can, under this new claims structure model, lead to an increase in premiums from 1.4 per cent 5.985 per cent. Can that happen under your new model?

**Mr NAGLE:** I don't believe so, no. I don't have the details—because we have a capping arrangement where, any year-to-year movement is capped at 30 per cent. If they have moved to 5 point something per cent the only way that that could occur is if they have changed their occupation—so they have moved out of one industry rating model to another industry rating model.

**Mr DAVID SHOEBRIDGE:** Your evidence today is that that can't happen as a result of claims experience with a single claim?

**Mr NAGLE:** I don't believe it can happen.

**Mr DAVID SHOEBRIDGE:** Would it trouble you that a series of employers and others have raised these concerns? That in particular, but also other concerns that a single claim instance can lead to a doubling, tripling or quadrupling of their workers compensation premiums?

**Mr NAGLE:** Yes, we have had that complaint a number of times from a number of employers and we have investigated the bulk of them. There have been a couple of occasions where we have had calculation errors and we have corrected those we've got. But no single claim, particularly since we brought the capping in, can drive that kind of outcome.

**Mr DAVID SHOEBRIDGE:** When did the capping come into place?

**Mr NAGLE:** We brought it in, in the very first year when we introduced a model. We brought it in voluntary at the start of 2018—we brought it in for three years in 2015. So the 2018 year, we were going to release the capping. Once we filed with SIRA, it asked us to bring the capping back, but there were a number of renewals that went on in between the gap from the time we filed to the time we agreed with SIRA that we had to go back and correct.

**Mr DAVID SHOEBRIDGE:** Ms Nagle I think you provided some answers to Mr Mookhey about the number of workers who have had their benefits terminated under section 39 today, is that right?

**Mr NAGLE:** He didn't ask any questions about on that today.

**Mr DAVID SHOEBRIDGE:** How many workers have had their benefits terminated under section 39 to date? That is section 39 of the 1987 Act.

**Mr NAGLE:** I would have to check the exact number. I do not want to hold you up but it is about 5,300.

**Mr DAVID SHOEBRIDGE:** About 5,300. How many have now seen their medical entitlements terminated under section 59A?

**Mr NAGLE:** There are about 4,400 but I would have to take that on notice.

**Mr DAVID SHOEBRIDGE:** If you could give the exact number. The bulk of those who have been terminated under section 39 have now had their medical benefits terminated, as you understand the figures?

**Mr NAGLE:** Correct, that is right.

**Mr DAVID SHOEBRIDGE:** Do you know how many of those people were cut off from medication for pain or psychological treatment? Do you follow that?

**Mr NAGLE:** We do but I do not have those details in front of me.

**Mr DAVID SHOEBRIDGE:** Can you provide that on notice?

**Mr NAGLE:** Yes.

**Mr DAVID SHOEBRIDGE:** It is mandatory, isn't it, for icare to report all suicides or self-harm of those injured workers who it is taking care of—to report that data to SIRA?

**Mr NAGLE:** All harm or self-harm, yes.

**Mr DAVID SHOEBRIDGE:** What are the figures you have to date for injured workers who have self-harmed or suicide?

**Mr NAGLE:** I would like to take that on notice rather than trying to find it in the form here at the moment but the numbers are very low.

**Mr DAVID SHOEBRIDGE:** Do you track the number of those workers who have had their benefits terminated under either section 39 and/or section 59A?

**Mr NAGLE:** We do.

**Mr DAVID SHOEBRIDGE:** Can you provide a breakdown of that data?

**Mr NAGLE:** Absolutely.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, earlier in questions we were talking about the deficit in Lifetime Care and Support. For the record, I think Lifetime Care and Support is one of those schemes that has pretty much universal political support and has, up to date, been identified as a scheme that works extremely effectively. When were you first put on notice that the inflationary impacts of the National Disability Insurance Scheme were going to have such a big impact on the Lifetime Care and Support Scheme?

**Mr NAGLE:** Probably roundabout March 2019.

**Mr DAVID SHOEBRIDGE:** Given that the Lifetime Care and Support Scheme has been on the record books for a significant amount of time and we knew that it was going to soak up a lot of resources in the care sector, why did it take until March 2019 to start factoring in the inflationary impacts of the National Disability Insurance Scheme on the Lifetime Care and Support Scheme?

**Mr NAGLE:** Because at that point the carer rates that it was utilising were very similar to our own. It moved in early 2019 to a price increase and we then entered into negotiations with our panel of carers. At the moment we still get about a 9 per cent discount compared to the NDIS rates for the provision of carer services. But it took quite a bit of time to negotiate that across industry.

**The Hon. WALT SECORD:** Mr Pratt, I would like to take you to a document that you are probably familiar with *Achieving Net-Zero Emissions by 2050*.

**Mr NAGLE:** I have not seen that document.

**The Hon. WALT SECORD:** You have not seen the document? It is produced by the Government NSW Making It Happen. The Premier has spoken to it. In the document—to assist you, it is produced by the Office of Environment and Heritage—it states:

The NSW Government has committed to an aspirational objective of achieving net-zero emissions by 2050.

This aspirational objective is intended to provide a clear statement of the government's intent, commitment, and level of ambition ...

As a Treasury official, as an economist, how do you interpret it when it appears in a document and something is described as aspirational? How do you respond or tackle it as an economist?

**Mr PRATT:** I might ask our Chief Economist to answer that, Mr Secord. I would just make the point that none of us to my knowledge have seen that document but I will get Mr Walters to comment on the word "aspirational".

**The Hon. WALT SECORD:** It has been mentioned in Federal Parliament actually. How do you, as an economist, refer to—how do you tackle something when it is an aspirational objective?

**Mr WALTERS:** I can confirm that I have not seen the document either. Aspirational to me gives a connotation of it is an intention over the longer term to move in that direction.

**The Hon. WALT SECORD:** There has been a lot of debate at the moment about the increase of superannuation up to 12 percent by 2025. Has NSW Treasury done modelling on the implications of that? What would be the costs? Have you done modelling in that regard?

**Mr PRATT:** Mr Gardner, have you done anything on that?

**Mr GARDNER:** Not in my portfolio.

**Mr PRATT:** No we have not.

**The Hon. WALT SECORD:** Earlier we had a discussion about the coronavirus and the impact on the New South Wales economy, tourism and education. Are you aware that Amazon has just cancelled its major conference in Sydney which brings together people from San Francisco, New York, Berlin and Tel Aviv and that they have cancelled their 31 March to 2 April conference in Sydney?

**Mr PRATT:** I am not aware of that but I am aware of a recent emerging trend of this activity occurring across the globe.

**The Hon. WALT SECORD:** What does the New South Wales Government do when it hears that an organisation is looking at cancelling a major conference? Is there a response?

**Mr PRATT:** I would like to think that where we are responsible for organisation that we have had a dialogue with them. I might get Ms Curtain to talk to that in a moment, Mr Secord. But obviously those decisions are not our decisions primarily. Would you like to comment? We have the business function sitting under Destination NSW.

**Ms CURTAIN:** Destination NSW and Business Events Sydney were both aware and I know Business Events Sydney were discussing with Amazon around—

**The Hon. WALT SECORD:** So you are aware of the cancellation?

**Ms CURTAIN:** I was made aware recently, yes. I was not involved in the discussions but I know Destination NSW and Business Events Sydney were.

**The Hon. WALT SECORD:** What does Destination NSW do when this occurs? Do they simply accept it as a fait accompli? Do they respond? Do they argue? Do they encourage? Do they put steps in place?

**Ms CURTAIN:** They will actually be here tomorrow so they can answer some questions but they certainly work with the organisations to see if we can continue with their conference if possible. But at the same time, knowing what is happening with the coronavirus and travel bans around the world, they are working with all the conferences that are coming up to understand what the current impact is and also to look at what else we can be doing to fill in any economic productivity that we are losing from these conferences.

**Mr PRATT:** Mr Secord, I might just add that the first lens on all of this at the moment is the health lens.

**The Hon. WALT SECORD:** I understand that.

**Mr PRATT:** That is a clear instruction around Treasury that we follow the advice of both Commonwealth and State regarding health issues. That is the primary lens at the moment.

**The Hon. WALT SECORD:** Does the New South Wales Government still have a regional headquarters Asia-Pacific attraction program targeting international companies wanting to set up in Australia or the region?

**Ms CURTAIN:** We do have an investment attraction program which works with international organisations who are looking to set up somewhere in the State whether that be regional or in Sydney.

**The Hon. WALT SECORD:** How are we tracking compared to previous years?

**Ms CURTAIN:** I do not have the figures with me but we are still on track and, I think, growing. So our active investment attraction program was set up really around 18 months ago—less than two years ago—and a lot of the work that was done in the early days of that set-up is now coming to fruition. Often investment attraction like this, for setting up a new head office or business in Australia, takes time so now some of those discussions are starting to come to fruition.

**The Hon. WALT SECORD:** Can you provide me with a number of regional headquarters that were established or were announced in 2018-19 and 2019-20?

**Ms CURTAIN:** I do not have them with me in terms of a regional split but we can take that on notice.

**The Hon. WALT SECORD:** I mean regional headquarters as in Asia-Pacific headquarters.

**Ms CURTAIN:** Right. Yes okay.

**The Hon. WALT SECORD:** And also the number of jobs involved and the number of cases that involved waiving payroll tax and investment into the economy.

**Ms CURTAIN:** I will take that on notice.

**The Hon. WALT SECORD:** Mr Pratt, now to the NSW Treasury graduate program. How many people are taken in? I think it is an 18-month program, is that correct?

**Mr PRATT:** Yes.

**The Hon. WALT SECORD:** How does one get accepted into the graduate program?

**Mr PRATT:** The primary means of coming in is through a centralised program through the Public Service Commission. As you may have heard, Mr Secord, that program has been rated the fourth-best graduate program in the country—both private and public sector. It is a highly sought after program. There was a time when Treasury ran its own program for graduate intake. Given the success of that and the benefit of leverage across the sector, we take graduates off that program coming in.

**The Hon. WALT SECORD:** It is an 18-month program so is there an annual intake?

**Mr PRATT:** It is an annual intake, yes.

**The Hon. WALT SECORD:** Can you provide the numbers that entered in 2018-19 and 2019-20?

**Mr PRATT:** I will take that on notice.

**The Hon. WALT SECORD:** Also it says here that a number of the graduates work on major infrastructure projects. What would their duties involve? What activities would they carry out involving major infrastructure projects?

**Mr PRATT:** People coming in with that involvement would be part of Ms Wilkie's and Mr Midha's teams primarily, working under supervision but doing an economic analysis on programs of work. That would be their focus. Would either of you like to comment further?

**The Hon. WALT SECORD:** If you could tell me the number of graduates that worked on the WestConnex, the Sydney Metro and the Sydney light rail developments? Can you also tell me what level of duties they were given?

**Mr PRATT:** We can do that.

**The Hon. WALT SECORD:** Today there was an announcement by Westpac urging discussion of quantitative easing. Are you familiar with that?

**Mr PRATT:** I have not heard that announcement.

**Mr WALTERS:** I have not heard Westpac specifically, no.

**Mr DAVID SHOEBRIDGE:** You are not allowed to at a State-level anyway.

**The Hon. WALT SECORD:** I will leave it at that. There is a minute left Mr Shoebridge, knock yourself out.

**Mr DAVID SHOEBRIDGE:** Thank you. I will endeavour not to. Mr Pratt, concerns have been raised with my office about the fact that Regional Development Australia [RDAs] committees in New South Wales used to have responsibility for managing skilled workers from overseas who want to go and live and work in regional New South Wales. The concern is that Treasury took this service off RDAs and when the Deputy Premier and the agriculture Minister were challenged about this, they said that decision was made by a Treasury official and not at a Cabinet level. Are you aware of this issue at all?

**Mr PRATT:** I am aware of the issue, yes. To my knowledge, and Ms Curtain can correct me if there is further work on this, but that decision has not yet been made. It is a Treasury recommendation by way of advice to take that off the regional authorities and there are good reasons for that. We do have one of these under investigation for fraud and we have broader concerns about how these applications are being processed. We would be the only State, Mr Shoebridge, to maintain that channel if we kept it with the regional authorities. Every other State has centralised. That is what we are looking at at the moment.

**Mr DAVID SHOEBRIDGE:** So it is a Treasury recommendation at the moment?

**Mr PRATT:** Yes.

**Mr DAVID SHOEBRIDGE:** Is that a recommendation that is going to a Minister or to Cabinet? Where is that recommendation headed?

**Mr PRATT:** The responsible Minister is Minister Ayres in this instance, so it is with him at the moment.

**Mr DAVID SHOEBRIDGE:** Have you taken on board the concerns that this loss of income would potentially prejudice the effectiveness of regional development committees?

**Mr PRATT:** We do appreciate that, but then there are the broader issues of integrity and other issues I have raised.

**Mr DAVID SHOEBRIDGE:** Are you able to provide on notice any further details about those integrity issues?

**Mr PRATT:** As much as we can, given that some of this is subject to investigation.

**Mr DAVID SHOEBRIDGE:** I understand. But if you could provide some further details on notice?

**Mr PRATT:** If we can, yes.

**Mr DAVID SHOEBRIDGE:** Mr Nagle, you answered regarding the contract renewal process for EML. You said there were some 128 criteria that were being considered, is that right?

**Mr NAGLE:** Yes, we are assessing its performance against 128 criteria.

**Mr DAVID SHOEBRIDGE:** I am not going to ask you to list them now, but would you mind providing on notice what those 128 criteria are?

**Mr NAGLE:** Absolutely.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, the Bureau of Meteorology says that under current policy settings the world—and, being part of the world, Australia—is set for a 4 degrees Celsius average global temperature increase. What, if any, modelling is Treasury doing about the impacts of climate change and have you modelled what the impact of that 4 degrees Celsius average temperature increase would be?

**Mr PRATT:** I will get Mr Walters to talk to this, but in his report before Christmas in terms of the economic blueprint this subject is canvassed there, in terms of broader climate change implications.

**Mr WALTERS:** As Mr Pratt said, in the economic blueprint that I compiled last year one of the mega trends that we identified was climate change. It was mentioned numerous times during the report. In terms of the detailed modelling of climate change, that is being done ahead of the publication of the Intergenerational Report [IGR] ahead of the budget next year, 2021.

**Mr DAVID SHOEBRIDGE:** So that modelling is underway?

**Mr WALTERS:** That modelling is underway.

**Mr DAVID SHOEBRIDGE:** What is it modelling against? Is it modelling against a 1½ degrees Celsius increase, which seems to be already in the bank, or is it modelling against an increase of 2 degrees Celsius, 3 degrees Celsius, 4 degrees Celsius?

**Mr WALTERS:** Specifically, I cannot answer that detailed question but I am happy to take that on notice and find out if it is the 4 per cent or those lower numbers you mentioned.

**Mr DAVID SHOEBRIDGE:** Or potentially a number of different scenarios.

**Mr WALTERS:** Potentially. I would need to check on that.

**Mr DAVID SHOEBRIDGE:** When is that modelling likely to be completed?

**Mr WALTERS:** It is underway now. It will be completed in time for the release of the IGR next June. By next June.

**Mr DAVID SHOEBRIDGE:** Who is undertaking that modelling? Has it been contracted out to a consultant?

**Mr WALTERS:** No, it is being done within the intergenerational team within Treasury. It is a fully staffed team putting that report together.

**Mr DAVID SHOEBRIDGE:** Are you able to provide on notice any further details about the brief to that team in terms of the climate modelling?

**Ms WILKIE:** It is at a very early stage. The modelling is not going to be completed probably until the second half of this year. But yes, we can provide you with what detail, on notice, that we have—

**Mr DAVID SHOEBRIDGE:** Including an indication of when that modelling will be available?

**Ms WILKIE:** Yes.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, given this terrible summer we have had—which is just a glimpse into the impact of climate change—will you be in a position to table the outcome of that modelling before the completion of the Intergenerational Report? Because obviously it will have potential impacts well beyond just that report.

**Mr PRATT:** That will be subject to Government and its decision on that. That timetable we are locked into, because it needs to go out with the IGR. But I will be guided by Government in that respect.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, there has been a significant amount of discussion about outcome-based funding in the education space. You would be aware of that?

**Mr PRATT:** Yes.

**Mr DAVID SHOEBRIDGE:** What is not entirely clear is the role Treasury will have in overseeing expenditure in the Education portfolio. Can you give some clarity about what is proposed in the next financial year and perhaps in financial—

**Mr PRATT:** If I may, I will preface your question with a couple of comments. Largely, my biggest surprise in government when I entered was the lack of rigour in budgeting. This is true of all governments and all States: Budgets are formed on inputs, not on outputs. This mindset of, "I will take last year's budget plus CPI and then I will come back next year" has to fundamentally change. In my opinion, the outcome budgeting work is the most significant piece of work we will do in fiscal management in this State.

How it will work is that clusters will define clearly three or four core outcomes that they must deliver. Sitting underneath that will be programs that feed into delivering that outcome and then sub-programs that the Treasurer referred to this morning underneath that. Each of those will be attached dollars and they will have metrics hanging off them. To your question, the way the framework will work is that we will be regularly checking with clusters that, "In your budget you were ascribed a certain amount of money to deliver those outcomes. Are they being met or not?" We will hold clusters to account for delivery of those outcomes through the budget process.

**Mr DAVID SHOEBRIDGE:** In terms of the education department then, does that mean there will be Treasury officials located inside the department following through those outcomes? How is it going to work in practice? I will be quite frank with you: The concern I have is we will see Treasury officials taking a far, far bigger

role in educational outcomes when, historically, we have had education professionals making those decisions. That is my concern and I am just asking how it is going to work in practice.

**Mr PRATT:** It is a good question. It is not our business to tell educationalists how to do their job, nor is it the health sector and so on. But it is our job to keep sectors to account for what they are meant to deliver by way of an outcome. That is the role of Treasury in this. As to co-location, we do a lot of that now where we sit in clusters, because my encouragement to my team is we genuinely want to get closer to what they are doing. Co-location is a good way to do that.

**Mr DAVID SHOEBRIDGE:** What is the response from the other clusters? The joy of having a Treasury official sit on floor 11 with—

**Mr PRATT:** When we started this journey a couple of years ago now the question you were raising is indicative probably of the answer, in that there was some concern about that. I would like to say to you now that it is generally very positive.

**Mr DAVID SHOEBRIDGE:** "I'm from Treasury and I'm here to help."

**Mr PRATT:** In a genuine way, Mr Shoebridge, if I can say that. That is part of the culture change for Treasury. It is about working with clusters but holding them to account.

**Mr DAVID SHOEBRIDGE:** In something as complex as the education system, where a school's performance is as likely to be responsive to the external conditions that school community is facing as to the teaching, how are you going to be able to disaggregate those overwhelming community influences as against the educational outcomes? This is not like a factory churning out widgets. It is much more complicated.

**Mr PRATT:** No, I agree. When you get to that level, that is on-the-ground intelligence and is for Education to make those assessments. But what we would do is roll that up into a program with a set of key performance indicators to say, "Are you meeting those KPIs or not?" It will not be our role to interrogate at the level you are suggesting.

**Mr DAVID SHOEBRIDGE:** But you see, if the outcomes in the education sector are so overwhelmingly determined by those kind of community impacts—which may well overwhelm any impact that a change in teaching or educational resourcing has—how are you going to tease that out? Is there not a risk that we will see particularly schools in struggling and challenging communities being financially punished, not because of their work but because of the impact of external factors upon their schools? How are you going to disaggregate that?

**Mr PRATT:** That will be an issue for Education. May I suggest that you put that question to them? I do not want our Treasury officials at that level because they will not know the answers to that.

**The CHAIR:** Thank you very much for your attendance. The Committee secretariat will be in touch in the near future regarding any supplementary questions and any questions taken on notice. I would like to thank, as always, the Committee secretariat and Hansard for their work today. Thank you.

**(The witnesses withdrew.)**

**The Committee proceeded to deliberate.**