

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

**Wednesday 3 November 2021**

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

## **TREASURY**

**UNCORRECTED**

**The Committee met at 9:30.**

## **MEMBERS**

The Hon. Tara Moriarty (Chair)  
The Hon. Robert Borsak (Deputy Chair)  
Ms Abigail Boyd  
Ms Cate Faehrmann  
Mr Justin Field  
The Hon. Ben Franklin  
The Hon. John Graham  
The Hon. Mark Latham  
The Hon. Daniel Mookhey  
The Hon. Peter Poulos  
The Hon. Penny Sharpe  
Mr David Shoebridge

## **PRESENT**

**The Hon. Matt Kean, *Treasurer***

[inaudible] is used when audio words cannot be deciphered.

[audio malfunction] is used when words are lost due to a technical malfunction.

[disorder] is used when members or witnesses speak over one another.

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

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

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



**The CHAIR:** Welcome to the public hearing for the inquiry into budget estimates 2021-2022. 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, present and emerging of the Eora nation and extend that respect to other Aboriginals present. I welcome Treasurer Matt Kean and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of Treasury.

Before we commence I would like to make some brief comments about the procedures for today's hearing. Today's proceedings are being broadcast live from Parliament's website, and a transcript will be placed on the Committee's website once it becomes available. In accordance with the broadcasting guidelines, media representatives are reminded that they must take responsibility for what they publish about the Committee's proceedings. 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 only answer if they had more time or with certain documents to hand. In those circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. If witnesses wish to hand up documents, they should do so through the Committee staff.

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. In terms of audibility of the hearing today, we have witnesses in person and via videoconference. I ask Committee members to clearly identify who questions are directed to, and I ask everyone appearing remotely to please state their name when they begin speaking. Could everyone please mute their microphones when they are not speaking. Finally, I remind everyone to switch their mobile phones to silent for the duration of the hearing. All witnesses will be sworn prior to giving evidence. Treasurer, I remind you that you do not need to be sworn as you have already sworn an oath to your office as a member of Parliament. I also remind the following witnesses that you do not need to be sworn as you have been sworn at an earlier budget estimates hearing before this Committee: Ms Wilkie and Mr Gardner.

**JOANN WILKIE**, Deputy Secretary, Economic Strategy and Productivity, NSW Treasury, before the Committee via videoconference, on former affirmation

**PHILIP GARDNER**, Deputy Secretary, Commercial and Procurement, NSW Treasury, before the Committee via videoconference, on former affirmation

**MICHAEL PRATT**, Secretary, NSW Treasury, sworn and examined

**SAN MIDHA**, Deputy Secretary, Policy and Budget, NSW Treasury, affirmed and examined

**STEWART WALTERS**, Chief Finance and Operations Officer, NSW Treasury, before the Committee via videoconference, sworn and examined

**KIM CURTAIN**, Deputy Secretary, Chief Operating Officer, NSW Treasury, before the Committee via videoconference, affirmed and examined

**RICHARD HARDING**, Chief Executive Officer and Managing Director, icare, before the Committee via videoconference, affirmed and examined

**RASHI BANSAL**, Chief Financial Officer, icare, before the Committee via videoconference, sworn and examined

**DAVID DEVERALL**, Chief Executive Officer, NSW Treasury Corporation, before the Committee via videoconference, affirmed and examined

**STEPHEN WALTERS**, NSW Chief Economist, NSW Treasury, before the Committee via videoconference, affirmed and examined

**PETER ACHTERSTRAAT**, NSW Productivity Commissioner, NSW Treasury, before the Committee via videoconference, sworn and examined

**The CHAIR:** Today's hearing will be conducted from 9.30 a.m. to 12.45 p.m. with the Minister and from 2.00 p.m. to 5.15 p.m. with the departmental witnesses, with questions from the Opposition and crossbench only. If required, an additional 15 minutes is allocated at the end of each session for Government questions. We will begin questions now with the Opposition.

**The Hon. DANIEL MOOKHEY:** Greetings to you, Treasurer, and congratulations on your new appointment.

**Mr MATT KEAN:** Thank you, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** It is always good to see a University of Technology Sydney [UTS] alumnus doing as well as you are, Treasurer. Can I start by conveying my thanks, Treasurer and Treasury secretary, to all the employees of the Treasury cluster for the work that they have performed during COVID and the 16-week lockdown as well. Treasurer, I was hoping we could start by you clearing up a mystery for me. Are you actually the Minister responsible for WestInvest?

**Mr MATT KEAN:** It will obviously go through the Expenditure Review Committee [ERC] process, which I chair, so I have an important role to play in WestInvest.

**The Hon. DANIEL MOOKHEY:** But are you the portfolio Minister responsible for WestInvest?

**Mr MATT KEAN:** It was the previous Treasurer who announced WestInvest so I would assume his responsibilities as chair of ERC to make sure that we have proper guidelines and that ERC considers projects that will go through the ERC process. Mr Secretary, would you like to clarify that?

**The Hon. DANIEL MOOKHEY:** Sorry, before we get to the secretary, Treasurer, this is not a complicated question. For a \$5 billion fund, which Minister is actually responsible for setting it up—

**Mr MATT KEAN:** Well—

**The Hon. DANIEL MOOKHEY:** Just let me finish. Which Minister is responsible for setting it up, for making its decisions about what it can be used for? Is it you? Because it is not Stuart Ayres. He told us that.

**Mr MATT KEAN:** The Ministers responsible for the different projects that will be brought forward will be the different Ministers across Government but I, as the Treasurer, ultimately am responsible for the allocation of funds, so yes.

**The Hon. DANIEL MOOKHEY:** So it is fair for us to be able to hold you to account for the establishment of WestInvest and its operation?

**Mr MATT KEAN:** I am always happy to be held to account, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** I am hoping to hold you to account.

**Mr MATT KEAN:** I am very happy to be accountable for a whole range of things.

**The Hon. DANIEL MOOKHEY:** Indeed. Now that we have clarified that you apparently are the accountable Minister for WestInvest, to the extent to which there is one, can you clear up another issue for me? Can you tell me how many jobs WestInvest will create?

**Mr MATT KEAN:** We are not going to engage in hypotheticals because that will be determined by the projects that WestInvest invests in.

**The Hon. DANIEL MOOKHEY:** Treasurer, are you suggesting it is hypothetical?

**Mr MATT KEAN:** We are a long way from that, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** How can we be?

**Mr MATT KEAN:** We have got to go through a process of determining guidelines and coming up with a rigorous and robust process to assess projects that will come forward that will get the best value for taxpayer dollars.

**The Hon. DANIEL MOOKHEY:** Treasurer, you are the one who announced what purports to be an economic recovery strategy from COVID-19. You did that two weeks ago. The biggest initiative in it is \$5 billion for the creation of WestInvest, a fund targeted at improving infrastructure and liveability across western Sydney. Do you recall announcing this economic strategy?

**Mr MATT KEAN:** The WestInvest strategy was announced before I was the Treasurer. You know that, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Indeed, but do you recall announcing it?

**Mr MATT KEAN:** But you know the answer to your questions. I announced the economic recovery package, the \$2.8 billion package.

**The Hon. DANIEL MOOKHEY:** You are honestly sitting here telling me, as the Treasurer responsible for rebuilding the New South Wales economy, that you cannot tell us how many jobs this \$5 billion fund is meant to create?

**Mr MATT KEAN:** No, that is not what I am telling you.

**The Hon. DANIEL MOOKHEY:** Then please tell me how many jobs—

**Mr MATT KEAN:** Your question was whether or not I announced WestInvest, which you knew the answer to.

**The Hon. DANIEL MOOKHEY:** No, I asked you whether or not you announced the strategy.

**Mr MATT KEAN:** I said that I announced the economic recovery strategy—

**The Hon. DANIEL MOOKHEY:** I am glad that you recall.

**Mr MATT KEAN:** —targeting those key sectors of the economy we needed to support to bounce back better, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, in that strategy that you announced, you have listed \$5 billion for the creation of WestInvest, which easily dwarfs almost every other initiative put together. It is by far the biggest commitment in this economic recovery strategy. Can you tell us how many jobs it will create?

**Mr MATT KEAN:** I am going to tell you, it is going to create a jobs bonanza for western Sydney.

**The Hon. DANIEL MOOKHEY:** How many is a bonanza?

**Mr MATT KEAN:** We are going to see a jobs boom in western Sydney. We are going to be turbocharging the build of infrastructure across western Sydney and south-western Sydney. The only one unhappy about that appears to be the Labor Party, Mr Mookhey. You just do not like this investing in infrastructure in western Sydney.

**The Hon. DANIEL MOOKHEY:** I would be even happier if you could assure us, Treasurer, that this jobs bonanza—

**Mr MATT KEAN:** You used to be the champion of the battlers, Mr Mookhey. You used to want to play and invest in western Sydney.

**The Hon. DANIEL MOOKHEY:** Treasurer, let's start better than this. It is a simple question: There is \$5 billion going into WestInvest. It is meant to help bring back the jobs that lots of people in western Sydney lost. Can you give them any indication as to what is the quantity of this jobs bonanza, as you put it, that WestInvest is meant to create?

**Mr MATT KEAN:** We are not going to put a single figure. We are going to say that we are investing in the best projects that will support the people of western Sydney and the economy of western Sydney. That is what this investment fund is all about and we will continue to ensure that it gets the best result for our economy and for the people of western Sydney.

**The Hon. DANIEL MOOKHEY:** I appreciate that, Treasurer.

**Mr MATT KEAN:** That is the commitment I am going to make to you, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** I will move on to the next part of it. If you say that these projects are going to create the jobs bonanza that you mention, can you tell us when the first project from WestInvest will start?

**Mr MATT KEAN:** I want to see the first project as soon as possible. But we need to go through a proper process to ensure that there are guidelines in place that assure value for taxpayer dollars that are fair, transparent and open to everyone. So we are going to go through that process of designing the guidelines first and then we can start looking at what projects will meet those appropriately designed guidelines, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Has the Government identified a single project that is either shovel ready or screwdriver ready for which the WestInvest can be used straightaway?

**Mr MATT KEAN:** Not to my knowledge. Mr Pratt, would you be able to illuminate Mr Mookhey?

**Mr PRATT:** No. Mr Mookhey, at the moment we are working through, in Treasury, the establishment of the guidelines and the various governance and approval processes. This will go back through the ERC, so that work is being done now. I would expect that to be completed in the next month. That will set out what those requirements are, including things like benefit-cost ratios [BCRs], job creation that you are asking about and so on.

**The Hon. DANIEL MOOKHEY:** Treasurer, if you cannot tell us when the first project will start, can you at least tell us when the last project will finish, given this is meant to be a stimulus and recovery measure? How timely will this money be used?

**Mr MATT KEAN:** Mr Mookhey, I am not going to put time lines on things because we are going through a proper process to make sure the public can have confidence that we are spending this money on the best projects that are going to support the people of western Sydney in that economy. I am not going to play your rule in, rule out games here.

**The Hon. DANIEL MOOKHEY:** No, there are no rule in, rule out games. I presume you are going to use this money. You are the person who nominated this as an economic recovery measure. You are the person who said that this is a key initiative to bring back 260,000 jobs by December next year. Can we at least get an assurance that all of the money will be used by December next year to meet your target?

**Mr MATT KEAN:** We will be working to ensure that we roll out the best projects for the people of western Sydney as soon as possible. But it obviously needs to go through a proper process. I think you have seen recently what happens when you do not go through a proper process and I want to make sure—

**The Hon. DANIEL MOOKHEY:** We will get to the proper process, rest assured.

**The Hon. PENNY SHARPE:** The Cabinet you have been sitting in for 10 years?

**Mr MATT KEAN:** —that we go through a rigorous, transparent and fair process and that is what I will do as the Treasurer of New South Wales.

**The Hon. PENNY SHARPE:** This magic new Government.

**The Hon. DANIEL MOOKHEY:** Treasurer, I welcome the restoration of any aspect of fiscal discipline, if that is what you are saying, but we will get to that, rest assured. If you cannot tell us how many jobs

WestInvest will create, if you cannot tell us when the first project will start, if you cannot tell us when the last project will start—

**Mr MATT KEAN:** No, that is not what I am saying, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, just let me finish the question. If you cannot tell us when this money will be used, can you at least tell us where this money is coming from?

**Mr MATT KEAN:** I think it is pretty clear where it is coming from. Your briefing to Alex Smith today in *The Sydney Morning Herald*, with your creative accounting, was completely wrong. You know how this mechanism works.

**The Hon. DANIEL MOOKHEY:** No, Treasurer—

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

**Mr MATT KEAN:** You fund projects either by raising taxes—

**The CHAIR:** Sorry, Minister, I have a point of order that I need to hear.

**The Hon. BEN FRANKLIN:** Apologies, Treasurer. Chair, I am sure that you will know what this point of order is but—

**The Hon. DANIEL MOOKHEY:** I have to be respectful?

**The Hon. BEN FRANKLIN:** Indeed, and also let the Minister finish his sentences.

**The Hon. PENNY SHARPE:** So does the Minister.

**The CHAIR:** I do not uphold the first part of that point of order but, for Hansard's purposes, we need to have one person speaking at a time. You are entitled to finish the answer and then we will come back to the question.

**The Hon. DANIEL MOOKHEY:** Treasurer, your predecessor said that this money was coming from the proceeds of the WestConnex—

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

**The Hon. DANIEL MOOKHEY:** I have not even finished.

**The Hon. BEN FRANKLIN:** Madam chair, you just said that he was entitled finish the answer and then Daniel just started speaking again.

**Mr MATT KEAN:** Madam chair, could I just clarify for the Committee's benefit, and all those people watching at home, how exactly we are going to fund the \$5 billion commitment—

**The Hon. DANIEL MOOKHEY:** Please.

**Mr MATT KEAN:** —and what it has to do with WestConnex. Obviously the Government built the WestConnex project at a cost of around \$16 billion. It has sold the WestConnex project to the tune of around \$21 billion or thereabouts—\$20.4 billion, I think it was, Mr Secretary, or thereabouts. It created a profit for the Crown effectively of around \$5 billion. That \$5 billion means that we can then afford to invest in new projects in places like western Sydney. So that is, at a high level, where the \$5 billion came from and we will finance those projects through the usual means that governments finance projects.

**The Hon. DANIEL MOOKHEY:** Treasurer, to put it simply, that is just nonsense, isn't it—what you just said?

**Mr MATT KEAN:** I totally reject the premise of that statement. That is ridiculous. It is as ridiculous as your creative accounting in *The Sydney Morning Herald* today.

**The Hon. DANIEL MOOKHEY:** Have you at all acquainted yourself with the laws you administer? Have you checked the laws? Have you read the NSW Generations Funds Act?

**Mr MATT KEAN:** Which one would you like to talk about?

**The Hon. DANIEL MOOKHEY:** The NSW Generations Funds Act. Have you read it?

**Mr MATT KEAN:** What specifically?

**The Hon. DANIEL MOOKHEY:** Are you aware that Act requires you to use the proceeds of the WestConnex sale purely for debt reduction?



**Mr MATT KEAN:** That is correct. You should know that as well, Mr Mookhey—

**The Hon. DANIEL MOOKHEY:** I do.

**Mr MATT KEAN:** —because you voted for it.

**The Hon. DANIEL MOOKHEY:** Treasurer, are you also aware that the original \$7 billion that you deposited in the fund in 2018 can only be used for debt reduction?

**Mr MATT KEAN:** The NSW Generations Fund [NGF] can only be used to reduce debt, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** So when you said that this was coming from the profit made from the WestConnex sale—

**Mr MATT KEAN:** I did not say that.

**The Hon. DANIEL MOOKHEY:** You did.

**Mr MATT KEAN:** I did not say that.

**The Hon. DANIEL MOOKHEY:** But Treasurer, that is complete nonsense, isn't it?

**Mr MATT KEAN:** I am telling you how the \$5 billion was derived.

**The Hon. DANIEL MOOKHEY:** If it is the case—

**Mr MATT KEAN:** I did not say that it was from the sale of WestConnex.

**The Hon. DANIEL MOOKHEY:** Treasurer, if—

**Mr MATT KEAN:** I said that is how we generated \$5 billion additional revenue for the State.

**The Hon. DANIEL MOOKHEY:** Can you let me ask the question, please.

**Mr MATT KEAN:** I am not going to have you putting—

**The Hon. DANIEL MOOKHEY:** Treasurer, let me ask the question.

**The CHAIR:** I get that this is robust and I am trying to let the debate go but we do need to have one person speaking at a time. Hansard have to record this.

**Mr MATT KEAN:** Madam Chair, I am not going to allow anyone to put words in my mouth. That is all. I did not say what Mr Mookhey is alleging.

**The Hon. DANIEL MOOKHEY:** If that is not the case, then can you explain to us where actually is this \$5 billion coming from? Does it exist?

**Mr MATT KEAN:** It is coming from the same place that governments usually fund infrastructure projects from.

**The Hon. DANIEL MOOKHEY:** Which is?

**Mr MATT KEAN:** That is either debt, windfall tax revenues or prioritisation of other projects. That is how governments finance infrastructure projects, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** So let us be clear here.

**Mr MATT KEAN:** You know that. I know how smart you are, Mr Mookhey. I watched you at the UTS and I know that you know all of this stuff, so why are you asking me questions that you know the answers to?

**The Hon. DANIEL MOOKHEY:** Because you are publicly accountable for this now, Treasurer. That is why.

**Mr MATT KEAN:** That is right. That is exactly right.

**The Hon. DANIEL MOOKHEY:** Let me ask you the question. Given that you have now confirmed that actually WestInvest is coming from either debt, tax increases or other spending, just to be very clear here, your Government's policy is to use the \$11 billion from the WestConnex sale stage two to reduce debt and then to go further into debt to fund WestInvest?

**Mr MATT KEAN:** Our Government's policy is to deliver \$5 billion of infrastructure to the people of western Sydney, and I am very proud of that. In fact all of us on the Coalition side are very proud of that.

**The Hon. BEN FRANKLIN:** Hear, hear!

**Mr MATT KEAN:** In fact, what is your plan to support the people of western Sydney?

**The Hon. DANIEL MOOKHEY:** Treasurer, my plan is not to mislead them. Can you just be very clear here.

**Mr MATT KEAN:** Mr Mookhey, we are waiting to see what Labor's plan is for western Sydney.

**The CHAIR:** We need one person speaking at a time and, with respect to everyone involved, the questions come from this side of the table. Thank you. Minister, you have the opportunity to answer them.

**The Hon. DANIEL MOOKHEY:** Treasurer, there is no money for WestInvest, is there?

**Mr MATT KEAN:** Mr Mookhey, I have said that the Government's commitment is to invest \$5 billion specifically in infrastructure in western Sydney.

**The Hon. DANIEL MOOKHEY:** And you will be going further into debt to do that. Is that correct?

**Mr MATT KEAN:** Mr Mookhey, we are retiring debt and debt could be one of the means through which we are going to fund new infrastructure projects. You know how the government finances work. It could be one of the tools that we use; it may not be. But I am not going to engage in hypotheticals here today because we will manage our balance sheet and financial position well so that we can deliver record infrastructure. Do you know why? That is what we have done. That is what Coalition Governments do, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, did WestInvest go to Cabinet? Did it actually go to Cabinet? Was this subject to a Cabinet process?

**Mr MATT KEAN:** I am not going to talk about Cabinet processes here today. You know fully well—

**The Hon. DANIEL MOOKHEY:** Well, let me put this to you: When was it conceived?

**Mr MATT KEAN:** —how Cabinet works, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** When was WestInvest conceived?

**Mr MATT KEAN:** I beg your pardon?

**The Hon. DANIEL MOOKHEY:** When was WestInvest conceived by the Government?

**Mr MATT KEAN:** I hate to tell you this, Mr Mookhey, but I have been the Treasurer for 30 days. I was not part of the decision-making body.

**The Hon. DANIEL MOOKHEY:** Treasury Secretary, do you know when Treasury first started working on WestInvest?

**Mr PRATT:** It would have been, approximately, four to five months ago, Mr Mookhey. There was a lot of policy work, as you can appreciate, that was the forerunner to this.

**The Hon. DANIEL MOOKHEY:** On that suggestion that there was a lot of policy work, if that is the case, do we know whether or not it is going to have its own legislation, Treasurer?

**Mr MATT KEAN:** WestInvest?

**The Hon. DANIEL MOOKHEY:** Yes.

**Mr MATT KEAN:** What is your question here, Mr Mookhey?

**The Hon. DANIEL MOOKHEY:** Well, Restart NSW has its own piece of legislation that governs how it can be used. Is there going to be—

**Mr MATT KEAN:** Would you like to support legislation?

**The Hon. DANIEL MOOKHEY:** Well, are you going to introduce—

**Mr MATT KEAN:** I mean, that is going to determine—

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

**Mr MATT KEAN:** —whether you and Mr Latham and all good people want to see money going into western Sydney, which we do.

**The Hon. DANIEL MOOKHEY:** Treasurer, this will be a lot simpler if you just listen to the questions and then try to answer them. Are you going to be—

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

**The Hon. DANIEL MOOKHEY:** —introducing legislation to govern WestInvest?

**The CHAIR:** I will hear the point of order.

**The Hon. PENNY SHARPE:** There is no point of order on this one, Ben.

**The Hon. BEN FRANKLIN:** The point of order is, that sort of comment about "try to answer them", it was unnecessary.

**The Hon. DANIEL MOOKHEY:** Not respectful?

**The Hon. BEN FRANKLIN:** It was disrespectful.

**The Hon. DANIEL MOOKHEY:** Okay. I am sorry.

**The CHAIR:** I do not uphold the point of order.

**Mr MATT KEAN:** I do not think it was disrespectful.

**The Hon. DANIEL MOOKHEY:** Is there going to be a law that governs how this fund can be used?

**Mr MATT KEAN:** Mr Mookhey, we will do whatever it takes to deliver for the people of western Sydney and that is a fact. That is what this Government is about. We want to make sure that we are standing up for the people of western Sydney, and if that means we will do whatever it takes to invest \$5 billion of infrastructure into the area of western Sydney then we will do it.

**The Hon. DANIEL MOOKHEY:** Treasurer, is there going to be a board that provides you or the Government advice on how this money can be used?

**Mr MATT KEAN:** We are going through the proper process to establish the governance framework for how that money will be allocated. I am not going to make that announcement here today. I do not want you stealing my media hits—you have got enough opportunities for that yourself. We will do it in our time, once we have gone through the proper process.

**The Hon. DANIEL MOOKHEY:** Treasurer, you said you would be consulting with local governments about projects which can be used. When will that consultation process start?

**Mr MATT KEAN:** I feel like we are covering old ground. I have said we are currently going through a process—

**The Hon. PENNY SHARPE:** You do not know.

**Mr MATT KEAN:** —to develop a robust planning and design of the guidelines and adopt the key principles—

**The Hon. PENNY SHARPE:** You have had months to do this.

**Mr MATT KEAN:** —of transparency, accountability and probity. Once we have finished that process, then we will make the appropriate announcements and start the consultation, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** What guarantee can you give us that this money will reach communities like Hoxton Park and not be diverted to dig a hole in Hornsby?

**Mr MATT KEAN:** Because Hornsby is not in western Sydney, Mr Mookhey. I will give you a map. Perhaps we could table one? I will get my staff to table a map of where exactly Hornsby is and that it is not included in the local government areas [LGAs] that will qualify for WestInvest.

**The Hon. DANIEL MOOKHEY:** Treasurer, we heard this when—

**Mr MATT KEAN:** I am very happy—can we get that map for Mr Mookhey about where Hornsby is?

**The Hon. DANIEL MOOKHEY:** We heard this when it came to the Stronger Communities Programme [SCP]. We have heard this grant program, after grant program, after grant program. What assurance can you give us that none of this money is going to be diverted to fund your Government's pork-barrelling?

**Mr MATT KEAN:** I reject the premise of your question. This will not be pork-barrelling. This will be governed by a transparent, accountable and—

**The Hon. PENNY SHARPE:** Like Stronger Communities?

**Mr MATT KEAN:** —value-for-money set of guidelines. There will be appropriate probity in place to give the community confidence that we are spending taxpayer dollars in the best interests of the State and for the people of western Sydney.

**The Hon. DANIEL MOOKHEY:** Did the Treasury Secretary have to report to the Secretaries Board three days after WestInvest was announced that work was only starting then on governance?

**Mr MATT KEAN:** You will have to get the secretary to answer that, because I have been the Treasurer for 30 days.

**The Hon. DANIEL MOOKHEY:** Congratulations. Treasurer Secretary?

**Mr PRATT:** I am not sure of timing, Mr Mookhey. But, certainly, I briefed the Secretaries Board, as I would, around the importance of this work and then I presented the outcome of that work once it was announced.

**The Hon. DANIEL MOOKHEY:** But after the announcement you went to a Secretaries Board meeting, did you not, and suggest that there needed to be a governance process involving the Department of Planning, Industry and Environment [DPIE] and the Premier's department to sort out the assurance framework that the Treasurer is now making reference to? That is correct?

**Mr PRATT:** I briefed the Secretaries Board on the package itself and then talked about the establishment of good governance around how this would work going forward. Yes, I did. I mean, that is what I would be expected to do.

**The Hon. DANIEL MOOKHEY:** Treasurer, given that at the time that this policy was announced none of this governance assurance framework that you are making reference to was in place, again I ask you: Can you give us any assurance that this money will be used for its intended purpose, for the intended communities?

**Mr MATT KEAN:** I have given you assurance on now two occasions. Let me repeat it for an abundance of clarity, and that is that we will develop robust guidelines that will adopt key principles of transparency, accountability and probity with regard to how we spend this \$5 billion to benefit the people of western Sydney.

**The Hon. DANIEL MOOKHEY:** On that basis then, why did you exclude Bayside and Georges River LGAs but include LGAs like The Hills and Hawkesbury in this fund? Those two communities have 300,000-odd people who were subject to the harshest lockdown restrictions in the State. They are barred from even asking to use this money whereas we have got lots of other LGAs, who were not affected as severely by the lockdown restrictions, who are in. Why were those 300,000 residents excluded?

**Mr MATT KEAN:** Well, I will give you a tip. The secret is in the name, Bayside. Last time I looked at a map, it is not in western Sydney. The Hon. Peter Poulos can give you a more illuminated response about where Bayside is in relation to western Sydney.

**The Hon. PENNY SHARPE:** This is supposed to be a COVID response, Minister.

**The Hon. DANIEL MOOKHEY:** Your Government is the one who said that—

**The Hon. PENNY SHARPE:** This is supposed to be your COVID response.

**The Hon. DANIEL MOOKHEY:** —this was meant to help the communities that did it the toughest under lockdown. It was in the press release of your predecessor. It is quite clear.

**Mr MATT KEAN:** No, WestInvest is about investing in infrastructure—

**The Hon. DANIEL MOOKHEY:** Are you seriously suggesting to those 300,000 people—

**Mr MATT KEAN:** —in western Sydney, not in Lugarno or Bayside or—

**The Hon. PENNY SHARPE:** Or Labor electorates.

**Mr MATT KEAN:** —Rockdale or—well, actually on the topic of Labor electorates, I think the majority of those LGAs are held by Labor MPs.

**The Hon. DANIEL MOOKHEY:** Treasurer, there are lots of these businesses in Bayside—

**Mr MATT KEAN:** This is not about playing politics.

**The Hon. DANIEL MOOKHEY:** That is why I am asking you.

**Mr MATT KEAN:** This is about delivering infrastructure—

**The Hon. PENNY SHARPE:** It is about the people who live here.

**Mr MATT KEAN:** —for the people of western and south-western Sydney.

**The Hon. DANIEL MOOKHEY:** The residents and businesses of Bayside and Georges River did it very tough. There is no specific fund in place to help those two communities recover. If they have been excluded

from WestInvest, can you give those small businesses any guidance as to where they can access some recovery funds?

**Mr MATT KEAN:** The people of Bayside and the people of Georges River did do it extremely tough and we should all be grateful for the sacrifices they made—

**The Hon. PENNY SHARPE:** Yes, but you are not going to help them.

**Mr MATT KEAN:** —to get us out of these lockdowns.

**The Hon. DANIEL MOOKHEY:** So perhaps let us not insult them and maybe we can answer their questions.

**The Hon. BEN FRANKLIN:** Well, let him finish his sentence.

**Mr MATT KEAN:** What I am saying is that there are currently supports available for people living in those LGAs. There is a \$2.8 billion recovery package to benefit people in those communities, as well as people across the State. But that is separate, obviously, to the infrastructure fund that we will be directing towards western Sydney.

**The CHAIR:** The crossbench. Ms Boyd?

**Ms ABIGAIL BOYD:** Thank you. Good morning, Treasurer. Do you think that the people of this State are stupid? It is a very serious question.

**Mr MATT KEAN:** Of course I do not think the people are—

**Ms ABIGAIL BOYD:** Right. So can—

**Mr MATT KEAN:** May I finish?

**Ms ABIGAIL BOYD:** —we take a step back and start—

**Mr MATT KEAN:** Ms Boyd, you have asked a question. Can I answer that?

**Ms ABIGAIL BOYD:** Sure. Go ahead.

**Mr MATT KEAN:** It is quite offensive that you would frame a question in that way. I have dedicated the last 10 years of my life to serving the people of this great—

**Ms ABIGAIL BOYD:** This is not a chance for you to grandstand, Minister.

**Mr MATT KEAN:** May I just finish? You asked me a question and I am answering it, and I am telling you why I am offended by the way you framed that question.

**Ms ABIGAIL BOYD:** Sure.

**Mr MATT KEAN:** I have entered the public service, like all of us in this room—I would hope—to support and ensure that the people of New South Wales live in the best place on the planet. For you to suggest that my intentions are otherwise—

**Ms ABIGAIL BOYD:** I did not. I asked you a question. The answer was, "No".

**Mr MATT KEAN:** Well, you framed it very poorly, Ms Boyd. You know my commitment to my job and to the people of this State. You have seen it in Environment. We have worked very closely together—

**Ms ABIGAIL BOYD:** Okay. It is a simple question—

**Mr MATT KEAN:** —and I am quite offended that you would frame it in that way.

**Ms ABIGAIL BOYD:** —you just respond, "No".

**Mr MATT KEAN:** It is a horrible question, Ms Boyd. It is inappropriate and, quite frankly, it is beneath you.

**Ms ABIGAIL BOYD:** Right, okay, thank you for that. Then tell me, why do you think that the people of New South Wales would believe that this money from the sale of WestConnex can go to two different places at once?

**Mr MATT KEAN:** No-one is suggesting that Ms Boyd.

**Ms ABIGAIL BOYD:** Because that is what you have said today.

**Mr MATT KEAN:** No, I did not say that, Ms Boyd.

**Ms ABIGAIL BOYD:** How can it go to paying down debt—

**Mr MATT KEAN:** No, Ms Boyd, I did not say that.

**Ms ABIGAIL BOYD:** —and also go towards the WestInvest fund?

**Mr MATT KEAN:** I did not say that, Ms Boyd. This is quite offensive, the way you are framing things. I never said that. You are misleading this Committee and all those people watching at home. It is very unfair for you to frame things in such an inflammatory way. What I said is that, because of our good management of our balance sheet, we are now able to invest in things like infrastructure in western Sydney. That is what I said, very clearly.

**Ms ABIGAIL BOYD:** Let us be clear about what we agree on. We are glad that there is money going— or hopefully there is money going—to western Sydney and the western suburbs. That is a great thing. We are all agreed on that. We are also agreed that you are new to this role and that you were not there when WestInvest was announced. On that basis, when you look back at the press release at that time that implied that WestInvest was "made possible"—were the words—by the sale of WestConnex, do you think that press release was misleading?

**Mr MATT KEAN:** Clearly, it was made possible by the sale of WestConnex because we are managing our balance sheet to maximise the value and return for taxpayers and residents of New South Wales. I am happy to hand over to the secretary to talk about how we managed our assets to get more assets for the people of this State. Our asset recycling scheme—

**Ms ABIGAIL BOYD:** No, Treasurer, I fully understand what your privatisation scheme is, and I understand the approach of the Government in the past. What I am asking you is: How is it possible that the money from WestConnex can go both towards paying down debt and towards an extra \$5 billion for the western suburbs?

**Mr MATT KEAN:** Because quite clearly we have sold WestConnex, we have seen a profit to the people of New South Wales and that creates more headroom to be able to do things like borrowing. That may not be how we will deliver the \$5 billion. It may be a part of the solution.

**Ms ABIGAIL BOYD:** So it will not be part of it.

**Mr MATT KEAN:** It may be part of the solution, but we have a number of levers available to us. What we need to focus on is the outcome, and the outcome is that we are going to spend \$5 billion in delivering infrastructure for western Sydney, Ms Boyd.

**Ms ABIGAIL BOYD:** You said before you found my initial question offensive.

**Mr MATT KEAN:** Yes.

**Ms ABIGAIL BOYD:** I find it offensive that you are sitting here telling us that \$5 billion can be both going to paying down debt as well as going, as fresh money, towards western Sydney. It is not possible. How can that be possible? Is that really your evidence?

**Mr MATT KEAN:** My evidence is that we will manage our balance sheet in the interests of the people of New South Wales, and if that creates more flexibility to build new infrastructure then that is what we will do.

**Ms ABIGAIL BOYD:** The sale of WestConnex and the announcement of WestInvest are really two very separate things, are they not?

**Mr MATT KEAN:** Sorry, can you just repeat that?

**Ms ABIGAIL BOYD:** The sale of WestConnex and the announcement of WestInvest are two very separate things. They are not actually connected. Is that correct?

**Mr MATT KEAN:** Well, I mean, Ms Boyd, the sale of WestConnex was a strategy by the Government to improve the position of its balance sheet in order to leverage another outcome for the people of New South Wales. That is what we are doing.

**Ms ABIGAIL BOYD:** You are not directly answering my question, though.

**Mr MATT KEAN:** Can you be direct with your question?

**Ms ABIGAIL BOYD:** I am asking you: Is it fair to say that the sale of WestConnex is directly responsible for WestInvest money being available?

**Mr MATT KEAN:** That is like saying that the taxes you pay are directly responsible for the wages that we all receive.



**Ms ABIGAIL BOYD:** Yes, exactly. So why was that in the press release?

**Mr MATT KEAN:** But it is not directly. It is obviously all part of how government manages its allocation of scarce resources.

**Ms ABIGAIL BOYD:** Okay, so it is just marketing spin then. Was this just a marketing spin when this announcement was made to link the two, to take the sting out of the privatisation of WestConnex?

**Mr MATT KEAN:** If you are asking me, if one of your questions at this Committee is, "Is this marketing spin, the press release?", then the answer is no, Ms Boyd.

**Ms ABIGAIL BOYD:** Which brings me back to my first question, but I will not ask that again because apparently it was offensive. In that press release and in the media reporting, it was reported that the Government had been working on WestInvest for six months prior to its announcement. We have now heard from the secretary that it was three or four months before. Can I ask you, Mr Midha, when was the first time that you heard about the WestInvest idea as a solid thing that you and your department were going to be responsible for?

**Mr MIDHA:** The development of the WestInvest, the mechanics of the WestInvest, would have been probably four or five weeks, four to six weeks maybe—around that time frame—before the announcement, but government would have been working on it for many months. But that is not part of what we do.

**Ms ABIGAIL BOYD:** When you say "working on it", what would that mean? What would that work be?

**Mr MIDHA:** Like I said, the Government, so the Treasurer et cetera and possibly others. My department, in terms of the funding and setting it up, would have been four to five weeks before WestInvest.

**Ms ABIGAIL BOYD:** Okay, but at no time was, for example, the eligibility criteria worked on in that six months prior to announcement.

**Mr MIDHA:** At the moment we are setting all that up, but that has not been done at this stage.

**Ms ABIGAIL BOYD:** It was not done before announcement then, was it? No.

**Mr MIDHA:** I have not done any of that, yes.

**Ms ABIGAIL BOYD:** Treasurer, listening to that, would you agree then that the statement that this is something government had been "working on for six months" was perhaps a little misleading?

**Mr MATT KEAN:** I was not the Treasurer at the time—

**Ms ABIGAIL BOYD:** I know—

**Mr MATT KEAN:** —but I am the Treasurer now, and I am the one responsible for delivering on this commitment. We are going to do it once we have established proper guidelines that the community can have confidence in with regard to how we are going to spend taxpayer dollars.

**Ms ABIGAIL BOYD:** Would you not think when a government announces a \$5 billion fund and says that it will be ready—what did we say, "prioritise small projects that can be undertaken within months to spur job creation" and that the Government had been working on it for six months—do you think a reasonable person would expect that the eligibility criteria had at least been worked out, that there were some details about this project?

**Mr MATT KEAN:** What I expect is that—I think most people in the public would expect there to be a proper process before public money is expended. We are developing that proper process.

**Ms ABIGAIL BOYD:** Yes, but again you are not answering my question. I understand that is what you are doing now, but clearly that did not happen before it was announced. Agree?

**Mr MATT KEAN:** I cannot speak to what happened before I was the Treasurer, but I can speak to what is happening now that I am the Treasurer. But perhaps the secretary might be able to clear up some of those questions for you.

**Mr PRATT:** Ms Boyd, as I mentioned earlier, discussion on this started four to five months ago. It is important to put it in the context of the whole value chain of work that we have done, which really was, firstly, around supporting the business community and citizens with the grant process. So that was part of the restore process, if you like, in support. The next step in that was recovery, which is the plan that we are now talking about. So discussions first happened between the Treasurer and I around four to five months ago, as I have mentioned. The focus initially was on supporting the community and citizens.

**Ms ABIGAIL BOYD:** Could you focus, though, on what actual details of this project were agreed on before it was announced?

**Mr PRATT:** That culminated then in a lot of detailed work around two months ago, and that is the work that Mr Midha is referring to around all the policy work that Treasury did around the release of the package. So it has been a process over a number of months. Could I just clear up the funding question that you have?

**Ms ABIGAIL BOYD:** Please.

**Mr PRATT:** The point around the establishment of the fund, the fund will be seeded by \$800 million of stamp duty from the WestConnex sale. It will then be increased over a period to \$5 billion. That will come from a number of options. It could be increased income and revenue. We are seeing a quicker economic recovery than what we had forecast originally, so I do expect that revenue will rise on the back of that. Government will have revenue opportunities to seed this fund.

**Ms ABIGAIL BOYD:** Sure. We are kind of going a bit off topic.

**Mr PRATT:** There has been a number of questions around funding. I thought it might be helpful if I cleared it.

**Ms ABIGAIL BOYD:** Can I clarify that then? Sorry, my time is running out. If you say \$800 million—

**Mr PRATT:** Yes.

**Ms ABIGAIL BOYD:** —is all that is coming from WestConnex, then you would agree that the sale of WestConnex is not what has made this possible.

**Mr PRATT:** No, because part of the balance sheet management, and those words made possible, is that it has freed up headroom that the Government would not have had otherwise.

**Ms ABIGAIL BOYD:** So would lots of things.

**The CHAIR:** We will have to come back to this.

**Mr PRATT:** It is not about taking that money and investing it directly in WestConnex. It is an overall balance sheet management issue.

**The Hon. MARK LATHAM:** Thanks, Treasurer, and Treasury officials. Treasurer, less than 12 months ago New South Wales lost its triple-A credit rating as assessed by S&P Global. Why was that?

**Mr MATT KEAN:** I think the secretary might be best placed to help you understand that. But there are obviously some structural issues in our fiscal position and whatnot, but I might get the secretary just to talk to that.

**The Hon. MARK LATHAM:** They are in your budget papers. Budget Paper No. 2 says it was "due to the State's operating deficits and increase in debt". What is your plan to return the budget to operating surplus and give us a chance to regain that triple-A credit rating so vital to our economic reputation and debt-servicing capacity?

**Mr MATT KEAN:** There are some serious structural issues with the budget. Our expenses are increasing faster than our revenues are growing. There are a number of plans that we have in place around capping expenditure—obviously we have got the wages policy, a number of things that we have put in place to try to slow down that growth of expenditure—but, obviously, the Delta variant of COVID has had a huge impact on that work. It is going to see a significant increase in our borrowings in order to finance a number of the programs that we have undertaken. But we do have a fiscal recovery plan to repair the structural position of the budget, which will go out over the forwards, with a view to getting that debt to gross State product [GSP] ratio back down to around 7 per cent. I might just get the secretary to talk more specifically to those issues.

**Mr PRATT:** Mr Latham, the core issue is the one you have raised, and that was that increasing debt was the main issue for Standard and Poor's. Moody's did reaffirm the triple-A rating, so at the moment we have one rating agency with triple-A and we have Standard and Poor's with AA-plus. Having said that, they were still very complimentary about the overall fiscal management of government but their expectation is that they see a pathway from government about reducing debt over time. We have laid out that pathway in the budget papers with a view to getting debt to GSP back to within an area where the rating agency—in this case S&P—will be comfortable. What has changed since the budget, as you know, is that the Government has spent additional funding on supporting business and communities on the back of Delta. So there is an additional fiscal challenge now that the Government will need to look at to come back within those requirements.

**The Hon. MARK LATHAM:** Treasurer, what is in the fiscal recovery plan?



**Mr MATT KEAN:** With regard to getting our structural deficit under control?

**The Hon. MARK LATHAM:** You just said that you have got a fiscal recovery plan to bring the budget back into operating surplus and I am asking what is in the fiscal recovery plan.

**Mr MATT KEAN:** In the fiscal recovery plan are things like the wages policy, which is obviously capping public sector wage growth. It is doing things like cutting a number of programs, so doing fiscal repair and rationalising some of the programs we deliver.

**The Hon. MARK LATHAM:** Which programs are being cut?

**Mr MATT KEAN:** We are working through that process but we have got a number of projects that we are looking at. Obviously I am just new into the role, but we will be casting a fresh set of eyes over that. I agree with you, Mr Latham. The fiscal position that we find ourselves in is unsustainable. We need to provide that pathway back to surplus. Obviously that is going to be my priority after we make sure that we come out through the recovery better.

**The Hon. MARK LATHAM:** You said you are cutting programs. In your early review of programs that should be cut, what have you identified?

**Mr MATT KEAN:** We have not yet.

**The Hon. MARK LATHAM:** You have not?

**Mr MATT KEAN:** I have not, as the Treasurer, but there is obviously a pre-existing plan to get spending under control, which the secretary is probably best place to speak to.

**The Hon. MARK LATHAM:** In the last budget there were 145 policy change measures. Do you know how many of those were actual expenditure reductions?

**Mr MATT KEAN:** I will have to take that on notice, Mr Latham.

**The Hon. MARK LATHAM:** We went through this at our previous budget estimates at length with the officials and the answer was none of them out of the 145. Treasurer, do you support the terms and conditions of the Fiscal Responsibility Act?

**Mr MATT KEAN:** Broadly, yes, of course.

**The Hon. MARK LATHAM:** Broadly or specifically?

**Mr MATT KEAN:** It was the Coalition Government that introduced the Fiscal Responsibility Act, Mr Latham, of course.

**The Hon. MARK LATHAM:** At that last estimates we had with the officials, Mr Pratt said that there had been expense breaches in the two preceding fiscal years and the expense issue is a very challenging one. Do you undertake to get on top and resolve that expense issue that has been identified by the secretary?

**Mr MATT KEAN:** Yes, we have got to.

**The Hon. MARK LATHAM:** When do you expect that to happen?

**Mr MATT KEAN:** Obviously, new in the role, going straight into budget estimates, we will get through the sitting weeks and then we will be casting an eye over all the options that we have available to us to repair the State's financial position.

**The Hon. MARK LATHAM:** If I can take you to *Budget Paper No. 2*, page 9 - 6, it has got a 2021-22 outlays forecast of an expenditure reduction of 2.5 per cent. Is that something you are intending to persevere with?

**Mr MATT KEAN:** I will have to take that on notice. I do not have the budget paper in front of me but I am very happy to take that on notice and come back to you.

**The Hon. MARK LATHAM:** But when you say you have got a fiscal recovery plan, is that the sort of expenditure restraint that you have got in mind—a cut of 2.5 per cent, as set out in this budget paper from the June budget?

**Mr MATT KEAN:** I will have to take that on notice, but obviously we are looking at options to improve the State's financial position in a way that supports the economy.

**The Hon. MARK LATHAM:** Can the officials shed some light on that forecast, which one would expect has gone right out the window because of the COVID recovery out of the Delta lockdown. What is the latest forecast? If it is not 2.5 per cent reduction, what is it?

**Mr MIDHA:** I just want to confirm, you are looking at *Budget Paper No. 2*, the Outcomes Statement?

**The Hon. MARK LATHAM:** Yes.

**Mr MIDHA:** The Treasury Cluster?

**The Hon. MARK LATHAM:** Yes.

**Mr MIDHA:** And the question is? Sorry, Mr Latham.

**The Hon. MARK LATHAM:** Are you sticking with that forecast of a 2.5 per cent outlay reduction in 2021-22, our current financial year? If not, what is the revised number?

**Mr MIDHA:** For just the Treasury Cluster? Because this refers to just the Treasury Cluster.

**The Hon. MARK LATHAM:** No it is "Chart 9.5: Annual expense growth below long-term revenue growth". That is one of the terms and conditions of the Fiscal Responsibility Act.

**Mr MIDHA:** That is right. That expenditure growth rate—reduction—that forecast will change because that was at the last budget. We have since had the Delta outbreak and more—

**The Hon. MARK LATHAM:** I am asking what is the change.

**Mr MATT KEAN:** We will update that at the half-year review, Mr Latham.

**The Hon. MARK LATHAM:** I think my question is pretty clear. What is the change?

**Mr MIDHA:** That will be updated at the half-year.

**Mr MATT KEAN:** We will update it at the half-year review.

**The Hon. MARK LATHAM:** When is that coming up?

**Mr MATT KEAN:** December.

**The Hon. MARK LATHAM:** Minister, looking at these numbers, when do you think you will get back to operating surplus to have a chance to regain the triple-A credit rating? What is your intention at this stage—a broad intention of coming back into that surplus?

**Mr MATT KEAN:** The number one priority has to be the support of the rebound of the economy. That is first and foremost. We need to get the budget working for the economy, not the economy working for the budget. That is the first principle. Obviously we need to make sure that we are not leaving our kids with our debt as a result of this, so we need to make sure that our financial position is sustainable. As to the glide path to achieve that, that will be something that will be outlined through the half-year review process and beyond.

**The Hon. MARK LATHAM:** So you are expecting that you will have expenditure increases in this financial year and next rather than the reduction set out in the last budget?

**Mr MATT KEAN:** We are expecting the deterioration of the operating budget deficit, that what we forecast in June will be worse than what we predicted.

**The Hon. MARK LATHAM:** Minister, are you worried about the loss of the fiscal gatekeeper role of the Treasury, that for two years in a row, and perhaps we are going to have four years in a row, the Fiscal Responsibility Act has been breached, and the Treasury department has got itself into identity politics, things like gender-neutral pronouns, which have got nothing to do with fiscal discipline, and a \$35,000 so-called reconciliation painting in the tea room. Are you keen to rebuild the role of Treasury as the gatekeeper on these finances?

**Mr MATT KEAN:** Of course. I am a chartered accountant. I want to make sure that Treasury is a leading economic policy powerhouse and responsible with how they spend other people's money. What I would say as a general principle, Mr Latham, is that I am very proud to be part of a government that supports inclusiveness and diversity and harnesses the best talents of our people. I am not going to shy away from that. So I will be supporting inclusion for the diversity of our public service, not the exclusion and the politics of division.

**The Hon. MARK LATHAM:** I am just wanting to include fiscal discipline and thought that public servants working on that might be desirable.

**Mr MATT KEAN:** You can walk and chew gum, Mr Latham.

**The Hon. MARK LATHAM:** Not so far, with this department. If you look at these expenditure blowouts, Minister. In the review of the Government grants that has been announced today, it is said to involve

the Department of Premier and Cabinet [DPC] and the Productivity Commissioner but not the Treasury official responsible. Why is that?

**Mr MATT KEAN:** Obviously DPC will lead on this. The Premier is taking the lead on this review. We will obviously be having input into the process, Mr Latham.

**The Hon. MARK LATHAM:** What input will you have given that in the announcement your Treasury official, Mr Midha, has not been included in the review? Do you think he should be?

**Mr MATT KEAN:** The Productivity Commissioner, who reports to the Treasury Secretary, is the joint reviewer so Treasury is going to play a key role in this review, Mr Latham.

**The Hon. MARK LATHAM:** But shouldn't your deputy secretary, policy and budget be involved in what is a comprehensive review of all the budget grants?

**Mr MATT KEAN:** The Productivity Commissioner, who does report into the secretary, is involved. How many people do we want to have involved in this review?

**The Hon. MARK LATHAM:** I would have thought the deputy secretary in charge of budget might be involved.

**Mr MATT KEAN:** I thought you were about cutting costs and making sure that people were focused on best use of their time, Mr Latham.

**The Hon. MARK LATHAM:** Maybe more diligent eyes looking at grants can reduce the pork-barrelling and misallocation of funds. We will come to that further in the next round of questioning, I am sure.

**The Hon. DANIEL MOOKHEY:** Treasurer, I am just going to pick up on one aspect of your answer to a question asked by Mr Latham. One of the areas that you nominated that the Government is looking at in the task of fiscal repair is wages policy. What are your intentions about the wages policy?

**Mr MATT KEAN:** The wages policy is clear. There is no proposed change to the wages policy. The Government's wages policy is a matter of public record and we will be sticking to that.

**The Hon. DANIEL MOOKHEY:** In this budget it went from 0.3 per cent back to 2.5 per cent. Are you contemplating introducing another wage freeze in the midyear economic review?

**Mr MATT KEAN:** No, we are not.

**The Hon. DANIEL MOOKHEY:** Okay, thank you very much. I will move on. Treasurer, are you satisfied with icare's performance?

**Mr MATT KEAN:** Since I have come into the role, I am satisfied that there has been an independent review of icare by Justice McDougall. He set out a number of recommendations, and icare and the Government have accepted all of those recommendations and will be implementing them.

**The Hon. DANIEL MOOKHEY:** Do you have confidence in icare's board and senior leadership team?

**Mr MATT KEAN:** I certainly do. I think icare is led by an outstanding chair in John Robertson and I have full confidence in Mr Robertson. Few people understand the plight of injured workers better than Mr Robertson. He is an outstanding advocate for workers and always has been.

**The Hon. PENNY SHARPE:** You don't need to tell us that.

**Mr MATT KEAN:** Mr Mookhey, I would hope that you would join me in supporting him. In fact, you thought the same thing because you appointed him to be the alternative Premier of this State.

**The Hon. DANIEL MOOKHEY:** Is icare's senior management team doing a superb job?

**Mr MATT KEAN:** Icare's senior leadership team?

**The Hon. DANIEL MOOKHEY:** Management team.

**Mr MATT KEAN:** Management team—well, you can ask him yourself. Richard Harding is on the line.

**The Hon. DANIEL MOOKHEY:** No, I am asking you. In your view, is icare's senior management team doing a superb job?

**Mr MATT KEAN:** From what I have seen in the 30 days that I have been the Minister, icare is cracking on with the job of implementing the recommendations of the McDougall review, as I would expect them to.

**The Hon. DANIEL MOOKHEY:** Minister Dominello told us just last week that the scheme is under immense pressure due to icare's faltering return-to-work rates and its key Nominal Insurer scheme. Do you agree with him?

**Mr MATT KEAN:** Sorry, can you just repeat the question?

**The Hon. DANIEL MOOKHEY:** Minister Dominello told us just last week that the entire workers compensation scheme is under immense pressure due to icare's operational performance, particularly its faltering return-to-work rate. Do you agree that the workers compensation scheme in New South Wales is under immense pressure as a result of icare's faltering performance and do you agree with Minister Dominello?

**Mr MATT KEAN:** I think the pandemic has put huge pressure on icare, as it has a number of government agencies. I mean, obviously, in an environment where a whole range of sectors of our economy are shut down it is hard to get people back into those workplaces. That has had an impact on return-to-work rates, as has the changing case mix that icare is dealing with. We are seeing a huge increase in psychological claims which, yes, are putting enormous pressure on the workers compensation insurer.

**The Hon. DANIEL MOOKHEY:** You made mention of the return-to-work rate. The four-week return-to-work rate for the Nominal Insurer, which icare runs, fell from 66 per cent last December to 63 per cent in July this year. That is before the lockdown. What reasons has icare given you for why its return-to-work rate was deteriorating at the same time the economy was growing really fast? What reasons has it given you for that?

**Mr MATT KEAN:** I think there are a number of reasons: the claims management system, a changeover in their IT systems, the changing case mix of the type of claims that icare is dealing with. There are a whole range of factors and what I would say is that return-to-work rate is not good enough. It is far too low.

**The Hon. DANIEL MOOKHEY:** Treasurer, those factors that you just identified—the claims management and the IT—were identified in 2019 by the Dore review, which you knew.

**Mr MATT KEAN:** Yes.

**The Hon. DANIEL MOOKHEY:** They have been present since 2018. But I am asking you, specifically, what reasons has icare given you for the deterioration in the six months from December 2020 to July 2021, when the economy was surging?

**Mr MATT KEAN:** Just remember, in that period there were still the remnants of the impact of the Alpha outbreak of COVID, so you cannot discount COVID as having an impact. In addition to that, as I said, icare have told me that the case mix has changed dramatically. We are seeing far more presentations of psychological injury claims coming before the insurer. They take a longer time to get back to work and they obviously cost an insurer a lot more. But Mr Harding is probably best placed to answer these questions.

**The Hon. DANIEL MOOKHEY:** To be fair, this is about governance so they are directed at you. Rest assured, to Mr Harding and to the team at icare—

**Mr DAVID SHOEBRIDGE:** Plenty of time, Mr Harding.

**The Hon. DANIEL MOOKHEY:** —you will have plenty of time this afternoon to answer some questions. He will have many opportunities to come in on the detail here. But do you have, by any chance, the four-week return-to-work rate for the Nominal Insurer [NI] in September?

**Mr MATT KEAN:** For, sorry, September?

**The Hon. DANIEL MOOKHEY:** The four-week return-to-work rate in September.

**Mr MATT KEAN:** I do not have that number handy.

**The Hon. DANIEL MOOKHEY:** Does Mr Harding have that number handy?

**Mr MATT KEAN:** Mr Harding?

**Mr HARDING:** Yes, indeed. The current return-to-work rate at July is 63 per cent.

**The Hon. DANIEL MOOKHEY:** I am asking for September, Mr Harding.

**Mr HARDING:** It is still 63 per cent, Mr Mookhey.

**Mr DAVID SHOEBRIDGE:** Is that for the Nominal Insurer?

**The Hon. DANIEL MOOKHEY:** That is for the Nominal Insurer?

**Mr HARDING:** Yes, I—yes, it is.

**The Hon. DANIEL MOOKHEY:** Okay, thank you.

**Mr DAVID SHOEBRIDGE:** No. He said, "I guess".

**Mr HARDING:** No, I didn't.

**The Hon. DANIEL MOOKHEY:** Treasurer, have you received a Nominal Insurer Liability Valuation as of 30 June 2021 from icare?

**Mr MATT KEAN:** Not to my knowledge, no.

**The Hon. DANIEL MOOKHEY:** Mr Harding, have you provided that number to anyone? Have you provided to any part of the Government the Nominal Insurer liability?

**Mr HARDING:** Absolutely, Mr Mookhey. We provided it to State Insurance Regulatory Authority [SIRA] early in August. We further had a meeting with SIRA at which the actuaries, Finity, in September, provided a 45-minute consultation on the liability valuation. Subsequently, as part of our financial condition report, it was provided to SIRA in October. The same information and data that was available for that—

**The Hon. DANIEL MOOKHEY:** I appreciate that, Mr Harding.

**Mr HARDING:** —was provided to the Minister in the form of our annual report.

**The Hon. DANIEL MOOKHEY:** Rest assured, as a result of your answer, I will taking it up with SIRA as to why last week they denied getting it. Treasurer, did you or icare share that with the Premier's office?

**Mr MATT KEAN:** The valuation?

**The Hon. DANIEL MOOKHEY:** Yes.

**Mr MATT KEAN:** No, I have not seen the valuation.

**The Hon. DANIEL MOOKHEY:** But has anyone from your office shared it with the Premier's office?

**Mr MATT KEAN:** Not to my knowledge. I am happy to take that on notice for you.

**The Hon. DANIEL MOOKHEY:** Could you? Anyone from Treasury?

**Mr PRATT:** Not to my knowledge either, Mr Mookhey, no.

**The Hon. DANIEL MOOKHEY:** Mr Harding, has icare directly shared with the Premier's office the NI valuation as of 30 June 2021?

**Mr HARDING:** Not the valuation, that I am aware of, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** So when the Premier, just two weeks ago, was standing up in question time saying that he had a funding ratio of 99 per cent, how did he get that information if it was not available to you and it was not available to Treasury and it was not available to the regulator?

**Mr HARDING:** Can I perhaps answer, Mr Mookhey, that we provide the Treasurer's office with regular reports on a monthly basis. That includes updated information on the funding ratios. I assume that the Treasurer got it from there or from other notes that we provide him. You need the liability valuation report to get to the funding ratio. That is part of the level of detail.

**The Hon. DANIEL MOOKHEY:** Thank you, Mr Harding. If Premier Perrottet got that from his time as Treasurer, it went directly to his office and not to the Treasury per se. Can we infer that, Mr Pratt? Did you see it prior?

**Mr PRATT:** Can I just check with Mr Gardner? Because there is reporting that we do get from icare, usually on a quarterly basis. So could I check with Mr Gardner, Mr Mookhey?

**The Hon. DANIEL MOOKHEY:** Perhaps we can clear that up this afternoon, because I just want to move on.

**Mr PRATT:** Alright, that is fine. Okay.

**Mr HARDING:** I can answer the question for you, if you like.

**The Hon. DANIEL MOOKHEY:** What was the underwriting—

**Mr DAVID SHOEBRIDGE:** Mr Harding was adding something.

**The Hon. DANIEL MOOKHEY:** Sorry, Mr Harding.

**Mr HARDING:** I was just going to suggest that I can answer the question for you, if you like.

**The Hon. DANIEL MOOKHEY:** Please.

**Mr HARDING:** The CEO report that goes to both the board of icare, that contains the funding ratios and other regular financial reporting, goes to both the Treasurer and to Mr Pratt's office on a regular basis, after it has been through our board.

**The Hon. DANIEL MOOKHEY:** I appreciate that, Mr Harding.

**Mr HARDING:** I assume that is where the information has come from.

**The Hon. DANIEL MOOKHEY:** Thank you. Treasurer, given that we now know that you are getting—or at least someone is getting—regular reports, can you tell us what the underwriting result for the Nominal Insurer was for the financial year 2020-21?

**Mr MATT KEAN:** I cannot tell you that off the top of my head. We are happy to take it on notice.

**The Hon. DANIEL MOOKHEY:** Does Mr Pratt have it, or does Mr Harding have it?

**Mr PRATT:** Mr Harding should have that.

**The Hon. DANIEL MOOKHEY:** Mr Harding, what was the underwriting result for the Nominal Insurer for the financial year 2020-21?

**Mr HARDING:** Thank you, Mr Mookhey. The underwriting result was a loss of \$1.417 billion for 30 June 2021.

**The Hon. DANIEL MOOKHEY:** That was \$1.417 billion?

**Mr HARDING:** Yes.

**The Hon. DANIEL MOOKHEY:** So the underwriting loss was \$1.417 billion last year, the previous year it was 2.194, and previous to that it was 2.5. That accords with your numbers, Mr Harding?

**Mr HARDING:** Yes, Mr Mookhey. The underwriting result is not really a relevant result for us to look at. We need to take into account the investment returns on the portfolio of assets—

**The Hon. DANIEL MOOKHEY:** No, I disagree with you on that, Mr Harding. But I will pursue that with you this afternoon.

**Mr HARDING:** Well, perhaps if I could help you understand it, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** No, I appreciate that, Mr Harding. The problem is that I take Janet Dore's view on that, which we got two years ago, and I had this debate then.

**Mr HARDING:** Well, there is a significant—

**The Hon. DANIEL MOOKHEY:** These questions are for the Treasurer.

**Mr HARDING:** I am happy to help in any way.

**The Hon. DANIEL MOOKHEY:** Treasurer, do you or does Mr Harding have the net result for the NI?

**Mr MATT KEAN:** Mr Harding is best placed to answer these questions.

**The Hon. DANIEL MOOKHEY:** What is the net result for the NI?

**Mr HARDING:** The net result for the Nominal Insurer is a profit of \$63 million, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Thank you. So, once more, we are back into this position in which we are repairing massive underwriting losses with investment returns. Is that a satisfactory outcome to you, Treasurer?

**Mr MATT KEAN:** Obviously, we want to see the insurer sustainable in the long term. That is one of the first things this Government did when it came into power—fixed the mess that Labor left to us with regard to the insurer, which had about a \$10 billion deficit, is my understanding. Obviously, we need to make it sustainable. As a former work health and safety Minister in this State, I want to see an insurer that provides that safety net for injured workers and helps them return to work.

**The Hon. DANIEL MOOKHEY:** Treasurer, Janet Dore, in her independent review, put in stark lights the massive risks involved in relying on investment returns to make up for a deteriorating claims performance. We are basically back to where we were two years ago, are we not?



**Mr MATT KEAN:** What I will say is that since the Dore review there has been the McDougall review, and that was an independent review which found:

...any suggestion that the scheme's financial sustainability is currently in doubt is ... unsupportable.

**The Hon. DANIEL MOOKHEY:** So you are not worried?

**Mr MATT KEAN:** I am always worried about how we can best care for injured workers and I am always—

**The Hon. DANIEL MOOKHEY:** But are you worried about another \$1.4 billion underwriting loss?

**Mr MATT KEAN:** Of course, I want to make sure that our insurer is sustainable and is able to do its job, which is to protect injured workers. So we will always look to make sure that we can do that as best possible.

**The Hon. DANIEL MOOKHEY:** You made reference to the McDougall review. When will the Government be bringing in the legislation to implement his recommendations?

**Mr MATT KEAN:** That is a question best asked to Minister Dominello. He is responsible for SIRA and those questions are in his purview.

**The Hon. DANIEL MOOKHEY:** Rest assured, I did ask him, and he basically said it was you who has to make this decision, given it is icare's operational performance. I think you will find you are doing it in partnership with him. But he told us that he expects that the legislation to implement the McDougall review recommendations will not be introduced until sometime next year. If you are taking this as seriously as you are suggesting, why are you delaying bringing legislation to Parliament to implement the McDougall review?

**Mr MATT KEAN:** If you are prepared to commit to support the Government's legislation, we should bring that on as soon as possible.

**The Hon. DANIEL MOOKHEY:** Treasurer, if you are able to explain what the Government's legislation is—

**Mr MATT KEAN:** If you are going to give the commitment—

**The Hon. DANIEL MOOKHEY:** —you would be surprised about what we might do.

**Mr MATT KEAN:** Maybe we should start negotiating that, but I would like to see it done as soon as possible.

**The Hon. DANIEL MOOKHEY:** Let me tell you—there are two issues that I want to ask you about then on that basis.

**Mr DAVID SHOEBRIDGE:** Show us the legislation and then we will talk.

**Mr MATT KEAN:** Minister Dominello can show you.

**The Hon. DANIEL MOOKHEY:** Let's see if we can get some bipartisanship on these issues. At the height of icare's torrid culture, which prevailed between 2015 and at least 2020, was the lack of probity in its procurement process. Do you think that icare should be keeping its exemption from the State's procurement laws for the Nominal Insurer?

**Mr MATT KEAN:** Sorry, could you repeat the question please?

**The Hon. DANIEL MOOKHEY:** Maybe I should just do it this way: Are you aware that the Nominal Insurer, as run by icare, has an exemption from the State's procurement laws?

**Mr MATT KEAN:** Yes, I am aware of that, but—

**The Hon. DANIEL MOOKHEY:** Do you think, given the litany of reporting in McDougall and elsewhere about the torrid procurement practices that prevailed in that organisation for five years, that they should keep that exemption?

**Mr MATT KEAN:** I am not going to make policy on the run but, in principle, no, I do not.

**The Hon. DANIEL MOOKHEY:** Thank you. One of the more notorious of icare contracts was with the IVE Group. This is, of course, a group that was run by the former president of the NSW Liberal Party—still is. They got a \$21 million contract from icare without tender. Are you aware of that? It was prominently reported last year.

**Mr MATT KEAN:** I have read the great work that you have done with Adele Ferguson and whatnot, and obviously—

**The Hon. DANIEL MOOKHEY:** Good, so you have some familiarity with what I am talking about.

**Mr MATT KEAN:** I do not think anyone is sitting here condoning the poor practice when it came to procurement of icare, and that is exactly what McDougall has sought to stamp out. The Government should give full effect to those recommendations. That is what we intend to do.

**The Hon. DANIEL MOOKHEY:** The reason I am asking you about this specific contract with the IVE Group, as run by the former president of the NSW Liberal Party, which got \$20 million worth of work without tender, is because it turns out they have picked up another \$3 million contract without tender. How can you honestly be saying anything is changing there? I provided you the contract, so you have it. How can you honestly be saying that anything is changing at icare when you are making the same mistakes again with the same people?

**Mr MATT KEAN:** It is not good enough. I do not accept it, and we are not going to allow this to happen. We are currently consulting on the legislation, on the recommendations of McDougall. I am happy to take that issue on notice, but I am not going to comment on things that I have not seen. I am not going to have your surprise attacks—

**The Hon. DANIEL MOOKHEY:** No, it is not a surprise.

**Mr MATT KEAN:** —for your TikTok videos and things like that. Ms Jackson—I was hoping she would be here to whip one up for me.

**The Hon. DANIEL MOOKHEY:** Treasurer, this is a serious matter, right? Again, the same procurement practice is being repeated. I appreciate you are going to take it on notice.

**Mr MATT KEAN:** I accept the premise of your question. It is not good enough, and I will come back to you with how we will deal with issues like that so the public can have confidence that money going to the public insurer is going to where it is intended, and that is supporting injured workers and getting them back to work.

**The Hon. DANIEL MOOKHEY:** I appreciate that. The second issue that perhaps we might be in a position to reach bipartisanship on whenever you decide to bring legislation—we learnt last year that about 200 of icare's top executives are entitled to bonuses in addition to their high levels of remuneration. Do you think that we need to pay 200 executives at icare bonus payments?

**Mr MATT KEAN:** The remuneration of icare executives is a matter for the board. The board is chaired by someone I have complete confidence in, with regard to John Robertson, who understands the plight of injured workers, also understands community expectations, being a former MP in this place and a very senior Minister—a very successful one at that as well. I will take advice from him and the board on these matters but, obviously, in order to get the best qualified people to safeguard these monies in the interests of injured workers we have to pay market rates. That should not come as a shock to you, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, amongst the 200 top executives who get paid bonuses is icare's social media team. Whilst I cannot see any TikTok videos that they are producing, do you honestly think that paying an icare social media operative to produce TikTok videos, Facebook videos, Instagram videos is more important than reducing employer premiums or helping sick and injured workers? Is that the policy position of your Government?

**Mr MATT KEAN:** No, I do not accept the proposition you put. I agree with you, and that is exactly the kind of thing—

**The Hon. DANIEL MOOKHEY:** What part do you agree with me on and which part do you disagree with?

**Mr MATT KEAN:** It would seem odd that social media people would get a bonus at the public insurer.

**The Hon. DANIEL MOOKHEY:** For what it is worth, I agree with you on that.

**Mr MATT KEAN:** But I do not know the detail. I am just talking at the high level, the principle here.

**The Hon. DANIEL MOOKHEY:** But the reason I ask you this—

**Mr DAVID SHOEBRIDGE:** They have got 750 followers on Twitter, and of their most recent tweets, one of them got one like.

**The Hon. DANIEL MOOKHEY:** Do they deserve a bonus?

**Mr MATT KEAN:** That is nearly as many as Mr Poulos over there.

**Mr DAVID SHOEBRIDGE:** Is that a bonus?



**The Hon. MARK LATHAM:** That's a sledge.

**Mr DAVID SHOEBRIDGE:** Mr Poulos has got a lot of social media.

**The CHAIR:** With friends like this—

**The Hon. DANIEL MOOKHEY:** To be fair, he probably needs a bonus.

**The Hon. PETER POULOS:** We were collaborating.

**Mr MATT KEAN:** I agree with you, but these are matters for the board.

**The Hon. DANIEL MOOKHEY:** The reason I ask you this question is because, other than NSW Treasury Corporation, icare is the only other agency that has an exemption from the Government Sector Employment Act 2013. I am asking you this as a policy issue. The reason why they can use employer premiums to pay bonuses to icare social media managers is because they are not subject to the rules that any other State-owned corporation is or, for that matter, Treasury is. Is that a permissible exception, and do you think icare should retain the power to write its own rules when it comes to employing public servants?

**Mr MATT KEAN:** No, I do not. I have accepted the premise of your question. Can we move on?

**Mr DAVID SHOEBRIDGE:** Why did you vote against the legislation? You voted against the legislation that we put to you months and months ago.

**Mr MATT KEAN:** I think it is Mr Mookhey's time.

**The Hon. DANIEL MOOKHEY:** Save it for your time. Treasurer, last year icare made an application to increase premiums by 2.8 per cent. They flagged that there would be additional premium increases coming. Have you been advised as to whether icare is intending to increase premiums next year for the 326,000 businesses that they insured through the Nominal Insurer?

**Mr MATT KEAN:** I have been advised that icare is considering premium increases, but I understand that decision is yet to be finalised, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** When you say that you understand that they are considering premium increases, what have they told you is the magnitude of premium increases that they require?

**Mr MATT KEAN:** Mr Harding advised me last week in a budget estimates preparation session that they are considering an increase in the premium of around 1.4 per cent. I think my recollection serves me correctly, Mr Harding. Perhaps you could clarify?

**Mr HARDING:** Not 1.4. Mr Mookhey, when we announced the increase last year of 2.9 per cent, we suggested that it was over two years. We need to continue to do more work. December is the time when we get our valuation of liabilities for the half-year, and once we have that we can actually do some work and go through the process with SIRA, and then ultimately advise the Treasurer on the recommended outcome. The common stance, though, is that we believe that the way forward is to continue our process of modest and consistent and predictable increases that reflect the underlying inflationary costs in the scheme, not knee-jerk reactions to the current state of play or to economic changes in the fund but consistent and predictable and somewhat modest inflationary increases, similar to those experienced in the [inaudible].

**The Hon. DANIEL MOOKHEY:** Given that, as Mr Harding says, you are now apparently contemplating modest, consistent premium increases, how many years do you think, or have you been advised, that the 326,000 businesses are going to be getting higher premium bills? Is this going to be going on for more than two years, three years, four years? How long are we expecting these businesses to cop premium increases?

**Mr MATT KEAN:** We are going to make sure that we run the insurer in a sustainable way to protect the rights of injured workers and help them get back to work. That is an ongoing commitment, Mr Mookhey.

**The CHAIR:** The crossbench, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** Treasurer, nice to see you and the team. There is no truth that now you are Treasurer you are going to change your name from Matt to Gloss? There is no truth in that rumour?

**Mr MATT KEAN:** Mr Latham will still call me "Matt Green" so don't you worry about that.

**The Hon. MARK LATHAM:** Your friends call you that.

**Mr MATT KEAN:** That is right. It is a badge I wear with honour.

**The Hon. MARK LATHAM:** I'm sure.

**Mr DAVID SHOEBRIDGE:** Treasurer, this morning we saw a rebirthing of the former Treasurer who, having overseen years and years and years of pork-barrelling, now says that he wants to stamp it out and seems to be taking a different position to the former Treasurer. Where do you stand on this? Do you side with the current Premier that you should be trying to stop pork-barrelling or do you sign on to the former Premier that it is just a part of democracy and we all should suck it up?

**Mr MATT KEAN:** Obviously, I think that the taxpayers expect, rightly, that the distribution of public money should be fair, and that is, I believe, what the current Premier said, and I support that position. That is one of the reasons we are implementing this review. I think, Mr Shoebridge, you know that I always act with the highest levels of integrity and I intend to bring that same focus that I did in my previous portfolio to this one.

**Mr DAVID SHOEBRIDGE:** So where was your voice months ago when former Premier Berejiklian came out and defended pork-barrelling on the basis that it was not illegal? Why did we not hear from you then, that you disagreed with that and that you took a different position? Why is it only once we get a change of Premier we get this?

**Mr MATT KEAN:** I have always had that view, Mr Shoebridge. I obviously think that public moneys should be spent responsibly and in the interest of the public. That is a position that I will continue to have in this role, Mr Shoebridge.

**The Hon. PENNY SHARPE:** Like the \$90 million on Stronger Communities. Let us see him reject that.

**Mr DAVID SHOEBRIDGE:** So will you support legislation to outlaw pork-barrelling? Is that your end goal—to have legislation to outlaw pork-barrelling and to make it illegal?

**Mr MATT KEAN:** That is a generic statement that you have made. Obviously we need to be not seeing pork-barrelling but we will have to see the detail of the legislation.

**Mr DAVID SHOEBRIDGE:** But do you agree with the basic principle that partisan use of public money to benefit the political party in power over and above the public interest, which is a pretty good working definition of pork-barrelling, should be illegal? Do you agree with that proposition?

**Mr MATT KEAN:** I agree with the proposition that taxpayer money should be spent in a transparent, fair and accountable way.

**Mr DAVID SHOEBRIDGE:** It is a simple question. Do you think pork-barrelling, as I defined it to you then, should be illegal? Yes or no?

**Mr MATT KEAN:** I think that the practice of pork-barrelling is not the right way to expend public moneys.

**Mr DAVID SHOEBRIDGE:** But you are not willing to say that it should be illegal or that it should be outlawed.

**Mr MATT KEAN:** I am willing to say that the expenditure of public money should go through a proper process, one that is transparent, one that is fair and one that gets the best value for taxpayer dollars.

**Mr DAVID SHOEBRIDGE:** A different one to the one that has been exposed in ICAC over the past two weeks. You would agree that that does not meet any of those?

**Mr MATT KEAN:** I have outlined the principles from which I think that public money should be spent.

**Mr DAVID SHOEBRIDGE:** Treasurer, was the first time you heard that ICAC had had a \$1.417 billion underwriting loss for the first financial year—sorry, I will start again. ICAC did not have a \$1.417 billion underwriting loss. It does not have enough money but it is not that much underwritten. Let us pretend that did not happen and we will start again. Treasurer, was the first time you heard that icare had a \$1.417 billion underwriting loss in budget estimates today?

**Mr MATT KEAN:** Yes, I believe so.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, was the first time you heard that icare had a \$1.417 billion underwriting loss in budget estimates today?

**Mr PRATT:** Personally, yes. But, as we have indicated earlier, that information may have gone to my office but I just have not seen it yet, that is all.

**Mr DAVID SHOEBRIDGE:** Treasurer, one of the reasons that icare has been in such a muddle and, over the past three years, has had an accumulated underwriting loss of \$6 billion is that it has been rudderless.

The Minister responsible has not been getting updates, the Treasury Secretary has not been getting updates and it has fallen into a \$6 billion cumulative hole in underwriting losses over the past three years and nothing seems to have changed. How is it that you do not find out about a \$1.4 billion hole until we tell you about it in budget estimates?

**Mr MATT KEAN:** I do not accept the premise of your question. There has been a lot of change since the McDougall review including a clean-up of the governance structure. There is a new board in place chaired by John Robertson, who is someone that I have complete confidence in, and I have already met with him to talk to him about some of these issues and about what we are going to do to improve the fund for injured workers.

**Mr DAVID SHOEBRIDGE:** It seems to me that you have got a briefing from icare that the reason that the return-to-work rates are so low, at 63 per cent, is that there has been a large number of psychological claims. Is that what you were told?

**Mr MATT KEAN:** No, there is a mix of things that have kept the four-week return-to-work rate quite low. But, obviously, as I said to Mr Mookhey, it is not good enough and one of the things that I will be focusing on as Treasurer is the strategies that are needed to improve that position.

**Mr DAVID SHOEBRIDGE:** The transcript will speak for itself but the only reason that I heard that you put forward for the shockingly bad return-to-work rates was that there had been a change in the claims mix and psychological claims were much harder to deal with. Is that at least part of what you say is the reason?

**Mr MATT KEAN:** That is one of the reasons but what I said is that there are a suite of reasons—

**Mr DAVID SHOEBRIDGE:** What are the others?

**Mr MATT KEAN:** —which include the claims management system, the IT issues that you are well aware of and are a matter of public record, the change in the case mix and also the impact of COVID. So there are a range of measures. I am not trying to excuse it away but they do make sense to me when I was briefed on it by the icare officials as to why the four-week return-to-work rate has remained stubbornly low.

**Mr DAVID SHOEBRIDGE:** The appalling claims management system, where they replaced claims managers with an algorithm, was highlighted in 2019 and was meant to be remediated by now. Are you telling me that that has still not been fixed?

**Mr MATT KEAN:** I am telling you that they are working through a process to address these issues. I understand that that includes looking at how the claims management is done. John Robertson gave me a brief on this as recently as this morning so there are a range of systems and processes that the board is looking to implement to address these issues.

**Mr DAVID SHOEBRIDGE:** Mr Harding, the shockingly inadequate claims management system identified in the Dore report and identified in the upper House committee's report—is it not yet fixed? Are you still operating on the algorithm rather than on claims managers? Have you not fixed that yet, Mr Harding?

**Mr HARDING:** Mr Shoebridge, there are a number of factors that are affecting the four-week return-to-work rate.

**Mr DAVID SHOEBRIDGE:** But I was asking you about the claims management system. Has it been fixed?

**Mr HARDING:** I will get to the claims management system. I think we should clarify that the decrease in the four-week rate is actually industry wide. If you look at [disorder].

**Mr DAVID SHOEBRIDGE:** Point of order: We have limited time here with the Minister and it is not a chance for you to have a general exploration. I ask, through you, Chair—

**Mr HARDING:** I am trying to provide clarity in the answer to the question.

**Mr DAVID SHOEBRIDGE:** —that Mr Harding limit himself to answering my question about the claims management system.

**The CHAIR:** Mr Harding, if you can answer as directly as possible, we do have the rest of the day to explore some of the detail with you.

**Mr DAVID SHOEBRIDGE:** Has the claims management system been fixed?

**Mr HARDING:** Happy to answer the question and clarify that the four-week rate is actually an industry phenomenon. In respect to the systems work, there is a lot of systems work that is going on and we are continuing to do that. There have been a number of adjustments to the algorithm and, as you say, Mr Shoebridge, it needs

further work. One of the things that we are very conscious of is that making any change in the system causes disruption to the return to work. So we are doing this in a measured and practical way that does not impact injured workers and ensures that we do not disrupt the very important trust relationship between an injured worker and the case manager. We have invested in case managers in conjunction with the estimated maximum loss. There has been a combined \$20 million investment that has resulted in additional 71 full-time equivalent employees [FTEs] being brought on board over the last year. An additional 15 mobile case managers have been brought in and put in place. That has led to a number of important changes that flow back through to Ms Dore's report that you have been quoting. One of those is that the case loads have fallen from the high sixties to around 52. That enables the case managers to spend a lot more time with each individual injured person and to ensure that that person is getting the right return-to-work support that they need.

**Mr DAVID SHOEBRIDGE:** Thank you, Mr Harding.

**Mr HARDING:** I am happy to finish the answer to the question.

**Mr DAVID SHOEBRIDGE:** I appreciate it and there will be plenty of opportunity this afternoon, if you want to add more. Minister, Mr Harding says that has been put in place. Between August last year and now, despite that, the four-week return-to-work rate has deteriorated even further—from 69 per cent, it is now at 63 per cent. Were you aware that, despite Mr Harding's statements to that effect, things had got dramatically worse in the past 12 months?

**Mr MATT KEAN:** No, I was not. But I appreciate you raising these issues and they are going to be top of mind in finding out how we are going to address it. The four-week return-to-work rate is appalling and needs to be addressed and it needs to be addressed faster than we are currently seeing it done. So I will come back to you on that, Mr Shoebridge, about what we are going to do.

**The Hon. MARK LATHAM:** Treasurer, if you are so against pork-barrelling, why did you lobby for and receive \$90 million for two parks in your Hornsby electorate as part of a rorted grants scheme?

**Mr MATT KEAN:** Because that is what good local members do: They advocate for their community to get the infrastructure and services that they need. As you know, Mr Latham, Hornsby Shire Council was short-changed to the tune of \$250 million because of the Fit for the Future program, and the Government, when it unwound Fit for the Future, committed to ensure that places like Hornsby were not going to be financially worse off. So I am not going to apologise to you or anyone else for being a good local member and fighting for my community, Mr Latham. If you want to sit here all day and remind everyone how good a member for Hornsby I am, then let's go. Let's do it.

**The Hon. MARK LATHAM:** So, as Treasurer, you are saying pork-barrelling is okay as long as it is in your electorate?

**The Hon. PENNY SHARPE:** Yes, that is right.

**Mr MATT KEAN:** No, that is not what I am saying. That is what you are saying. What I am saying is that I have always stood up for my community. I have always lobbied hard for my community, and I will continue to do so. In fact, I remember, Mr Latham, you came up to Hornsby to hand out for your candidate, the One Nation candidate. Perhaps if she was better able to fight for our community she would have been elected. I was elected because I fight for my community. I always will and I will continue to do so.

**The Hon. MARK LATHAM:** Why did Matt Crocker, a senior adviser to the former Premier, state in a reconstructed but previously shredded document:

This package ... would be spending more on delivering sports fields and facilities in Hornsby than ... for the rest of Sydney over ... four years.

Right there, that is the definition of pork-barrelling, is it not?

**Mr MATT KEAN:** Mr Latham, Hornsby shire residents were left worse off to the tune of about \$250 million because Epping was moved from the Hornsby shire to Parramatta before the Government withdrew the Fit for the Future program. So, obviously, that Stronger Communities Fund was there to support councils that were adversely affected by the local government amalgamation process.

**The Hon. MARK LATHAM:** That is a ridiculous argument.

**Mr MATT KEAN:** It is not.

**The Hon. MARK LATHAM:** You lost the residents of Epping. Obviously you do not need the rate money to service people who are not in the LGA. Answer the question about Matt Crocker. Why did he say the package would be spending more on delivering—

**Mr MATT KEAN:** You will have to ask Matt Crocker.

**The Hon. MARK LATHAM:** I am not going to entertain nonsense to say that a council—

**Mr MATT KEAN:** You permanently entertain nonsense, Mr Latham. That is all you do in the upper House.

**The Hon. MARK LATHAM:** —needs rate revenue for people who have left the municipality. It is a complete absurdity and a bit beneath you. But perhaps you can answer the question as to why Matt Crocker would have advised the former Premier, in a document shredded but then reconstructed, that the package was spending more on sports facilities in Hornsby than the rest of Sydney over four years? That is the definition of pork-barrelling, is it not?

**Mr MATT KEAN:** I cannot answer what Mr Crocker said. I am not going to speak for him. What I can speak for is what I did as the local member—ensuring that Hornsby residents were not going to be financially worse off. I advocated for my community, as you would expect me to do.

**The Hon. MARK LATHAM:** Did Gladys Berejiklian tell you on or around 27 June 2018 that the Stronger Communities Fund guidelines had been changed to benefit Hornsby?

**Mr MATT KEAN:** No.

**The Hon. MARK LATHAM:** What conversations did you have with the former Premier about this grant?

**Mr MATT KEAN:** Mr Latham, I have lots of conversations with all my colleagues all the time. With regard to that grant, I lobbied. I made it very clear, in the public domain, that I wanted to make sure that Hornsby residents were not going to be financially worse off. That is a matter of public record, Mr Latham.

**The Hon. MARK LATHAM:** What conversations did you have with the former Premier in lobbying for this money for Hornsby?

**Mr MATT KEAN:** I had lots of conversations—

**The Hon. MARK LATHAM:** You had lots of conversations for this pork-barrelling. Thank you.

**Mr MATT KEAN:** —as I do with all my colleagues to make sure that Hornsby residents get the best deal, as I do to ensure that all residents get the best deal in New South Wales, Mr Latham.

**The Hon. MARK LATHAM:** As Treasurer, do you find it unacceptable that a grant scheme's terms of reference and eligibility were changed, as this one was in June 2018, without telling the other councils in Sydney but Hornsby had the inside knowledge?

**Mr MATT KEAN:** Mr Latham, I obviously was not a decision-maker in this process. I was a local member advocating for my community.

**The Hon. MARK LATHAM:** When did you first find out that the eligibility rules had been changed to benefit Hornsby but it was a secret to everyone else?

**Mr MATT KEAN:** Well, when it happened, I guess. I mean, I did not—

**The Hon. MARK LATHAM:** It happened on 27 June?

**Mr MATT KEAN:** That is probably when I found out—

**The Hon. MARK LATHAM:** So you were in on the fix?

**Mr MATT KEAN:** —when it became public knowledge.

**The Hon. MARK LATHAM:** So you were in on the fix and you were happy—

**Mr MATT KEAN:** I was not—

**The Hon. MARK LATHAM:** —to have \$90 million allocated to Hornsby—

**Mr MATT KEAN:** I am not going to indulge your conspiracy theories here, Mr Latham.

**The Hon. MARK LATHAM:** —four times the rest of Sydney and keep those other councils in the dark? What a disgrace.

**Mr MATT KEAN:** Let me take a few things off the table. We did not fake the moon landing—

**The Hon. MARK LATHAM:** You were happy with that disgrace?



**The CHAIR:** Okay. We need one person at a time.

**Mr MATT KEAN:** —JFK was assassinated, Harold Holt has not been kidnapped by the Russians, Mr Latham. You can spread your smear and fear in the upper House, like you continue to do, but I am not going to indulge your nonsense, okay? That is just utter rubbish and it is disappointing how far you have fallen. You were once the leader of a great political party, advocating to build a stronger nation, and now look at you, pedalling fear and rubbish in the upper House, Mr Latham.

**The Hon. MARK LATHAM:** Well, listen, pal, I have never been party to roting grants.

**Mr MATT KEAN:** Really? Really? Because, Mr Latham, when you were on Liverpool council—

**The Hon. MARK LATHAM:** Can you confirm your evidence that you knew about this on 27 June?

**Mr MATT KEAN:** When you were on Liverpool council—

**The CHAIR:** I am going to intervene here.

**The Hon. BEN FRANKLIN:** Yes, I was about to call a point of order.

**Mr MATT KEAN:** —your financial record was a disgrace, Mr Latham.

**The CHAIR:** Excuse me, Treasurer. I am going to interrupt both of you. First of all, we need one of you at a time.

**The Hon. MARK LATHAM:** Well, this is just Young Liberal absurdity, is it not? You ought to lift yourself above the cocktail parties. Can you confirm what you have just told this Committee under oath—

**Mr MATT KEAN:** We are not on Sky After Dark here, Mr Latham. You cannot just peddle your falsehoods.

**The CHAIR:** Excuse me, Treasurer and Mr Latham, you both have to stop. We need one person speaking at a time at first instance because Hansard needs to record this. I am sure you all going to be very interested in the transcript. We need questions followed by answers, followed by questions et cetera.

**The Hon. MARK LATHAM:** Can you confirm what you said previously: that you knew about this on 27 June 2018?

**Mr MATT KEAN:** Well, I cannot—I do not recall dates. If you want to put something to me, I can check my records and come back to you, Mr Latham.

**The Hon. MARK LATHAM:** Well, that is what you said previously. What are you hoping will come—

**Mr MATT KEAN:** No, that is not what I said previously. If you want to put something to me, I can go and check my records and I am very happy to come back to you, Mr Latham.

**The Hon. MARK LATHAM:** You give answers about Liverpool council. I am talking about Hornsby Council. What are you hoping—

**Mr MATT KEAN:** We can talk about Liverpool council.

**The Hon. MARK LATHAM:** Okay, okay—

**Mr MATT KEAN:** Perhaps we can talk about the Pompidou fountain that you spent millions of dollars on—well, one of the projects you spent millions of dollars on. I mean, I do not know if you have been to Pompidou, but that does not look like the Pompidou—

**The Hon. PENNY SHARPE:** Point of order: This is actually getting ridiculous.

**The Hon. MARK LATHAM:** Well, this is just the Young Liberal clown. We should have put you in the fountain.

**The Hon. PENNY SHARPE:** Look, this is ridiculous. Clearly, the Minister has been—

**Mr MATT KEAN:** You think this is Sky After Dark. It is not.

**The Hon. PENNY SHARPE:** —waiting for a while to have a go at the member, but this is not the role of budget estimates.

**Mr MATT KEAN:** You can go and talk to your 10 people on Sky After Dark later.

**The Hon. PENNY SHARPE:** Treasurer, you are actually now interrupting in terms of a point of order. Can you please stop?

**The Hon. MARK LATHAM:** This is a disgrace, Chair. I take a point of order. Can you bring this disgrace to order?

**The CHAIR:** I am trying to hear the point of order that is being taken right now.

**The Hon. PENNY SHARPE:** That is what I am trying to do.

**The CHAIR:** Both of you need to be quiet. Ms Sharpe has the call.

**The Hon. PENNY SHARPE:** Very simply, you need to stop speaking over each other, and Mr Latham needs to be able to ask his questions and you need to answer them and not bring in irrelevant answers.

**The CHAIR:** I uphold the point of order. This is budget estimates, where the members of the Committee get to ask the Ministers questions and the Ministers get to answer as they see fit. Mr Latham has the call.

**The Hon. MARK LATHAM:** Minister, what are you hoping to come out of the review of the grant scheme that is now underway?

**Mr MATT KEAN:** I think I have answered that several times here today: that we want to see a process that ensures transparency, accountability and probity. That is what we will do. That is what I will do as the Treasurer.

**The Hon. MARK LATHAM:** Do you believe that a substantial grant should always have a published benefit-cost ratio exceeding 1.0 to justify a Government expense?

**Mr MATT KEAN:** What I will say is that, obviously, we should make sure that public money is spent in the interests of taxpayers. But there are a number of considerations and a number of things that we need to take into account when determining public benefit. You know that, Mr Latham. You have been in public life a long time, Mr Latham.

**The Hon. MARK LATHAM:** Yes, but should the benefit-cost ratios be published and exceed 1.0? It is a straightforward question—yes or no?

**Mr MATT KEAN:** And I am giving you a straightforward answer that there are a number of considerations that political leaders make when determining what is in the public interest. That is how democracy works, Mr Latham. In fact, we have an opportunity every four years for the people of this State to determine whether or not they agree with how the government of the day is spending their money. That is called an election process. Mr Latham, you used to believe in democracy. You used to believe in ensuring the people of this State were able to participate in how the Government was run.

**The Hon. MARK LATHAM:** Chair, this is just irrelevant, Young Liberal rhetoric that goes nowhere to the answer of the question. Please, do we have to tolerate this?

**The CHAIR:** Mr Latham, you have the call. You can ask a question.

**The Hon. MARK LATHAM:** Was there any benefit-cost ratio for the \$90 million spends on the Hornsby parks?

**Mr MATT KEAN:** Mr Latham, you know the answer to that. You have probably got it there in front of you.

**The Hon. MARK LATHAM:** I am asking you, Treasurer, and you seem to be very proud of this pork-barrelling. What is the answer?

**Mr MATT KEAN:** You will have to speak to Hornsby council. But my role in this process was advocating for my community and I am not going to apologise for that. Perhaps if you did more advocating for your community, rather than those people on Sky After Dark, you would be getting better results for the people of this State.

**The Hon. MARK LATHAM:** Do you understand how childish you make yourself look with those answers? Seriously?

**Mr MATT KEAN:** Mr Latham, I have seen your performances in the upper House.

**The Hon. MARK LATHAM:** You are the Treasurer of New South Wales, acting like a juvenile. Can you just lift yourself up a little bit to answer questions directly, please?

**Mr MATT KEAN:** I am not going to be taking lectures from you, Mr Latham—

**The Hon. MARK LATHAM:** I am asking questions.

**Mr MATT KEAN:** —about acting like a juvenile. Are you serious?

**The Hon. BEN FRANKLIN:** Point of order, Madam Chair—

**The CHAIR:** Yes, Mr Franklin.

**The Hon. MARK LATHAM:** It is an embarrassment to the Parliament the way this man is behaving.

**The Hon. BEN FRANKLIN:** I am very sorry but the member is not asking questions, which is what budget estimates is about. It is about asking questions for the Minister to answer. At the moment he is just making a series of statements, which is not helpful to the process.

**The CHAIR:** I think it was a question about the behaviour and the conduct of the Treasurer, to be fair. Whether that is an appropriate question is a separate proposition, but Mr Latham has the call and can continue for the next couple of minutes.

**The Hon. MARK LATHAM:** In the review of the grant schemes across the Government, Treasurer, are you expecting that a business plan should always be published to justify the expenditure of public money that taxpayers work very hard to contribute?

**Mr MATT KEAN:** We are expecting that recommendations be made as to how best to acquit public money in a fair, transparent way that demonstrates the best value for taxpayers.

**The Hon. MARK LATHAM:** Previously you have described yourself as a protégé of Gladys Berejiklian. She has been your mentor, yes?

**Mr MATT KEAN:** Is that a question?

**The Hon. MARK LATHAM:** Yes, it is.

**Mr MATT KEAN:** Is that a question whether I knew Gladys Berejiklian? She was my boss.

**The Hon. MARK LATHAM:** No. You have seen her as your mentor?

**Mr MATT KEAN:** Mr Latham, I think it is a matter of public record that Gladys Berejiklian, as the Premier of New South Wales, was someone that I admired greatly.

**The Hon. MARK LATHAM:** Do you repudiate her comments from the ICAC phone taps, such as, "I'm throwing money at Wagga, don't you worry about that", Joh Bjelke-Petersen style?

**Mr MATT KEAN:** Mr Latham, I think it was clear in the phone tap that the money that was being referred to—the \$170 million for Wagga hospital—was already in the budget papers 12 months before.

**The Hon. MARK LATHAM:** But do you repudiate this approach to pork-barrelling in an electorate like Wagga, where a Premier would say, "I'm throwing money at Wagga"? That is, without a business case, without a benefit-cost ratio. Is this the sort of thing that you have been taught to do from your mentor?

**Mr MATT KEAN:** Mr Latham, firstly, I reject the premise of your question. That is a ridiculous statement to make. You know that. What I will say is that—

**The Hon. MARK LATHAM:** Hornsby Park suggests it.

**Mr MATT KEAN:** —\$170 million for Wagga hospital that was allocated 12 months before, through the budget process, is not the rort and conspiracy that you are making it out to be.

**The CHAIR:** It being 11 o'clock, it is now time for us to take a break. We will return at 11.15 a.m. I ask for the broadcast to stop for 15 minutes. I remind our witnesses who are online that they should turn off their cameras and mute their microphones because the broadcast will continue for you.

**(Short adjournment)**

**The CHAIR:** Welcome back, everybody. We will continue our questioning with the Opposition.

**The Hon. PENNY SHARPE:** Treasurer, do you believe that the shredding of documents as part of grant preparations is acceptable?

**Mr MATT KEAN:** No. Best practice would be keeping a paper trail of decisions made by government, so, obviously, that should be the practice of government.

**The Hon. PENNY SHARPE:** Are you concerned that the \$90 million grant that was given to Hornsby council does not come with any paperwork, given it was shredded in the former Premier's office?



**Mr MATT KEAN:** I would be concerned if there was not a paper trail for any major government decisions or any expenditures of public money. I think that is a reasonable point to make.

**The Hon. PENNY SHARPE:** Treasurer, did you promise more than \$90 million to Hornsby council prior to the announcement?

**Mr MATT KEAN:** Obviously I was not the decision-maker here.

**The Hon. PENNY SHARPE:** No.

**Mr MATT KEAN:** Ms Sharpe, I was advocating for my community. Hornsby council felt they were short-changed to the tune of \$250 million, and they were very robust in their attempts to persuade the community and the Government to remedy that shortfall.

**The Hon. PENNY SHARPE:** Just to be clear, Treasurer, the General Manager of Hornsby Shire Council, during the grants inquiry, suggested that there has been a commitment to provide even additional money to Hornsby council. Were you involved in that?

**Mr MATT KEAN:** I have not seen what the General Manager of Hornsby Shire Council said, but if the General Manager of Hornsby Shire Council feels that the Government needed to do more to recompense the community then I can only imagine that is what he was getting to.

**The Hon. PENNY SHARPE:** But you have not had any conversations with Hornsby Shire Council promising them above and beyond the \$90 million that was provided under the previous grants program?

**Mr MATT KEAN:** Ms Sharpe, I have had lots of conversations with Hornsby Shire Council around a range of topics, including how we are going to remedy the shortfall of funding as a result of the loss of Epping in the Hornsby LGA.

**The Hon. PENNY SHARPE:** So you believe that Hornsby has got more money to come then?

**Mr MATT KEAN:** Hornsby council believes they have more money to come, that is for sure.

**The Hon. DANIEL MOOKHEY:** Have you had any conversations with Philip Ruddock about that?

**Mr MATT KEAN:** Yes, I have had many conversations with Philip Ruddock.

**The Hon. DANIEL MOOKHEY:** Did he request additional funding above the \$90 million?

**Mr MATT KEAN:** Philip Ruddock is always after additional funding.

**The Hon. DANIEL MOOKHEY:** Did you promise him?

**Mr MATT KEAN:** I have always listened to Philip Ruddock and listened to his concerns—

**The Hon. DANIEL MOOKHEY:** Did you promise him?

**Mr MATT KEAN:** —and I work very closely with the council and the elected councillors to ensure that we get the best result for the people of Hornsby.

**The Hon. DANIEL MOOKHEY:** But did you promise him?

**Mr MATT KEAN:** I do not believe that there were any promises made, no.

**The Hon. DANIEL MOOKHEY:** Did you give a commitment to him to advocate for this?

**Mr MATT KEAN:** That is a different question, Mr Mookhey. I have always given a commitment to fight hard for my community, and I will always continue to do that.

**The Hon. DANIEL MOOKHEY:** Treasurer, you are aware that in this year's budget the then Treasurer Perrottet released a progress paper on his proposal to apply land tax in lieu of stamp duty on residential properties, correct?

**Mr MATT KEAN:** Yes.

**The Hon. DANIEL MOOKHEY:** You have read the paper?

**Mr MATT KEAN:** Have I read the paper?

**The Hon. DANIEL MOOKHEY:** Yes.

**Mr MATT KEAN:** I am aware of the general principles.

**The Hon. DANIEL MOOKHEY:** But have you read the paper?

**Mr MATT KEAN:** I have read parts of the paper. I have not read it cover to cover.

**The Hon. DANIEL MOOKHEY:** It is sensational reading. You should give it a go. In his forward, the then Treasurer, now Premier, says:

The proposed new property tax system, which replaces stamp duty with a small, annual tax, would not be a panacea for our future economic challenges. Nor could it single-handedly solve the ever complex home-ownership puzzle for NSW citizens.

He goes on to say:

But it would make things better – substantially so. It would stimulate home ownership, grow the economy and create jobs.

Do you agree with him?

**Mr MATT KEAN:** Do I agree with the Premier in principle or with regard to that?

**The Hon. DANIEL MOOKHEY:** No, that specific comment that his proposal for a new property tax system to replace stamp duty with a small annual tax "would stimulate home ownership, grow the economy and create jobs".

**Mr MATT KEAN:** That would be one way to do it, but there are other ways to improve housing affordability for people across New South Wales. We obviously want to tackle that issue. This may be one lever which we could consider.

**The Hon. DANIEL MOOKHEY:** Is the Government going to be proceeding with Mr Perrottet's policy to replace stamp duty with land tax?

**Mr MATT KEAN:** As you would appreciate, being new in the role, we are looking at opportunities to improve housing affordability. That was Premier Perrottet's preferred method, but I obviously need to get across the range of options that are available to us to tackle this big challenge, this generational challenge, and that is exactly what we will do, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Indeed. But I am asking you specifically then have you abandoned Mr Perrottet's plan to apply land tax on residential properties in lieu of stamp duty?

**Mr MATT KEAN:** We are considering all options to improve housing affordability for people in this State.

**The Hon. DANIEL MOOKHEY:** Just to be clear, this option of replacing stamp duty with land tax on residential properties is still being considered by the Government?

**Mr MATT KEAN:** No, we are considering options to improve housing affordability for the people of New South Wales.

**The Hon. DANIEL MOOKHEY:** You just said no. Are you saying that work on his proposal to replace stamp duty with land tax has stopped?

**Mr MATT KEAN:** No, that is not what I am saying. What I am saying is—

**The Hon. DANIEL MOOKHEY:** So I am asking you—

**Mr MATT KEAN:** —that, as the new Treasurer, I am looking at all the ways that we can improve affordability for people entering the housing market, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** I accept that, Treasurer.

**Mr MATT KEAN:** This may be one solution.

**The Hon. DANIEL MOOKHEY:** Indeed. But I am just asking you: This specific option is still being considered by the Government, correct?

**Mr MATT KEAN:** We are considering a range of options to improve housing affordability for the people of this State.

**The Hon. DANIEL MOOKHEY:** This specific option, which the former Treasurer, now Premier, has spoken about at length for two years, remains under consideration by the Government, correct?

**Mr MATT KEAN:** It could possibly be an option, but there are a range of options to improve housing affordability in this State. We will consider all of them.

**The Hon. DANIEL MOOKHEY:** When the then Treasurer explained this at the time of the budget, he did make reference to a further work that was being undertaken. Can we get an update from you or the Treasury secretary as to what has taken place since the release of the progress paper?

**Mr MATT KEAN:** I am very happy to hand to the secretary.

**The Hon. DANIEL MOOKHEY:** Mr Pratt?

**Mr PRATT:** Mr Mookhey, we have done considerable work around—as you are aware, we went out—probably one of the largest consultation periods that we have ever undertaken from Treasury, and getting a huge amount of extensive feedback from associations, individuals and a whole range of people. We have put together a number of options for the Government to consider around how this would be implemented, and that is currently where it is.

**The Hon. DANIEL MOOKHEY:** When did you put those options?

**Mr PRATT:** I would have to take it on notice, the date, but approximately—

**The Hon. DANIEL MOOKHEY:** Approximately is fine.

**Mr PRATT:** Approximately four or five months ago.

**The Hon. DANIEL MOOKHEY:** Great. Are we going to be seeing an exposure draft anytime soon? Are we going to be seeing legislation? What is this actual next step that the Government is contemplating with respect to this particular proposal?

**Mr MATT KEAN:** The next step will be that the Government will consider a range of options to improve housing affordability for New South Wales?

**The Hon. DANIEL MOOKHEY:** What other options are you considering, Treasurer?

**Mr MATT KEAN:** There is a whole range of things. You could do direct grants, you could provide subsidies. There is a whole range of things.

**The Hon. DANIEL MOOKHEY:** Which ones are you considering, Treasurer?

**Mr MATT KEAN:** I am not going to play rule in, rule out games here today, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** No, I am not asking you to. I am actually asking you to tell me which ones you are considering.

**Mr MATT KEAN:** We are considering a range of options. Obviously I am new into the role, so we need to do the detailed policy work to ensure that we get the best outcome for first home owners in this State.

**The Hon. DANIEL MOOKHEY:** Treasurer, we have a consultation paper about a proposal to apply an annual property tax on people's homes. We have not got a consultation paper on any other option. Is there any other option that has been considered in as much detail as this one?

**Mr MATT KEAN:** That is because we have got a new Treasurer, Mr Mookhey, who is looking at a range of measures to improve housing affordability for the people of New South Wales. This may be one, but I need to do that work and satisfy myself that that is going to solve this problem.

**The Hon. DANIEL MOOKHEY:** Treasurer, what then, as you see it, as an option that you are currently considering, do you think the advantages are of applying land tax to residential properties instead of stamp duty?

**Mr MATT KEAN:** Can you repeat the question, sorry?

**The Hon. DANIEL MOOKHEY:** What are the actual advantages of this particular proposal that the Government flagged in the budget about applying land tax to residential properties instead of stamp duty? What are the advantages of that option?

**Mr MATT KEAN:** One of the advantages, obviously, is that stamp duty is a large up-front cost so it would be looking to remove that large barrier to entering the housing market. But, again, that is one method that could be considered by the Government to address this challenge.

**The Hon. DANIEL MOOKHEY:** Are there other advantages, Treasurer?

**Mr MATT KEAN:** The Government has not said that it is going to pursue that necessarily. It is going to look at what the best way is to address housing affordability.

**The Hon. DANIEL MOOKHEY:** Sure, Treasurer, and I appreciate that you have nominated that particular advantage. Are there any other advantages that you think there are in the former Treasurer's proposal?

**Mr MATT KEAN:** There are a number of advantages but, again, I need to satisfy myself that that proposal, against a suite of other ways to address housing affordability, is the right way to do it and I will go through that process, Mr Mookhey. But I have not had a chance to do it.

**The Hon. DANIEL MOOKHEY:** You have not had a chance to do it yet. Do you have a time line?

**Mr MATT KEAN:** To consider the suite of measures available?

**The Hon. DANIEL MOOKHEY:** No, I am not critical. I appreciate you have only been Treasurer for 30 days and it is a busy time, but do you have a time line for when you think you would have completed your own analysis of the former Treasurer and current Premier's proposal and any other additional options you might be considering?

**Mr MATT KEAN:** We will work through the process in the usual manner and Government will make a decision through its proper process.

**The Hon. DANIEL MOOKHEY:** In respect to the specific proposal made by the former Treasurer and now current Premier, are you confident that New South Wales families can afford to pay a perpetual land tax on a family home?

**Mr MATT KEAN:** I think that that is a hypothetical which I am not going to indulge in today.

**The Hon. DANIEL MOOKHEY:** It is not hypothetical. There is nothing hypothetical about it. I am asking you, are you confident New South Wales families can afford to pay the land tax as proposed by the former Treasurer and current Premier?

**Mr MATT KEAN:** I will be confident once I look at the modelling—

**The Hon. DANIEL MOOKHEY:** So currently you are not.

**Mr MATT KEAN:** —and all of the options available to us to improve housing affordability in New South Wales, and right now I have not done that yet, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, the value of all New South Wales homes calculated using their unimproved value rose by 5.33 per cent per annum between 2015 and 2020, yet wages only rose by 2 per cent over the same period of time per year. If Premier Perrottet's proposal to apply land tax to the family home had already applied in that period of time, the tax bill would have risen by more than twice the rate of wage growth. Does that cause you to worry about whether or not families can afford this particular proposal?

**Mr MATT KEAN:** We are trying to address housing affordability, not make it further beyond reach for people. There are a whole range of equity issues that would need to be considered before the Government went down the path of pursuing any policy that could impact on people's finances or their wellbeing and that is what we will do, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, I appreciate that. Is it still your intention to let people choose between paying stamp duty or land tax, if the Government wants to proceed with this proposal?

**Mr MATT KEAN:** I reject the premise of your question. It is not my intention to do anything at the moment. It is my intention to look at a suite of measures to make housing more affordable.

**The Hon. DANIEL MOOKHEY:** Treasurer, this is a paper that your Government released with this year's budget. This is a budget estimates hearing. This followed an extensive period of early consultation that started in November last year. It is not unreasonable for us to be asking how your Government intends to make this proposal work. I am asking you. The model that the former Treasurer and current Premier flagged would have allowed people to choose between paying stamp duty and land tax. Is that still the policy preference of the Government with this proposal? That is it. Nothing more complicated.

**Mr MATT KEAN:** Mr Mookhey, what I am being very clear about is that the Government has not taken a decision about what options it is going to pursue to improve housing affordability and when we do we will let you know. And you have got another opportunity to ask me if we have made any announcements before the next budget estimates hearings, which I believe are in February.

**The Hon. DANIEL MOOKHEY:** Rest assured, Treasurer—careful what you wish for. In this proposal, once a property enters the land tax stream, it cannot exit, which means the only people who get choice as proposed by the former Treasurer and current Premier is the first buyer of a property. Is it still the intention of the Government to limit choice to the first buyer of a property?

**Mr MATT KEAN:** I think we are going around in circles here.

**The Hon. DANIEL MOOKHEY:** No, we are not. It is not my fault you have not read the paper. You are the Treasurer. This is a Treasury paper. This is Treasury budget estimates. I am asking you very reasonable questions about the Government's proposal. I am asking you specifically: Is it still the intention of the Government to limit choice to the first buyer of a property?

**Mr MATT KEAN:** What I have been very clear about is that, as the new Treasurer, I am now coming in with a fresh set of eyes to consider a number of options that will make housing more affordable for people in New South Wales, of which this could possibly be one.

**The Hon. DANIEL MOOKHEY:** Treasurer, you have also in this proposal flagged that the top 20 per cent of households—properties by value—will not get to choose. They will pay stamp duty. Is that still the preference of the Government when it comes to this particular policy?

**Mr MATT KEAN:** Mr Mookhey, as I said, there is a new Treasurer. There is a new Government. And we will consider—

**The Hon. PENNY SHARPE:** A new Government?

**Ms ABIGAIL BOYD:** It looks very similar to the old one.

**Mr MATT KEAN:** There is a new Premier.

**The Hon. PENNY SHARPE:** So you are all new. Nothing to see for the last 10 years.

**Ms ABIGAIL BOYD:** Not responsible.

**Mr MATT KEAN:** In the strict sense of the word, Ms Sharpe, and we are going to consider things in a new light.

**The Hon. PENNY SHARPE:** What have you been doing for the last 10 years?

**The Hon. DANIEL MOOKHEY:** Treasurer, I am trying to reconcile what you are saying to us here with what the Premier has said in his first press conference as Premier and other press conferences as Premier, in which he has made it clear that this is a proposal that is still under active consideration by the Government. If the Premier is telling the media that you are still considering it, and you are telling us that you are not, which one of you is wrong?

**Mr MATT KEAN:** No, that is not what I am saying, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Well then what are you saying—because it is entirely unintelligible at this point in time?

**Mr MATT KEAN:** I am saying we are considering a suite of policy measures to improve affordability in the housing market in New South Wales, of which this might be one.

**The Hon. DANIEL MOOKHEY:** And I appreciate that this might be one but this is the one that the Premier has nominated since he has been Premier.

**Mr MATT KEAN:** He is up tomorrow. You can talk to him about that.

**The Hon. DANIEL MOOKHEY:** Rest assured, Treasurer; I will tell him that you asked me.

**The Hon. PENNY SHARPE:** This is Treasury, though. That is you now.

**Mr MATT KEAN:** That is right. I understand that.

**The Hon. DANIEL MOOKHEY:** And I promise you this, Treasurer; I make this personal commitment to you. I will ask him these questions tomorrow as well, so rest assured you are not the only person we are asking these questions to. But, specifically, if we can just get back to the detail of what I am asking you, are you still intending with this proposal to bar the top 20 per cent of households from choosing between the two streams?

**Mr MATT KEAN:** I am not intending to do anything other than to consider the best way to improve housing affordability in New South Wales and we will consider all options. I am not going to play these rule in, rule out games here today, Mr Mookhey, so that you can get you grab up on TikTok. What we are going to do is go through a considered process.

**The Hon. PENNY SHARPE:** The Hon. Rose Jackson really hurt you, didn't she? Clearly.

**Mr MATT KEAN:** I loved it. My social media went through the roof.

**The Hon. PENNY SHARPE:** It clearly hit a nerve.

**Mr MATT KEAN:** Where is Rose? Mr Latham does not do TikTok like Rose Jackson does. You should try it.

**The Hon. DANIEL MOOKHEY:** Treasurer, I assure you that TikTok audience, Instagram audiences and Facebook audiences would appreciate seeing this. But can I just get back—



**The Hon. MARK LATHAM:** You should try growing up and not be a kid. This is a serious forum and you should take it seriously, okay?

**Mr MATT KEAN:** Okay, thank you, Mr Latham.

**The Hon. MARK LATHAM:** You are a baby.

**The Hon. DANIEL MOOKHEY:** Treasurer, in addition to this, this particular proposal—the people on TikTok are very interested in this—slips in it the abolition of the premium rate for land tax. Why is your Government even considering abolishing the premium rate threshold when it comes to land tax?

**Mr MATT KEAN:** Mr Mookhey, I have been very clear. We are considering a suite of measures to improve housing affordability in New South Wales.

**The Hon. DANIEL MOOKHEY:** But to be clear, you are considering abolishing the premium rate threshold for land tax, which would deliver a huge tax cut to the most prominent parts of the property market.

**Mr MATT KEAN:** We are also considering potentially providing subsidies for first home owners. We will consider a range of things, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Just to be clear, you are considering abolishing the premium rate.

**Mr MATT KEAN:** I am just telling you that we are considering a suite of measures to make housing more affordable.

**The Hon. DANIEL MOOKHEY:** If you do not want to rule it out, it is up to you, Treasurer.

**Mr MATT KEAN:** We will go through the proper processes, Mr Mookhey, to land on a position that is in the interests of the taxpayers and the residents of New South Wales.

**The Hon. DANIEL MOOKHEY:** Treasurer, we have asked you questions about housing affordability but I want to ask you now about whether or not the State can afford this proposal. The November 2020 paper said that switching from stamp duty to land tax for residential properties would cost the budget at least \$2 billion a year for the first 10 years and it will be 30 to 40 years before the reform becomes revenue neutral. Is that still the best advice you have about this particular proposal?

**Mr MATT KEAN:** We are working through that process, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** How, in the context of us delivering record deficits, can we afford to—as you already identified earlier in the hearing, we have a structural problem with the budget. If we have a structural problem with the budget, can we afford to actually pursue this proposal?

**Mr MATT KEAN:** You are making some big assumptions here. The Government has not committed to do this. It will go through a proper process before any announcement is made and what I do want to say is that obviously productivity reform or improvement requires a substantial investment and this might be one way to improve the productivity of this State. And we will consider that against other ways to improve the productivity of New South Wales.

**The Hon. DANIEL MOOKHEY:** I am glad to hear, Treasurer. But is part of the reason why you are not making the commitment because it will cost the budget \$2 billion a year?

**Mr MATT KEAN:** Part of the reason that we are not making the commitment is because I have been the Treasurer for 30 days. I am new in the role.

**The Hon. PENNY SHARPE:** So it is all on the table.

**Mr MATT KEAN:** I am trying to work out what the best policy mix is to improve housing affordability in light of the work that the previous Treasurer has already done and we will work through that process in the usual manner.

**The Hon. DANIEL MOOKHEY:** Treasurer, in addition, the latest progress paper, which the then Treasurer and current Premier released in June, said that if this proposal goes ahead New South Wales could lose \$1 billion of GST. Are we going to lose \$1 billion of GST as a result of the pursuit of this proposal?

**Mr MATT KEAN:** Obviously, the impact that any decision that we take might have on our GST receipts or the structural operating position of the budget will be material considerations. That is why we will work through the process in a thorough and methodical way.

**The Hon. DANIEL MOOKHEY:** I ask you again: Do you have a time line as to when you expect to have worked through the process in a methodical and thorough way?

**Mr MATT KEAN:** We have a time line that we will make clear to you when we are ready to do so, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** To close this out, sitting here right now, this proposal remains under active consideration? Correct?

**Mr MATT KEAN:** This could possibly be one way—

**The Hon. PENNY SHARPE:** Possibly, maybe, perhaps.

**Mr MATT KEAN:** —that the Government might address the issue of housing affordability. We will consider that in light of the alternative policy options.

**The Hon. DANIEL MOOKHEY:** Can you at least give me this commitment: Will you at least read the progress paper that was issued with the budget?

**Mr MATT KEAN:** Mr Mookhey, we read thoroughly the policy proposals. That is what I am saying.

**The Hon. DANIEL MOOKHEY:** But will you personally read this paper?

**Mr MATT KEAN:** We will read a number of options available to the Government—

**The Hon. DANIEL MOOKHEY:** Because we can get it for you on Audm.

**Mr MATT KEAN:** —and we will make a decision that is in the best interests of the people of this State, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** I am happy to read it for you and send it to you, if you need me to— on Audible.

**Mr MATT KEAN:** I would love to listen to your dulcet tones on my podcast all the time. Maybe we can do it on TikTok.

**The CHAIR:** We will arrange for that. In the meantime, it is crossbench time. Mr Field has a couple of questions to start.

**Mr JUSTIN FIELD:** Thank you, Chair. Treasurer, congratulations and welcome to the job.

**Mr MATT KEAN:** Thank you, Mr Field.

**Mr JUSTIN FIELD:** I think I have found the intersection here between your other role as environment Minister and as Treasurer. I have just been with the Forestry Corporation this morning. It confirmed today that it had written to timber mills on the North Coast inviting them to enter into negotiations to extend existing wood supply agreements that were due to expire in 2023 to 2028. They are doing that at pre-fire harvest volumes. As shareholder Minister, you need to sign off on any contract extensions. Are you aware of the negotiations and are you comfortable, with so much uncertainty about wood supply post the fires, that these negotiations are underway? What is the involvement of your department in these negotiations?

**Mr MATT KEAN:** I am not aware of the negotiations other than to say it would be prudent for me as the shareholder Minister to only sign off an agreement when there is a sustainable amount of timber to harvest. So that would be a material consideration for me, as the shareholder Minister.

**Mr JUSTIN FIELD:** Forestry Corporation's hardwood sector is financially marginal at best. It made a substantial loss, in fact, over the past decade. As Treasurer and shareholder Minister, and given the huge economic value of forests as carbon stores, as recreational areas, as well as the ecological values, what will you do and will you get to Treasury to look at the business case for maintaining a native part of the forestry sector in New South Wales versus a transition out of that type of logging?

**Mr MATT KEAN:** I will take that on notice. Obviously, there are a number of considerations when it comes to Forestry Corporation and the timber industry and the impact that will have on local economies. There are a number of local communities that rely heavily on the hardwood timber industry. We need to balance the needs of the environment with the needs of those communities who rely on those jobs and those opportunities. It is a very difficult area of public policy, Mr Field. But I think you will see that in my other role as the Minister for Energy and Environment we try to make decisions that get that balance as right as possible. We will work through that process. I will work through that with the Deputy Premier.

**Mr JUSTIN FIELD:** If you could take on notice, Minister, any modelling or research that Treasury has done with regard to a potential transition? I know there were some considerations around the privatisation discussion. Any modelling that has been done around transition of native forest logging would be appreciated.

**Mr MATT KEAN:** I, obviously, care deeply about the environment and these forests. But we should not be doing things that are going to leave workers or industries or communities worse off. That is my commitment. So we need to work through these processes and be very sympathetic to those people that harvest timber, that resource, for the benefit of themselves, their communities and our economy. We need to make sure that we protect them, and that is what I will be focused on as the Treasurer.

**Mr JUSTIN FIELD:** Okay. Thank you, Treasurer. Thanks, Chair.

**The CHAIR:** Ms Boyd?

**Ms ABIGAIL BOYD:** Thank you, Chair. Staying, hopefully, on more familiar ground, I wanted to talk to you about the coal-fired power stations closure—or eventual closure—and the unquantifiable contingent liabilities that sit on the Government's balance sheet. This is a question I have asked over the last couple of years. Given that to quantify those contingent liabilities we need to have a rough idea of when the stations are going to close and also how much the rehabilitation cost is likely to be, are you able to give any estimate at the moment of what that liability will look like as we get closer to the closure—particularly Liddell, which is closing very soon?

**Mr MATT KEAN:** I think that Treasury would have done a lot of modelling around that contingent liability when it came to the sale of those assets, so I might just throw to Treasury.

**Mr MIDHA:** I think Mr Gardner might be the person to ask the question to.

**Mr PRATT:** Yes, Mr Gardner is best, if you would like us to deal with that now, Ms Boyd? Or we can pick it up this afternoon?

**Ms ABIGAIL BOYD:** We can come back to it. I do not have very much time—but, thank you. Given that Vales Point is one of the worst corporate players—and you do not need to agree with this proposition—when it comes to the state of its power station regarding contamination and breaches of environmental laws, and that under the sale contract for Vales Point when it was privatised the Government is likely to end up with this land being handed back to it at the end of its life, what is the Government doing to ensure that it is keeping a closer eye on what is happening at Vales Point to reduce the eventual clean-up liability?

**Mr MATT KEAN:** My understanding of the terms of the sale is that the Government would be responsible for the remediation of the site for when it was running the power station and that Mr St Baker would be responsible for the period—

**Ms ABIGAIL BOYD:** Just to help you, there are two separate issues. All of the power station sites, the Government has a residual liability for pre-existing contamination at the time of the sale. But then Vales Point has an additional thing where, basically, either you can decide to buy it back for \$1 or they can decide to give it to you for \$1 once they disconnect it from the network. So there is a good chance it will come back to the Government. What are you doing to prepare for that contingency?

**Mr MATT KEAN:** I might take that on notice. But if the secretary—

**Mr PRATT:** Mr Gardner could talk to that issue now, if you wish?

**Mr GARDNER:** Thank you, Ms Boyd. We get an annual report from the operators of Vales Point and then, every two years, we have an independent operating peer review of the contamination. So we are keeping a monitoring role with respect to that risk.

**Ms ABIGAIL BOYD:** Okay. We might come back to that this afternoon as well. In the time I have left, could I just ask you about—

**Mr MATT KEAN:** Can I just clarify one thing?

**Ms ABIGAIL BOYD:** Yes.

**Mr MATT KEAN:** I was incorrect, what I said before. My understanding is that the Government is liable for the full clean-up of the site at Vales Point. So, I think, if Treasury wants to give you further clarification on that later this afternoon—but I just want to clarify that point.

**Ms ABIGAIL BOYD:** Thank you. You will be aware of the New South Wales Audit Office's scathing report released this year criticising the Government's ability to cope with the effects of a heating climate. In particular, your Government promised in 2016 to create a statewide adaptation plan by the following year for public assets, but failed to complete it. All other States in Australia have such a plan. Why is New South Wales lagging behind?

**Mr MATT KEAN:** Obviously, adaptation is importation, but prevention is better than cure and that is why this Government is leading the way when it comes to the mitigation of our carbon emissions.



**Ms ABIGAIL BOYD:** Okay, but we are talking about adaptation, at the moment.

**Mr MATT KEAN:** In fact, we have got some of the boldest plans in the country and up there with the boldest plans in the world—

**Ms ABIGAIL BOYD:** But we are talking about adaptation.

**Mr MATT KEAN:** —in how to reduce our emissions but still grow our economy.

**Ms ABIGAIL BOYD:** We are still talking about adaptation though?

**Mr MATT KEAN:** We definitely need to do more on adaptation.

**Ms ABIGAIL BOYD:** You acknowledge that New South Wales was supposed to have an adaptation plan to protect its public assets or to at least mitigate the impacts on those public assets, quite a few years ago. Is this something you will be looking at in your new role as Treasurer?

**The Hon. PENNY SHARPE:** He was supposed to do it as environment Minister.

**Mr MATT KEAN:** Yes. In Parliament, last week, I got a question from the Labor Party about this and one of the things that we will be looking to do is moving towards requiring Treasury to implement the Task Force on Climate-related Financial Disclosures [TCFD]—so, appropriate disclosures. If we can identify the risks then we can better manage them, so we will be looking to incorporate that into our business practices in Treasury.

**Ms ABIGAIL BOYD:** Okay, but TCFD was like 10 years ago, that that first came out from the G20.

**Mr MATT KEAN:** We are catching up, Ms Boyd. We are finally catching up.

**The Hon. PENNY SHARPE:** Ten years you have been in government.

**Ms ABIGAIL BOYD:** That is 10 years later. That is fantastic.

**Mr MATT KEAN:** I have been the Treasurer for 30 days, Ms Sharpe.

**The Hon. PENNY SHARPE:** You have been in government for 10 years. Do not even try, Minister.

**The Hon. PETER POULOS:** We are a new Government.

**The Hon. ROBERT BORSAK:** Nearly 11 years.

**The Hon. PENNY SHARPE:** Gotten out of the TARDIS.

**Ms ABIGAIL BOYD:** Without a climate adaptation or readiness plan that drives your plans and activities, will you not be playing catch-up when it comes to responding to natural disasters? Clearly, this is a very important thing that we need to be doing to guide your decisions going forward, would you not agree?

**Mr MATT KEAN:** Yes.

**Ms ABIGAIL BOYD:** Good.

**Mr MATT KEAN:** Yes, we have committed to an adaptation plan, we intend to deliver it, and I think that my track record on tackling climate change speaks for itself, Ms Boyd.

**Ms ABIGAIL BOYD:** Thank you. Again, adaptation is something the market cannot help you with, unfortunately, Minister. You are going to need to actually act as a government. As you will be aware, the G20 agreed way back in 2009 to phase out inefficient fossil fuel subsidies. Australia is still up there with the most fossil fuel subsidies being granted at the moment.

**The Hon. ROBERT BORSAK:** So we should.

**The CHAIR:** Don't start.

**Ms ABIGAIL BOYD:** In the latest COP26, the CEOs of 91 major companies pledged, or requested I guess, world leaders to phase out those subsidies. As I understand it, New South Wales still gives around \$17 million a year in direct fossil fuel subsidies. Is that something you will be looking at in your term as Treasurer?

**Mr MATT KEAN:** What we need to do is maintain the reliability of our electricity system. We know that our coal-fired power stations are under increasing pressure because of the economics of renewables. We need to make sure that we facilitate an orderly transition, and our energy infrastructure road map goes some way towards doing that. The priority needs to be the reliability of the grid, so I am not going to take things off the table that will ensure that reliability objective.

**The CHAIR:** Mr Latham?

**The Hon. MARK LATHAM:** Treasurer, have you told any of your parliamentary colleagues you intend to cut ICAC's budget as a consequence of the Maguire-Berejiklian inquiry?

**Mr MATT KEAN:** Definitely not, Mr Latham.

**The Hon. MARK LATHAM:** Definitely not?

**Mr MATT KEAN:** Definitely not.

**The Hon. MARK LATHAM:** Can you guarantee ICAC's same level of funding with a cost adjustment in the 2022 budget for next year?

**Mr MATT KEAN:** We will go through the proper process, obviously, but what I will say is that I want to see a strong anti-corruption watchdog on the beat that is appropriately funded to do its job.

**The Hon. MARK LATHAM:** So you strongly support ICAC's role—

**Mr MATT KEAN:** Yes, I do.

**The Hon. MARK LATHAM:** —and do not foresee any winding back of its functions or funding?

**Mr MATT KEAN:** That is correct, yes.

**The Hon. MARK LATHAM:** As Treasurer, do you believe, in avoiding pork-barrelling, misallocation of scarce economic resources, that it is good practice to release all the modelling available to government for major economic reform?

**Mr MATT KEAN:** Obviously, that we should be going through the proper process, and modelling is a way that decision-makers will consider the merits of a policy proposal. So does modelling have a role in decision-making? Absolutely.

**The Hon. MARK LATHAM:** But should it be publicly available to give the taxpayer a guarantee that scarce resources are being allocated in the most efficient fashion and that the modelling actually justifies the reform?

**Mr MATT KEAN:** It should be available to the decision-makers. If you are suggesting that Cabinet should operate differently, then I am going to disagree with you there.

**The Hon. MARK LATHAM:** Do you think, for instance, the Federal Government should release its net-zero 2050 modelling, given its public importance?

**Mr MATT KEAN:** That is a matter for the Federal Government, but the way—

**The Hon. MARK LATHAM:** You often comment about the Federal Government, so what is your view on that?

**Mr MATT KEAN:** So do you. I am saying that—

**The Hon. MARK LATHAM:** Do you want me to answer the question for you?

**Mr MATT KEAN:** If you would like; it is your question time.

**The Hon. MARK LATHAM:** I think all governments should release their modelling that goes to major economic reform. If you do not answer about the Federal Government, why did you not do that for your electricity road map?

**Mr MATT KEAN:** We went through a Cabinet process. The Cabinet makes decisions based on the information they have available to them. We went through that process, and that is usually how government operates, Mr Latham.

**The Hon. MARK LATHAM:** Given that you have not released your own net-zero 2050 modelling, you are not expecting the Federal Government to do the same?

**Mr MATT KEAN:** That is a matter for the Federal Government, Mr Latham.

**The Hon. MARK LATHAM:** Why have you not released your modelling?

**Mr MATT KEAN:** For our 2050 plan?

**The Hon. MARK LATHAM:** Either plan—the halving in 2030 or the original net-zero 2050 at the beginning of last year.

**Mr MATT KEAN:** Because we have released our stage one of the net-zero plan between now and 2030, and we have projected that we will reduce emissions between 47 per cent and 52 per cent. So we have released those details. Then, obviously, to get to net-zero by 2050, we are going to have to have a second phase and a third phase, but there are a lot of technologies that we do not know—

**The Hon. PENNY SHARPE:** Have you not worked that out yet?

**Mr MATT KEAN:** —whether or not they are available yet, so it would be presumptuous for us to release modelling to achieve a target where there are a number of options that we do not know whether or not they are going to be available.

**The Hon. MARK LATHAM:** It is such an important thing, as you have said many times publicly. Why do you not release the modelling for your 2030 plan?

**Mr MATT KEAN:** Because that goes to the heart of how Cabinet government operates, Mr Latham. Cabinet has considered all the information that they needed to make a decision. They have made that decision, and we have announced that.

**The Hon. MARK LATHAM:** In the technologies you just mentioned, which ones do you rule out? Do you regard carbon capture and storage as a waste of money in Australia in terms of public expenditure?

**Mr MATT KEAN:** For New South Wales?

**The Hon. MARK LATHAM:** Yes, New South Wales.

**Mr MATT KEAN:** The issue with carbon capture and storage, as you know, is that it adds another cost to the fossil fuel process. The challenge for us in New South Wales is the geology of the State does not lend itself to be able to capture or store the carbon in a cost-effective way. The caverns where you could store it are in the Far West. That would add an additional cost around transportation, so right now, today, carbon capture would not be an economically viable solution to reduce our carbon footprint for New South Wales. Victoria, I think it is a different story; and Western Australia, it is a different story; but for New South Wales, it is not the solution to reduce our carbon footprint.

**The Hon. MARK LATHAM:** On that, we agree. Are you confident in this transition in the energy sector, that you have promoted and spent a lot of money on, that unlike China, California and Europe we will be able to avoid significant electricity outages, blackouts, going forward?

**Mr MATT KEAN:** I am confident that we are relying on the best advice from the best engineers and experts: the Australian Energy Market Operator [AEMO], who run the energy system; people like Kerry Schott, who runs the Energy Security Board. These are matters for engineers, economists, scientists. We have taken the best advice, and we have come up with a plan that was supported by everyone in the Parliament, Mr Latham, with the exception of you, of course, that will help modernise our electricity system—and Mr Borsak, I apologise—in a way that will drive down household bills.

**The Hon. MARK LATHAM:** Alright, but, as Treasurer, can you give a guarantee to, say, a prospective manufacturing investor wanting to invest in New South Wales that the lights will stay on, rather than just saying you have got some engineers working on it?

**Mr MATT KEAN:** The reliability of the system is a non-negotiable for us, Mr Latham. That is how we have designed our policies.

**The Hon. MARK LATHAM:** Two months ago you said to *The Australian* newspaper:

My great fear is that it's going to start falling out much sooner than the Australian Energy Market Operator report has predicted.

These are the coal-fired power stations. You went on to say:

I'm greatly concerned about the early exit of coal.

If you are giving that guarantee, why are you so concerned about the early exit of coal?

**Mr MATT KEAN:** We saw what happened in Victoria with Yallourn, where Energy Australia went into negotiations with the Victorian Government to give everyone certainty about how long that coal-fired power station would operate for. Obviously, there are a number of cost pressures on these power stations. Renewables have meant that they do not operate in an economically viable way for long parts of the day, so a lot of them are bleeding cash. But I come back to your point earlier. Our plans have been endorsed by some of the biggest manufacturers in the State when it comes to reliability: Tomago, BlueScope. BlueScope said our energy road map would lead to the next industrial revolution for New South Wales, so I will take its advice when it comes to manufacturing in this State over other people, Mr Latham.

**The Hon. MARK LATHAM:** You have mentioned BlueScope. You concede that using electricity for generation of so-called green steel with hydrogen you use 15 times as much electricity as the normal steel produced now that is massively inefficient?

**Mr MATT KEAN:** With the abundance of wind and solar, like zero-cost wind and solar, that additional electricity that is required, it is free electricity and it is an abundant form of electricity.

**The Hon. MARK LATHAM:** Your policy is free electricity?

**Mr MATT KEAN:** The cost is in the capital, as you know, Mr Latham. It is in the building of the solar farms and the wind turbines and the transmission lines and the storage, et cetera. But essentially photovoltaic electricity is free. It is coming from the sun. It is completely sustainable. You know that.

**The Hon. MARK LATHAM:** Yes, it just does not operate 24/7. But you are still, as Treasurer, concerned about—

**Mr MATT KEAN:** That is why you have storage, Mr Latham, to be able to capture that and use it when we need to use it.

**The Hon. MARK LATHAM:** I did not hear that answer because I am trying to ask my question.

**Mr MATT KEAN:** Sorry.

**The Hon. MARK LATHAM:** As Treasurer, you are still greatly concerned about the early exit of coal?

**Mr MATT KEAN:** I am definitely concerned that these coal-fired power stations are not economically viable, that there are enormous pressures on them, not just the economics but environmental, social and corporate governance pressures, shareholder pressures. Investors are not looking to invest in these things because they do not think they will get a return on that investment. So there are a number of economic pressures that have been brought to bear on these coal-fired stations. But what I will say is that each of the coal-fired power stations has different, I guess, capital investment cycles or remediation costs and things that will determine whether or not they stay longer or shorter.

**The Hon. MARK LATHAM:** What are you doing about that concern—about the early exit of coal and the prospect of blackouts in New South Wales? What are you doing to prevent that early exit so we keep the lights on?

**Mr MATT KEAN:** The first thing that we are doing, obviously, is trying to get our consumer trustee set up as soon as possible so that we can start the build of replacement infrastructure. So we need to start the whole scale of rollout of new sources of generation, transmission lines, storage and the things that are going to be needed to keep the lights on and drive prices down. That is on the supply side. But on the other side as well, Mr Latham, we need to make sure that we are keeping abreast of what is happening with those coal-fired power stations, that we are talking to the owners of those assets, that we are working with AEMO to make sure that we keep the lights on and drive prices down.

**The Hon. MARK LATHAM:** Those operators, which ones have told you they are leaving early?

**Mr MATT KEAN:** None of them have told me they are leaving early.

**The Hon. MARK LATHAM:** Have they flagged the possibility of leaving early, adding to the problem?

**Mr MATT KEAN:** There are, obviously, media reports that talk about the pressures on the coal-fired power stations, on gas generation—a whole range of things. We are seeing that. We are preparing for the worst and hoping for the best, obviously.

**The Hon. MARK LATHAM:** Do you support a capacity mechanism, as flagged by Angus Taylor, to keep the coal-fired power stations operating?

**Mr MATT KEAN:** I think Minister Taylor has identified the right problem here. It is about making sure that existing assets are able to stay operational to the end of their technical lives. Whether a capacity mechanism is the best way to do that, I am unsure about. But we are working through the details. In principle, I have supported what Minister Taylor is trying to do. I have set some pretty clear guardrails for Minister Taylor, the main one being that I do not want New South Wales consumers to pay more than is necessary for that infrastructure. But, as you know, Kerry Schott has made the recommendations. We have agreed to support Minister Taylor in working through the detail. That process is ongoing. We expect it will be wrapped up early in the new year though.

**The Hon. MARK LATHAM:** But your mechanism that you have relied on mainly is the trustee that you mentioned earlier on? Was that not legislated 12 months ago and you have done nothing about setting that up?

**Mr MATT KEAN:** We are relying on the consumer trustee to run the auctions for the underwriting that will guarantee the build of new infrastructure. We are running as fast as possible there. Obviously, we are on the clock. But the first coal-fired power station in New South Wales that is scheduled to close is Vales Point—after Liddell, of course. That is 2028. So we need to do two things: we need to build the new infrastructure, but we need to support the existing infrastructure.

**The Hon. MARK LATHAM:** But you have done nothing in 12 months to get the trustee?

**The CHAIR:** We will have to come back to this.

**Mr MATT KEAN:** We are doing a lot. I can come back to that.

**The Hon. MARK LATHAM:** You are doing a lot?

**Mr MATT KEAN:** Yes.

**The CHAIR:** Ms Sharpe?

**The Hon. PENNY SHARPE:** Thank you, Treasurer. Last Easter, a blues festival was cancelled as a result of COVID and the public health order. The previous Treasurer announced that weekend that the State Government was developing a scheme for major events so they are not left out-of-pocket if the event is cancelled. My understanding is that there has been industry consultation and there has been a declared intention to create the fund, but nothing has actually happened. What is happening in relation to this?

**Mr MATT KEAN:** As part of the Economic Recovery Package, we identified this problem and have allocated some funds to be able to deal with it. I might hand over to Mr Midha to talk you through exactly what that looks like, if that is okay?

**The Hon. PENNY SHARPE:** I can take that up with Mr Midha this afternoon. Can you tell us how much it is, please?

**Mr MATT KEAN:** With regard to—so we have a number of things to support the performing arts—

**The Hon. PENNY SHARPE:** No, that is not what I am asking. This is a very specific commitment which was a program that would basically help support our large festivals so that they would not be left out-of-pocket as a result of public health orders?

**Mr MATT KEAN:** Can I take that on notice? The number has not been made public. But I will take that on notice and provide you with those details, Ms Sharpe.

**The Hon. PENNY SHARPE:** All right, thanks.

**The Hon. DANIEL MOOKHEY:** Treasurer, is the Government making any further contributions to the NSW Generations Fund this financial year?

**Mr MATT KEAN:** Could I just—we have got the festivals industry relaunch package. I am not sure whether that deals with it. I will get Mr Midha to address it this afternoon, but I will come back to you on that. Sorry, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, is your Government making any further contributions to the NSW Generations Fund this financial year?

**Mr MATT KEAN:** No, we have taken a policy decision that whilst we are in cash operating deficit—I think that is the term, is it, Mr Secretary—

**Mr PRATT:** Yes.

**Mr MATT KEAN:** We will not be putting money into the Generations Fund, outside of the commitment we have already made around WestConnex.

**The Hon. DANIEL MOOKHEY:** Fine.

**Mr MATT KEAN:** Is that correct, Mr Secretary? Do you want to clarify that?

**Mr PRATT:** We have said that the Government is currently considering that, Mr Mookhey. But to the Treasurer's point, that is likely to be the outcome, yes.

**The Hon. DANIEL MOOKHEY:** I have a bit of news for you, Treasurer, because I think you will find that the only public point you have made is that you are suspending State-owned corporation dividends and mining royalties, pending a review. But my question was going to be—

**Mr MATT KEAN:** Could I clarify that commitment?

**The Hon. DANIEL MOOKHEY:** You might need to. Why do you not take some advice on this, Treasurer?

**Mr MATT KEAN:** Sorry, Mr Mookhey. I should clarify my earlier statement—

**The Hon. PENNY SHARPE:** Yes, you should.

**The Hon. DANIEL MOOKHEY:** Please.

**Mr MATT KEAN:** —and confirm what we said in that media release that you have. But we, obviously, are considering how we treat the NGF in light of the financial situation that we are in, and we will have more to say at the half-year review.

**The Hon. DANIEL MOOKHEY:** Oh, great. Are you about to adopt the principle that no further contributions will be paid into this fund whilst we are operating a cash deficit?

**Mr MATT KEAN:** We are currently reviewing how best to manage the State's balance sheet in light of our financial position. We will have more to say about that at the half-year review.

**The Hon. DANIEL MOOKHEY:** Why are you pegging this to the cash result and not the operating result?

**Mr MATT KEAN:** Right now, we have taken a policy decision to suspend the operations because of the cash result, but we will look at that decision in light of the operating result as we head to the half-year review.

**The Hon. DANIEL MOOKHEY:** At the previous online estimates hearing evidence was given about the cash surplus being deposited into the NGF. I presume we no longer have a cash surplus. Is that correct?

**Mr MATT KEAN:** I will take that on notice.

**Mr PRATT:** Mr Mookhey, we will update this at the half year and you will get the full information at the moment. But, broadly speaking, we are operating in cash operating deficit at this point in time.

**The Hon. DANIEL MOOKHEY:** Yes, which is not a surprise—

**Mr PRATT:** No.

**The Hon. DANIEL MOOKHEY:** —given the circumstances that we are in since the budget was introduced. Do we have any forecast as to when we expect it to be back in cash surplus?

**Mr PRATT:** Would you like me to answer that?

**Mr MATT KEAN:** Do you mind if the secretary takes that?

**Mr PRATT:** We are doing that work through the half-year process at the moment, so we will have more to say in update at the half year.

**The Hon. DANIEL MOOKHEY:** Treasurer, in the press release that you might now be acquainted with, you said:

... the NSW Government will temporarily suspend certain contributions to the NSW Generations Fund (NGF) (State-Owned Corporation distributions and mining royalties).

To be fair, that came from TCorp, not you. What is meant by "temporary"?

**Mr MATT KEAN:** We are considering, as I said, how best to manage the State's balance sheet and how we best use the NGF to do so in light of the current fiscal position. We will provide you with updated guidance at the half-year review.

**The Hon. DANIEL MOOKHEY:** Treasurer, are you worried about the breakdown in the relationship between the Colombian Government and the Fuerzas Armadas Revolucionarias de Colombia [FARC]?

**Mr MATT KEAN:** Sorry?

**The Hon. DANIEL MOOKHEY:** Are you worried about the breakdown in the relationship between the Colombian Government and the FARC?



**The Hon. BEN FRANKLIN:** For the benefit of Hansard, Madam Chair, perhaps the member could explain what FARC is?

**The Hon. DANIEL MOOKHEY:** I can give you the Spanish spelling of the FARC later, if you wish. Are you worried about the breakdown in the relationship between the Colombian Government and the FARC?

**Mr MATT KEAN:** I cannot say I am familiar with the international issues of the Colombian Government.

**The Hon. DANIEL MOOKHEY:** We have \$45 million of taxpayers' money lent to the Colombian Government. Are you taking advice as to whether or not our money is at risk as a result of your decision to lend money to the Colombian Government?

**Mr MATT KEAN:** Well, firstly, I reject the premise of your question, obviously. Secondly, I would say that—

**The Hon. DANIEL MOOKHEY:** Why do you reject the premise of the question? It is factual that your fund has given New South Wales taxpayers' money to buy the debt of the Colombian Government. I am asking you—it is a material risk, it is a serious issue what is going on in Colombia right now—what steps are you taking to assure yourself that the money that is in there, and the money that is in Angola, the money in these places, is being prudently managed?

**Mr MATT KEAN:** The first thing I would say is that there are a number of governance structures around how the NGF invests its capital and how it safeguards the assets of the people of New South Wales. There is an Asset and Liability Committee, which is chaired by the secretary here, and there is also a board that governs TCorp, of which the NGF is underneath, which has eminent people who are very well placed to manage the State's investments, like Glenn Stevens.

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

**Mr MATT KEAN:** Could I just finish my answer?

**The Hon. DANIEL MOOKHEY:** Please. If you could address specifically the issue with—

**Mr MATT KEAN:** There are number of structures in place that should give us comfort that our investment strategy is being done prudently to manage the assets of the people of New South Wales. With regard to the point of your question, obviously I do not want to see New South Wales taxpayer dollars invested in things that do not align with our values as a people in this State or with our policy positions as a Government. The suggestion that we are supporting authoritarian regimes or dictatorial governments with appalling human rights abuses is appalling, and that is why I have asked for a review as to whether or not our investment strategy is in line with environmental, social and governance [ESG] principles.

**The Hon. DANIEL MOOKHEY:** Rest assured, Treasurer, we will get to that.

**Mr MATT KEAN:** We will be announcing that review very shortly.

**The Hon. DANIEL MOOKHEY:** We will get to the ESG review but I want to ask you about the actual risk to the investment. This is a \$15 billion fund. It is actually bigger than our investments in organisations like Sydney Water in terms of the sort of wealth that is possessed in it. It is a huge part of our network as a State. It is not a small issue, which is why I am asking you about how it is being regulated and how decisions are being made. You have said that you have commissioned an ESG review but have you actually said to TCorp or to others that they should be divesting from these countries?

**Mr MATT KEAN:** I have made it very clear to Dave Deverall and the team at TCorp that I want to see us investing in line with our values but in a way that is going to safeguard the assets of the people of New South Wales and make sure they get the best return. That is why we are going to get advice from the best experts as to what we can do as a State to ensure that our investment strategy going forward aligns with the best ESG principles, and we will be announcing that very shortly.

**The Hon. DANIEL MOOKHEY:** We have bought more of the Vladimir Putin's debt than we put aside in the budget to build schools in Parramatta. Can you honestly tell me that that was a correct choice made by the previous Treasurer to prioritise buying that debt as opposed to meeting the needs of people of Parramatta, Penrith or elsewhere?

**Mr MATT KEAN:** I think you are mischaracterising what the role of the NGF is. Effectively this is an asset that has generated almost a \$3 billion return for the people of New South Wales—\$3 billion, which we can now invest in things like schools, hospitals and roads and the infrastructure and services that the people of

New South Wales need and deserve, and that were forgotten about or people did not get under 16 years of a Labor Government.

**The Hon. PENNY SHARPE:** You are a new Government. What has happened in the last 10 years?

**Mr MATT KEAN:** Obviously that investment strategy should align with the values and policies of the Government, which is why we are undertaking an ESG review to ensure that it does so.

**The Hon. DANIEL MOOKHEY:** The budget said that the projection for the NGF balance would reach \$90 billion by 2031 or 2030, I think it was—in one of the two years. Presumably it is not going to reach that balance now. Is that correct?

**Mr MATT KEAN:** Well, they were forecasted at a particular point in time—

**The Hon. DANIEL MOOKHEY:** I am not critical, I am just saying—

**Mr MATT KEAN:** We are always considering how best to manage the assets of the Crown and the people of New South Wales, and we will continue to do that.

**The Hon. DANIEL MOOKHEY:** But what do you expect the balance of the NGF to be by 2030?

**Mr MATT KEAN:** Well right now, we have obviously made a number of changes to—we are considering the role of the NGF in light of how we manage the State's assets. We are going through that process. I think the secretary has talked about looking at these things. We will go through that process and we will obviously make the appropriate announcements at the appropriate time.

**The Hon. DANIEL MOOKHEY:** Treasurer, you said that you would commit to the ESG review, which I have got to say is welcome, but who precisely is doing it? What are its terms of reference? When will it be completed? Is it going to be public?

**Mr MATT KEAN:** We are still working through the process to determine the right person to do that review. I am very ambitious. I would like to see someone amazing like Michael Bloomberg—the champion of ESG principles—or a suitably qualified person.

**The Hon. PENNY SHARPE:** Malcolm Turnbull?

**Mr MATT KEAN:** Malcolm Turnbull would be fantastic.

**The Hon. MARK LATHAM:** Darryl Maguire.

**The Hon. PENNY SHARPE:** That went really well last time, did it not?

**Mr MATT KEAN:** I think Darryl is a bit indisposed at the moment but Malcolm Turnbull. There are many good qualified people.

**The Hon. DANIEL MOOKHEY:** Have you had conversations with Michael Bloomberg to do this review?

**Mr MATT KEAN:** No, I have not but I am just floating—if I could get over to Glasgow I might do that.

**The Hon. DANIEL MOOKHEY:** Can we perhaps just get to the question, Treasurer? If you do not know who is going to do it and what are its terms of reference, when do you expect it to report to you and will it be public?

**Mr MATT KEAN:** We will make all those things available to you and the public when we are ready to do so.

**The Hon. DANIEL MOOKHEY:** Currently TCorp, very helpfully—and I do want to say thank you to Mr Deverall for being thorough in answers—in response to our previous budget estimates hearing said that the only countries from which we are barred from investing are countries which are subject to Commonwealth sanctions. I could not find a list of countries that are subject to Commonwealth sanctions. On notice, will you provide us with a list of countries that are subject to Commonwealth sanctions for which the NGF is barred from investing?

**Mr MATT KEAN:** I am sure Mr Deverall will be able to provide that answer. Ultimately, our investment strategy is a matter for TCorp and the people with the appropriate expertise.

**The Hon. DANIEL MOOKHEY:** SMP, NAB and the Commonwealth Bank have all said that your Government's NGF strategy exposes us to a different category of balance sheet risk and that we are the only State

that has that exposure. Have you had any conversations with the rating agencies about how they are treating the NGF and the risks they say it poses to the State budget?

**Mr MATT KEAN:** I have seen the briefs from the ratings agencies. They have made it very clear that they take into account the role of the NGF in helping manage our debt and diversify our income streams. We continue to work with the rating agencies. I am looking forward to my first meetings with them, particularly as we go through the half-year review, but obviously we work with a range of stakeholders to make sure that we are managing the State's assets in the most appropriate way possible.

**The Hon. DANIEL MOOKHEY:** Treasurer, why did the Government establish the Transport Asset Holding Entity [TAHE]?

**Mr MATT KEAN:** Well, they established the TAHE as a way to better manage the State's transport assets.

**The Hon. DANIEL MOOKHEY:** Was any aspect of the motivation of the Government to reallocate costs from the general government operating sector to the total public sector?

**Mr MATT KEAN:** I obviously was not involved in the decisions that occurred at the time so I cannot speak to what the rationale was. My understanding is that this is a vehicle that has been created consistently with how the Victorian Labor Government managed their transport assets, the Queensland Labor Government managed their transport assets and we too should be looking to manage our transport assets in a way that ensures safety but gets the best return, or manages our assets in the best way possible for the people of this State.

**The Hon. DANIEL MOOKHEY:** As Treasurer are you considering dissolving the Transport Asset Holding Entity?

**Mr MATT KEAN:** Not at—no.

**The Hon. DANIEL MOOKHEY:** Do you support the continued operation of the Transport Asset Holding Entity?

**Mr MATT KEAN:** Well these are probably matters for the transport Minister.

**The Hon. DANIEL MOOKHEY:** No, you are the shareholding Minister.

**Mr MATT KEAN:** Yes, of course.

**The Hon. DANIEL MOOKHEY:** And Treasurer. As the shareholding Minister who owns our shares, along with Mr Tudehope, do you support the continued operation of the Transport Asset Holding Entity?

**Mr MATT KEAN:** The advice that I have had from Treasury is that this is the most appropriate way to manage our transport assets in New South Wales. They have sought technical advice from an accounting perspective, which they stand by.

**The Hon. DANIEL MOOKHEY:** I appreciate that Treasury has provided you that advice. I assure you that this afternoon I will ask Treasury about the advice they have given you. But I am asking you as the Treasurer, the shareholding Minister and the person who makes the policy, do you support the continued operation of the Transport Asset Holding Entity?

**Mr MATT KEAN:** What I support is the appropriate and prudent management of our transport assets. The advice I have from Treasury is that this is the best way to do that, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** In your view as Treasurer, is the Transport Asset Holding Entity properly accounted for in the State budget?

**Mr MATT KEAN:** My view as Treasurer? The advice that I have from Treasury, based on the technical accounting advice that they have received, is that it is being accounted for appropriately. I am very happy to hand to the secretary to answer that question.

**The Hon. DANIEL MOOKHEY:** I am very happy to hear Mr Pratt, as I always am, but rest assured again I am happy to pick this up this afternoon. My question is: What steps have you taken to assure yourself that the Transport Asset Holding Entity is properly accounted for in the State budget?

**Mr MATT KEAN:** The steps I have taken is that I have taken advice from my secretary. I have taken advice from Treasury. I have read the accounting advice which they have relied on. As someone that has some experience in this area, it appears that it is being treated reasonably. However, we obviously need to work with the Auditor-General and the other agencies to make sure that the State's accounts are a true and fair reflection of our position.

**The Hon. DANIEL MOOKHEY:** It is very nice of you to mention that. It makes a nice segue to my next question to you as Treasurer. Has the Auditor-General advised you on the result of her audit of the total State accounts for the last financial year?

**Mr MATT KEAN:** The Auditor-General has written to me to tell me that they are still working through some technical accounting matters and we are assisting the Auditor-General with her work.

**The Hon. DANIEL MOOKHEY:** Is one of those technical accounting matters related to the Transport Asset Holding Entity?

**Mr MATT KEAN:** I am not—I think yes. Yes. That was specifically noted in the letter the Auditor-General sent to me.

**The Hon. DANIEL MOOKHEY:** What specifically did the Auditor-General flag with you that is a technical issue with the accounting treatment of the Transport Asset Holding Entity?

**Mr MATT KEAN:** Nothing specifically, Mr Mookhey. However, I received a letter from the Auditor-General advising that she was still considering the treatment of TAHE.

**The Hon. DANIEL MOOKHEY:** Thank you. When did you receive that letter?

**Mr MATT KEAN:** I think—I will take that on notice. I suspect last Friday, was it, Mr Pratt?

**The Hon. DANIEL MOOKHEY:** You do not have to give me an exact date. Do you have a time range? Was it last week?

**Mr MATT KEAN:** About a week ago.

**The Hon. DANIEL MOOKHEY:** About a week ago?

**Mr MATT KEAN:** About a week ago. We can come back to you on that.

**The Hon. DANIEL MOOKHEY:** Has the Auditor-General given you any indication as to when she will be completing her inquiries into the technical accounting treatment of the Transport Asset Holding Entity?

**Mr MATT KEAN:** She has not given me an indication but the secretary is in regular contact with the Auditor-General.

**The Hon. DANIEL MOOKHEY:** Secretary? Has she given you any indication?

**Mr PRATT:** She indicated to me last week that she would be looking to hopefully wrap this up in the next two weeks.

**The Hon. DANIEL MOOKHEY:** Indeed. Is the Transport Asset Holding Entity charging Sydney Trains and NSW Trains enough, Treasurer?

**Mr MATT KEAN:** Can you just clarify the question? Where are you going to here?

**The Hon. DANIEL MOOKHEY:** Well, is the Transport Asset Holding Entity charging Sydney Trains and NSW Trains enough to access its assets?

**Mr MATT KEAN:** Well, Treasury advised me that the return on those assets is appropriate at this stage.

**The Hon. DANIEL MOOKHEY:** I am not asking for a return. It is a separate concept. I am asking about the charging. Are they charging enough—not the return, charging, the operational charges that they are applying under the Rail Access Undertaking agreements they entered into with those two organisations.

**Mr MATT KEAN:** I will have to take that on notice.

**The Hon. DANIEL MOOKHEY:** Has anyone flagged with you a risk that the Transport Asset Holding Entity is undercharging Sydney Trains and NSW Trains?

**Mr MATT KEAN:** I think this goes to the issue of the commercial viability of TAHE.

**The Hon. DANIEL MOOKHEY:** No. It is a very specific question that arises in your two real capacities, which is shareholding Minister and Treasurer.

**Mr MATT KEAN:** I am trying to give you a specific answer to your question. No, but it goes to the issue of whether or not the vehicle is commercially viable. That issue has been raised with me.

**The Hon. DANIEL MOOKHEY:** Well, who raised with you the issue of commercial viability?

**Mr MATT KEAN:** Well, the technical accounting advice, which has been provided to Treasury, raised that as an issue that needed to be considered in how to treat that vehicle.

**The Hon. DANIEL MOOKHEY:** Got it. Thank you. The Transport Asset Holding Entity is not due to pay New South Wales a dividend for the next three years. Have you received any advice as to why that is the case?

**Mr MATT KEAN:** Well, obviously, I have not received advice as to why that is the case, no.

**The Hon. DANIEL MOOKHEY:** Have you completed the strategic business plan or intent under the Treasury commercial framework that you are required to enter into with the Transport Asset Holding Entity for the next year?

**Mr MATT KEAN:** I will have to take that on notice. Perhaps the secretary is best placed to answer that.

**The Hon. DANIEL MOOKHEY:** Well, Mr Midha might be that person, or Mr Gardner, given that they are a State-owned corporation [SOC]. Have we completed the Statement of Business Intent or not?

**Mr MIDHA:** The SOC team would have received that. We have got a Statement of Corporate Intent. Sorry. Yes, we have received that.

**Mr GARDNER:** That is correct. We have received it.

**The Hon. DANIEL MOOKHEY:** When are you intending to enter into your next shareholder agreement with the Transport Asset Holding Entity, Mr Kean?

**Mr MATT KEAN:** I will take advice on that, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Have you entered into it for all the State-owned corporations for next year?

**Mr GARDNER:** That is the shareholder agreement, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Yeah. I am aware that they are described as two different ways, depending on policy. But the Statement of Corporate Intent is the shareholder agreement for all certainty purposes. Do you accept that?

**Mr MATT KEAN:** Again, I will take advice on this issue and come back to you. I am very happy to.

**The Hon. DANIEL MOOKHEY:** Incidentally, for all the State-owned corporations, when you intending to complete your shareholder agreements and Statements of Corporate Intent?

**Mr MATT KEAN:** I will have to take advice on that.

**The Hon. DANIEL MOOKHEY:** Okay. You are required to have them in place, I think, sort of now, are you not—or by December is it?

**Mr GARDNER:** If I may interject, Mr Mookhey, they will be tabled in mid-November, this month.

**The Hon. DANIEL MOOKHEY:** If they are going to be tabled potentially from next week or the week after, have you not seen them?

**Mr MATT KEAN:** No, I have not seen them, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Why have you not seen them? These are major parts of the State's—there are eight of them. We are talking Sydney Water, Essential Water; we are talking about the Transport Asset Holding Entity. We are talking about Forestry. How is it possible that we are tabling these documents without you seeing them?

**Mr GARDNER:** We have only just received them, so they are in the process of being delivered to the Treasurer's office at the moment.

**The Hon. DANIEL MOOKHEY:** True, but Treasury negotiates these over months. It is not a surprise to Treasury as to what is in them. No-one has briefed you on what to expect?

**Mr MATT KEAN:** I think that, obviously, with the changeover in Treasury there have been a number of things that had to be considered and we will wait for that brief to come up and consider it through the normal process, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Okay, sure. Given that you now suspended the allocation of the dividends to the NGF and the State-owned corporations, what is going to happen to those dividends?

**Mr MATT KEAN:** Well, I mean they will—

**Mr PRATT:** May I comment?

**The Hon. DANIEL MOOKHEY:** Please.

**Mr PRATT:** They will go into consolidated funds.

**The Hon. DANIEL MOOKHEY:** So we are reverting back to the policy of just putting them into the consolidated fund. That is correct?

**Mr MATT KEAN:** For the time being, yes.

**The Hon. DANIEL MOOKHEY:** Okay. Coming back to the Transport Asset Holding Entity, has anyone provided you any advice as to whether or not it poses any risk to rail safety?

**Mr MATT KEAN:** No-one has specifically provided me advice but I am aware of the KPMG report from Brendan Lyon.

**The Hon. DANIEL MOOKHEY:** I do not know about the crossbench, but the only other follow-up I had for that is: Were you aware that Minister Constance had asked the Office of Transport Safety Investigation to launch a review of this?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** That was a no?

**Mr MATT KEAN:** Sorry, yes. Correct.

**The CHAIR:** Thanks. Sorry. Those discussions were just in terms of wrapping up that final bit of time, so this last portion will be crossbench time and we will first of all go to Cate Faehrmann.

**Ms CATE FAEHRMANN:** Thank you, Chair. Good afternoon, Treasurer. Are you aware that your Government is proposing to hand out quite a large volume of floodplain harvesting entitlements and that the proposed handing out of those entitlements, the way in which they are going to be licensed, means that those licenses will be compensable?

**Mr MATT KEAN:** I am not specifically aware of that, no.

**Ms CATE FAEHRMANN:** And that it could be hundreds of millions of dollars, if not billions of dollars, of compensation for those floodplain harvesting licence holders?

**Mr MATT KEAN:** I will have to take that on notice and get across that issue, Ms Faehrmann.

**Ms CATE FAEHRMANN:** Do you know whether, just in terms of policy, if there are policies like this one which mean that your Government or a future Government but potentially this Government—in other words, the taxpayer—will be liable for hundreds of millions, if not billions of dollars? Does Treasury have a role in setting that policy and agreeing to that, if that is the situation in terms of policy or legislation, which will mean in this instance, for example—with compensable water entitlements—that your Government will have to fork out a lot of money? What is Treasury's role?

**Mr MATT KEAN:** Well, I would imagine if public funds are going to be expended then Treasury would have a role, but we are happy to clarify that with you.

**Ms CATE FAEHRMANN:** Can I ask Mr Pratt: Has Treasury been involved in—

**Mr PRATT:** No, not to my knowledge on that issue, but I can just check. Mr Gardner would have been engaged if we were. Mr Gardner, have you been engaged in this at all?

**Mr GARDNER:** Not this matter. This would probably sit in within Mr Midha's area of responsibility.

**Mr MIDHA:** It has not come through Treasury. We would have seen the policy and we would have commented. The answer is no.

**Mr PRATT:** So the answer is no.

**Ms CATE FAEHRMANN:** Do you think it should come through Treasury?

**Mr MIDHA:** Anything that creates such a liability or an expense would definitely come through Treasury and it has to go to the ERC itself.

**Ms CATE FAEHRMANN:** Okay. That is a heads-up then—



**Mr MIDHA:** Okay.

**Ms CATE FAEHRMANN:** —to have a look at the floodplain harvesting entitlements issue.

**The Hon. DANIEL MOOKHEY:** We're here to help.

**Mr MIDHA:** Thank you.

**The Hon. PENNY SHARPE:** Have a talk to the water Minister.

**Ms CATE FAEHRMANN:** We will stick with the water Minister, actually, in terms of questions and National Party commitments. Prior to—Minister, I think you are aware of this as well—the last election, or possibly the previous election, the National Party committed to a range of dams. They committed to building or promised to build Wyangala Dam, raise the wall of Wyangala Dam, build a new Dungowan Dam. In previous budget estimates I have asked your predecessor about this. The last time I asked him about the cost blowouts in relation to these dams and where the money was coming from, he said to me:

... if the dollar figure at the start is manifestly different to where the project ends up then we should be able to sit back and say that perhaps we will take a different direction.

So, as Treasurer, where do you stand on these projects, which still do not have any business cases, which the water Minister last year said she would potentially delay yet again? Are you committed to funding what I understand is potentially \$1.5 billion to \$2 billion now of taxpayers money for these dams?

**Mr MATT KEAN:** The Government is obviously committed to delivering on its promises for a number of infrastructure projects which the Government has committed to in the public domain and we are absolutely committed to delivering.

**Ms CATE FAEHRMANN:** The Productivity Commission looked at this and has basically found the whole situation around Dungowan Dam, particularly, as flawed—they have called it "flawed", "a dud of a project". The Productivity Commission has said that the cost-benefit ratio benefit for the Dungowan Dam was marginal at the already blown-out cost of \$480 million, yet internal DPIE documents revealed that the cost could balloon up to \$870 million. I wanted to alert you to the fact that the last time I asked questions in relation to this at the previous budget estimates the Treasurer did suggest that without business cases and with the cost blowout they were potentially in doubt or quite marginal. He said he would perhaps take a different direction. Do you think maybe a different direction might be that they might not need to go ahead, because in terms of their financial viability they are looking quite doubtful?

**Mr MATT KEAN:** We will obviously work through those issues. It has got to go through a full and proper EIS process. We will go through the normal process that we follow for big infrastructure projects. Obviously there are a number of matters to consider when we are finally landing on a position, but the position I stated earlier remains the case: This Government is committed to delivering the projects it has promised to do.

**Ms CATE FAEHRMANN:** Just in relation to this project, as you are aware as well, the water Minister suggested that, for example, Dungowan was to deliver improved water security for Tamworth; however, the Productivity Commission found that it was the most costly way to deliver water security to Tamworth and, indeed, the upper House inquiry that I chair also found that there are a hell of a lot of other ways to deliver water security for Tamworth including much cheaper ways that did not require a dam. So when you get a final business case, for example, before the ERC will you take into consideration whether this final business case has taken into consideration non-dam options for that spend of money? For example, if you have got \$1.5 billion to throw at water security and you could do the same thing with \$500 million, will you take that into consideration or will you request other options be considered?

**Mr MATT KEAN:** What we will always do is consider all options to deliver great outcomes for the people of this State and that we use taxpayer dollars as prudently as possible. But I am very happy for the secretary to—

**Mr PRATT:** I will just briefly comment. The point you raise is a really important one. In the approval process the first business case is called a strategic business case, which is options analysis before you get into a business case on the actual BCR and the opportunity. We are still waiting to see the strategic business case and what that options analysis looks like. So that is where that is at at the moment from a Treasury perspective.

**The Hon. PENNY SHARPE:** The Minister keeps going out and promising it.

**Ms CATE FAEHRMANN:** I understand as well that even with the business cases and the final business cases that were potentially being debt funded by WaterNSW and there were internal documents suggesting that WaterNSW's credit rating may be at risk as a result of them being told that they needed to come up with some of the money for these projects—what is the update on that, Mr Pratt? Are you aware of that from previous questions?

**Mr PRATT:** As far as I am aware—and I will get Mr Midha to say if there is anything in addition to this—we have not even got to the business case stage approval yet before we talk about funding options. That is the current position, is it not?

**Mr MIDHA:** Yes. It requires a business case to come back for that development and it will have to come back into the ERC before it is considered for funding, and the funding solution will require either debt from WaterNSW, if that is sustainable, or the Consolidated Fund, but that has yet to be determined.

**Ms CATE FAEHRMANN:** Is this just a standard thing, do you think, Minister, with making these huge announcements prior to an election, a commitment to throw \$1 billion towards these three dams and there are no business cases, there is nothing to justify that it would stack up economically or sustainably or for water security? Should a line be drawn under the sand, do you think, in terms of these announcements pre-election, which they have just created a huge amount of uncertainty. Your Government has spent hundreds of millions of dollars so far in terms of trying to justify these cases, these dams, but potentially they are not able to be justified because they were announced without a business case. Does it sound like that should also be an area of reform for your Government?

**Mr MATT KEAN:** I think we have just been talking today about the importance of having a transparent and fair process that sees taxpayers' money spent in the interests of the State.

**Ms CATE FAEHRMANN:** This is similar though, isn't it, in terms of major infrastructure announcements by National Party MPs prior to an election, just drawn out of wherever they draw it out of, with no justification? That is very similar. Is it a similar thing. You should rule out that as well, major infrastructure announcements with no business cases.

**Mr MATT KEAN:** What I want to see—there is obviously a review being undertaken, Ms Faehrmann. That review will be looking as to how we can best improve our guidelines process around the awarding of grants and, more broadly, public moneys, and obviously we will be taking that into account going forward for infrastructure projects.

**Ms CATE FAEHRMANN:** Thank you.

**The CHAIR:** Mr Latham.

**The Hon. MARK LATHAM:** Thank you, Chair.

**Mr MATT KEAN:** May I have a bathroom break? Is that okay?

**The CHAIR:** You can, but we actually finish in 15 minutes.

**The Hon. MARK LATHAM:** If it is urgent. Don Harwin had three. So we will give you one.

**(Short adjournment)**

**The CHAIR:** Mr Latham.

**The Hon. MARK LATHAM:** Thank you, Chair. Minister, as Treasurer, are you also expecting to stay in your former portfolios of Energy and Environment?

**Mr MATT KEAN:** That will be a decision for the Premier, Mr Latham.

**The Hon. MARK LATHAM:** Have you asked the Premier to stay in those positions?

**Mr MATT KEAN:** No. We have not had a conversation specifically about that.

**The Hon. MARK LATHAM:** Would you like to stay as Energy and Environment?

**Mr MATT KEAN:** I would obviously like to continue being a champion for our environment and to deliver cheap, reliable and clean energy for the people of New South Wales. So yes.

**The Hon. MARK LATHAM:** You are saying you have not had any discussion at all with the Premier about this?

**Mr MATT KEAN:** Well, I haven't had discussions about what the Premier is going to do with the reshuffle.

**The Hon. MARK LATHAM:** No, no, no, what you have asked him in regard to your desire to stay there as a champion of clean energy blah, blah, blah.

**Mr MATT KEAN:** I am not going to go into the discussions I may or may not have had with the Premier about this or any other matters, Mr Latham.

**The Hon. MARK LATHAM:** A moment ago you said you had not had a discussion with the Premier about staying in those portfolios and now you are saying you are not going into it.

**Mr MATT KEAN:** I am not going to go into those discussions, Mr Latham.

**The Hon. MARK LATHAM:** So you have had a discussion with the Premier to stay in Energy and Environment.

**Mr MATT KEAN:** No, they are your words, Mr Latham. What I have said is that I am not going to detail discussions between myself and the Premier on this or any other issues.

**The Hon. MARK LATHAM:** That is a different answer to the one you gave about 90 seconds ago where you said that you had not had a discussion with the Premier on this topic.

**Mr MATT KEAN:** Let me clarify it, Mr Latham.

**The Hon. MARK LATHAM:** Please.

**Mr MATT KEAN:** I am not going to go into any discussions that I have with the Premier here today.

**The Hon. MARK LATHAM:** Right. Why did you say then about 100 seconds ago now that you had not had a discussion—

**Mr MATT KEAN:** Because, on reflection, it would be inappropriate—

**The Hon. MARK LATHAM:** —with the Premier in asking to stay in Energy and Environment.

**Mr MATT KEAN:** Because, on reflection, it would be inappropriate for me to talk about any discussions I may or may not have had with the Premier.

**The Hon. MARK LATHAM:** So discussions have taken place?

**Mr MATT KEAN:** I did not say that, Mr Latham. I said I am not going to detail discussions that I may or may not have had with the Premier.

**The Hon. MARK LATHAM:** In terms of implementing your fiscal recovery plan, do you think there would be a tad of a problem that what you have turned into big spending portfolios, of Energy in particular, that as the Treasurer trying to implement fiscal discipline you would not be disciplining yourself, would you?

**Mr MATT KEAN:** Can you point specifically to the premise of your question?

**The Hon. MARK LATHAM:** Here is a perfect example right in front of me. Two weeks ago, when Mr Shoebridge went to the crossbench briefing—not normally a place known for fiscal extravagance—he asked you, "Would it be a good idea to exempt community-scale batteries from fees, charges or tariffs under this or any other Act?" the "Act" being the Energy Legislation Amendment Bill, and you said, "Yes, that is a great idea," and it went through the upper House and the Parliament uncoded, unfunded, having completely lost any form of fiscal discipline. So there is Energy; you are ticking off what seemed to be a spontaneous request from a crossbencher to have an exemption of fees and charges for these community-scale batteries. Wearing your Treasury hat, it is an act of economic vandalism to do it that way, isn't it?

**Mr MATT KEAN:** I think it is a mischaracterisation of the issue, Mr Latham.

**The Hon. MARK LATHAM:** What happened?

**Mr MATT KEAN:** As you know, today the cheapest way of delivering electricity is a combination of wind, solar, pumped hydro and maybe a bit of gas in the system at the moment. The idea that people could put a solar panel on their roof or a battery on the garage and that this Government would support that, that seems completely appropriate and in line with community expectations, Mr Latham.

**The Hon. MARK LATHAM:** As Treasurer, what is the costing on this exemption of fees, charges or tariffs that passed the Parliament with your approval after a crossbench member asked for it at the crossbench briefing? As Treasurer, what is the costing on it?

**Mr MATT KEAN:** What is the costing of that specific policy?

**The Hon. MARK LATHAM:** On this measure in The Greens amendment to 192A, subclause (c)?

**Mr MATT KEAN:** We are very happy to come back to you, Mr Latham. I do not have those documents to hand at the moment.

**The Hon. MARK LATHAM:** Did you have a costing before you approved it?

**Mr MATT KEAN:** We could definitely come back to you, Mr Latham, on that issue.

**The Hon. MARK LATHAM:** But you had no costing at that time?

**Mr MATT KEAN:** We were going through the process of making a regulation, Mr Latham, at the time. Can you give me specifically the notes that you have, so that I can read that?

**The Hon. MARK LATHAM:** It is the Legislative Council first print of an amendment. I read the amendment out to you. You must know about it because you ticked it off at the crossbench briefing. Do you see a conflict of interest or purpose between being Treasurer and a big-spending portfolio Minister at the same time?

**Mr MATT KEAN:** Mr Latham, we would have to go through a proper process of now making the regulation. That will obviously consider costings, which we will do.

**The Hon. MARK LATHAM:** Do you see a conflict of purpose from being a big-spending portfolio Minister plus the Treasurer trying to implement your fiscal recovery plan?

**Mr MATT KEAN:** Mr Latham, as the Treasurer of this State, I will be focused on making sure that we prioritise the needs of the people of New South Wales and our spending appropriately. We will do it in a way that is fiscally responsible.

**The Hon. MARK LATHAM:** In your 30-day regime so far as chair of the ERC, have you had Energy and Environment matters come before the committee?

**Mr MATT KEAN:** I am obviously not going to talk about the ERC process here today.

**The Hon. MARK LATHAM:** As ERC chair, how would you plan to deal with that wearing of two hats?

**Mr MATT KEAN:** In the appropriate way, Mr Latham. We will take advice from the Treasury officials, we will assess a proposal that will come up and then the ERC, which has a range of portfolio Ministers representing a range of interests, will make a decision accordingly.

**The Hon. MARK LATHAM:** In your desire to stay in Energy and Environment, do you think you run the risk, as Treasurer, that it will cause resentment with other portfolio Ministers, who will say, "I went in there, had to go to the ERC and give up some savings. He does not do it for himself in Energy, where it's been a spendathon."?

**Mr MATT KEAN:** The only person who seems to resent my good work in Environment is yourself, Mr Latham.

**The Hon. MARK LATHAM:** You would be surprised.

**Mr MATT KEAN:** My focus, obviously, is to make sure that we deliver on the Government's priorities. The environment is an important priority for the Government. But there are a range of Ministers in that governance process that have a say in how we will manage the finances of this State.

**The Hon. MARK LATHAM:** Minister, you spoke to *Four Corners* on 12 April and you said as follows:

If you're going to get to net zero emissions by 2050 then you need to be out of fossil fuels by the mid 2030s.

Why is that?

**Mr MATT KEAN:** Well, the life of a new—what I was referring to was the life of a coal-fired power station. If you were to build a new coal-fired power station—what I was referring to there is, I think, specifically and I can't recall—

**The Hon. MARK LATHAM:** Gas?

**Mr MATT KEAN:** Gas, was it?

**The Hon. MARK LATHAM:** You went on to say:

So yes, we need gas now, but we need a plan to move away from gas.

You were not talking about coal-fired power stations; you were talking about gas.

**Mr MATT KEAN:** Sorry. With regard to gas, obviously to get to net zero emissions gas is not going to help you do it, unless you offset the gas. I was just making the point that we should be investing in things that are going to lower our emissions into the long term, rather than spending money on something that could be a white elephant if we are trying to get to net zero by 2050.

**The Hon. MARK LATHAM:** Will New South Wales be out of fossil fuels by the mid-2030s?

**Mr MATT KEAN:** I do not think so, Mr Latham.

**The Hon. MARK LATHAM:** According to this statement, we are not going to get to net zero 2050.

**Mr MATT KEAN:** No, that is not correct, Mr Latham.

**The Hon. MARK LATHAM:** That is what the statement says.

**Mr MATT KEAN:** What I am saying is that there will still be a role for some fossil fuels in our economy, and that is why we need to look at things like offsets, things like carbon sequestration. That will provide a revenue stream for farmers and opportunities, and we should be grabbing that. It is not zero emissions; it is net zero, Mr Latham.

**The Hon. MARK LATHAM:** I know that. I wonder why, if it is net, you need to be out of all fossil fuels by the mid-2030s. You did say this, Minister:

If you're going to get to net zero emissions by 2050 then you need to be out of fossil fuels by the mid 2030s.

Do you still believe that?

**Mr MATT KEAN:** No, I think I have just clarified that remark—

**The Hon. MARK LATHAM:** You do not; that statement was wrong.

**Mr MATT KEAN:** —in the context of what I am saying, that there will be a role for fossil fuels. It will be a different role to what they currently play today. But to get to net zero obviously where we can replace fossil fuels with cleaner alternatives and it makes economic sense to do so, we will do that.

**The Hon. MARK LATHAM:** And do you agree with the statement of the former chief scientist, still a major adviser to the Federal Government on clean energy, Alan Finkel, that if Australia eliminates its 1.3 per cent of global emissions it will have virtually no impact—they are his words; Finkel, the scientist, "virtually no impact"—on global climate and temperature?

**Mr MATT KEAN:** That is an argument for the rest of the world to do more, not for Australia to do less. We should obviously do our bit, Mr Latham. It makes economic sense for us to do so. We have some of the best wind and solar resources.

**The Hon. MARK LATHAM:** What if we are doing our bit and it has no impact?

**Mr MATT KEAN:** No. What I am saying is there is an economic dividend to be had by Australia leading the way in taking on the challenge of climate change. In a low-carbon economy globally, we are really well placed to meet the world's energy needs with clean alternatives and to meet the world's resources and materials needs with clean alternatives. I am just advocating that where those markets are changing we should be adapting our practices to take full advantage of them.

**The Hon. MARK LATHAM:** What is the net impact of the policies you have put forward, the expenditures you put forward in the electricity road map, the net zero 2050, plan 2030, the hydrogen plan? What is the outcome in terms of the New South Wales impact on global climate and temperatures? How would you quantify that?

**Mr MATT KEAN:** Significantly. New South Wales will reduce our emissions between 47 and 52 per cent, based on the policies that we have put in place. That will make a significant impact to Australia's overall emissions reduction profile. But we will do it in a way that grows our economy, creates jobs and sets us up to grab these opportunities that are emerging due to forces outside our control, Mr Latham.

**The Hon. MARK LATHAM:** Why are you contradicting the science? Finkel has said that if Australia gets rid of its 1.3—New South Wales will be about a third of that—it has virtually no impact—

**Mr MATT KEAN:** I am not contradicting the science.

**The Hon. MARK LATHAM:** —on global climate and temperature. You cannot quantify what you are doing.

**Mr MATT KEAN:** I am saying that is an argument for the rest of the world to do more, not for Australia to do less. I think it is a matter of fact that the rest of the world is trying to come to a conclusion, the rest of the world is trying to get to a position where we are all doing more to protect our planet and hand it to our kids better than we found it. You should get behind that as well, Mr Latham.



**The Hon. MARK LATHAM:** Minister, as Treasurer, have you would revised any aspect of the net zero policy you released in March last year, which said that it is only creating 2,400 jobs over a decade—just 240 jobs per annum? Is that still the modelling outcome of the policy?

**Mr MATT KEAN:** Let us talk about jobs. The energy infrastructure road map will see a jobs bonanza for New South Wales.

**The Hon. MARK LATHAM:** No, I am asking about the net zero policy—just 240 jobs per annum. It is not much of a job creator, is it?

**Mr MATT KEAN:** You cannot cherrypick one aspect of our plans to reduce our carbon footprint—

**The Hon. MARK LATHAM:** I just did. I am asking you about it.

**Mr MATT KEAN:** —and ignore others, Mr Latham. The reality is that our policies and plans are going to turbocharge jobs and drive investment. Our energy infrastructure road map will see over \$30 billion worth of private capital coming into New South Wales between now and 2030. That means jobs and that means economic prosperity. I am very proud of it.

**The Hon. MARK LATHAM:** The \$3 billion hydrogen plan recently passed the Parliament in the bill that I mentioned earlier on. Am I right in saying that it is to create 10,000 jobs?

**Mr MATT KEAN:** That is an opportunity that we would be mad to pass up, Mr Latham. We would be mad to pass up the fact that Japan and Korea and some of our big coal export markets are saying that hydrogen is going to be key to meeting their future energy needs. I want to make sure that New South Wales wins the race to supply those markets. But we have to move now, Mr Latham.

**The Hon. MARK LATHAM:** What is the public cost per job?

**Mr MATT KEAN:** Of the forecasts?

**The Hon. MARK LATHAM:** Yes.

**Mr MATT KEAN:** We can get you those details. They are all in the public documents, Mr Latham.

**The Hon. MARK LATHAM:** It is not that hard. It is a \$3 billion spend for 10,000 jobs. It is costing \$300,000 a job. Is this what you are regarding will be typical of your employment creation as Treasurer, that these jobs will cost \$300,000?

**Mr MATT KEAN:** No, I do not—

**The Hon. MARK LATHAM:** As a Liberal, is it not just better to give the money to the workers to invest?

**Mr MATT KEAN:** We should be supporting workers, and one of the best ways we can do that is diversifying our economy, particularly in the Hunter, who, through no fault of their own will face headwinds, which will disrupt the existing the economy. We need to be prepared for that future and I would really like the opportunity to work with you on achieving that goal.

**The Hon. MARK LATHAM:** All you have me on is your stamp duty reform. But on the rest of it, you are on a wing and a prayer.

**The Hon. BEN FRANKLIN:** Thank you, Treasurer, for the excellent work you are doing both in the Environment and Energy portfolio as well as obviously as Treasurer. I was just wondering, Treasurer, if you had any issues that you would like to clarify from today's hearings?

**Mr MATT KEAN:** Thank you very much, Mr Franklin. It is funny you should ask, I just wanted to clarify a response I gave to Mr Mookhey earlier.

**The Hon. DANIEL MOOKHEY:** Just one?

**Mr MATT KEAN:** Actually, two, with regard to a series of questions around icare remuneration and procurement processes. It is fair to say that they are important issues. I am concerned about a number of the propositions that were put to me; however, they require due consideration and advice. I therefore propose to take those two broad issues on notice and make clear my position on those matters through that process. The second issue that I wish to clarify—and thank you Mr Franklin for giving me the opportunity—is that the Auditor-General wrote to me on 20 October.

**The CHAIR:** Thank you, Treasurer, your time has now concluded. We will resume with all of the Treasury officials, after a lunch break, at 2.00 p.m.



**(The Minister withdrew.)**

**(Luncheon adjournment)**

**The CHAIR:** Welcome back everybody. We will reopen the questioning with the Opposition.

**The Hon. DANIEL MOOKHEY:** Treasury Secretary, do you have an update as to any of the information from this morning that you were potentially taking on notice?

**Mr PRATT:** No, I do not.

**The Hon. DANIEL MOOKHEY:** That is okay; no problem. I just thought we should start by giving you that opportunity. Can we start by talking about the WestConnex privatisation? I will seek your advice, Mr Secretary, as to which part of the Treasury you wish me to direct these questions. From memory, was that undertaken by Mr Midha's group or Mr Gardner's?

**Mr PRATT:** No, there is a transaction team in Mr Gardner's overall structure and the transaction team led that work.

**The Hon. DANIEL MOOKHEY:** Thank you. Can we just go through when the expression of interest process started for the WestConnex privatisation stage two?

**Mr PRATT:** I may get Mr Gardner to take these questions, if that is alright.

**The Hon. DANIEL MOOKHEY:** Of course.

**Mr GARDNER:** That started in March of this year.

**The Hon. DANIEL MOOKHEY:** How was the expression of interest called for?

**Mr GARDNER:** How early was it called for?

**The Hon. DANIEL MOOKHEY:** No, how was it called for? As in, was it a public notice?

**Mr GARDNER:** It was done through public notification through publication in, I think, the *Australian Financial Review* and an international publication *Financial Times*. So it was widely published.

**The Hon. DANIEL MOOKHEY:** Were people invited to register as potential bidders?

**Mr GARDNER:** They are.

**The Hon. DANIEL MOOKHEY:** How many people or organisations registered?

**Mr GARDNER:** Sorry, Mr Mookhey, but we do not really go through details of number and level of participation in these style processes.

**The Hon. DANIEL MOOKHEY:** I know you do not but I am asking regardless because I am interested in how many—what was the competitive tension in this bid? Now that the bid is completed and the assets have been sold, I am interested in knowing how many people registered so that we can then make an assessment as to whether there was sufficient competitive tension in this. That is the reason, for what it is worth—nothing more.

**Mr GARDNER:** To address that issue I will have to take specific numbers that participated in that expression of interest [EOI] process on notice, Mr Mookhey. This whole process is set up—we ran a competitive process. The key thing for us is to make sure there is a huge amount of robustness around ensuring the State gets value for money. We can run a competitive process and not achieve the State's retention value in a transaction, and we can have a transaction where there might only be a very small number of participants and exceed the State's retention value. The key thing for us is the robustness and rigour around that.

**The Hon. DANIEL MOOKHEY:** I do not doubt that, Mr Gardner, and I would not dare suggest that Treasury would not have run a rigorous process of sufficient robustness. I take it as given, therefore, that you did. Therefore, it is not an unreasonable question: How many people registered as potential or responded to the EOI? I am not asking you to identify them; I am asking the number.

**Mr PRATT:** Mr Mookhey, could we—

**Mr GARDNER:** I do not have that information with me.

**The Hon. DANIEL MOOKHEY:** Could you take it on notice? Does anybody else from Treasury have this?

**The Hon. BEN FRANKLIN:** I suspect Mr Pratt was about to make a comment about this.

**Mr PRATT:** I appreciate where you are going and these are reasonable questions. What I am really concerned about is market sensitivity. I am not trying to be playing games with you, but could I take those sorts of questions on notice and if I can come back to you with the answers, I will.

**The Hon. DANIEL MOOKHEY:** Mr Secretary, I cannot stop you from taking questions on notice, but when you say "market sensitivity", this transaction has been done; it settled last week. What market sensitivity are you referring to that would preclude the opportunity or cause caution from being able to answer these questions?

**Mr PRATT:** For example, other bidders in the process, even though the transaction is completed, may not want it known that they were party to that process.

**The Hon. DANIEL MOOKHEY:** I assure you that I am not going to ask you to identify a single bidder whatsoever—other than the people who won, obviously—because I respect that, Treasury Secretary. I am just asking a really basic question: How many people responded to the expression of interest and registered as having an interest in potentially bidding? I am not even asking you how many people bid; I am asking how many people registered. Do we have that information, or we do not wish to provide it or are you taking it on notice?

**Mr PRATT:** No, we do have that information, but I am very happy to take it on notice and we will come back.

**The Hon. DANIEL MOOKHEY:** Okay, thank you very much. Moving forward, after the registration period, what then took place? What was required?

**Mr GARDNER:** There is an evaluation of those submissions to the EOI and then we run an initial bid phase and then proceed to a process where we provide a certain amount of information to a short-listed number of parties who then proceed to the final bid phase. So there is an EOI, we exclude some people because they are not suitable and do not have the sufficient capacity to participate in the process—

**The Hon. DANIEL MOOKHEY:** I just want to be clear that that is in accordance with policy, right? That is a standard process that we are talking about.

**Mr GARDNER:** That is absolutely standard process. This process was run in line with all our prior major transactions.

**The Hon. DANIEL MOOKHEY:** How many people or organisations made it through to the short-listing stage? Again, I am not asking you to identify who they are.

**Mr GARDNER:** Unfortunately, I think the point that the secretary made, is that by providing a number then it does start to triangulate quite specifically towards participants in the process, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** I do not understand the relevance of triangulation when it comes to the sale of an asset of this size. This is a budget estimates hearing about the sale of one of the State's biggest assets. Are we seriously suggesting that you cannot tell us how many people were short-listed to buy this asset? Is that actually the position we are adopting?

**Mr GARDNER:** That is how commercial confidence—obviously, there is an overarching principle that we enter into confidentiality contracts with all the participants in these processes, so I guess that is our position.

**The Hon. DANIEL MOOKHEY:** So are we seriously suggesting that to tell us—and, for that matter, the public—how many people were short-listed as bidders we are breaching confidentiality—

**The Hon. JOHN GRAHAM:** After the transaction.

**The Hon. DANIEL MOOKHEY:** —after the transaction has taken place, despite no-one asking you to identify who these people are?

**Mr PRATT:** I am simply flagging, Mr Mookhey, that I would like to take advice on it. These are particularly sensitive transactions at this scale, as you would appreciate. As I said, if I can give you that, I definitely will.

**The Hon. JOHN GRAHAM:** Secretary, could I just indicate strongly my support for my colleague's view. We are after the transaction and acres of newsprint have been spilt about this transaction. I understand there may be sensitivities and the Opposition certainly has not speculated—

**The Hon. DANIEL MOOKHEY:** Not once!

**The Hon. JOHN GRAHAM:** —about bidders in the process up until now. To not tell the public afterwards how many people were in the process of the various stages, in my view, would be extraordinary.

**Mr PRATT:** I acknowledge what you have both said and I will definitely, as I have indicated, take it on notice and come back to you if I am able.

**The Hon. DANIEL MOOKHEY:** Okay. After the short-listing stage, presumably whoever was short-listed goes forward to the opportunity to provide a final bid—correct?

**Mr GARDNER:** That is correct.

**The Hon. DANIEL MOOKHEY:** I am sure you will have to take this on notice, consistent with your previous practices, but I am going to ask: Did we get more than one final bid?

**Mr PRATT:** We will have to take that on notice.

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

**The Hon. DANIEL MOOKHEY:** You are in sync.

**Mr PRATT:** It was not planned, Mr Mookhey, I can assure you.

**The Hon. DANIEL MOOKHEY:** I believe you, Mr Pratt. There has been media speculation, and I will put this to you and give you the opportunity to clear it up. The *Australian Financial Review* and others have reported that only one bid was received. Was only one bid received?

**Mr PRATT:** I will take it on notice.

**The Hon. DANIEL MOOKHEY:** Indeed. Is it the case that participants in the bid process were entitled to recover their costs?

**Mr GARDNER:** There was a provision set, yes, Mr Mookhey. There was a particular provision, a feature of the transaction for that capital commitment fee, whereby if we received a bid in excess of the State's retention value that was in all matters compliant and they were unsuccessful in the sale process, then we would make a payment. But that was obviously reliant on a successful sale process. I can confirm that that payment was not made.

**The Hon. DANIEL MOOKHEY:** That was 1 per cent of was it the total value of the bid or the enterprise value? I cannot remember the precise—

**Mr GARDNER:** Of the bid.

**The Hon. DANIEL MOOKHEY:** Are you saying that you can tell me that the capital commitment fee has not been paid to anybody?

**Mr GARDNER:** That is correct.

**The Hon. DANIEL MOOKHEY:** I am going to infer, Mr Secretary, it is either one of two things here, which is we either have a very generous consortium of people who lost the bid but are not interested in recovering their costs or no-one else put in a bid.

**Mr GARDNER:** There is a third scenario, Mr Mookhey, which is we received a bid but it was below the retention [inaudible] value.

**The Hon. DANIEL MOOKHEY:** Did anybody ask for the fee? I am sorry, Mr Gardner, but you make a good point. They may not be eligible is the third scenario. Did anybody request the fee?

**Mr GARDNER:** No.

**The Hon. DANIEL MOOKHEY:** Okay, so let us go back to scenario one or scenario two. Are we inferring? Do you wish to respond or do you need to take this on notice as well, potentially?

**Mr PRATT:** No, because we will obviously get back to where we were, Mr Mookhey, so I will take it on notice.

**The Hon. DANIEL MOOKHEY:** You see where I am going with this, don't you?

**Mr PRATT:** Absolutely, and you have every right to. I just would like to get advice on that and come back to you.

**The Hon. DANIEL MOOKHEY:** Given that we cannot identify how many people registered, we cannot identify how many were short-listed, we cannot identify how many put a bid in, can you tell us how exactly did you check to ensure that we were getting fair value for this? Were any independent views obtained?

**Mr PRATT:** Yes, there was, and I am quite happy if Mr Gardner outlines that to you.

**The Hon. DANIEL MOOKHEY:** I am sure you are.

**Mr GARDNER:** With all of these transactions there is a very rigorous process that we use external financial advisers to create a full valuation model. We test that model against a number of different scenarios, whether it is prior transactions. With this one, we can test against the prior sale of the 51 per cent. We can test it against a range of different cash flow models, against a range of different traffic scenarios. We had a specialist valuation team that was not part of the negotiation of a strategy that undertook an independent sort of verification of the valuation and stress tested the model, provided us an additional layer of confidence in the retention value calculations and the valuation. And, as the Premier then Treasurer said, we exceeded that number so we are very, very confident we achieved a good value for money outcome for the State.

**The Hon. DANIEL MOOKHEY:** Did the deeds for the sale of the first 51 per cent provide the consortium—I think it is called Sydney Transport Partners—the opportunity to provide a first bid?

**Mr GARDNER:** They had a right of first offer but that offer was going to be evaluated at exactly the same time, in the same sort of process, as a bid that we were receiving in a parallel-style process so it did not provide them with any material advantage in the process.

**The Hon. DANIEL MOOKHEY:** I accept that that is your assertion. But did they actually exercise their right of first offer?

**Mr GARDNER:** Yes, it was the only pathway they could participate in the process.

**The Hon. DANIEL MOOKHEY:** Thank you. Is it your view that the Sydney Transport Partners consortium, or members of it, had access to information earlier than other potential bidders as a result of their 51 per cent ownership?

**Mr GARDNER:** They are familiar with the business that was being sold. So the way we mitigate that is to have a very, very extensive due diligence process with them, with a significant data room. The WestConnex management had to participate in that process and/or due diligence process. We do go to extraordinary efforts to level the playing field from an information advantage perspective. We are confident we were able to do that in this process.

**The Hon. DANIEL MOOKHEY:** Can you at least assure me that another party accessed the data room?

**Mr GARDNER:** Other parties accessed the data room, yes.

**The Hon. DANIEL MOOKHEY:** Okay, great. That confirms that someone participated somewhere in the process. That is good to know. Let us turn to the advisers. You say that you retained financial advisers. Is that correct?

**Mr GARDNER:** Yes.

**The Hon. DANIEL MOOKHEY:** Who were they?

**Mr GARDNER:** Citibank and RBC.

**The Hon. DANIEL MOOKHEY:** How much did we pay them, collectively?

**Mr GARDNER:** We will be disclosing all that in our financial accounts. In total, it would be \$12 million across the two of them.

**The Hon. DANIEL MOOKHEY:** I appreciate you will be disclosing them in your accounts. I presume you have also disclosed them under the Government Information (Public Access) Act. I presume none of this is proprietary or public?

**Mr GARDNER:** That is correct.

**The Hon. DANIEL MOOKHEY:** They were your financial advisers. Did you have accounting and tax advisers?

**Mr GARDNER:** We did have accounting and tax advisers.

**The Hon. DANIEL MOOKHEY:** Who were they?

**Mr GARDNER:** We had PwC, who also were our traffic advisers.

**The Hon. DANIEL MOOKHEY:** How much did you pay them?

**Mr GARDNER:** Just wait a moment.

**The Hon. DANIEL MOOKHEY:** Whilst Mr Gardner is getting that information, I might just put the rest of them so he can obtain them all at once. Is that okay, Mr Secretary?

**Mr PRATT:** That is fine.

**The Hon. DANIEL MOOKHEY:** Can you identify your legal advisers and the amount they were paid; your technical advisers—

**Mr GARDNER:** The legal advisers are Allens.

**The Hon. DANIEL MOOKHEY:** I might just give them all to you at once, Mr Gardner. Mr Graham will ask questions and then we will come back for the answers. That might be more efficient for everybody. If you can come back to us with your legal advisers and how much; technical advisers, which could include traffic or any other categories as well; your probity advisers; environmental advisers; and any other category adviser that you retained, who they are and the quantum? That would be great.

**Mr GARDNER:** Yes.

**The Hon. JOHN GRAHAM:** Secretary, one of the issues that has been raised and one of the concerns the Opposition has had is under the WestConnex contract the question about how much drivers are contributing in tolls over the life of the contract. There is an estimate of that, as officials have conceded before in the data room. They have argued previously, while the transaction was ongoing, that that was commercial in confidence. Now the transaction has concluded, now this is under contract until 2060, will you release that single figure? How much was estimated as the contribution in tolls from drivers over the life of this contract?

**Mr PRATT:** I cannot see why we would not, but again I will take that on notice because I am not sure. Again, if I can, I will get that for you.

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

**The Hon. DANIEL MOOKHEY:** Does Mr Gardner have that information?

**Mr GARDNER:** I do have that information. Allens, our legal advisor, \$5.5 million—this is all ex GST—PwC, accounting and tax, 3.4; traffic, 1.6.

**The Hon. DANIEL MOOKHEY:** What firm did traffic?

**Mr GARDNER:** PwC.

**The Hon. DANIEL MOOKHEY:** And they were given 1.6?

**Mr GARDNER:** Yes, 1.6.

**The Hon. DANIEL MOOKHEY:** And that is in addition to the 3.4 that they were paid separately as your accounting adviser?

**Mr GARDNER:** That is correct, yes. And they also had an economic adviser role worth \$500,000. We had two technical advisors, MDB and Jacobs. MDB got paid \$550,000; Jacobs, \$1.4 million. Our environmental advisor was ERM. They got paid \$950,000. Our probity advisor was OCM and got paid \$190,000.

**The Hon. DANIEL MOOKHEY:** Sorry. Who were they?

**Mr GARDNER:** O'Connor Marsden.

**The Hon. DANIEL MOOKHEY:** And how much were they?

**Mr GARDNER:** One nine zero. Our communications advisors were Newgate and they were paid \$500,000. Our insurance advisors were A. J. Gallagher and they got paid \$129,000. We had a valuation adviser, Rimer, who were paid \$40,000.

**The Hon. DANIEL MOOKHEY:** In total, can you sum up all those costs for advisers?

**Mr GARDNER:** It is \$27.2 million ex GST.

**The Hon. DANIEL MOOKHEY:** And how does that compare to the first tranche, the sale of the 51 per cent?

**Mr GARDNER:** We paid about \$60 million in the first tranche.

**The Hon. DANIEL MOOKHEY:** So at least we are—

**Mr GARDNER:** So probably half.

**The Hon. DANIEL MOOKHEY:** —cheapening up. That is good to hear as well. Thank you very much. Is there any other information you have that is relevant to the big costs, or the cost of running a sale?

**Mr GARDNER:** No.

**The Hon. DANIEL MOOKHEY:** Thank you. So, Treasury Secretary, the 49 per cent interest that we used to own resided with the Roads Retained Interest Pty Ltd [RRIPL]. Is that correct?

**Mr GARDNER:** That is correct, yes.

**The Hon. DANIEL MOOKHEY:** What is going to happen to that company now?

**Mr GARDNER:** That is being wound up imminently.

**The Hon. DANIEL MOOKHEY:** Okay. "Wound up imminently", so as in when?

**Mr GARDNER:** At the end of the financial year, I understand.

**The Hon. DANIEL MOOKHEY:** So I presume legally we effected the sale by selling the asset, not the shareholding. That is correct?

**Mr PRATT:** That is correct, yes.

**Mr GARDNER:** That is correct.

**The Hon. DANIEL MOOKHEY:** And I presume that RRIPL will still produce an annual report for this year?

**Mr GARDNER:** They will be producing an annual report for this year, yes.

**The Hon. DANIEL MOOKHEY:** And I presume that that will be listed with the Crown finance reports?

**Mr GARDNER:** I would have to check. I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Well, rest assured, that that is where I read it last year so unless you—

**Mr PRATT:** It should be but let's check. We will check on it.

**The Hon. DANIEL MOOKHEY:** Okay. Thank you.

**The Hon. JOHN GRAHAM:** I might just turn to another matter with the Productivity Commissioner. The Premier today announced a review of grant funding. Could you give us some background about your understanding of what you have been tasked to do?

**Mr ACHTERSTRAAT:** Thanks very much, Mr Graham. Look, I have been tasked to work with the Department of Premier and Cabinet to deliver a review to ensure that value for money for New South Wales taxpayers is achieved with the grants programs by ensuring that the administration, assessment and assurance of the grants program is best practice.

**The Hon. JOHN GRAHAM:** Great.

**The CHAIR:** Mr Shoebridge?

**Mr DAVID SHOEBRIDGE:** Mr Achterstraat, have you been given a time frame in which that review is to be undertaken?

**Mr ACHTERSTRAAT:** April.

**Mr DAVID SHOEBRIDGE:** April of next year. Have you been tasked—

**Mr ACHTERSTRAAT:** [Disorder].

**Mr DAVID SHOEBRIDGE:** Sorry, Mr Achterstraat. Did you want to add something to that?

**Mr ACHTERSTRAAT:** I am sorry, Mr Shoebridge. I was just saying that we have to produce our report with DPC by April 2022. Thank you and sorry.

**Mr DAVID SHOEBRIDGE:** That is okay. Will you be working with the Auditor-General or other agencies, noting, for example, the Auditor-General has been looking at grants programs very recently?



**Mr ACHTERSTRAAT:** A very good question, thank you, Mr Shoebridge. I will be looking to work with all interested stakeholders, including the upper House committee, which has done a review of this itself. I will be seeking to draw on all the expertise but I have not formulated precisely the process that we will follow.

**Mr DAVID SHOEBRIDGE:** Will there be a public call for submissions?

**Mr ACHTERSTRAAT:** I have not decided that one yet, so we will be working through that. It was only announced this morning so I am still listening to ideas and taking those on notice.

**Mr DAVID SHOEBRIDGE:** Well, we might get you an invite to come back and address the Public Accountability Committee, Mr Achterstraat.

**Mr ACHTERSTRAAT:** I would be very keen to do so.

**Mr DAVID SHOEBRIDGE:** All right. Terrific. Mr Harding, your evidence earlier today was that there was an underwriting loss of the Nominal Insurer of \$1.417 billion last year. Is that right?

**Mr HARDING:** That is correct.

**Mr DAVID SHOEBRIDGE:** Do you want to tell me what your understanding of an underwriting loss is?

**Mr HARDING:** An underwriting loss is the result of premiums less claims and administration costs, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** So the amount of money you brought in on premiums was \$1.417 billion less than what you paid out in benefits, costs and the admin costs of the scheme. Is that right?

**Mr HARDING:** That is correct, but perhaps if I can expand the answer for you to help clarify, as I was attempting to this morning. All long tail insurers like the public sector insurers of workers compensation and other similar schemes rely on the investment income from the assets that they hold to enable them to reduce premiums for the employers and other customers of the scheme. That is the nature of public sector schemes. In our pricing models and in the way that we approach our pricing, we do not allow a profit margin or a risk margin. As a result of that, you can see it is not likely that the scheme will ever make an underwriting profit; in fact, it is normalised that the scheme will make an underwriting loss and that loss is then covered by the investment income of the scheme. So looking at the underwriting result in and of itself is not a true reflection of the scheme unless you take into account the investment income from the scheme.

**Mr DAVID SHOEBRIDGE:** Is it true to say that in the last three years the collective underwriting loss of the scheme exceeds \$6 billion?

**Mr HARDING:** I do not have the last three years in front of me, Mr Shoebridge. I might ask Ms Bansal if she can answer that question for you.

**Mr DAVID SHOEBRIDGE:** You gave them to me earlier. They were \$2.5 billion in—

**Mr HARDING:** I think Mr Mookhey might have given them to you.

**Mr DAVID SHOEBRIDGE:** Oh, Mr Mookhey gave them to me. He is a very dependable chap. Ms Bansal, is it \$6 billion over the last three years?

**Ms BANSAL:** Yes, exactly \$6 billion over the last three years.

**Mr DAVID SHOEBRIDGE:** You accept that Janet Dore's independent review was an important sort of integrity measure of icare, Mr Harding?

**Mr HARDING:** I think Ms Dore covered a lot of relevant factors relating to icare, yes.

**Mr DAVID SHOEBRIDGE:** You accept, don't you, that Ms Dore in detail went through the concerns about the underwriting, the reliance by icare on the investment income to subsidise the underwriting results?

**Mr HARDING:** Perhaps if I can respond to that, Mr Shoebridge. There was an earlier question this morning about premiums, which I answered. I think what Ms Dore was getting to, that the reliance on investment income alone without a focused, consistent and stable review of premiums was not an ideal way of going forward, which is why we have had a review of premiums and, as I said this morning, we are seeking to ensure that there is a consistent, modest, reflecting the underlying inflation increase in premiums as we go forward. So I think there is a balancing act here that we have to play and it is part of our role in managing the scheme where we are balancing the cost to employers and ensuring that we increase that at a modest rate that reflects those underlying inflation costs and we use the investment income from the scheme to minimise that as much as possible. That is the overall

balancing act that we are performing on a month-to-month basis and on a year-to-year basis targeting the longer term.

**Mr DAVID SHOEBRIDGE:** What Ms Dore found was that there was a degrading position within icare that the underwriting loss had increased from around about \$600 million in the financial year 2016 to then be persistently well in excess of \$1 billion and indeed in 2019 well in excess of \$2 billion. Is that right?

**Mr HARDING:** Yes, absolutely.

**Mr DAVID SHOEBRIDGE:** And Ms Dore said—I will quote from her here—tell me if you agree or disagree with this, "Reliance on investment returns is inherently risky." Do you agree with that?

**Mr HARDING:** I think I have just answered that question, Mr Shoebridge. Reliance on itself, I think we would all agree, that is why we think, "Do we need to manage premiums?", and we need to manage the claims exposure. I think what Ms Dore was getting at is that there had been significant deterioration in the claims experience, which is what has been ventilated in the past year and has been concluded through Mr McDougall's review, that there are certainly things that icare needed to do differently in respect to the claims management of the scheme. So I think Ms Dore's point was you have a deteriorating position as a result of claims management, premiums need to be thought through, otherwise you are just relying on investment income. We are working to address each of those elements as we go forward.

**Mr DAVID SHOEBRIDGE:** Well, do you agree with Ms Dore's statement—and it is from 5.3.3 in her report:

Reliance on investment returns is inherently risky, especially if depended upon to support the underwriting result.

Do you agree or disagree with that statement?

**Mr HARDING:** When it is taken on its own as a single entry, yes.

**Mr DAVID SHOEBRIDGE:** Do you agree with this statement by Ms Dore:

The reliance on investment is normal practice in insurance, but during times of economic downturn or volatility, that reliance, in this case not to make or improve on profit, but simply to just break even, is a risky approach.

**Mr HARDING:** I think the issues that Ms Dore raised, as I said before, were all well ventilated and covered through last year's discussions and concluded through Mr McDougall. The end result is our action plan going forward is to have a considered approach to premiums, to have actions that are addressing claims management and to continue to deliver solid investment returns. In doing those three things together we significantly reduce the risk to the scheme and we improve the financial sustainability of the scheme.

**Mr DAVID SHOEBRIDGE:** Mr Harding, do you have a target for where the underwriting loss should be? For example, did you hit your target? Was \$1.417 billion in underwriting loss your target?

**Mr HARDING:** We do not have a target for the underwriting loss, no. We have a target for the net return. As I joined in January, I am unable to give you a view about what my target was for the current financial year.

**Mr DAVID SHOEBRIDGE:** How much control do you have over the investment returns in the stock market, Mr Harding?

**Mr HARDING:** Investments, as I am sure you know, are invested through TCorp. Icare's role in that is to advise and develop investment strategies, which we are advised on by Mercer, and TCorp executes those. Those strategies are based on a risk appetite that is agreed and defined by the icare board and reflect the overall risk appetite we have towards that investment profile.

**Mr DAVID SHOEBRIDGE:** Perhaps you might answer my question then. How much control do you have over icare's investment returns?

**Mr HARDING:** I think the rational thought here—the answer to your question is: The investment markets are not in my control. What is in my control is the strategy that we devise to try and ensure that we target long-term returns. There are diversified strategies that are agreed and we have advice, as I said, from Mercer on those, and then we agree them with TCorp. They are long-term, diversified strategies that aim to target returns above the inflationary cost rates in the scheme—for example, the average weekly earnings [AWE] plus a percentage. I do not control the investment markets obviously, Mr Shoebridge, and I am happy to say that I do not do that, but what I do do is look at the overall risks of the scheme, the premiums, how we think about premiums, how we think about claims management and how we think about the strategies that we deploy for the investment returns.

**Mr DAVID SHOEBRIDGE:** So some years, you are going to get a strong return on your investments—for example, in the financial year 2016 you made over \$1 billion in financial returns. Some years you are going to have substantial returns—for example, in 2017 you returned slightly over \$400 million. One year it will be high; one year it will be low.

**Mr HARDING:** That is exactly what we experienced in 2020 with the COVID.

**Mr DAVID SHOEBRIDGE:** You had a collapse in investment returns in 2020.

**Mr HARDING:** Exactly, which is why we take a long-term view, Mr Shoebridge, because these liabilities are there for the long term, they are there for 20-plus years. We need to manage for that 20-year horizon, not for the one-year change.

**Mr DAVID SHOEBRIDGE:** So, Mr Harding, how can you possibly have your key performance indicator or your target based upon the net return when that is subject to matters wildly out of your control? Why on earth would you measure your result on the net return, which contains the investment income, which is wildly out of your control, as opposed to the underwriting return, which is vastly more in your control?

**Mr HARDING:** As I might have just answered a minute ago, there are three elements that we target: premiums, which are in my control, and in conjunction with SIRA, who have to reject or not reject our proposals; the claims management, which directly affects the underwriting result as well; and how we define investment strategies in conjunction with TCorp to deliver a long-term investment return that meets the liabilities of the scheme. Those three things together go to make up the net result, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** Mr Harding, I am asking you about whether or not a \$1.4 billion loss in the underwriting result met your target or did not meet your target, and your answer is you do not have a target for the underwriting result, is that right?

**Mr HARDING:** Mr Shoebridge, if you asked me the \$1.48 billion in investment income that was made at the same time as that, that generated a net result of \$63 million—Ms Bansal might be able to answer if that was in target for financial year 2020-21—that is a more appropriate view of the outcome for the scheme—

**Mr DAVID SHOEBRIDGE:** Mr Harding, you had no control over that.

**Mr HARDING:** —because you take into account \$1.48 billion worth of investment income, which is actually offsetting premiums that would otherwise have to be paid by employers.

**Mr DAVID SHOEBRIDGE:** Mr Harding, I will put this fairly bald proposition to you: That is the arrangement that icare had for year after year after year—

**Mr HARDING:** It is how insurance companies work, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** Let me finish, Mr Harding. That was the arrangement that icare had for year after year after year, and the underwriting loss continued to grow and continued to balloon and it was being masked by income from your investment. And when the income gravy train slowed down, suddenly there was icare in a terrible shemozzle with dreadfully high underwriting losses because the poor performance of the organisation had been masked by the net return from your income. Do you accept that that is the history, Mr Harding?

**Mr HARDING:** No. I am not going to accept that characterisation of history. What I can accept, and what I have already said to you, is the issues relating to claims management have been well ventilated: They have been well documented by Ms Dore and they have been well documented in Mr McDougall's reports. They are the things that we are seeking to address. Those are the things that are actionable in respect to the outcomes for the scheme. There are a number of outside factors that also affect the scheme, such as the nature and change in the mix of claims being brought through and changes to the legislation that came through over that same period of time. I am very clear that our role going forward and how we are thinking about the business is to take action on all of those levers, to take action across the things that we can control and how we set the investment strategies to ensure they fit the risk profile of the scheme and achieve the returns of the scheme to deliver a balanced outcome—a sustainable, long-term outcome.

**Mr DAVID SHOEBRIDGE:** So, Mr Harding, you say, "Judge us on the fact that we have got a net return of \$63 million"—was it \$63 million?

**Mr HARDING:** That is right.

**Mr DAVID SHOEBRIDGE:** "Judge us on the fact that we got a net return of \$63 million. That means we have got it about right." That is what you say.

**Mr HARDING:** I am not suggesting we have got it about right; I am suggesting to you there is a lot more work to be done. I am saying to you there are levers to be pulled here that have to be pulled over the long term. This is not going to turn around—to your point, Mr Shoebridge, this is not going to be turned around in a very short period of time. This is a long-term scheme.

**Mr DAVID SHOEBRIDGE:** History proves that right, Mr Harding. On that analysis, that we look at the net result, if this year you have got an extra \$400 million in your investment return, but you had had an additional \$400 million in underwriting costs because you had even worse return-to-work rates or massively inflated medical expenses, you would have been able to sit there with that performance and say, "Oh well, a \$63 million net return, that is what you judge me on; that is the target. All well and good."

**Mr HARDING:** I am sure, as you are aware, Mr Shoebridge, I am not just judged on the net return; I am judged on the return-to-work targets, I am judged on a number of other factors that go towards the issues that you are raising. The net result is, when you want to look at the financial sustainability and the direction of the scheme, the right thing to look at. Looking at the underwriting result on its own is equally distorting of the issues that are at hand. I have been in the insurance sector and insurance industry for over 30 years. Insurance companies have been making underwriting losses, and you only have to look at the recent news for Suncorp and IAG, who both declared underwriting losses as a result of COVID, bushfires, storms and other activity. That is the nature of insurance. That is what we do. We invest money that we receive upfront—

**Mr DAVID SHOEBRIDGE:** Yes, but they did not create their own storms and they did not create their own bushfires, but that is what icare has done: You have created your own storms and created your own bushfires by the dreadful performance of return to work, is it not? That is the difference between Suncorp and GIO and icare.

**The Hon. BEN FRANKLIN:** Point of order: This is obviously an important and robust line of arguing but I do think that Mr Shoebridge should let the witness be able to answer the question, be able to finish his sentence, and also be treated with respect.

**The CHAIR:** It is a robust line of questioning. I think Mr Shoebridge was finishing the question, but I appreciate that you are entitled, Mr Harding, to finish your answer.

**Mr DAVID SHOEBRIDGE:** Mr Harding?

**Mr HARDING:** Could you ask the question again, Mr Shoebridge?

**Mr DAVID SHOEBRIDGE:** You have created your own bushfires, you have created your own floods, and that is the distinction between you and those general insurers because your floods and your bushfires, in terms of the cost of the scheme, were created through the dreadful performance on claims management and the appalling return-to-work rates. That is the difference, is it not?

**Mr HARDING:** I have already talked to you about the fact that we accept that the changes to the claims model that were done before have all be ventilated through Janet Dore's work and through Mr McDougall's work in the past. We accept that they are a contributing factor to where we are, and that is why we are focused on fixing those things and turning them around. They are not the only factor, but they are a contributing factor. We have a significant plan of work in place that we are actioning to address those issues and to bring the scheme forward. But it will take time, Mr Shoebridge. It is not waving a magic wand to change an organisation from where it was—to your point, in a bit of a shemozzle—to where it needs to be. But it is one factor that has contributed to the outcome, not all the factor.

**Mr DAVID SHOEBRIDGE:** Mr Harding, has the board signed off on—I do not know if you sign-off on the absence of something. Has the board considered the issue of not having a target for the underwriting loss? Has that been the subject of discussion by the current board and a determination by the current board not to set a target on the underwriting result?

**Mr HARDING:** When we prepare budgets and we provide those budgets to the board for approval, obviously that includes an underwriting outcome and it includes an underwriting forecast. The board is aware of those in the process of assessing that budget and looking at how the budget will perform. We look at those budgets, again as I said, over multiple-year horizons. The board is well aware of the underwriting results. I can tell you I have a board meeting tomorrow, and we have on the agenda this exact topic, Mr Shoebridge. It is something that the board is very focused on. It is something that we are very focused on as an organisation. We are not taking this lightly, but I think it is important for you to understand this is one factor.

**Mr DAVID SHOEBRIDGE:** What was the forecast underwriting result for the last financial year [FY]. Was it \$1.417 billion in the red?

**Mr HARDING:** I will ask Ms Bansal to answer.

**Ms BANSAL:** No. For FY 21 the actual result was a \$1.417 billion underwriting result, which was \$230 million unfavourable. The net result, as Mr Harding said, is \$63 million, which is \$78 million unfavourable. The investment income—

**Mr DAVID SHOEBRIDGE:** You were \$230 million more in the red on the underwriting loss than you expected to be?

**Ms BANSAL:** Yes, that is correct.

**Mr DAVID SHOEBRIDGE:** Why?

**Ms BANSAL:** There were multiple factors for that. One of the factors—if I can take you through two key factors that actually caused that. One of them was discount rates. We continue to see a drop in the yield curve. As at the 30 June 2020 valuation, we saw a \$130 million impact of the yield curve on our liabilities, which meant that we had to put away extra money in our balance sheet for that liability. We actually discount all our liabilities using the risk-free rate of return, as per our accounting standards. That is the first factor. The second factor was that we took a hit of roundabout \$100 million because of a new ruling that was actually passed in March-April of this year. It is called the *Ozcan v Macarthur* ruling, whereby whole-person impairment from different injuries and different locations could actually be added together to create a whole-person payment for the injured worker.

It meant that there would be more claimants with higher whole-person impairment injuries. We took a reserve for that. It is obviously early days and we are still looking at the data, but based on early analysis we took a reserve for that of around about \$100 million. Those are the two key factors in which we actually saw a deterioration in our 30 June 2021 valuation, which fed into our underwriting result.

**The Hon. JOHN GRAHAM:** I might return to Mr Achterstraat to ask about the grants review. Mr Achterstraat, as you observe, that grants review has been announced today. When were you informed about this review?

**Mr ACHTERSTRAAT:** A couple of days ago.

**The Hon. JOHN GRAHAM:** And how were you informed about the review? Who advised you of that?

**Mr ACHTERSTRAAT:** I had a phone call to say they are going to be reviewing [audio malfunction] provide assistance to Cabinet. I said, "Can I reflect on that?" just to reflect on that. And then I phoned back and said I would be very pleased to be part of it.

**The Hon. JOHN GRAHAM:** Great. And are there formal terms of reference for the review that you have seen?

**Mr ACHTERSTRAAT:** Yes, there are, Mr Graham. I am sure I would be able to send them to you, if the rules allow. I would be very happy to do so and get all the contribution I can.

**The Hon. JOHN GRAHAM:** That would be very much appreciated. Subject to you checking that, if you are able to supply terms of reference to the Committee today while we are in session, that would be very helpful. What grants are in scope for this review? The public reporting says that it will consider community-based projects including sporting fields, playgrounds and local infrastructure. Obviously there are grants to a lot more facilities than just those. What specific grants are in scope?

**Mr ACHTERSTRAAT:** Grants, I guess, that are covered by the existing Good Practice Guide to Grants Administration [audio malfunction] in scope. When we are talking about grants to people to provide services, I do not see them as being in scope, Mr Graham. For example, if we were to ask a not-for-profit, if there were grants there to a not-for-profit to provide out-of-home care and things like that, being for service or a grant for service, I do not see that as part of the remit [audio malfunction]. Generally, I have [audio malfunction] those grants, as you have mentioned, those in relation to sporting fields et cetera, principally those that are already covered in the Good Practice Guide to Grants Administration. Basically, I think—

**The Hon. JOHN GRAHAM:** Anything covered in that previous DPC circular, which was issued in 2010, would be within scope for this examination. Is that another way to put it?

**Mr ACHTERSTRAAT:** That is my understanding.

**The Hon. JOHN GRAHAM:** Are you examining any particular measures? I might put one measure to you specifically to see if again you regard it as being in scope. That is this measure: Agency recommendations should be in writing and compare applications to the selection criteria, and where Ministers depart from the advice



of their agencies in the awarding of grants, they should do so in writing and provide reasons. That is the case in the Commonwealth; it is not the case in New South Wales. Is that the sort of issue that is in scope for this review?

**Mr ACHTERSTRAAT:** I thoroughly appreciate that information and that data. I have not formed any opinions as to what recommendations [audio malfunction] data [audio malfunction]. Even so, it being my first day, I am still working, Mr Graham, on those sorts of parameters [audio malfunction] discussed. Clearly what you have just said is something I will take into consideration in formulating the scope of [audio malfunction].

**The Hon. JOHN GRAHAM:** Do you know how many grants are issued in New South Wales, or how many entities are issuing grants in New South Wales?

**The Hon. BEN FRANKLIN:** Point of order: I have just had a quick word with Hansard and I am a little worried about the quality of the sound from Mr Achterstraat. I do not know if anything can be done about that.

**The CHAIR:** I am conscious of that. Perhaps if you might sit closer to your microphone and we will see how we go. We can hear it but it is quite faint.

**The Hon. JOHN GRAHAM:** I am about to conclude with Mr Achterstraat, if that is of any help.

**The Hon. BEN FRANKLIN:** It is going to be an ongoing issue.

**Mr ACHTERSTRAAT:** I have got it on full.

**The Hon. JOHN GRAHAM:** Fire away.

**Mr ACHTERSTRAAT:** The answer to your question, Mr Graham: No, I have not done [disorder].

**The Hon. JOHN GRAHAM:** I might leave it there, Mr Achterstraat. I will turn to you, Treasury Secretary. Do you know, does Treasury know, how many grants are issued, and how many entities issue grants in New South Wales? Is that something that you are aware of in your role?

**Mr PRATT:** We will know. I guess the issue would be, to answer your question, that there are many different forms of grants, Mr Graham, as you would appreciate. It is really a question of definition. We will have all the material on grants in the ledger somewhere. If we could work with you and maybe get clarity on the question, then I can best answer it.

**The Hon. JOHN GRAHAM:** The reason I ask is that it is known federally, it is known centrally, the number of grants, the number of entities that issue grants and the value of those grants. It is reported there; it is not reported in New South Wales. Looking at the Treasury controls that you have over grant funding, are you satisfied with the visibility and the controls you have or do you think there is an opportunity to potentially improve them?

**Mr PRATT:** I am satisfied with two things, I guess, that Treasury gets engaged in. One is what we talked about earlier with WestInvest, and that is the creation of the guidelines and the approval and governance processes. Where we get involved with that, I am satisfied. I am also satisfied with what comes through ERC, because there is a lot of rigour around that process. A proper submission has to be made and that is then considered on its merits, including BCR calculations and so on. The other part of your question I have difficulty answering is what happens in all the clusters and whether the same rigour that I have talked about is evident with those grant processes. I cannot answer that, I am sorry. That is a question—

**The Hon. JOHN GRAHAM:** That is a useful guide.

**The Hon. DANIEL MOOKHEY:** Mr Secretary, I might just ask some questions to icare. First, good to see Mr Harding and Ms Bansal, equally to the icare staff who have been assisting injured workers and employers during the 16-week lockdown. Please convey my thanks to them and to you, of course, as well. Can I just start by seeing if we can get some further information about the financial performances of the icare schemes. We have identified that the NI had a \$63 million positive result. Do you have the Treasury Managed Fund [TMF] figure?

**Mr HARDING:** I do, Mr Mookhey. I will let Ms Bansal answer the question.

**The Hon. DANIEL MOOKHEY:** Sure, whoever you see fit.

**Ms BANSAL:** The insurance for New South Wales figure, which includes TMF and excludes the Home Building Compensation Fund [HBCF], the net result was \$782 million positive.

**The Hon. DANIEL MOOKHEY:** And HBCF?

**Ms BANSAL:** HBCF was a net result of \$211 million positive.

**The Hon. DANIEL MOOKHEY:** And Lifetime Care?



**Ms BANSAL:** That was \$491 million positive.

**The Hon. DANIEL MOOKHEY:** And Dust Diseases Care [DDC]?

**Ms BANSAL:** The DDC always has a net result of zero.

**The Hon. DANIEL MOOKHEY:** Of course, because you have a levy. Thank you for that. That is useful. Can we return to some of the questions that Mr Shoebridge was asking. I am not going to repeat the line of questioning about the merits of the underwriting versus not, because it has been extensively covered. Are you targeting a breakeven result on the underwriting result?

**Mr HARDING:** On the underwriting result?

**The Hon. DANIEL MOOKHEY:** Yes.

**Mr HARDING:** No. As I have explained, the underwriting result, given the way that we price without a profit margin or risk margin, there will always be an underwriting loss. It is natural in a scheme such as this, a public scheme, and the way that these schemes work that the investment income is generated to offset—

**The Hon. DANIEL MOOKHEY:** Yes, I did hear that as well.

**Mr HARDING:** So you will not ever have an underwriting profit.

**The Hon. DANIEL MOOKHEY:** I am not asking for a profit; I am asking for break-even. I agree with you that you can break even by either collecting more in premiums or paying less in claims. Is that correct?

**Mr HARDING:** Yes.

**The Hon. DANIEL MOOKHEY:** And it is possible that you can close that gap by paying less in claims, is that correct?

**Mr HARDING:** Of course.

**The Hon. DANIEL MOOKHEY:** And you do that by increasing the return-to-work rate. Do you agree?

**Mr HARDING:** That is correct.

**The Hon. DANIEL MOOKHEY:** So are you targeting a return-to-work rate that would allow you to break even on the underwriting position?

**Mr HARDING:** No, Mr Mookhey. The two things are correlated but they are not that related and we are not seeking to get to a point where we would break even because that is the point of the investment income. That is my whole point: to subsidise the premiums to ensure that employers are not overburdened with the cost of—

**The Hon. DANIEL MOOKHEY:** I accept 100 per cent that that is your position. I am not disputing that that is your position, and I also understand the reasons—

**Mr HARDING:** It is not just my position; it is how the system works.

**The Hon. DANIEL MOOKHEY:** Sure. Let me put this to you then, Mr Harding. I am going to read to you from a Treasury briefing note that featured in last year's discussions, which were extensive. It says, "as a not-for-profit scheme, the NI should be aiming only to achieve overall break-even." So Treasury last year was advising Mr Pratt that you should be achieving a break-even on the underwriting position. That is the first point. The second point—

**Mr HARDING:** I do not know that that said underwriting position.

**The Hon. DANIEL MOOKHEY:** Well, it did. I will read you the full sentence. "In considering the NI's financial performance as relevant to [inaudible], an underwriting loss is to be expected"—which bears your point out—"But as a not-for-profit scheme, the NI should be aiming only to achieve overall break-even, assuming funding within the target range." Now, to be fair to you, that supports—

**Mr HARDING:** Now you are misinterpreting—

**The Hon. DANIEL MOOKHEY:** Mr Harding, this is a lot easier if I can just ask the question.

**Mr HARDING:** Okay, go for it.

**The Hon. DANIEL MOOKHEY:** That supports part of your view. It is clear here that Treasury's expectations are for you to reach an overall break-even—or certainly were as of the date of this briefing, which

I can get to you specifically, and I am sure the Treasury secretary will probably want to know as well. Has there been a change in that position?

**Mr HARDING:** Can I ask for clarification, Mr Mookhey? What you read out to me said an underwriting loss with an overall break-even. That is a net result break-even, which is exactly what we are trying to achieve.

**The Hon. DANIEL MOOKHEY:** There is no point pursuing that any further.

**Mr HARDING:** I am happy if you want to provide me with the paper, and we can respond to it on notice.

**The Hon. DANIEL MOOKHEY:** I might do it on notice, Mr Harding, and I will give you the full details. Secretary, are you satisfied that it is okay for icare not to achieve a break-even on underwriting?

**Mr PRATT:** Clearly, we would like that not to be the case, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** You would like them to be receiving break-even on underwriting.

**Mr PRATT:** Yes, but for reasons that Mr Harding has set out, which are valid in my opinion, that is incredibly challenging.

**The Hon. DANIEL MOOKHEY:** I do not dispute that it is challenging. I am asking whether it is still Treasury's expectation that icare would reach, or strive to reach, break-even on this underwriting position.

**Mr PRATT:** As much as possible that should be the objective.

**The Hon. DANIEL MOOKHEY:** Thank you very much. On that point, can we move forward please, Mr Harding? Can we have a quick discussion about your Nominal Insurer Liability Valuation as of—

**Mr HARDING:** Yes. I have a quick correction from what I stated earlier to clarify from this morning's conversation. Icare provided and first presented the 30 June 2021 valuation financials to the SIRA executive on 13 August. That included the updated information about the 30 June liability valuation. On 14 September, as I mentioned, there was a presentation by Finity, the appointed actuaries, of the 30 June actuarial results and the valuation for over 45 minutes. SIRA was also advised of the valuation results on 7 October through the financial condition report we provided to them on that date. However, the clarification is that the actual 300-odd page scheme valuation—the final draft of that report—was provided to SIRA on 27 October within our normal process and guidelines. I just wanted to clarify to make sure that was clear.

**The Hon. DANIEL MOOKHEY:** Thank you. I appreciate that, Mr Harding, because it was a bit of a surprise to Mr Dent when I was asking him whether he had seen it and he told me he had not.

**Mr HARDING:** I think the important message, Mr Mookhey, is that we are in continuous conversation with SIRA about the results over a significant period, including the liability valuations. They receive various versions of the results. The final valuation report and the final tabling of it with them obviously is later.

**The Hon. DANIEL MOOKHEY:** Thank you for clarifying that. Can we turn to the Nominal Insurer Liability Valuation as of 31 December 2020, which was the last publicly available one? Do you have that with you?

**Mr HARDING:** I am going to ask Ms Bansal to answer that question on the liability valuation.

**The Hon. DANIEL MOOKHEY:** This final liability valuation reported a funding ratio—sorry, I am giving you the wrong date, Ms Bansal. I want to start by asking you questions about the 31 December 2020 valuation date.

**Ms BANSAL:** Sure.

**The Hon. DANIEL MOOKHEY:** This one reported a funding ratio of 98 per cent. Is that correct?

**Ms BANSAL:** Yes, that is correct—98 per cent on a 75 per cent probability of adequacy on 31 December 2020.

**The Hon. DANIEL MOOKHEY:** And an 11.7 per cent risk margin. Is that correct?

**Ms BANSAL:** Let me check. Yes, that is correct.

**The Hon. DANIEL MOOKHEY:** Just going earlier in time to the 30 June 2020 valuation, do you have that with you as well?

**Ms BANSAL:** I have the funding ratio and the risk margin if that is what you are looking for.

**The Hon. DANIEL MOOKHEY:** The funding ratio as of 30 June 2020 was 98.5 per cent, was it not?

**Ms BANSAL:** On the same basis, Mr Mookhey, I think we have had this before—

**The Hon. DANIEL MOOKHEY:** Do not worry, I will get to that, Ms Bansal.

**Ms BANSAL:** Thank you.

**The Hon. DANIEL MOOKHEY:** Just to confirm, I am reading now, which I downloaded from your website, the Nominal Insurer Liability Valuation as of 30 June 2020. It says here that the funding ratio is at 98.5 per cent and that is an 80 per cent probability at a 15.6 per cent risk margin.

**Ms BANSAL:** That is correct.

**The Hon. DANIEL MOOKHEY:** Do you have the 30 June 2020 liability valuation at a 75 per cent probability and a 11.7 per cent risk margin, which I think you were just about to give me?

**Ms BANSAL:** It was 101 per cent.

**The Hon. DANIEL MOOKHEY:** On a like-for-like basis, it went from 101 per cent down to 98.5 per cent. Is that correct?

**Ms BANSAL:** Yes, that is correct.

**The Hon. DANIEL MOOKHEY:** And it currently is at 99 per cent, is it?

**Ms BANSAL:** It is at 99 per cent.

**The Hon. DANIEL MOOKHEY:** Is that reflecting an increase in investments?

**Ms BANSAL:** There are multiple factors. Was your question addressed to—

**The Hon. DANIEL MOOKHEY:** Let me ask you the specific numbers and this might just clean it up. Let us talk about this as of 30 June 2021, which is the last one and yet to be published.

**Ms BANSAL:** Sure.

**The Hon. DANIEL MOOKHEY:** Great. How much is the investment in billions?

**Ms BANSAL:** You will have to bear with me. I am just going to open to give you the exact numbers. At 30 June 2021 our total assets are \$19.8 billion.

**The Hon. DANIEL MOOKHEY:** Which is lower than the \$20.149 billion. Why was there a decline?

**Ms BANSAL:** Sorry, where are you reading the \$20 billion?

**The Hon. DANIEL MOOKHEY:** I am reading it from page—from the 31 December 2020 valuation.

**Ms BANSAL:** Unfortunately, I do not have that number in front of me as to what the assets were.

**The Hon. DANIEL MOOKHEY:** I am very happy to read it to you and I am very happy to give it to you afterwards. There is nothing proprietary about this; it is on your website.

**Ms BANSAL:** Sure.

**The Hon. DANIEL MOOKHEY:** It says your total assets as of 31 December 2020 were \$20.149 billion.

**Ms BANSAL:** Okay, so that is a difference of around \$300 million.

**The Hon. DANIEL MOOKHEY:** Yes, I appreciate that. But what went down. Why did your assets drop?

**Ms BANSAL:** Month on month, we see a lot of volatility in our investment markets—

**The Hon. DANIEL MOOKHEY:** This is not month on month; this is the valuation as of that date. There are six months between the two dates.

**Ms BANSAL:** Yes, but we are looking at investment assets—assets backing the liabilities. Those assets include all our investments and assets that are invested.

**The Hon. DANIEL MOOKHEY:** The three categories that are listed in total assets, just to speed this up, it says, "Investments", "Outstanding claims recoveries" and "Other assets". The three cumulatively total \$20.149 billion.

**Ms BANSAL:** The biggest number in there is your investment assets—I am reading to you 30 June 2021 numbers—\$17½ billion. As we just had that discussion, the investment markets can be volatile month on month, so over a six-month period for them to shift a couple of hundred million dollars—

**The Hon. DANIEL MOOKHEY:** It went down. Do not worry. I understand there is volatility in markets and I appreciate that. I am not questioning it. I am trying to identify that that is what happened, right? That accounts for the \$100 million drop in assets. I presume that the other two categories dropped as well to account for the remaining \$300 million variance?

**Ms BANSAL:** Mr. Mookhey, I am not sure the question is clear to me. So investment assets, if you look at a balance sheet for the Nominal Insurer, we have an asset base which includes investment assets.

**The Hon. DANIEL MOOKHEY:** Let me just re-ask the question.

**Ms BANSAL:** There are some smaller assets there—for example, receivables or payments that, you know, liquid assets there—but the majority, the biggest portion, is the investment assets. They see volatility—

**The Hon. DANIEL MOOKHEY:** Ms Bansal, I 100 per cent appreciate that. I am not disputing you. I might clean this up and make this a lot simpler for both of us. If I list you the three asset types that are always listed in your valuation reports. One says "Investments", the other one says "Outstanding claims recoveries" and the other says "Other assets". Perhaps on notice can you provide us with an update as to what that figure is? That just might be better.

**Ms BANSAL:** Sure.

**The Hon. DANIEL MOOKHEY:** Your total liabilities as of 30 June 2021, do you have that number?

**Ms BANSAL:** Total liabilities as at 30 June 2021 is \$20.066 billion.

**The Hon. DANIEL MOOKHEY:** I am eager to get another number from this. You report your weekly compensation in the Nominal Insurer liability, don't you—liability valuation? You report it as both an undiscounted liability estimate and a discounted liability estimate?

**Ms BANSAL:** We do have detailed breakdowns of what the weekly payments are on a discounted and undiscounted basis.

**The Hon. DANIEL MOOKHEY:** As of 31 December 2020, on an undiscounted liability estimate basis, you said your weekly compensation was \$5.045 billion. Do have an update on that figure?

**Ms BANSAL:** Unfortunately, I did not bring the full 300-page report with me so I do not have that. I can provide it on notice.

**The Hon. DANIEL MOOKHEY:** Can you provide it on notice and can you also provide the discounted liability estimate?

**Ms BANSAL:** Sure, happy to do that.

**The Hon. DANIEL MOOKHEY:** Can you also provide the medical benefits for both categories?

**Ms BANSAL:** Yes, happy to do that.

**The Hon. DANIEL MOOKHEY:** There was a change in your capital management policy, Mr Harding, was there not?

**Mr HARDING:** I am just trying to understand when we are going to put the 30 June valuation—

**The CHAIR:** You will have to switch the microphone on.

**Mr HARDING:** Please go ahead.

**The Hon. DANIEL MOOKHEY:** Mr Harding, earlier this year you reviewed your capital management policy, did you not?

**Mr HARDING:** Yes, we did.

**The Hon. DANIEL MOOKHEY:** As a result of that, you made a decision to change how you report the liability from an 80 per cent probability of sufficiency to 75 per cent probability of sufficiency. Is that correct?

**Mr HARDING:** No, that was a decision that was made last year, in June 2020—the liability probability of sufficiency.

**The Hon. DANIEL MOOKHEY:** Okay, I do not want to take up crossbench time. If that is the case that was made in June last year—I will leave it there and pick it up.

**Mr HARDING:** I am happy to have the conversation offline to try to help clarify it for you.

**The Hon. DANIEL MOOKHEY:** No, it is okay. I appreciate it.

**Mr DAVID SHOEBRIDGE:** Mr Harding, the four-week return-to-work target is 70 per cent. Is that right?

**Mr HARDING:** Yes, at the moment.

**Mr DAVID SHOEBRIDGE:** You say "at the moment". Are you going to revise it down or revise it up in the process of doing that?

**Mr HARDING:** No, not right now. We are aspiring to achieve that target, absolutely.

**Mr DAVID SHOEBRIDGE:** But you are not though. Is that right? You are not close, are you?

**Mr HARDING:** No. At the moment, the four-week rate is very volatile.

**Mr DAVID SHOEBRIDGE:** It is not really volatile; it is just on an onward, downward trajectory, isn't it? I could read you out the month-by-month data from SIRA.

**Mr HARDING:** Sure.

**Mr DAVID SHOEBRIDGE:** It is not volatile. It just goes down month, after month, after month, after month from the end of last year, doesn't it?

**Mr HARDING:** As it does for all insurers across the scheme.

**Mr DAVID SHOEBRIDGE:** So it just goes down, doesn't it?

**Mr HARDING:** At the moment, there is a significant trend—in fact, a trend since 2017 across the industry, both specialised and self-insurers as well as the Nominal Insurer, as well as the government self-insurer, the TMF. Those rates have gone down. If you would like, Mr Shoebridge, TMF dropped from 77 in August 2017, a reduction of 9 per cent to where it is today, at 68 per cent. The Nominal Insurer dropped from 74 per cent to 67 per cent, a reduction of 7 per cent. Self-insurers have dropped from 83 per cent to 71 per cent, which is a drop of 12 per cent; and specialised insurers have dropped from 81 per cent to 72 per cent, a drop of 9 per cent. What you are saying is correct; it is just an industry-wide phenomenon, not an icare phenomenon. There are a number of factors in that if you would like me to go through what is actually happening in the scheme, I would be happy to do that.

**Mr DAVID SHOEBRIDGE:** We will come to that, Mr Harding. Can you tell me again what you said for the Nominal Insurer? It was at 74 per cent and you said it is at what? I thought you said 67 per cent.

**Mr HARDING:** Sixty-seven at November 2020. It is currently today—as we talked earlier, July it is at 63 per cent on the current SIRA data.

**Mr DAVID SHOEBRIDGE:** Were any of those second figures you gave current or were they all from November of last year?

**Mr HARDING:** They are all relevant, Mr Shoebridge, to the trend over the scheme, and they are all relevant to the change that has been happening across the scheme.

**Mr DAVID SHOEBRIDGE:** You just gave me a whole lot of figures. I am asking if any of the figures were actually current.

**Mr HARDING:** Yes. They are all at November last year; yes, that is right.

**Mr DAVID SHOEBRIDGE:** Current as at November 2020?

**Mr HARDING:** Yes.

**Mr DAVID SHOEBRIDGE:** We are at November this year though, aren't we?

**Mr HARDING:** Yes. The trend has continued to be the same, Mr Shoebridge. That is my point.

**Mr DAVID SHOEBRIDGE:** Do you know how many workers are currently not at work after four weeks in the Nominal Insurer? What does this mean in terms of the number of people impacted?

**Mr HARDING:** Mr Shoebridge, I do not have that number at hand. We can probably work it out for you. I am happy to talk to the actual causes, if that is of interest to you, but the number of actual people I do not have at hand. The actual impact in the first four weeks—

**Mr DAVID SHOEBRIDGE:** There is time, Mr Harding. We will do it in bite-sized pieces. So you do not know how many workers that means are not in work because you have failed to meet the 70 per cent target. You do not know what that means in terms of the number of actual injured workers that that impacts. You do not know that?

**Mr HARDING:** I do not have that number at hand, no.

**Mr DAVID SHOEBRIDGE:** Do you know what the cost to the scheme has been because of the failure to meet the return-to-work rates? What has that meant? How much has it cost the scheme because you missed the targets?

**Mr HARDING:** The cost to the scheme, because the four-week rate is quite uncertain, is in the order of \$1½ million.

**Mr DAVID SHOEBRIDGE:** Is that \$1½ million a day?

**Mr HARDING:** Additional wages that have been paid as a result of the lower return-to-work rates.

**Mr DAVID SHOEBRIDGE:** At four weeks?

**Mr HARDING:** At four weeks.

**Mr DAVID SHOEBRIDGE:** What about the lower return-to-work rate by the Nominal Insurer at 13 weeks? What has that cost?

**Mr HARDING:** I do not have that number in front of me. In fact, the 13-week and the 26-week rate have actually stabilised in the last six months, which is good news. There is obviously more to do to get people back to work. That is an area that we have a significant amount of focus on as we go forward. I am happy to talk about that. There is a program of work that we are doing to ensure that we can lift those return-to-work rates.

**Mr DAVID SHOEBRIDGE:** We will come to that. What has been the cost to the scheme over the last 12 months of the failure to meet targeted return-to-work rates by the Nominal Insurer? What has been the cost?

**Mr HARDING:** I will have to come back to you Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** Ms Bansal, do you have—

**Mr HARDING:** No.

**Ms BANSAL:** No. Unfortunately, we will have to take that on notice.

**Mr DAVID SHOEBRIDGE:** Do you report to the board regularly about the financial impact of the failure to meet return-to-work targets?

**Mr HARDING:** We report to the board, yes, absolutely, on the current financials of the scheme. What I think is important, Mr Shoebridge, is the liability valuations that we have just been talking about with Mr Mookhey—

**Mr DAVID SHOEBRIDGE:** Mookhey, as in cookie.

**Mr HARDING:** I understand. I said the first time I met Mr Mookhey that it was going to get stuck in my head and I would never get it out, so I apologise for my continued lapse.

**The Hon. DANIEL MOOKHEY:** Don't worry.

**Mr HARDING:** The liability valuations are a forecast of that future cost. The valuation we have just been talking about, the 13 weeks and 26 weeks are in line with expectations. So that cost is built into those liability valuations and is unlikely to be an additional cost to the scheme.

**Mr DAVID SHOEBRIDGE:** So you were expecting a 63 per cent return-to-work rate? That was what you had already planned for?

**Mr HARDING:** No, that is not correct. What I have said to you is there is a small impact as a result of the four-week rate deterioration. But the 13 and 26 weeks have been stable, and they are in line with expectations of that valuation. There is unlikely to be a significant cost but let me come back to you. I am happy to take it on notice and come back to you with a specific answer.

**Mr DAVID SHOEBRIDGE:** Do you accept the position that SIRA had, that this was a red flag issue?



**Mr HARDING:** Well, that is a characterisation for SIRA. What my job is to—

**Mr DAVID SHOEBRIDGE:** Well, I am asking you about SIRA. SIRA is your regulator, right? It is important what the regulator thinks about the arrangements.

**Mr HARDING:** Absolutely.

**Mr DAVID SHOEBRIDGE:** Do we agree on that?

**Mr HARDING:** Absolutely.

**Mr DAVID SHOEBRIDGE:** So you can say it is a characterisation of the regulator. I accept that. I am putting it to you—

**Mr HARDING:** Yes.

**Mr DAVID SHOEBRIDGE:** —as a characterisation of your regulator. It says this is a red flag issue. Do you agree or disagree with SIRA's analysis?

**Mr HARDING:** The way I would characterise it, Mr Shoebridge, is that we are six months into a multi-year turnaround program of work and we have a lot more to do. No-one is happy that we are sitting here with a declining four-week return-to-work rate. What we do want to do, though, is understand why it is declining and understand what are the factors that we need to address to drive it up. Those factors relate to a number of different issues. Part of it is related to, as I think was dealt with this morning with the Treasurer, the mix of business that is coming, or the mix of injuries that are coming through, the scheme. Over the same period we have just talked about, psychological claims have increased in the Nominal Insurer by 250 per cent and they are having a significant impact on return-to-work rates. At the same time as that, the return-to-work rate—

**Mr DAVID SHOEBRIDGE:** Sorry, Mr Harding, over what period are you saying—

**Mr HARDING:** From the 2017 review.

**Mr DAVID SHOEBRIDGE:** Again, we will deal with this in bite-size pieces. In what period are you saying psychological claims have increased by 250 per cent—that is doubled plus a bit?

**Mr HARDING:** From 2015 to today. Now—

**Mr DAVID SHOEBRIDGE:** You see, my understanding was—

**Mr HARDING:** Can I finish my answer?

**Mr DAVID SHOEBRIDGE:** Sorry. As I said, we will do it in bite-size pieces; otherwise, it is not possible.

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

**The CHAIR:** I am following this. I will take the point of order but I think we are trying to clarify questions as we go. We do need to hear the answer, but I also think Mr Shoebridge is just clarifying.

**Mr DAVID SHOEBRIDGE:** Yes.

**The CHAIR:** So perhaps try not to think about what the next questions are going to be.

**Mr HARDING:** If you would like me to finish the answer, so increase in the psychological claims—psychological claims clearly take longer to get back to work. Unfortunately, we have also seen—and if you look at the SIRA data on their website—that the return-to-work rate at that four-week level for mental health injuries, as they categorise it, has gone from 40 per cent to 26 per cent. Now that is the real issue that we need to get underneath and understand why has that reduced so significantly to understand what we can do to address the four-week rate. These are things that we are focused on, Mr Shoebridge, to try to turn the return-to-work rate around. I mentioned this morning that we had invested in case manager capability.

**Mr DAVID SHOEBRIDGE:** But, Mr Harding, I do not want you to repeat evidence you have already given today. That is not helpful.

**Mr HARDING:** I am attempting to explain the issue to you and explain what we are doing about it.

**Mr DAVID SHOEBRIDGE:** I was not asking you what you are doing about it at this stage. I was asking you about the nature of the issue and whether or not you agreed with SIRA's characterisation of it being a red flag issue.

**Mr HARDING:** I think the issues that relate to the claims management side—

**Mr DAVID SHOEBRIDGE:** It was not an opportunity for a long chat about history.

**Mr HARDING:** Well, it seems that we are keen to look at the history. So what I would say to you is the characterisation of a red flag is something that has been ventilated for some time. These are consistently issues that have been talked about through Janet Dore, through Mr McDougall. We are focused on addressing those issues and moving the organisation forward to fix the claims management model, to fix the case management model and to get those things addressed so that we can get people back to work faster.

**Mr DAVID SHOEBRIDGE:** Mr Harding—

**Mr HARDING:** There are other changes happening in the environment that will also impact on that return-to-work rate.

**Mr DAVID SHOEBRIDGE:** But, Mr Harding, that is not within scope of the question I asked you. Mr Harding, in 2017 psychological claims made up 5 per cent of all claims. That is when there were return-to-work rates of 76 per cent. The latest data shows that they are at 8.1 per cent of claims. That is nothing like a 250 per cent increase and goes nowhere near explaining the dramatic reduction in return to work, does it?

**Mr HARDING:** The analysis that we have had done by Finity, looking at the causes of the falls in the four-week rate, definitely point to a significant increase—a 250 per cent increase—in that time period that I just quoted.

**Mr DAVID SHOEBRIDGE:** Well, Mr Harding, perhaps I invite you to share with us, if you can right now, the Finity report.

**Mr HARDING:** I will take that on notice, Mr Shoebridge. I am happy to share with you, I just think we need to have a look at some of the commercial-in-confidence issues of supplying it.

**Mr DAVID SHOEBRIDGE:** I will hand over to Ms Boyd.

**Ms ABIGAIL BOYD:** Thank you. Earlier today I was asking about the coal-fired power station contingent liability, Secretary. I think Ms Curtain was going to respond.

**Mr PRATT:** Mr Gardner is probably the best placed, Ms Boyd—

**Ms ABIGAIL BOYD:** Or Mr Gardner—apologies.

**Mr PRATT:** —to respond to that.

**Mr GARDNER:** That is correct, Ms Boyd. If you could just repeat the question, please?

**Ms ABIGAIL BOYD:** I was curious as to what efforts are being made to quantify the liability in connection with Liddell, in particular, given that it will be closing in 2022.

**Mr GARDNER:** The liability for Liddell will not get triggered until there is actually a claim—that is, sort of it only becomes applicable when a claim is made, when someone like an authority, such as the Environment Protection Authority [EPA], issues an order relating to pre-existing contamination that has been identified in a baseline study. So none of those events have been triggered. We have a very small provision in the State's accounts. For last year it was in the Crown accounts. So it is reflected in the total provision across the whole of the State—it is not specific to Liddell—of a little over \$2 billion, and that is reflected as a portion of that.

**Ms ABIGAIL BOYD:** How do you calculate that in terms of your expectation of how much that is likely to be?

**Mr GARDNER:** That is done with support of external advisers.

**Ms ABIGAIL BOYD:** These are questions I have asked before. When we look at some of the clean-up costs involved with power stations in Victoria, they have become really rather large—we are talking almost a billion dollars. I understand that, under the privatisation contracts for our coal-fired power stations, not all of the liability for clean-up will come to the State but we would expect a significant amount, given you are responsible for contamination that was pre-existing at the time of the sale. I understand from an accounting perspective that you do not need to list the contingent liability until you are able—I guess, until a claim comes through—but, from a kind of fiscal responsibility perspective, what are you doing to make sure that you are prepared for what could be quite a large claim coming your way?

**Mr GARDNER:** Well, Ms Boyd, we would probably just challenge the comparison with the Victorian situation. We go through a great deal of detail on the specifics of the demolition and remediation of every particular power station site so we have a great deal of confidence, both from an assessment and also an accounting

perspective around the events. So I would challenge the premise of your question that there are risks of that order of magnitude that are not being reflected on the State's accounts at this stage.

**Ms ABIGAIL BOYD:** Could I just check? You mentioned there demolition and remediation but you did not talk about rehabilitation. Are you also picking up not just on the ordinary course closure of a power station, but also remediating or going in and rehabilitating the land, particularly from the coal ash dams and the liability the State has there?

**Mr GARDNER:** I am just encompassing the full commercial and legal liability that the State has taken on. So the State in certain circumstances has obviously the responsibility for demolition—decommissioning and demolition—but in most instances that sits with the proponent who took on the power station. So we are very, very specifically talking about remediation of post- or pre-transaction risk contamination.

**Ms ABIGAIL BOYD:** Thank you. I might move on then. I guess I will wait to see what happens when it closes. Could I just turn to you, Mr Midha, through the secretary, if I may, for some questions about TCorp?

**Mr PRATT:** Mr Deverall is on the line.

**Ms ABIGAIL BOYD:** Of course. Sorry—whoever this is best directed to. I asked a question on notice, or rather a question was taken on notice, during the last estimates session in September. The response was that the Reserve Bank of Australia [RBA] holds nearly \$11.4 billion of TCorp debt as at 31 July 2021. I want to know what percentage of the total debt on issue that represents and how that RBA ownership has changed over time—how its holdings have changed over time—of total TCorp debt.

**Mr PRATT:** That is a question for Mr Deverall.

**Ms ABIGAIL BOYD:** Thank you.

**Mr DEVERALL:** Thank you for the question. The numbers you quoted there were \$10 billion held by the Reserve Bank. Is that what you said?

**Ms ABIGAIL BOYD:** It was \$11.4 billion of TCorp debt held by the RBA.

**Mr DEVERALL:** That is slightly less than 10 per cent, probably around 8 per cent of outstanding debt.

**Ms ABIGAIL BOYD:** Has that changed markedly over time or does it stay around that, say, over the last four years?

**Mr DEVERALL:** I would have to take the question on notice but with the RBA's quantitative easing program, which has involved buying both Commonwealth and semi-government [inaudible] over the last couple of years or so, I imagine that that number would have grown but I do not have the exact figures to hand.

**Ms ABIGAIL BOYD:** If you could take that on notice, that would be very useful. If the RBA is holding just less than 10 per cent, are they the major debt holder of all TCorp debt?

**Mr DEVERALL:** The other significant holders of TCorp debt would be the big four banks here in Australia, but I do not have the exact figures in front of me.

**Ms ABIGAIL BOYD:** Is that something you could take on notice?

**Mr DEVERALL:** I certainly can.

**Ms ABIGAIL BOYD:** I think this one is for you, Mr Midha, a couple of questions around TAHE again, just tidying up things that I asked last time both during the Public Accountability Committee hearings as well as the last estimates. We talked a little bit about the impact of a change in TAHE's accounting treatment, on its treatment by the rating agencies, and we went over that. I totally understand that the rating agencies have a separate methodology, they do not always follow the accounting treatment and, in fact, they can be very different things. Has an assessment been undertaken by Treasury of whether or not the rating agencies will consider a change in that accounting treatment as significant under their rating methodology when it comes to the State's credit ratings?

**Mr MIDHA:** Any change in accounting methodology does not change the underlying cash treatment. So from a rating agency's perspective they should have no impact.

**Ms ABIGAIL BOYD:** You say they should not have. Are you sure that it does not have?

**Mr MIDHA:** From everything we have seen so far, there is no impact.

**Ms ABIGAIL BOYD:** That is good. So you are saying there is no risk of a rating agency change.

**Mr MIDHA:** No.

**Ms ABIGAIL BOYD:** That is very useful, thank you. I think that is all that I need to ask at this time.

**The CHAIR:** Almost perfect timing. That was the end of crossbench time. We have got about nine minutes until the break. I can either split that or the Opposition can just take us to the break.

**Ms ABIGAIL BOYD:** Go ahead.

**The CHAIR:** The Opposition.

**The Hon. DANIEL MOOKHEY:** I think I only have one or two more questions for Mr Harding, if that is okay?

**Mr PRATT:** That is fine.

**The Hon. DANIEL MOOKHEY:** Mr Harding, you said that you have a return-to-work rate target for four weeks at 70 per cent. Did I hear you correctly?

**Mr HARDING:** Correct, yes.

**The Hon. DANIEL MOOKHEY:** When do you expect to meet it?

**Mr HARDING:** Obviously, given the circumstances that we are in, it is not going to be reached this year, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** I accept it as not met this year, but I am asking you when are you expecting to reach your target?

**Mr HARDING:** The program of work that we have going forward is a multiyear program of work to drive a turnaround in return to work. What we have to, I guess, get clear is that changing that return-to-work target whilst the environment around us is changing so significantly makes any forecasting very uncertain. As I have just highlighted, we have got changes happening in terms of the nature of injuries that are coming through that are significant in terms of the shift and the impacts of psychological injury coming through. For me personally, I think psychological injury in a workplace is the hidden pandemic that is going to affect us this century.

**The Hon. DANIEL MOOKHEY:** I appreciate this, but we have—

**Mr HARDING:** There are also other changes happening in the environment around us, such as COVID, that has affected how people work. We now have 80 per cent of the workforce working at home.

**The Hon. DANIEL MOOKHEY:** Mr Harding, I am sorry to interrupt, but my question was: when do you expect to reach it? I am not asking you what reasons or difficulties or obstacles you are going to encounter on that way, which, to be fair, have been well canvassed. I am just asking you do you have a target year for which we can hold you to account to?

**Mr HARDING:** At the moment we are aspiring to try and move that board as fast as we can. I would love to give you a target, but I can only promise you that I will not hit it because—what I am trying to explain to you is the world is changing around us at a rapid rate.

**The Hon. DANIEL MOOKHEY:** Mr Harding, please assume I understand that the world is changing rapidly around us.

**Mr HARDING:** If you understood, then you would not be asking for a target date because it is not possible to give you that.

**The Hon. DANIEL MOOKHEY:** Mr Harding, I am asking you this question because it is in your KPIs, you have said it in this Parliament, you have said you are not meeting it this year. When are you expecting to meet it?

**Mr HARDING:** Mr Mookhey, it is in my KPIs for this year, as—

**The Hon. DANIEL MOOKHEY:** And you missed it. When are you expecting to meet it?

**Mr HARDING:** As I have just said to you, we will not achieve it this year. Whether we will achieve it next year or not is open for debate.

**The Hon. DANIEL MOOKHEY:** Treasury Secretary, has the Treasury set a return-to-work target for four weeks for icare?

**Mr PRATT:** That is addressed to me, Mr Mookhey?

**The Hon. DANIEL MOOKHEY:** Yes. In your statement of business intent for icare, what target have they been set by Treasury to meet in respect to return-to-work rates?

**Mr PRATT:** Let me check with Mr Gardner on that.

**Mr HARDING:** Would you like me to answer?

**The Hon. DANIEL MOOKHEY:** No, I do not, Mr Harding. I am asking Treasury.

**Mr HARDING:** It is the same number you have already used.

**Mr GARDNER:** Mr Mookhey, it is not for us to sort of comment. That is a matter between the icare board and SIRA as to how they define the targets—

**The Hon. DANIEL MOOKHEY:** What targets has Treasury set for icare in its statement of corporate intent, Mr Gardner, for the coming year?

**Mr GARDNER:** We do not have the governance of the Nominal Insurer, Mr Mookhey, as you well know.

**The Hon. DANIEL MOOKHEY:** I did not ask about the Nominal Insurer; I asked about icare.

**Mr GARDNER:** I would probably have to take that on notice.

**Mr HARDING:** It is the Nominal Insurer. There is no icare.

**The Hon. DANIEL MOOKHEY:** Mr Harding, are you aware that you run more than one scheme?

**Mr HARDING:** Exactly.

**The Hon. DANIEL MOOKHEY:** You are aware that you are an agency that is a part of the public sector, yes?

**Mr HARDING:** One hundred per cent.

**The Hon. DANIEL MOOKHEY:** You are aware that you were created under the State insurance care Act, yes?

**Mr HARDING:** One hundred per cent.

**The Hon. DANIEL MOOKHEY:** Are you aware that your predecessors on multiple occasions have said that icare is more than the Nominal Insurer?

**Mr HARDING:** One hundred per cent.

**The Hon. DANIEL MOOKHEY:** Why then are you saying that icare is just the Nominal Insurer?

**Mr HARDING:** No, I did not say that. I said we are not just the Nominal Insurer.

**The Hon. DANIEL MOOKHEY:** Thank you, Mr Harding, for your evidence. Treasury Secretary, can we turn to some other matters please? Given the limited time, I might direct these questions to you at first instance, or potentially you might need to direct this to Ms Curtain as well. Has Treasury or the New South Wales Government entered into an agreement with Qantas?

**Mr PRATT:** The answer to that at this point is no. I will check with Ms Curtain, but we have agreed overall terms, Mr Mookhey, which was announced some time ago.

**The Hon. DANIEL MOOKHEY:** I think, as I understood, no announcement has been made as to the terms rather than, I think, you were in the process of completing the agreement, as I recall it.

**Mr PRATT:** That is correct. Ms Curtain will have the up-to-date position, but what you have just said was correct, yes.

**The Hon. DANIEL MOOKHEY:** Ms Curtain, what is the up-to-date position as to the status of the agreement with Qantas about retaining their headquarters in Mascot?

**Ms CURTAIN:** That is right what Mr Pratt said. We are just finalising the agreement now and the final terms will go up to Cabinet sometime soon.

**The Hon. DANIEL MOOKHEY:** When you say you are in the process of finalising it, does that mean pending Cabinet approval?

**Ms CURTAIN:** No, it has not gone up to Cabinet yet. We are still working on some of the details.

**The Hon. DANIEL MOOKHEY:** So you are still negotiating with Qantas.

**Ms CURTAIN:** Yes.

**The Hon. DANIEL MOOKHEY:** Can we confirm that the New South Wales Government offered Qantas a commitment of \$50 million over four years?

**Ms CURTAIN:** I will have to take that on notice. We have not finalised the details, so we have not—

**The Hon. DANIEL MOOKHEY:** Can I just read to you a letter that the former Treasurer sent to Mr Alan Joyce as of 29/4/21? He says, "Our updated proposals of commitment of \$50 million over four years in return for the retention of the Qantas head office in New South Wales for at least 30 years, with no net job losses over the first five years." He then goes on to list seven other commitments that it is apparently conditional on, but most important is the retention of the Qantas head office. Can we therefore infer that the Government offered Qantas \$50 million for them to retain their head office in Mascot?

**Ms CURTAIN:** That was an offer at a point in time when we were still finalising the details.

**The Hon. DANIEL MOOKHEY:** Have we offered them more or less since that point in time?

**Ms CURTAIN:** Nothing has been approved yet or finalised, so I cannot confirm what the final details will be.

**The Hon. DANIEL MOOKHEY:** This followed Qantas asking for expressions of interest from different States to host their facilities, correct?

**Ms CURTAIN:** That is correct.

**The Hon. DANIEL MOOKHEY:** And that process was initiated last year, was it—as in the financial year 2019-20?

**Ms CURTAIN:** It started last year, yes, and proceeded through this calendar year as well.

**The Hon. DANIEL MOOKHEY:** Ms Curtain, to either you or to the Treasury Secretary—firstly, can I just confirm that Treasury is doing this and not Investment NSW?

**Mr PRATT:** That is correct, yes. We initiated it and we have kept that to closure, yes.

**The Hon. DANIEL MOOKHEY:** Thank you very much. Are we negotiating with any other firm in respect to any arrangement like this?

**Mr PRATT:** No, not from Treasury.

**The Hon. DANIEL MOOKHEY:** Just Qantas?

**Mr PRATT:** Yes.

**The Hon. DANIEL MOOKHEY:** Why has this been retained with Treasury and not been handed to Investment NSW?

**Mr PRATT:** It was more about the fact that Ms Curtain had the history and knew all the details. Given that I have been trying to get this deal closed, Mr Mookhey, there was no point in handing it over.

**The Hon. DANIEL MOOKHEY:** For what it is worth, given Ms Curtain's record as well, that is a very sensible decision on your part, Mr Secretary. I would not imply otherwise as well. But if that is the reason, thank you for saying that. What steps are you putting in place to ensure that we are getting value for money for this?

**Mr PRATT:** There is a business case behind this and quite a lot of work was done, as Ms Curtain can talk to, leading up to that letter that you have. My expectation is that the final settlement will be very well aligned to what you have read out. I would say to you that the negotiations with Qantas have taken a lot longer than what I would expect.

**The Hon. DANIEL MOOKHEY:** Why is that?

**Mr PRATT:** Ms Curtain is probably best placed to answer that question.

**Ms CURTAIN:** During the expression of interest process it was fairly high level, I guess—the offer made in the conversations with Qantas when they expressed their preference for which States they wanted to put different parts of the business in into the longer term. Then we needed to work through those details as to exactly what the mechanisms would be to make sure that we are protecting what we have asked them to deliver for New South Wales, so we can ensure that we are getting value for money. It is just the level of detail had not been agreed to.



**The Hon. DANIEL MOOKHEY:** Insofar as we are offering them a \$50 million commitment, is that a straight cash transfer that we are offering them or are we offering them discounts? How is this \$50 million worth of value that we are handing Qantas to stay in Mascot effected?

**Mr PRATT:** Ms Curtain can outline this. But it is structured over a period of time with certain hurdles being met. It is not a handout of \$50 million as such—as you would hope.

**The Hon. DANIEL MOOKHEY:** I have to put the question. If you are sending them a cheque I am wondering, but what then are we offering them?

**Mr PRATT:** You should. Do you want to outline each of the key criteria, Ms Curtain.

**The Hon. DANIEL MOOKHEY:** Not the criteria, the form that the \$50 million commitment is being effected.

**Mr PRATT:** Bearing in mind that this is still a negotiation at the moment.

**The Hon. DANIEL MOOKHEY:** What categories of concessions are we offering Qantas?

**Mr PRATT:** Ms Curtain?

**Ms CURTAIN:** The letter that you have got there was considered to be a grant, but only at the reaching of certain milestones. As I said, the final details have not been approved by Cabinet yet.

**The Hon. DANIEL MOOKHEY:** So, Mr Secretary, we are not offering them one cheque; we are offering them different cheques for cash transfers at points in time?

**Mr PRATT:** If milestones are met.

**The Hon. DANIEL MOOKHEY:** But it is cash?

**Mr PRATT:** I underline that; we will not compromise on that.

**The Hon. DANIEL MOOKHEY:** But we are literally sending them a cheque. That is what is happening?

**Mr DAVID SHOEBRIDGE:** It is an electronic transfer.

**The Hon. DANIEL MOOKHEY:** An electronic transfer of money into the Qantas account?

**Mr PRATT:** If the milestones are met, jobs are retained and part of the requirement will be actual jobs growth as well.

**The CHAIR:** It being 3.30 p.m., we are now scheduled to have a break. Mr Harding, did you want to clarify an answer?

**Mr HARDING:** I just wanted to clarify some of the evidence that I gave to Mr Shoebridge. I was talking about the return-to-work rates for other insurers through to November 2020. I want to clarify and make clear that one is the '21. The four-week return to work for August 2017 to July '21, based on the SIRA data, the TMF has gone down by 12 per cent; the Nominal Insurer has decreased by 11 per cent; self-insurers have reduced by 13 per cent; and specialised insurers have reduced by 9 per cent. So across the board up until July '21 there has been a consistent decrease of the four-week rate across the whole scheme. As I explained earlier.

**The CHAIR:** Thank you. We will take a break and return at 3.45 p.m.

**(Short adjournment.)**

**The Hon. DANIEL MOOKHEY:** Mr Secretary, I will direct the questions to you, but you may find yourself in a position where you want Mr Deverall to answer these questions. It is to do with the Government's commitment to retire \$11 billion worth of debt over the next two years. That is, as we have identified this morning, the Government's intention, is that correct?

**Mr PRATT:** That is correct.

**The Hon. DANIEL MOOKHEY:** Can we have an explanation from either you or Mr Deverall as to how that is going to be effected?

**Mr PRATT:** Yes. I might hand to Mr Deverall. But it will largely happen initially around redemptions. Let me hand to Mr Deverall to cover that.

**Mr DEVERALL:** Can you hear me?

**Mr PRATT:** Just speak up a little bit more, Mr Deverall.

**Mr DEVERALL:** There are approximately \$11 billion to be used to pay down debt. It will probably take place over the next two years. There is a piece of paper maturing in March of next year for about \$4.2 billion. That will be one of the major things that it is used for. The cash is used to retire debt. We will do it based on market pricing and what the Government's aims are in terms of its fiscal strategy. We expect the debt to be retired in the next two years.

**The Hon. DANIEL MOOKHEY:** Why is it taking two years?

**Mr DEVERALL:** That is the process of the debt maturing. When the debt comes due that is when we will pay down the particular pieces of paper. For example, there is a March 2022 bond that is maturing. At that point we will then pay down the debt. If we are able to from a market point of view do it earlier, we will do so.

**Mr MIDHA:** Can I just add to that? It is the most economic way to retire debt so you are not moving the market, you are not pricing up your debt and it costs you more. From protecting the bottom line, this is the most economic way to do it.

**The Hon. DANIEL MOOKHEY:** That makes sense. But we are doing it, basically, on the maturity of existing instruments?

**Mr MIDHA:** That is correct. If there is an opportunity or possibility—

**The Hon. DANIEL MOOKHEY:** There is no buyback, there is no reverse auction or anything like that. We are literally retiring the debt?

**Mr MIDHA:** Yes, that is it.

**Mr DEVERALL:** Mr Mookhey, it will depend. If the market opportunity presents itself, we will do it earlier. But we want to have the flexibility to do it in the most cost-effective and efficient way for the Government.

**The Hon. DANIEL MOOKHEY:** Do you have that discretion? Do you have that authority, Mr Deverall?

**Mr DEVERALL:** We work very closely with Treasury on that.

**The Hon. DANIEL MOOKHEY:** Can I just ask a few follow-up questions perhaps to yourself or to Mr Midha, depending on how you see fit, Mr Secretary. What will the impact of that be on the gross debt figure?

**Mr MIDHA:** The gross debt?

**The Hon. DANIEL MOOKHEY:** Yes.

**Mr MIDHA:** It will be reduced by—

**The Hon. DANIEL MOOKHEY:** Eleven billion.

**Mr MIDHA:** —\$11 billion.

**The Hon. DANIEL MOOKHEY:** Just to get that clear; there is nothing else. Net debt we can assume also will go down by \$11 billion, is that correct?

**Mr MIDHA:** Over a period of time it will have the same impact, yes, of course.

**The Hon. DANIEL MOOKHEY:** How much interest are we going to save?

**Mr MIDHA:** I will have to take that on notice. Again, it will vary based on—it is a bit complicated because clearly 11 billion over two years, you can work that out based on interest rates, that is 2 per cent approximately. But it will depend on when we do it, and we have to hold the cash in some way before we pay down. It is in the NGF, but it is sitting in cash. We cannot invest it because we have to pay down debt.

**The Hon. DANIEL MOOKHEY:** You have to be liquid.

**Mr MIDHA:** Based on current assumptions and the plan, we could come back to you with a view on that. It will not be an exact science, Mr Mookhey, but we can give you a number.

**The Hon. DANIEL MOOKHEY:** Mr Pratt, I would be genuinely surprised if you ever came back to me and said it is an exact science and we can give you 100 per cent certainty on any of the questions. I accept that. The average interest cost on the existing debt works out to be about 1.45 per cent as at the 30 June budget, is that fair, Mr Midha?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Can we expect roughly a 1.45 per cent interest saving over the \$11 billion on a per year basis?

**Mr MIDHA:** Yes, as a run rate, yes.

**The Hon. DANIEL MOOKHEY:** As a run rate. Thank you very much.

**The Hon. JOHN GRAHAM:** Can I turn to questions, Secretary, about the State infrastructure five-year plan. This was last published in the 2017-18 budget. It was chapter 4 of that budget and it was run through quite extensively. It has not been published since. What has happened to the five-year State Infrastructure Plan?

**Mr PRATT:** It is still as it is in the budget papers, Mr Graham. The Government is continuing to—you know, the \$108.5 billion is still the Government's plan. I would expect—and we will be updating this in the half-year—a fair degree of underspend in capex over these last 12 months particularly.

**The Hon. JOHN GRAHAM:** I might just stop you there, Secretary. In 2017-18 a specific chapter of the budget was dedicated to the State Infrastructure Plan. It ran through things as required by the Infrastructure NSW Act 2011 in quite a lot of detail. That no longer exists. The expenditure you are talking about does in this budget.

**Mr PRATT:** Yes.

**The Hon. JOHN GRAHAM:** That chapter 4 has vanished off the face of the earth.

**Mr PRATT:** Sorry, so you are talking about the budget paper itself?

**The Hon. JOHN GRAHAM:** I am talking about the five-year State Infrastructure Plan. It appeared every year, year on year, as is required under the Infrastructure NSW Act, until 2017-18. It has not been sighted since. What has happened to it?

**Mr PRATT:** Let me check that for you. Sorry, I misunderstood your question.

**Mr MIDHA:** The State Infrastructure Strategy delivered by Infrastructure NSW [INSW] happens every five years. I think it is due next year.

**The Hon. JOHN GRAHAM:** Yes. I am clear.

**Mr MIDHA:** I will check to see why that chapter has been dropped, but it tends to reflect that. I will come back to you on why that chapter is not in the budget.

**Mr PRATT:** I know, though, Mr Graham, that INSW are now working on a five-year refresh of that.

**The Hon. JOHN GRAHAM:** That is understood. I will give you some background because I have asked Mr Draper from INSW about this. More than a year ago, he said:

We have been considering in 2019-20 whether we publish this in a different format.

The idea that we are proposing is that we will publish it in an online format and allow it to be updated progressively, so as decisions of government are made we update the plan.

It might be forthcoming in a month or two but nothing has happened. It has disappeared but there is an obligation in the Act to publish this every year. It was published with every budget up until 2017-18. One of my questions is: Is it of concern to Treasury that this plan no longer exists?

**Mr PRATT:** It exists, but let me assure you that there was no deliberate plan by Treasury not to publish it—certainly not that I am aware of. Can I take this on notice?

**The Hon. JOHN GRAHAM:** Certainly.

**Mr PRATT:** Thank you. I will talk to Mr Draper as well.

**The Hon. JOHN GRAHAM:** For some additional background for you, I am the Opposition shadow Minister for Roads. This is very helpful guidance for the State.

**Mr PRATT:** I understand.

**The Hon. JOHN GRAHAM:** It is required to be reviewed every year. That is an obligation under the law—reviewed every year, provided to the Premier and published. The Premier has to agree or disagree with that. In my view, that requirement of the Act has not been satisfied since 2017-18. The law has just been disregarded. That is how it appears on the face of it, so I would also like you to take on notice whether, in your view, the Infrastructure NSW Act is being complied with.

**Mr PRATT:** Certainly, I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Mr Secretary, I might direct these questions again through you but they might be best directed to Ms Wilkie and/or Mr Walters. They arise from the *COVID-19 Economic Recovery Strategy* document.

**Mr PRATT:** Mr Walters may be in some of the work that was done on the economic side but Mr Midha had responsibility of the overall plan.

**The Hon. DANIEL MOOKHEY:** Whomever you feel is best capable of answering these questions, that would be good. The plan makes reference to a number of reviews of different types and sorts. I just want to go through them and find out who is doing them and when they are meant to be done. The first one I am interested in, Mr Midha, is about economic participation. It says:

The NSW Government will conduct a review to identify barriers to women's economic participation and reform opportunities, including improvements to the accessibility and affordability of early childhood services and early childhood education outcomes.

Who is doing that review?

**Mr MIDHA:** It is a combination but it is being led by Education partly, but we also have a leadership role in that. So it is being developed at the moment. Treasury is leading that at the moment.

**The Hon. DANIEL MOOKHEY:** Treasury is doing it?

**Mr MIDHA:** It is in its infancy. It is being developed but obviously the carriage of it will be in Education.

**The Hon. DANIEL MOOKHEY:** I presume that is about the affordability of childhood services and early childhood education outcomes.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** But I am talking specifically about women's economic participation and reform opportunities, given the gendered nature of the jobs downturn. I am interested in who is doing that part.

**Mr MIDHA:** It has not been decided. The terms of reference for the review are still being developed, in short.

**The Hon. DANIEL MOOKHEY:** When do you expect this review to be done?

**Mr MIDHA:** I do not have a date for you.

**The Hon. DANIEL MOOKHEY:** Is that because one does not exist?

**Mr MIDHA:** Yes. One does not exist because the terms of reference are being developed for the time frame.

**The Hon. DANIEL MOOKHEY:** Okay, fair enough. I am not sure I can take that any further. On notice, can we get some more information as to what the Government's and Treasury's intentions are, and any further information you can provide to us about that particular part?

**Mr PRATT:** Mr Mookhey, my expectations are—and I think this probably goes to your broader set of questions—that this will be developed by the half-year budget.

**The Hon. DANIEL MOOKHEY:** Do we have a date for that, by the way?

**Mr PRATT:** We do.

**Mr MIDHA:** It is 16 December, I think. I am not sure it has been announced.

**Mr PRATT:** I think it is the third week of December.

**The Hon. DANIEL MOOKHEY:** It is usually is.

**Mr PRATT:** Do not hold me to a date but, yes.

**The Hon. DANIEL MOOKHEY:** So around 16 December. It is not an exact science.

**Mr PRATT:** We do have a date and I can take it on notice and come back to. You will be pleased to know we do have a date, yes.

**The Hon. DANIEL MOOKHEY:** That is good to know. Let us talk about the Faster Payment Terms Policy, which Mr Gardner had to endure my questioning about the other day. Do we have any further information and clarity about who precisely is doing the Faster Payment Terms Policy review?

**Mr MIDHA:** That is Treasury.

**Mr GARDNER:** I actually can confirm that that has been handed to me since we last spoke.

**The Hon. DANIEL MOOKHEY:** You can send me a Christmas card later, Mr Gardner—I expect to get it within five days. So you are undertaking that review, are you?

**Mr GARDNER:** I am scoping out how we will undertake that review at the moment. So in answer to your prior questions, I have not determined the extent, nature or time frame of that review but, yes, it is in my name.

**The Hon. DANIEL MOOKHEY:** Well, congratulations. Can we also on notice get what you expect the terms of reference will be, when it will be and whether it will be public?

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

**The Hon. DANIEL MOOKHEY:** You also have made reference in this strategy to an Event Saver Fund, which I think we were asking some questions about this morning. Do we have any further information about that?

**Mr MIDHA:** That is with Minister Harwin, so he will be developing the terms of reference for that.

**The Hon. DANIEL MOOKHEY:** We also have a reference, which is relatively amorphous—those are my words; you do not have to agree—which says there is a commitment to reducing red tape to make it easier to run a business in New South Wales. What does that actually mean?

**Mr MIDHA:** I think this is a space that might—it is about reducing red tape, so looking at current existing regulation and to look at business support. I do not have any—again, the terms of reference for all of these are under development so I cannot give you anything further on them.

**The Hon. DANIEL MOOKHEY:** Look, it is just a dot point in this strategy, which I presume someone put in for a reason. On page 10, it says:

**Reducing red tape** to make it easier to run a business in NSW while ensuring customers are protected.

Is that a reference to a Better Regulation process?

**Mr MIDHA:** I think Ms Wilkie might have some more information around this.

**Ms WILKIE:** No, I am sorry, I do not.

**The Hon. DANIEL MOOKHEY:** On notice, can we get some more information as to what that might mean, if that is possible? To the Chief Economist: Were you involved in the development of this plan?

**Mr STEPHEN WALTERS:** Mr Mookhey, I have been providing broad, high-level comments and economic advice in development of the plan, yes.

**The Hon. DANIEL MOOKHEY:** Okay, broad, high-level comments. Do you have an estimate as to how many jobs you expect this to create?

**Mr STEPHEN WALTERS:** That will depend on whether there is Government spending involved, the nature of that spending and what the multipliers might be.

**The Hon. DANIEL MOOKHEY:** Which is broadly speaking the answer you gave last time, Mr Walters. Is that correct?

**Mr STEPHEN WALTERS:** Yes.

**The Hon. DANIEL MOOKHEY:** Specifically, the variation between this one and the time previously we asked you, which was before it was released, is that this one sets a target of restoring 260,000 jobs by the December quarter 2022. Did you identify that as the appropriate target?

**Mr STEPHEN WALTERS:** We provided advice on that, Mr Mookhey, in the sense that when the plan was put together, that was the expectation of ballpark job losses during the Delta phase of the pandemic and the Delta lockdown. So it was essentially the same level of job losses as we experienced during 2020. The idea was that we would like to get those jobs back as quickly as possible, and that was the advice that we provided. We would like it to be in a way very similar to what occurred in 2020 when those jobs were recovered and then some.

**The Hon. DANIEL MOOKHEY:** Victoria recovered 255,000 jobs within nine months of its second lockdown. Will you take on notice whether any comparison was undertaken between Victoria's recovery, for want of a better term, and the target that has been set here and whether you think there is any meaningful variance or

difference between the Victorian experience and the New South Wales experience which would give Treasury reasons to distinguish why it requires 14 months and not nine?

**Mr STEPHEN WALTERS:** I can do that, Mr Mookhey. Sure.

**The Hon. JOHN GRAHAM:** Secretary, I might turn to the community fund within the NSW Generations Fund, which officials have previously advised has been discontinued. When, precisely, was it discontinued?

**Mr PRATT:** I have to check a date, Mr Graham, but what I can say to you is there was one round of grant allocation and then it was ceased after that first round.

**The Hon. JOHN GRAHAM:** On notice, can you provide the date?

**Mr PRATT:** I will come back to you. Yes.

**The Hon. JOHN GRAHAM:** How much was invested in the fund for that single round? It was really slightly under 25.

**Mr PRATT:** It was slightly under 25. If you want the actual expense, thought, it would have been below that.

**The Hon. JOHN GRAHAM:** How much below?

**Mr PRATT:** We can come back on that too. I will take that on notice if you wish.

**The Hon. JOHN GRAHAM:** Was it \$19.7 million that was actually paid out in the end?

**Mr PRATT:** I cannot confirm that, but I am happy to take that away.

**Mr MIDHA:** Yes, that is right. It was about 19. It was just under 20 and there was a million or so of expenditure to run the whole process, and that was it. Yes.

**The Hon. JOHN GRAHAM:** Can you answer now, or take on notice, how many projects were actually funded in the end? So expenditure was less; 248 projects were announced. But were they all then subsequently funded?

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

**The Hon. JOHN GRAHAM:** I take it that the investment has been abolished and not the fund, because that is established in legislation.

**Mr PRATT:** The fund is still there, yes.

**The Hon. JOHN GRAHAM:** But it is not being exercised; it has been closed, from your point of view?

**Mr PRATT:** That is correct.

**The Hon. JOHN GRAHAM:** What can you tell me about how many votes happened during the innovative voting process that occurred during this?

**Mr PRATT:** I am sorry; I am going to have to take that on notice. What I can say to you is that there was overwhelmingly positive feedback from the community on that process. A significant amount of work went into the voting process and the objective was to largely replicate what voters are used to in voting politicians. That is what we did. It was very successful and the allocation was seen as very fair. All the feedback I have had has been extremely positive, Mr Graham.

**The Hon. JOHN GRAHAM:** Perhaps you can take on notice the number of votes, and the number of votes for each of the administrative areas.

**Mr PRATT:** Yes, okay. We will do that.

**The Hon. JOHN GRAHAM:** What have been the investment returns for the Generations Fund over this period?

**Mr PRATT:** I will ask Mr Deverall, maybe, to talk to that. Overall, the fund has averaged 9.4 per cent a year.

**The Hon. JOHN GRAHAM:** Yes, but the actual total returns?

**Mr PRATT:** Yes, it is \$2.7 billion.



**The Hon. JOHN GRAHAM:** This was originally announced when the Treasurer introduced the bill for the NGF. He said that up to half of the investment returns will enable the new My Community Dividend Program, so we are clearly well short of that original aspiration in the bill. It is just a fraction of the billions.

**Mr PRATT:** Yes. My understanding with the bill is there was discretion for the Government to apply what it saw as an appropriate amount. You are quite right; that is the way the bill was written.

**The Hon. JOHN GRAHAM:** We are now orders of magnitude away from that original aspiration.

**Mr PRATT:** Correct. Yes, we are.

**The Hon. JOHN GRAHAM:** It sounds like you do have a range of informed views about it. Has Treasury conducted a review or assessment?

**Mr PRATT:** Yes, we have.

**The Hon. JOHN GRAHAM:** Could you make that available to the Committee?

**Mr PRATT:** Could I take that on notice? I do not see why not. That was done through Premier and Cabinet so I will take that on notice.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, my question might best be directed to Ms Wilkie but if not, please feel free to direct it somewhere else. What is the current projected New South Wales wage price growth over this financial year? Do you know?

**Ms WILKIE:** I think I will give that to Stephen Walters. The latest projection we have got will be in the budget from the budget numbers. Stephen, have you got those numbers with you?

**Mr STEPHEN WALTERS:** I do, Ms Wilkie. Mr Shoebridge, the answer in the budget as for wage price index forecast for the 2021-22 fiscal year was 2 per cent.

**Mr DAVID SHOEBRIDGE:** That 2 per cent is substantially higher than what the wage growth had actually been for the last financial year, isn't it, because it was less than 2 per cent.

**Mr STEPHEN WALTERS:** That is correct. In the previous financial year the wage growth was 1.5 per cent.

**Mr DAVID SHOEBRIDGE:** In fact, if you go back over history, in the years leading up to the middle of 2012—to the end of financial year 2011-12—in the three or four years immediately preceding that, New South Wales wage growth was consistently in a band between about 3 per cent and 4 per cent. Do you agree with that?

**Mr STEPHEN WALTERS:** I do not have the numbers in front of me that far back, Mr Shoebridge, but that does, from memory, sound about right. Wages growth was averaging somewhere around 3 per cent to 4 per cent back then.

**Mr DAVID SHOEBRIDGE:** I am cheating because I am going off the New South Wales Treasury graph that I have in front of me. We then see, though, from June 2012 onwards a fairly dramatic drop and a consistently low wage growth in New South Wales of between 2 per cent and 2.5 per cent, until we saw the very significant drop again last financial year. Is that about right?

**Mr STEPHEN WALTERS:** That sounds about right. Wages growth has been decelerating and low in all States and Territories and nationally. Yes, that sounds about right but, again, I do not have those numbers in front of me so I cannot—

**Mr DAVID SHOEBRIDGE:** Again, I am cheating because I have your own graph in front of me.

**Mr STEPHEN WALTERS:** Well, I will take it as correct if you are reading it off the graph. It is our graph and I am sure it is correct.

**Mr DAVID SHOEBRIDGE:** That significant reduction in wage price growth and then the persistently low wage price growth coincides very neatly with the public sector cap on wages, doesn't it? It is almost a direct correlation.

**Mr STEPHEN WALTERS:** The forecast we have in the budget is not for public sector wage growth; it is economy-wide wage growth.

**Mr DAVID SHOEBRIDGE:** I am not asking you about the forecast. I am saying that the substantial reduction in the rate of wage growth and the persistently low rate of wage growth across New South Wales—not just the public sector; the index is for across New South Wales—coincides with the introduction and maintenance of the public sector wage cap, doesn't it?

**Mr STEPHEN WALTERS:** I will leave Mr Pratt to talk about the wages policy, but my understanding is that the wages policy was introduced in about 2011. Yes.

**Mr DAVID SHOEBRIDGE:** Yes, and it began to have its first real impact, in terms of the economy, in the financial year ending June 2012. That is when we have seen this significant reduction in wage growth, and then it is fully implemented from then on.

**Mr STEPHEN WALTERS:** Well—

**Mr DAVID SHOEBRIDGE:** You do not have to agree with the correlation, but I put it to you that is the timing in which the wage cap was implemented in New South Wales.

**Mr STEPHEN WALTERS:** The timing is very similar, yes. But, again, the wage price index measures wages across the whole economy, not just the New South Wales public sector. The number you are referring to in that chart refers to wages growth for all employees, private and public.

**Mr DAVID SHOEBRIDGE:** Correct. Ms Wilkie, has Treasury had a look at the impact of the public sector wage cap in terms of suppressing wage growth across New South Wales? Have you done any analysis of that?

**Ms WILKIE:** Not to my knowledge.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, do you think it would be sensible to do an analysis as to whether or not the public sector wage cap has had that suppressing effect on wage growth across the economy? I put it to you because my reading of Treasury's own graph shows that almost exact correlation between the implementation of the wage cap and an overall suppression in wage growth. Do you think it would be prudent to have a look and see what the impact of it has been on the rest of the State?

**Mr PRATT:** Yes. I mean, I accept that. I think we will continue—I mean, wages, as you are well aware, is our biggest cost item. It is around 40-odd per cent of our cost base, so as we get into the budget next year, this would be a piece of work that we would do in any case, Mr Shoebridge, to look at.

**Mr DAVID SHOEBRIDGE:** Ms Wilkie, perhaps if I go to you. In terms of one of the biggest challenges for economic growth—one of the biggest challenges being faced not just at a State level but at a national level—has been persistently low wage growth. Would you agree with that?

**Ms WILKIE:** Persistently low wage growth has been a constant challenge over the past few years, yes.

**Mr DAVID SHOEBRIDGE:** Do you have any indication of what that persistently low wage growth has done in terms of returns to Treasury? Has it reduced the tax intake? What has been the financial impact to Treasury of persistently low wage growth in the private sector?

**Ms WILKIE:** So in terms of linking that through to State revenue base—

**Mr DAVID SHOEBRIDGE:** That is a better way of expressing it rather than Treasury, Ms Wilkie, yes.

**Ms WILKIE:** Yes. Consumption has stayed up, so there has not been an impact. Consumption remains high, so it has not impacted GST revenue to that extent. But I mean to some extent this is a hypothetical counterfactual that it is almost impossible to know the answer to. The State does not levy any taxes on income; the Commonwealth does.

**Mr DAVID SHOEBRIDGE:** Payroll tax.

**Ms WILKIE:** We get money from the Commonwealth via GST—no, payroll tax is levied on businesses.

**Mr DAVID SHOEBRIDGE:** On wages.

**Ms WILKIE:** Well, partly on wages but it is actually imposed on the business, so, you know—

**Mr DAVID SHOEBRIDGE:** It is paid on the wage bill and if you have—you are persistently telling me there is no connection between payroll tax and wage growth, Ms Wilkie. That does not seem to me to be an accurate position.

**Ms WILKIE:** Well—I am sorry, this is echoing. I do not know if you can hear it but I can hear it in the background.

**Mr DAVID SHOEBRIDGE:** You are coming through actually quite clearly. I am sorry if it is distressing at your end.

**Ms WILKIE:** It is quite disconcerting for me. I do not know if there is something you can do.

**The CHAIR:** We can hear you fine. There is not much we can do unless you want to try to turn your camera off. It might help with the sound.

**Mr DAVID SHOEBRIDGE:** I do not think turning your camera off will fix the echo.

**The CHAIR:** No, but sometimes it helps with sound.

**Mr DAVID SHOEBRIDGE:** It will not fix an echo. Maybe just turn your volume down, Ms Wilkie.

**The CHAIR:** Have you got any other appliances with you?

**Ms WILKIE:** Oh well, two dozen! But, you know—

**Mr DAVID SHOEBRIDGE:** The kettle is not impacting on it.

**The CHAIR:** Mr Shoebridge, we need to be fair to our witnesses. I am just trying to work out how to deal with this.

**Mr DAVID SHOEBRIDGE:** I think Ms Wilkie is on top of it: she knows the kettle is not the problem!

**Ms WILKIE:** Yes. When you are doing this from home, there are always other appliances around. Okay, so, look to the extent that—if wages had gone up, then, yes, you could make just doing an equation. Okay, maybe payroll tax goes up but if wages go up there are a lot of ons and offs across the economy so there is no actual guarantee that if you get an increase in wages in and of itself that is necessarily going to lead through to an increase in payroll tax. So, it is a hypothetical question that I am really reluctant to give a view on or a specific answer to.

**Mr DAVID SHOEBRIDGE:** Okay. We have spent a lot of time on that. You said that persistently low wage growth has been an ongoing challenge over the last few years. Can you explain to me what the nature of that challenge is from persistently low wage growth?

**Ms WILKIE:** That is a challenge to the economy as a whole. It is not necessarily a challenge to the State budget. I mean, it is a challenge to wage earners who are facing, potentially, witnessing—you know, luckily there has not been much in the way of inflation or they would have been seeing a reduction in real income. So it is a challenge more, you know, to wage earners and that sort of thing rather than it being specifically a challenge to the State Government.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, do you accept, just when you look at the data, that there is at least a correlation between the imposition of the public sector wage cap and very low wage growth across the economy in the State—accept at least there is a correlation?

**Mr PRATT:** Yes. Generally, yes.

**Mr DAVID SHOEBRIDGE:** Given there has been such a persistent correlation for the better part of a decade, do you think it would be prudent to see if there is not just correlation but causation and undertake that study?

**Mr PRATT:** Yes. It is something we should look at.

**Mr DAVID SHOEBRIDGE:** Are you concerned, then, that given there is such a persistent correlation that in actual fact the public sector wage cap has suppressed wages and real wage growth across the economy, meaning that people across the State whether inside or outside the public sector have less money in their pocket?

**Mr PRATT:** Well, from the data I have seen over the last decade, the public sector wage growth has generally been above the private sector over this period, and we have got a lot of data to support that.

**Mr DAVID SHOEBRIDGE:** Well, there would be evidence to suggest that has been historical for significant parts of the last century as well. There is nothing unusual in that, is there, Mr Pratt?

**Mr PRATT:** No. I am talking specifically, though, over the last 10 years. From the data I have seen, that has been the case. Hence that led to the decision where we went to the Industrial Relations Commission, as I think you are aware, Mr Shoebridge, with Mr Walters and argued that case of the 30 basis points the commission found more recently, and that has now been restored to two and a half per cent.

**Mr DAVID SHOEBRIDGE:** You see, Mr Pratt, I put this to you: That there is a very strong case to be made that the public sector wage cap has actually sabotaged wages across the economy and created a lot of financial hurt for people, who are having trouble just making ends meet. I put it to you that there is a very strong case for that, is there not?

**Mr PRATT:** I would like to do the work on that. I am not sure I accept that.

**Mr DAVID SHOEBRIDGE:** Mr Pratt, were you aware of there being a complaint made or concerns expressed about your engagement with social media to your department? I will be clear: It is in about February. I can give you more details, but you may be aware of the circumstances.

**Mr PRATT:** I am aware there was a complaint. I do not have the details, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** All right. Are you aware that the person who made the complaint was told in communication from your department that the department had reviewed the information provided and that, "A Treasury employee posting on their personal social media account is not a matter to which the Treasury's code of conduct applies". Are you aware that that was the response that they gave?

**Mr PRATT:** Under your own name, yes. But I had nothing to do with that response, deliberately. I left that to the team.

**Mr DAVID SHOEBRIDGE:** But you knew that was the nature of the response.

**Mr PRATT:** Yes.

**Mr DAVID SHOEBRIDGE:** Are you aware that the Treasury code of conduct and social media policy—which in fact, I think, is signed off and authorised by you—clearly states, "Personal comments made by staff are governed by the Treasury's code of conduct and communications policy", and further it states, "Your conduct should not adversely reflect on Treasury as your employer, your colleagues, or yourself." Are you aware of that?

**Mr PRATT:** That is correct.

**Mr DAVID SHOEBRIDGE:** How do those two things sit together: That the complaint was dismissed because a Treasury employee posting on their social media account is not a matter to which Treasury's code of conduct applies, yet the code of conduct says exactly the contrary.

**Mr PRATT:** Well, the Treasury policy says that if it is posted in your own name. I was not representing Treasury. and my post was, I think from memory, a couple of lines, which was the extent of what I posted.

**Mr DAVID SHOEBRIDGE:** But—yeah.

**Mr PRATT:** And it was an issue between my wife and someone else.

**Mr DAVID SHOEBRIDGE:** Which you dived into on social media.

**Mr PRATT:** Very briefly.

**Mr DAVID SHOEBRIDGE:** But that is how you became embroiled in this.

**Mr PRATT:** Very briefly because my wife was very upset with the accusations that were being made.

**Mr DAVID SHOEBRIDGE:** Look, Mr Pratt, I do not want to bring your wife into this at all. Your wife has her own business and I am not making any allegations about your wife or any of your family members—to be totally clear. I am concerned with the way in which the process was done to assess this complaint. That is purely my concern, Mr Pratt. I want to be clear. I do not think it is right to bring your wife's conduct into this at all. Mr Pratt, what I am concerned about is that the reason given for dismissing the matter seems directly contrary to the kind of conduct that you have signed off yourself and I put to you why you do not accept that. You do not accept the reason given for dismissing it is directly contrary to the actual code of conduct itself?

**Mr PRATT:** No, because the policy enables Treasury employees to post in their own name.

**Mr DAVID SHOEBRIDGE:** Yes.

**Mr PRATT:** So that is allowed.

**Mr DAVID SHOEBRIDGE:** But you are still bound—it says here, and I will read from the policy—"Personal comments made by staff are governed by the Treasury's code of conduct and communications policy". So it covers that. It allows you to do it but you are still governed by the policy. Do you accept that?

**Mr PRATT:** Yes.

**Mr DAVID SHOEBRIDGE:** Therefore, dismissing it on the basis that a Treasury employee posting on their personal social media account is not a matter to which the Treasury's code of conduct applies is just plainly wrong, isn't it?

**Mr PRATT:** No. The policy allows for me to post in my own name. So where did I breach the code of conduct?

**Mr DAVID SHOEBRIDGE:** We can go into the details of what you posted, Mr Pratt, which were quite aggressive to a small business owner—you would accept they were quite aggressive—in fact, you deleted them within 24 hours, I think.

**Mr PRATT:** I did not delete them, no.

**Mr DAVID SHOEBRIDGE:** Are they still on your Instagram account? Are the comments still to be found on your Instagram account?

**Mr PRATT:** I do not know, Mr Shoebridge.

**The Hon. TAYLOR MARTIN:** It is just getting bizarre now.

**Mr PRATT:** I do not recall deleting them.

**Mr DAVID SHOEBRIDGE:** If you did not delete them did you give authority to somebody else to delete them?

**Mr PRATT:** I cannot answer that. I do not know.

**Mr DAVID SHOEBRIDGE:** When were you made aware that a complaint had been made about your conduct in relation to the posting on social media, Mr Pratt?

**Mr PRATT:** I have to take that on notice.

**Mr DAVID SHOEBRIDGE:** You see, Mr Pratt, your department dismissed the complaint before a complaint had even been made. What had happened was the person who was concerned was making inquiries about the matter and how to make a complaint and then, having contacted the department about the inquiries, was told on a peremptory basis that her complaint had been dismissed before a complaint had been made. Are you aware of that?

**Mr PRATT:** I am not aware of that and, as I indicated to you, I had no involvement in that at all, Mr Shoebridge, for obvious reasons. So I do not have any of the detail.

**Mr DAVID SHOEBRIDGE:** Who made the decision and on what basis did they make the decision to dismiss the complaint, Mr Pratt?

**Mr PRATT:** I do not know.

**Mr DAVID SHOEBRIDGE:** Will you provide that on notice?

**Mr PRATT:** Yes, I can do that.

**Mr DAVID SHOEBRIDGE:** Have you considered it might be appropriate to have an independent review of how the complaint was handled?

**Mr PRATT:** No, I have not.

**Mr DAVID SHOEBRIDGE:** Mr Harding, you said before that there had been a surge in psychological injury claims in the Nominal Insurer, is that right?

**Mr HARDING:** It is a trend over time.

**Mr DAVID SHOEBRIDGE:** A 250 per cent increase, I think you said, between 2015 and now.

**Mr HARDING:** Correct.

**Mr DAVID SHOEBRIDGE:** Do you know what the proportion of psychological injury claims are for the Nominal Insurer at the moment?

**Mr HARDING:** I would have to take that on notice.

**Mr DAVID SHOEBRIDGE:** The SIRA dashboard says it is 5 per cent. Are you aware of that?

**Mr HARDING:** I will have to take it on notice, Mr Shoebridge. I do not have the number off the top of my head.

**Mr DAVID SHOEBRIDGE:** Can I ask you to take on notice a review of your evidence that there had been a 250 per cent increase in psychological injury claims since 2015 for the Nominal Insurer, and give me the data from 2015 to date on that?

**Mr HARDING:** I have already said to you I will have a look at whether we can provide you with the Finitary analysis. I am happy to do that.

**Mr DAVID SHOEBRIDGE:** I am happy to get the Finitly notice, but can you also provide me with the data of the proportion of psychological injury claims from 2015 to now for the Nominal Insurer?

**Mr HARDING:** Sure.

**Mr DAVID SHOEBRIDGE:** Are you aware of where in fact the big surge in psychological injury claims has been in the system? Are you aware of where that is actually located?

**Mr HARDING:** There is a significant amount of it in the TMF in terms of the public sector scheme, we are well aware of that. But in fact the increase on a proportional basis in the Nominal Insurer has been larger than the TMF. The TMF started with a higher base is another way to think about it.

**Mr DAVID SHOEBRIDGE:** You can talk proportionate increase, but if I was to tell you that the proportion of claims for the Nominal Insurer that are psychological claims is about 5.1 per cent, do you have any idea what the kind of scale is for the Treasury Managed Fund?

**Mr HARDING:** Yes, I know that the Treasury Managed Fund is in the order of 20 per cent.

**Mr DAVID SHOEBRIDGE:** It is 22 per cent apparently. I think I have run out of time.

**The CHAIR:** The Opposition.

**The Hon. DANIEL MOOKHEY:** Thank you. Just a couple of very quick follow-up questions to some earlier questions, Mr Pratt. One of the McDougall recommendations was for SIRA and Treasury to stress test the assumptions on icare's FY21 business plan for icare to verify their veracity, are you aware?

**Mr PRATT:** Yes, I am.

**The Hon. DANIEL MOOKHEY:** Who did that?

**Mr PRATT:** Mr Gardner and the team did that, and we can talk to that if you wish us to.

**The Hon. DANIEL MOOKHEY:** No, that is okay. On notice, can we get an update as to what the outcome of that review was?

**Mr PRATT:** Sure. It has been completed though.

**The Hon. DANIEL MOOKHEY:** Can we get the review tabled?

**Mr PRATT:** Yes. I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Thank you very much. Ms Curtain, I was asking you some questions about the Qantas grant. I think we had established that there will be various payments made according to milestones. Can we get on notice when those payments are expected and what the criteria are for each of them to be paid?

**Ms CURTAIN:** Can I take that on notice until it is completed and has gone to Cabinet?

**Mr PRATT:** Once it is completed, yes.

**The Hon. DANIEL MOOKHEY:** No problems. Mr Pratt, I am going to do something highly unusual in budget estimates, which is ask you questions about the budget. Do you have Budget Paper No. 1 with you? This question might be best directed to Mr Midha, as I understand it. Can you turn to page 3-7 of Budget Paper No. 1?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Can you see that this is the part for maintaining sustainable levels of debt over the next decade?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Do you see the chart?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Do you see the footnote?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** The footnote says, "Chart 3.5 does not include the impact of upcoming asset recycling, including WestConnex or other transactions that are currently the subject of scoping studies." What other transactions are currently subject to scoping studies?



**Mr MIDHA:** I think the Government has only announced I think one that Mr Gardner can comment on, which is the lotteries.

**The Hon. DANIEL MOOKHEY:** The lotteries monetisation of the revenue stream.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Is that scoping study completed?

**Mr MIDHA:** Mr Gardner?

**Mr GARDNER:** It has been completed but it is still under consideration by the Government.

**The Hon. DANIEL MOOKHEY:** Okay, thank you very much. I will move on. Can we go to page 4-2? Mr Midha, do you see that there is a table there that says "General government sector summary of revenue and its components"?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Can you go to the line item that says "Other dividends and distributions"?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Do you see in this year's budget, as of June at least—and I accept this is all pending the mid-year independent review, as is always the case—it says a \$2.276 billion budget for 2021-22 and then records quite a large spike the following year to \$2.984 billion. Do you see that?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** And then another large spike of close to \$700-odd million between 2022-23 and 2023-24. Do you see that?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** And then you see by 2024-25 we are projecting \$4.85 billion in dividends, is that correct?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** That is double what we are expecting—more than double what we are expecting—this year, is that correct?

**Mr MIDHA:** That is correct, yes.

**The Hon. DANIEL MOOKHEY:** And it is going up 19.5 per cent of its average growth. Yes?

**Mr MIDHA:** That is right, yes.

**The Hon. DANIEL MOOKHEY:** Who is paying us all these extra dividends?

**Mr MIDHA:** I will have to take that on notice to come back and give you more details on that particular line. There will be a number of items in there and there should be a little bit more detail in the revenue—

**The Hon. DANIEL MOOKHEY:** There is a little bit more detail, which we probably will get to in the budget, but where it says "Other dividends and distributions", that includes capital returns, correct?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** So is it dividends or is it capital returns that we are recovering from the State-owned corporations?

**Mr MIDHA:** They should all be dividends. I do not think capital returns are in that line. I can check with Stewart Walters—he is also on the line—our chief financial officer.

**The Hon. DANIEL MOOKHEY:** Okay, put Mr Walters on.

**Mr STEWART WALTERS:** I will take that on notice, but I believe that the distributions from other entities sit in the line above dividends and income tax equivalents from other sectors. But we will come back to you on those.

**The Hon. DANIEL MOOKHEY:** This is why I am confused. It is reported in two separate lines: dividends and income tax equivalents from other sectors. I understand income tax equivalents under the Natural Disaster Relief and Recovery Arrangements scheme and then it says "Other dividends and distributions", but it is

a huge search. Do we have any idea where all this extra money is coming from that is not accounted for in the earlier line?

**Mr MIDHA:** We will take that on notice and come back, Mr Mookhey.

**The Hon. JOHN GRAHAM:** Can we ask about the line item above, the surge in 2024-25, where this more than doubles over one year?

**Mr MIDHA:** Yes, will do.

**The Hon. DANIEL MOOKHEY:** Can we turn the page to page 4-4, which is the revenue reconciliation.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** These are the parameter changes since the 2020-21 half-yearly review, yes?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** In layman's terms can you explain to me what parameter change is, as you understand it?

**Mr MIDHA:** The parameter and technical adjustments, the PTAs, they are not driven by government policy; they are driven by external factors such as inflation, such as population growth. They are not policy driven.

**The Hon. DANIEL MOOKHEY:** On that basis, you see the forward estimates and the land tax line item?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** It says 163 and this year's budget and going to 394 in next year's budget, or the forward estimates for 2022-23, and then 741 for 23-24, and then 877 for 24-25. Do you see that?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Why is it doubling and then doubling again over the next two years?

**Mr MIDHA:** Again, I will take that on notice. There is a brief explanation on the following page.

**The Hon. DANIEL MOOKHEY:** Land tax surcharge compliance. It is good that we are improving Revenue NSW' IT. We legitimately think that improving their IT is going to double our land tax takings?

**Mr MIDHA:** It looks like eventually. But, again, I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Not eventually, Mr Midha, in 2022-23.

**Mr MIDHA:** I do not have the previous years at this stage, so I cannot compare it.

**The Hon. JOHN GRAHAM:** Can we just be explicit about what facilitating improved compliance will mean. If you could really spell that out when you come back on notice?

**Mr MIDHA:** We will take that on notice.

**The Hon. DANIEL MOOKHEY:** I dare not ask but, if it was such an effective investment, why have we not made it before?

**Mr MIDHA:** Good question. I do not know.

**Mr PRATT:** I do know though, as I think you are probably both aware, they are doing a lot of work on leakage and how they use intelligence with the capability that they have been building. That will be an element of that.

**The Hon. DANIEL MOOKHEY:** Can we turn now to page 4-12, which is the general purpose grants. Do you see that?

**Mr MIDHA:** 4.1?

**The Hon. DANIEL MOOKHEY:** 4-12.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** You see in the second paragraph that says "General purpose grants" it states:

Over the four years to 2024-25, GST revenue is forecast to grow by an average of 4.4 per cent per year, resulting in an additional \$6.4 billion (7.8 per cent) over the same period than expected at the 2020-21 Half-Yearly Review.

Do you see that?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Earlier in the document that attributed it to a faster recovery than was expected at the time, correct?

**Mr MIDHA:** That is right.

**The Hon. DANIEL MOOKHEY:** Do we have any update since or is it still the base assumption?

**Mr MIDHA:** At the moment that is still the base assumption. This will be revised in the half year.

**The Hon. DANIEL MOOKHEY:** As it always is, of course. The point here is that we are getting quite fast growth in the GST revenue compared to the other revenue sources, correct?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** To the extent to which the Premier and others are complaining about the GST, just to be clear as you understand it, that relates to the distribution of the share between the States not the growth of New South Wales' share, is that correct?

**Mr MIDHA:** Yes. I am not sure how that assumption has changed through the Delta outbreak.

**The Hon. DANIEL MOOKHEY:** Treasury Secretary, the Premier, and when he was Treasurer, has said repeatedly that he is raising this issue at a Commonwealth level and in other forums, is that correct? Do you recall him saying that?

**Mr PRATT:** That is correct.

**The Hon. DANIEL MOOKHEY:** When was the last time a conversation was had with the Commonwealth Treasury or the Commonwealth Grants Commission about this issue?

**Mr PRATT:** I would have to check the timing of that, but it probably would have been a couple of CFFR meetings away, going back, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** You are going to tax even my knowledge of acronyms there with CFFR.

**Mr PRATT:** I am sorry. It is the Council of Federal Financial Relations. That is the meeting convened by the Federal Treasurer of all the State Treasurers.

**The Hon. DANIEL MOOKHEY:** Is Treasury actively currently in any discussion with the Commonwealth about this issue?

**Mr PRATT:** We are, and also at the Board of Treasurers, which is the meeting—

**The Hon. DANIEL MOOKHEY:** I know that one.

**Mr PRATT:** You know that one?

**The Hon. DANIEL MOOKHEY:** Yes.

**Mr PRATT:** This was raised at the last meeting. As you can appreciate, there is a united view on this apart from one State.

**The Hon. DANIEL MOOKHEY:** Equally, can I ask has Treasury modelled or taken any modelling into the amount of royalties that can be expected—

**The Hon. JOHN GRAHAM:** Just before we move to that, can I just return to that question about the forecasting. We will not have a new forecast until the half-year review, but you do track the receipts very carefully. What can you tell us about the receipts for this particular item?

**Mr PRATT:** We do not have access to that because it is actually received into the Commonwealth, Mr Graham. It is only when they are prepared to disclose that to us, which is at their own discretion. I do not have up-to-date numbers on that.

**The Hon. JOHN GRAHAM:** When is the most recent number you have? Surely it is more recent than the budget?

**Mr PRATT:** It would have been—as far as I am aware, we do not. I will check with Ms Wilkie. Do we have an update since budget, Ms Wilkie?

**Ms WILKIE:** We have gotten information on the receipts for the last financial year and they were up on the numbers that we have in the budget. We do know that there will be additional GST coming into the State for last financial year and that is likely, given national consumption has been looking up notwithstanding the lockdowns in Victoria and New South Wales. We are anticipating some upside on the GST revenue. As we have said, we are still going through our forecasting round, so we do not have any final numbers on that. Can I also just clarify—

**The Hon. JOHN GRAHAM:** I am not asking about the forecast. If you can just tell us how much were those receipts up?

**Ms WILKIE:** The receipts were up—

**The Hon. DANIEL MOOKHEY:** If Ms Wilkie requires further time, could I just ask you a quick question, Treasury Secretary?

**Mr PRATT:** Yes, by all means.

**The Hon. DANIEL MOOKHEY:** Treasury has ceased publishing its monthly statements on the budget on its website. The last published version was May of this year. To be fair, under the COVID emergency regulations you have the power and discretion to not publish that. I accept that the June figures would not be published because of the budget. Is the reason why you ceased publishing the monthly updates because of COVID?

**Mr PRATT:** It would have been related to that but I see no reason not to pick that up again going forward.

**The Hon. DANIEL MOOKHEY:** Can we assume that we will have the last three updated and published relatively soon?

**Mr PRATT:** I will just check that with Mr Walters, who is responsible for that, Mr Mookhey.

**Mr STEWART WALTERS:** Thank you, Mr Pratt. Mr Mookhey, by convention, the Treasurer approves—and is entitled to approve—every year that we do not publish the actuals for June, because that is the year end.

**The Hon. DANIEL MOOKHEY:** I do not dispute.

**Mr STEWART WALTERS:** Nor do we do so for July, and typically July, August and September, until the State accounts are published and signed off by the Auditor-General. Then they are published in their entirety as soon as it is released.

**The Hon. DANIEL MOOKHEY:** And then thereafter for each month it is published, correct?

**Mr STEWART WALTERS:** Correct.

**The Hon. DANIEL MOOKHEY:** And I am assuming there is no variation to that contemplated currently?

**Mr STEWART WALTERS:** The same protocol is expected. As soon as the State accounts are published, we will publish the backlog on the website.

**The Hon. DANIEL MOOKHEY:** Isn't the Auditor-General required to sign the State accounts basically by the end of October, is that correct?

**Mr PRATT:** That is correct.

**The Hon. DANIEL MOOKHEY:** But she is yet to sign them off?

**Mr PRATT:** That is right.

**Mr STEWART WALTERS:** That is correct.

**The Hon. DANIEL MOOKHEY:** We have identified some of the reasons why earlier?

**Mr PRATT:** Yes.

**The Hon. DANIEL MOOKHEY:** Do you have any expectation, Mr Pratt, as to when you expect the Auditor-General to sign off on the State's accounts?

**Mr PRATT:** I spoke to her last week. As I indicated earlier, I expect in the next two weeks they would be signed off.

**The Hon. DANIEL MOOKHEY:** Ms Wilkie, do you have that information you are searching for?

**Ms WILKIE:** I do have the information. Apologies for the delay. In the 2020-21 fiscal year the receipt information from the Commonwealth indicated that the national GST pool was \$3.3 billion higher than we had expected at the time we put our numbers in the budget. That will increase New South Wales GST revenue in 2021-22 by around \$1 billion [audio malfunction]. I also just want to clarify that, in terms of Mr Mookhey's questioning earlier, there are two things that impact on New South Wales GST receipts from the Commonwealth. One is the size of the national pool and the other thing is [audio malfunction] of the pie. The other thing is the way the pie is divided, so distribution arrangements. The issues that Mr Pratt has indicated as being raised are around the horizontal fiscal equalisation arrangements.

**The Hon. DANIEL MOOKHEY:** Thank you. I appreciate the deeper context of that. I was specifically asking about the technical numbers that were contained in the budget.

**Mr MIDHA:** I was going to clarify table 4.1, you asked a question on other dividends and distributions. The top line, the first line is the soft dividends and tax equivalents from SOC entities. The second line is from investment returns and that includes the NGF, the SAS and the other funds that we have.

**The Hon. DANIEL MOOKHEY:** The NGF is in the government sector, correct?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** And this is revenue, correct?

**Mr MIDHA:** That is correct.

**The Hon. DANIEL MOOKHEY:** On notice, can you provide how much it is at the time it was expected to be coming from the NGF?

**Mr MIDHA:** Yes, the last breakup is all due to the NGF, mostly, but we can give you the correct figure.

**The Hon. DANIEL MOOKHEY:** How is it possible that the NGF can be returning revenue to the Consolidated Fund when its Act says it can only be used for debt clearance?

**Mr MIDHA:** The results reflect the earnings to the State of the fund, even though we cannot take it out.

**The Hon. DANIEL MOOKHEY:** Yes. What is coming in, not what is going out?

**Mr MIDHA:** Yes.

**Mr PRATT:** It remains in the fund.

**The Hon. DANIEL MOOKHEY:** Thank you. Mr Deverall had quite the high target for those five years, it seems. Can we turn to page 4-17, please?

**The Hon. JOHN GRAHAM:** I just indicate we would still expect on notice the answer to the question about why the numbers are jumping up, if that is the SOC number.

**Mr MIDHA:** Yes, sure.

**The Hon. DANIEL MOOKHEY:** While we mention Mr Deverall, does Mr Deverall have any information or can he take on notice which countries are currently subject to Commonwealth sanctions that would bar him from making investments in them in any fund?

**Mr PRATT:** We will check that now, if you like.

**Mr DEVERALL:** I will take that on notice. I do not have the answer in front of me, sorry.

**The Hon. DANIEL MOOKHEY:** I tell you, it is very hard to find who exactly the Commonwealth has sanctioned.

**Mr DEVERALL:** I did a Google search but I do not take that as authority.

**The Hon. DANIEL MOOKHEY:** To be fair, I did multiple, and you are probably right, you probably need to do more than that as well. Mr Midha, will you turn to page 4-17?

**Mr MIDHA:**

Sure.

**The Hon. DANIEL MOOKHEY:** It states:

- TAFE NSW revenue, arising from reduced demand to TAFE's commercial courses. This is driven by:
  - an increase in availability of fee-free courses through the JobTrainer Fund

Basically I think it is explaining the percentage revenue decline that you are expecting in TAFE's revenues. Do you see that?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** How much are you expecting TAFE's revenue to go down by?

**Mr MIDHA:** I do not have that number at hand. We can take that on notice and come back to you.

**The Hon. DANIEL MOOKHEY:** You have identified the specific reasons you say is why it is going down. If on notice you can provide us the level of decline in each of the years of the forward estimates that was listed as of that budget, is that okay?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Equally, I presume that that is reflected in the fee for service line, is that correct?

**Mr MIDHA:** Yes, it would be for TAFE and then in the summary, yes.

**The Hon. DANIEL MOOKHEY:** And that also includes, presumably farebox revenue from Transport for NSW?

**Mr MIDHA:** Yes, that is right.

**The Hon. DANIEL MOOKHEY:** Do you have any figures as to what the farebox revenue is currently as a result of the lockdown? Has Treasury been advised as to what the effect is?

**Mr MIDHA:** There was an impact and that was reflected in last year's budget for the first lockdown. The second impact for this current lockdown I think the numbers will come through, the forecast will come through the half year. It should be indexed in the next—

**The Hon. DANIEL MOOKHEY:** Can we also get a breakdown on notice of the specific mention of the farebox revenue and the fee for service line item by each year in the forward estimates? What your forecasts are?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** One of the issues that arose in the yesterday's estimates for Transport was where precisely is the money that was left unspent from the passenger service levy, which is circa about \$100 million. Are you aware that there is about \$100 million that was unspent from the passenger service levy?

**Mr MIDHA:** I do not have the exact number in mind but that sounds about right.

**The Hon. DANIEL MOOKHEY:** Apparently it is sitting in a Treasury bank account. Are you aware of that?

**Mr MIDHA:** No, I was not aware of that.

**The Hon. DANIEL MOOKHEY:** Or it is sitting in some form of consolidated funding, and Mr Walters might have this information. What is happening with that money right now?

**Mr MIDHA:** Again I will take that on notice. We might be able to get an answer today. I will come back to you otherwise.

**The Hon. DANIEL MOOKHEY:** And equally, what happens to the interest that is earned by that money? It has been there for years. This program closed, from memory, in 2018-19 or 2019-20 and it was unspent as a result of criteria, to be fair, which was set by Transport, not Treasury. But you are the custodian of the money. It is sitting somewhere and something is happening to it. There is a particular concern as to who actually is entitled to the interest it would have earned, or the other forms of earnings that it may have earned, and specifically whether that is going to be returned to the taxi industry as per the Government's intention. Do we have any information on that?

**Mr MIDHA:** No, we can check on the policy and it depends where the fund is sitting—if it is in a separate account or it is just part of the overall Con Fund.



**The Hon. JOHN GRAHAM:** Just to be clear. It is the \$100 million remaining out of the \$142 million assistance fund of which \$42 million was spent. It is that specific fund which we have been advised is under the control of the Treasury agency.

**Mr MIDHA:** Okay.

**The Hon. DANIEL MOOKHEY:** Will you take that on notice?

**Mr MIDHA:** Yes, I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Down the page, do you see the paragraph that begins with "Sales of goods and services...?"

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** It states:

Sales of goods and services revenue is forecast to decline by 2.6 per cent, on average, over the four years to 2024-25. This is primarily due to the profile of the fee for service account line, which includes movements due to the change of the overall delivery schedule of new Transport Asset Holdings (TAHE) Corporation ... projects, including the New Intercity Fleet, Regional Fast Fleet and Commuter Car Park Program.

What does that mean?

**Mr MIDHA:** I will need to get back to you because accounting treatment of TAHE and some of the Transport is quite complex on how the money flows out of Treasury into Transport.

**The Hon. DANIEL MOOKHEY:** I accept when you say it is complex. TAHE told us yesterday it has been advised as a result of COVID that there is delays with the New Intercity Fleet. The interesting issue about that is this was said in the budget two days before the Delta lockdown commenced. Was Treasury advised, presumably as part of this budget cycle, that it was expecting delays in the New Intercity Fleet?

**Mr MIDHA:** I know there are delays. We have been informed that there are delays. I do not have any timing on it and the responsibility is with Transport.

**The Hon. DANIEL MOOKHEY:** There were two categories of delay. The first is relatively well-known as a result of deployment issues to do with the actual Intercity Fleet. Is it possible that that is a reference to those delays?

**Mr MIDHA:** I am not sure.

**The Hon. DANIEL MOOKHEY:** Will you take that on notice and come back to us?

**Mr MIDHA:** Yes. Just to clarify the fee for service account, this is the fee that goes generally from the government sector to TAHE because these are the Transport services that are provided to TAHE. Just to clarify that line.

**The Hon. DANIEL MOOKHEY:** Thank you. Can we go forward in time or, at least, in pages to 4-18?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** This might help clarify some of the earlier questions about dividends and income tax equivalents. At the top of the page it states:

Revenue is expected to be \$834 million (23.5 per cent) higher over the four years to 2024-25 driven by a forecast increase in dividends from Sydney Water ...

Do you see that?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** How much extra are we collecting from Sydney Water in dividends?

**Mr MIDHA:** Again, we do not disclose—the difference is normally on one line but I can take that on notice and see whether it can be done.

**Mr GARDNER:** Sorry, I direct you to page 7-8. It has a profile of the projections of dividends by sector as at 2024-25.

**The Hon. DANIEL MOOKHEY:** That is a good point Mr Gardner.

**Mr GARDNER:** The explanation is on the prior page, 7-7, and there is a table showing the breakdown by sector dividends is on the following page, 7-8.

**The Hon. DANIEL MOOKHEY:** That is a good point, Mr Gardner. I was going to ask you what exactly is capital structure optimisation undertaken by Sydney Water, to which is made reference in that line. To be fair, there is also a reference on page 4-18 "resulting from capital structure optimisation and other initiatives." What do you mean by "capital structure optimisation"?

**Mr GARDNER:** It is really getting the debt-to-equity ratio consistent with their credit rating and dividend profile.

**The Hon. DANIEL MOOKHEY:** As a result of that, for want of a better term, Sydney Water is returning capital to Treasury?

**Mr GARDNER:** That is what this reflects, yes.

**The Hon. DANIEL MOOKHEY:** Is it or is it not recorded in the operating result?

**Mr GARDNER:** It depends what it is returning. If it is returning retained earnings it will be in the operating result.

**The Hon. DANIEL MOOKHEY:** Is it returning retained earnings or is it not?

**Mr GARDNER:** I would have to take that one on—it is retained earnings, yes it is. It has been confirmed.

**The Hon. DANIEL MOOKHEY:** It will be confirmed in the operating result for those years?

**Mr GARDNER:** Yes.

**The Hon. DANIEL MOOKHEY:** I am asking this because given that the Government has set quite a large ambition for Sydney Water to build stuff, what impact will this have on Sydney Water's capital program?

**Mr GARDNER:** This is all in line with their capital program works, which is in line with their regulatory determination, so it is has all been lined up to be consistent with the capital program.

**The Hon. DANIEL MOOKHEY:** Can we infer, therefore, that this was surplus to their capital requirements?

**Mr GARDNER:** Ah—

**The Hon. DANIEL MOOKHEY:** Apparently not!

**Mr GARDNER:** Well, look—yeah. I mean, we have got a review of their capital structure so, yes, there is room to increase debt on their balance sheet to deliver these capital returns.

**The Hon. DANIEL MOOKHEY:** When you say you have got a review of their capital structure, what do you mean?

**Mr GARDNER:** We sort of review it on—I mean, it is a conversation that we have with the State-owned corporations on an ongoing basis, every year around their solvency capital requirement, their capital structure. It is just with this particular one, the time [inaudible] would be in year 2024-25.

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

**The Hon. JOHN GRAHAM:** And, again, this dividend bounces very high. It doubles in 2024-25. Can you just inform us on notice any assumptions that lie behind that dramatic increase?

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

**The Hon. DANIEL MOOKHEY:** Just turning to the royalties aspect—Mr Midha?

**Mr MIDHA:** Yes. They have got two points just to clarify. On page 7-7 the dividends and tax equivalents, the increased you asked for TCorp and Sydney Water are in there. So for the "increase in dividends from capital structure optimisation", those numbers are in there.

**The Hon. DANIEL MOOKHEY:** Okay. So is the Public Financial Corporation a reference to TCorp?

**Mr MIDHA:** Yes. That is right. Yes, yes.

**The Hon. DANIEL MOOKHEY:** Okay. And TCorp, presumably, is returning what? Are they returning extra dividends, or are they returning capital?

**Mr MIDHA:** So it says the increase in dividends for TCorp is \$225 million and Sydney Water was \$489 million. Okay?

**The Hon. DANIEL MOOKHEY:** Okay, yes, but I am asking: Is that reference to capital structure—

**Mr GARDNER:** It is referencing capital that is operating. It is from retained earnings as well.

**The Hon. DANIEL MOOKHEY:** Okay. So TCorp is also returning \$225.5 million in retained earnings.

**Mr GARDNER:** Yes.

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

**Mr MIDHA:** And the second point is, just confirming, that the funds to be paid to the industry are already with Transport. It says via a grant, via a con fund, and then we collect the levy to make the repayment.

**The Hon. DANIEL MOOKHEY:** We had a lengthy conversation about this yesterday in which we were quite insistent and, arguably in the eyes of some, belligerent, about where precisely this money is. There was no dispute, right? They said, "You have the money". The money is with Treasury. The unspent money is with Treasury. There is absolutely no ambiguity in their position.

**Mr MIDHA:** We can take this up with Transport and come back to you on notice exactly where it is.

**The Hon. DANIEL MOOKHEY:** Okay. Can we turn to the royalties aspect? Has Treasury prepared any modelling on potential royalties for uranium mining in New South Wales?

**Mr MIDHA:** I will have to turn to Ms Wilkie on this, on royalties.

**Mr PRATT:** Ms Wilkie, did you hear that?

**Ms WILKIE:** Sorry, no. Everything froze. Is there a question for me?

**Mr PRATT:** The question was modelling on royalties.

**The Hon. DANIEL MOOKHEY:** Have you undertaken any modelling as to potential royalties that can be earned by uranium mining in New South Wales?

**Ms WILKIE:** Not to my knowledge, but I can take on notice whether we have done that.

**The Hon. DANIEL MOOKHEY:** To the best of your knowledge, has anyone ever requested that you undertake any modelling on royalties that could be earned from uranium mining?

**Ms WILKIE:** No, not to my knowledge.

**The Hon. DANIEL MOOKHEY:** I think Mr Martin might soon be writing you a letter in that respect to see what we can potentially do in there. But, no, Treasury has not done any such work.

**Ms WILKIE:** No, not that I am aware of.

**The Hon. DANIEL MOOKHEY:** Okay. Fair enough. I will accept that. Can we turn to page 5-5 of *Budget Paper No. 1*?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** The first point is "On the program and other budget variations"—to be fair, you probably need to read it on page 5.4—it says "The major variations since the 2020-21 Half-Yearly Review include:", then there is dot point, dot point, dot point, and can we go to the fourth dot point?

**Mr MIDHA:** I am sorry, 5-5 or page—

**The Hon. DANIEL MOOKHEY:** It is 5-4 and 5-5. I think you will need to read them in conjunction with each other.

**Mr MIDHA:** Right, okay. Yes.

**The Hon. DANIEL MOOKHEY:** You see it is about "Parameter and other budget variations".

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** And you see it says, "The major variations since the 2020-21 Half-Yearly Review include:" and then there are five dot points over the two pages.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Can you go to the fourth dot point, "reprofiling expenditure across years, to better align with planned service and project delivery schedules". Look, it is just a bit ambiguous as to what precisely that means. What does that mean?

**Mr MIDHA:** Yes. Because of, I think, COVID, we will have quite a big impact on service delivery and timings on some of that. So I think it is just a carry-over of some of the expenditure. Some of the project delivery schedules had moved. That was just some of the technical adjustments we made to the reprofiling of the expenses.

**The Hon. JOHN GRAHAM:** Can I get you to turn to 1-5 in the budget paper?

**Mr MIDHA:** Yes.

**The Hon. JOHN GRAHAM:** Is just that the net worth of the State has fallen in absolute terms and as a proportion of GSP. When is it projected to reach the 2019-20 levels as a percentage of GSP—that is, 37.9?

**Mr MIDHA:** I will have to take that on notice and have a look at how far that profile goes.

**The Hon. JOHN GRAHAM:** Great. Thank you. Could you go to 1-11?

**Mr MIDHA:** Yes.

**The Hon. JOHN GRAHAM:** The fifth dot point down talks about a \$14.2 million cost-of-living program and campaign to increase public awareness of New South Wales Government support. How much of that \$14.2 million is the program and how much is the campaign?

**Mr MIDHA:** Again, I will take that on notice. I suggest the campaign would be a pretty small part of it, but I can certainly take that on notice.

**The Hon. JOHN GRAHAM:** Yes. Thank you. Could you tell us which Government agencies are involved in that particular line item?

**Mr MIDHA:** Yep, sure.

**The Hon. JOHN GRAHAM:** Turning to 2-5, chart 2.3, this is the New South Wales tourism trade deficit. I found these figures very concerning and, really, at odds with Destination NSW's view about how New South Wales tourism is performing. Could you supply on notice the actual figures that lie behind that chart?

**Mr MIDHA:** We will take that on notice, unless Mr Walters has any further numbers. Otherwise, we would take that on notice.

**The Hon. JOHN GRAHAM:** I am really looking for the year-by-year figures—

**Mr MIDHA:** We will take that on notice.

**The Hon. JOHN GRAHAM:** I think that might be best done on notice. At 2-14 these gross State income per capita figures show how gross State income per capita has really slowed up our time. These are usefully grouped by cohorts of years up to 2018-19. Could you give us the annual figures from 2018-19 until now for each of the aspects of that graph?

**Mr MIDHA:** Right.

**The Hon. JOHN GRAHAM:** I think there are four figures that are graphed there. Could you give us—

**Mr MIDHA:** If that is available, I will take that on notice to provide that.

**The Hon. DANIEL MOOKHEY:** I am trying to find the part of the budget that reported the results of each of the investment funds. Do you know where they are?

**Mr MIDHA:** Yes. I think it should be in the balance sheet or managing the State's assets. That is not it, sorry.

**The Hon. DANIEL MOOKHEY:** That is what I thought, too. I can probably do it from memory.

**Mr MIDHA:** It should be in the fiscal strategy. I would just check that.

**The Hon. DANIEL MOOKHEY:** While we are both trying to find it, you managed, obviously, the NGF and you do the Social and Affordable Housing Fund, do you not?

**Mr MIDHA:** Yes. All the funds are managed by TCorp, but we do report them.

**The Hon. DANIEL MOOKHEY:** Can we get an update on notice on their investment or their return to date, the current balance outflows from the previous year and projected outflows for the current year, or the forecast year? Is that possible?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** I think we go back to page 5-5, Mr Midha, if that is possible.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Do you see the interest line item there?

**Mr MIDHA:** Yes. That is right.

**The Hon. DANIEL MOOKHEY:** That is expected to rise by an average growth of 17.2 per cent. Correct?

**Mr MIDHA:** Yes. That is what it says there, yes.

**The Hon. DANIEL MOOKHEY:** Yes, and that is as a result of the rise in the State's gross debt. That is correct?

**Mr MIDHA:** No. That is as a rise in the State's net debt.

**The Hon. DANIEL MOOKHEY:** Is that net debt?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** What is the interest charged on gross debt then?

**Mr MIDHA:** So, it nets off.

**The Hon. DANIEL MOOKHEY:** You say it nets off?

**Mr MIDHA:** Yes. It is a gross debt but we have—oh, sorry, yes. That is correct, actually. It does not add up in this line. That is the gross debt.

**The Hon. DANIEL MOOKHEY:** That is the gross debt, right?

**Mr MIDHA:** Yes, it does not add up in this line.

**The Hon. DANIEL MOOKHEY:** That is what it costs us to have the money to then net it off. Is that correct?

**Mr MIDHA:** Correct.

**The Hon. DANIEL MOOKHEY:** And that flimsily reflects the rise in debt that is forecast in the back of the budget paper. Is that correct?

**Mr MIDHA:** That is right, yes.

**The Hon. DANIEL MOOKHEY:** And presumably we are going to get an update on that when we get the half-year review.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** And you are certainly going to make me wait until 16 December before you tell me, are you not?

**Mr MIDHA:** That is right.

**The Hon. DANIEL MOOKHEY:** I will just have to hold my horses on that one. Can we turn to 5-7—Grants, subsidies and other transfer expenses? Do you see that?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** In the last line it says, "Grants and subsidies are expected to be \$1.6 billion higher in 2021-21 than the previous year. This increase includes payments to support operation of the rail network." What does that mean?

**Mr MIDHA:** These will be the grants that will go out to Sydney Trains and NSW Trains.

**The Hon. DANIEL MOOKHEY:** These are the grants that are going to Sydney Trains and NSW Trains to facilitate their payment of railway access fees under their undertaking agreements that have recently been struck?

**Mr MIDHA:** Yes—well, it is two components to it. Most of it is on the maintenance; they maintain all the transport infrastructure, the rail infrastructure. It is the maintenance payment and then there is the access fee component there.

**The Hon. DANIEL MOOKHEY:** Can we get that broken down by, firstly, how much of that is going to NSW Trains and how much of that is going to Sydney Trains, on notice?

**Mr MIDHA:** Yes, I can have a look at that.

**The Hon. DANIEL MOOKHEY:** Do we have it now?

**Mr MIDHA:** I will try to get that for you, yes.

**The Hon. DANIEL MOOKHEY:** Can we equally then get it broken down by the two categories that you just mentioned?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** On notice or now?

**The Hon. JOHN GRAHAM:** For what purpose, yes.

**The Hon. DANIEL MOOKHEY:** Do you maintain projections of that number over the forward estimates?

**Mr MIDHA:** Yes, we do.

**The Hon. DANIEL MOOKHEY:** It is not listed anywhere else in the budget paper. So on notice can we get the forecast as to what the grants will be in respect to those two categories over the same period of the forward estimates?

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

**The Hon. JOHN GRAHAM:** For each year.

**The Hon. DANIEL MOOKHEY:** Thank you very much. I will then ask you to, if possible, go to the next page, 5-8. It says, "Depreciation and amortisation expenses are forecast to be \$7.6 billion in 2021-22, comprising 7 per cent of total expenses. These expenses are expected to grow by 8.3 per cent in 2021-22 and by an average of 6.2 per cent..." That is just simply reflecting the capital intentions of the Government?

**Mr MIDHA:** That is correct, yes.

**The Hon. DANIEL MOOKHEY:** Can we go to a page which I think we have previously asked you questions about, page 6-8?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** No, I will not press that question. I will go to my colleague right now.

**The Hon. JOHN GRAHAM:** I might turn to 2-3. This includes the growth forecast for New South Wales. It also includes the growth forecast for international growth. Revised global growth was up to 6.0 per cent and our major trading partners are slightly stronger in 2021 at 6.3 per cent. That is much higher than the New South Wales growth. I was interested particularly in the major trading partner growth. Why are they so much higher than the budget figures for New South Wales and our projected growth?

**Mr MIDHA:** I will hand that question over to Mr Walters or Ms Wilkie. Mr Walters, okay.

**Mr STEPHEN WALTERS:** I am happy to answer that, Mr Midha. Our major trading partners are dominated by the economies in Asia, including China. Those economies grow very quickly. China's economy until recent years has been growing between 8 and 9 per cent.

**The Hon. JOHN GRAHAM:** So that is the major driver of that figure really.

**Mr STEPHEN WALTERS:** It is why growth in those economies—they are still developing; we are a developed economy, so our growth rate typically is lower.

**The Hon. JOHN GRAHAM:** Thank you. I might go to 3-4. These are the expenses figures for the budget in 2022-23. Expenses growth is projected to contract by 3.8 per cent. That is obviously a major outlier from any year before. What will be cut?

**Mr MIDHA:** The stimulus spending, that has gone up this year; so that will not be repeated next year. Some of it will be carried over, but most of it we hope will be limited to this year. So some more services will be cut, it is just the stimulus spending, the one-off stimulus spending.

**The Hon. JOHN GRAHAM:** No services will be cut. Going to 5-5, this is a breakdown of those expenses being cut. It includes the key cut occurring in other operating expenses. This is table 5.2; I am again looking at the 2022-23 year. It is the other operating expenses line item, which again is cut very significantly. That is the key area.



**Mr MIDHA:** That is right. Is that on the next line? It is also the grants and subsidies that went up.

**The Hon. JOHN GRAHAM:** Yes, okay. Can you tell me—and again perhaps on notice, I would be very happy with that—what aspects are in that other operating expenses line item? What has been included in there that is being cut?

**Mr MIDHA:** I can come back to you with the detail but I can say it will be components of all the stimulus spend over those two lines, and just depending upon what the stimulus is or what the support was that went out, whether it was JobSaver, et cetera, that will be in those two items.

**The Hon. JOHN GRAHAM:** So I am asking two things: first, what is being cut; second, what are the aspects of that line item? At 4-9, on the payroll tax receipts, this is a total of \$4.4 million payroll tax. In 2024-25 that is projected to be \$11.33 billion. Is that the highest ever receipt for payroll tax for New South Wales?

**Mr MIDHA:** I do not know, but I will take that on notice. I suspect so, but—

**The Hon. DANIEL MOOKHEY:** Mr Secretary—I do not know who to direct this question to; it is not necessarily about our tour through the budget paper, which we will get back to. The operational costs and implementation costs of Dine & Discover total \$14.4 million, I think. Is that about correct?

**Mr PRATT:** I do not have it in front of me, Mr Mookhey, but we could check that.

**The Hon. DANIEL MOOKHEY:** Thank you. This is coming from an answer to a question on notice that was asked by a colleague: Treasury obviously funds Service NSW for the delivery costs. Is that correct?

**Mr PRATT:** Yes, that is correct.

**The Hon. DANIEL MOOKHEY:** Do the costs of administration sit within the \$500 million headline program budget or is there a separate pool to pay for the additional expenses?

**Mr PRATT:** No. I will check this with Mr Midha, but my understanding was it was included within the overall budget.

**Mr MIDHA:** Yes, some were included and some were given additional expenses. A lot of it was about setting up the system, so they might have got something extra on top of that, but I can check and come back with the detail.

**The Hon. DANIEL MOOKHEY:** I am just wondering whether or not the \$500 million went entirely to the Dine & Discover or whether it was \$500 million minus \$14.4 million.

**Mr MIDHA:** I will check on that and come back to you.

**The Hon. DANIEL MOOKHEY:** Is that common for all programs in which Treasury retained Service NSW to deliver—that it comes from within the margin of the actual program?

**Mr PRATT:** No, it is not. There will be different arrangements for different parts of the grants, but we will come back specifically on that too.

**The Hon. JOHN GRAHAM:** It is relatively common though.

**Mr MIDHA:** I can confirm the 14.4 was part of the 500.

**The Hon. DANIEL MOOKHEY:** Fourteen point four was part of the 500, thank you. Can you give us the same issue in respect to the accommodation support grant?

**Mr MIDHA:** I will take that on notice. I do not have that here.

**The Hon. DANIEL MOOKHEY:** Then the Dine & Discover, which you just did. I think the other one that you have is the Export Assistance Grant application and NSW JobSaver, the Return to Work grant, Small Business COVID-19 Support Grant, Small Business COVID-19 Northern Beaches Hardship Grant, the Small Business Fees and Charges Rebate for 2021 COVID-19 business grants, and the Southern Border Small Business Support Grant. Can you just check whether each of the costs of administration is coming from within the project budget or, if there is a separate source, where precisely that is identified or what it is? Is that possible?

**Mr MIDHA:** Yes. We will take it on notice.

**The Hon. DANIEL MOOKHEY:** Thank you very much. Can we just go to page A1-9 of the budget?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** I think in the last online hearing I was asking you some questions about this, Mr Midha, if you recall. One of the questions I asked you was for a definition of "Net cash flows from Investments in Financial Assets for Liquidity Purposes". Do you recall me asking you that?

**Mr MIDHA:** There were a few questions there, so can you refresh my memory please? Which table—can you clarify the table?

**The Hon. DANIEL MOOKHEY:** It is A1-9. I asked you for a definition of "Net Cash Flows from Investments in Financial Assets for Liquidity Purposes"—which, to be fair, you took on notice. The answer that came back was a reference to the uniform table definitions which are applied by the Australian Bureau of Statistics [ABS], which is consistent with what you would expect—that there is a common definition of these terms that apply to all general government sectors for all State budgets and Federal budgets.

**Mr MIDHA:** Sorry, the net cash flow—that is not in A1-9.

**The Hon. DANIEL MOOKHEY:** On page A1-9, which is table A1.3.

**Mr MIDHA:** Page A1-9. Sorry, I am looking at the table A1-9. Yes, okay.

**The Hon. DANIEL MOOKHEY:** So "Net Cash Flows from Investments in Financial Assets for Liquidity Purposes", yes?

**Mr MIDHA:** Mm-hmm.

**The Hon. DANIEL MOOKHEY:** I checked the guide to the budget that you publish as well with every budget.

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** There is no specific definition of this term in that guide. There is in the Victorian budget as well. Can you tell us either now—or again, for the second time, on notice—what exactly is the definition, as NSW Treasury understands it, that is "Net Cash Flows from Investments in Financial Assets for Liquidity Purposes"?

**Mr PRATT:** Stewart Walters might have this.

**Mr STEWART WALTERS:** Mr Mookhey, I will take it on notice. But to try and assist in the meantime, I think the guidelines for the Treasury budget [audio malfunction] to the budget result, which is typically the content that you will see referred to and published. Below that are a series of lines that are more required, as you said, by the ABS and that meet their requirements for government's financial statistics. They are more delivering to those requirements under 1049 as they are to the pure budget result that the Treasurer will hand down.

**The Hon. DANIEL MOOKHEY:** Got it.

**Mr STEWART WALTERS:** But we will take it on notice and give you some detail with the precise lines that make up the ABS requirements.

**The Hon. DANIEL MOOKHEY:** Thank you. But the Victorian Government, which has to report the same metric as per the ABS, defines this as being "the acquisition of financial assets in which the Government expects to earn an investment return". Is that a reasonable definition of what we are talking about here?

**Mr MIDHA:** Yes, that would be part of that.

**The Hon. DANIEL MOOKHEY:** If you go up there is a different one, which is "Net Cash Flows from Investments in Financial Assets for Policy Purposes". You see there are two categories?

**Mr MIDHA:** Yes, so those two are receipts and payments. Quite often within the fund if there are instruments that are bought and sold, they will be reflected in here.

**The Hon. DANIEL MOOKHEY:** Yes, I appreciate that. But the distinction here is in which the Government is not doing it for any specific policy purpose but rather is doing it to earn an investment income.

**Mr MIDHA:** So when it is balancing its portfolio or it is liquidating, for example, if we have to sell net assets—

**The Hon. DANIEL MOOKHEY:** Yes, I appreciate that.

**Mr MIDHA:** —all that would be included in there.

**The Hon. DANIEL MOOKHEY:** The key part of the question that I am asking is the transactions and all such that you report here are transactions in which the Government's primary and only motivation is to earn an investment return, correct?

**Mr MIDHA:** Yes, it is to manage its funds and obviously that is a return. The target return of the fund, that is right.

**The Hon. DANIEL MOOKHEY:** That is reflecting the amount of investments you are buying versus the amounts that you are selling, correct—in terms of what is defined as "financial assets"?

**Mr MIDHA:** That is right.

**The Hon. DANIEL MOOKHEY:** That is listed here, because it says right above it, "Proceeds from Sale of Investments" and "Purchase of Investments", correct?

**Mr MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** It shows here that the purchases of investments are \$4 billion, \$7 billion, \$10 billion, \$4 billion, \$5 billion, \$8 billion. Do you see that?

**Mr MIDHA:** Mm-hmm.

**The Hon. DANIEL MOOKHEY:** Across all the funds you are managing that have to be reported for this line item, we can assume therefore that you are buying that much in financial assets, correct?

**Mr MIDHA:** Yes—

**The Hon. DANIEL MOOKHEY:** We can assume equally that at the same time—

**Mr MIDHA:** Sorry—

**The Hon. DANIEL MOOKHEY:** —you are selling the equivalent amount that is listed in the line item above.

**Mr MIDHA:** Yes, but this is a cash flow statement so, just to be careful, you could sell \$1 million but buy it again and it appears on both lines.

**The Hon. DANIEL MOOKHEY:** Yes, I get it. That is why you provide these numbers over the next four years, right—over the forwards?

**Mr MIDHA:** That is right.

**The Hon. DANIEL MOOKHEY:** This is the whole point which we were asking you about before, which is if I compare this table to the last table, which was in last year's budget, it shows that over the four years we are buying, in net terms, an additional \$21 billion worth of financial assets.

**Mr MIDHA:** Yes, right.

**The Hon. DANIEL MOOKHEY:** So it does. That is literally the arithmetic—if I take the same numbers from last year's budget and deduct it. I have just lost my time. I might have to put the question on notice, Mr Midha.

**Mr MIDHA:** Sure, I can come back to you. So you want that plain English explanation of what is in there and what is happening?

**The Hon. DANIEL MOOKHEY:** Yes, sure.

**The CHAIR:** I am very sorry to say that that is time, unless the Government has any questions.

**The Hon. BEN FRANKLIN:** The Government does. Mr Pratt, thank you very much for being here today with all of your associated staff and public servants. Do you have any clarification you want to give to any of the answers you have provided today or any further information you want to impart?

**Mr PRATT:** Thank you, let me just check. No, I think we are fine. All good. Thank you.

**The Hon. BEN FRANKLIN:** Thank you very much.

**The CHAIR:** Thank you very much to all of you for attending today. The secretariat will be in touch in terms of the responses due in 21 days for questions that were taken on notice. That concludes the proceedings.

(The witnesses withdrew.)

The Committee proceeded to deliberate.