

# **GENERAL PURPOSE STANDING COMMITTEE NO. 1**

**Thursday 3 September 2015**

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

**PREMIER, WESTERN SYDNEY**

---

**UNCORRECTED PROOF**

---

**The Committee met at 2.00 p.m.**

## **MEMBERS**

Reverend the Hon. F. J. Nile (Chair)

The Hon. R. L. Brown  
The Hon. S. G. Farlow  
The Hon. B. C. Franklin (Deputy Chair)  
Dr J. Kaye

The Hon. T. J. Khan  
The Hon. P. T. Primrose  
The Hon. A. Searle  
The Hon. P. G. Sharpe

---

## **PRESENT**

**The Hon. Mike Baird**, *Premier, and Minister for Western Sydney*

---

## **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**

**CHAIR:** Welcome to this public hearing for the inquiry into budget estimates 2015-16. Before I commence I acknowledge the Gadigal people, who are the traditional custodians of this land. I also pay respects to the elders past and present of the Eora nation and extend that respect to other Aboriginal people who may be present. I welcome Premier Baird and accompanying official to this hearing. Today the Committee will examine the proposed expenditure for the portfolios of Premier and Western Sydney.

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

There may be some questions that witnesses could only answer if they had more time or certain documents to hand. In those circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. Any messages from advisers or members' staff seated in the public gallery should be delivered through the Chamber and support staff or the Committee secretariat. Premier, I remind you and the officer accompanying you that you are free to pass notes and refer directly to your advisers seated at the table behind you. A transcript of this hearing will be available on the website from tomorrow morning. I ask everyone to turn off their mobile phones for the duration of the hearing. All witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. Premier, 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.

**BLAIR ROBERT COMLEY**, Secretary, Department of Premier and Cabinet, affirmed and examined:

**CHAIR:** I declare the proposed expenditure for the portfolios of Premier and Western Sydney open for examination. As there is no provision for a Minister to make an opening statement before the Committee commences questioning we will begin with questions from the Opposition.

**The Hon. PETER PRIMROSE:** Premier, you do not support a curfew for the new airport at Badgerys Creek, do you?

**Mr MIKE BAIRD:** I support Badgerys Creek airport working. I support the jobs that it will bring and I will support the provision of the infrastructure to make it work. The curfew is a matter for the Federal Government, but ultimately the proposal is one that I support in the sense of making sure the airport works

**The Hon. PETER PRIMROSE:** You do or do not support a curfew at the airport?

**Mr MIKE BAIRD:** I have not yet seen a plan of what is going to be built at Badgerys Creek—who is going to take it up, what airlines are going to be there, how it is going to be configured. That is something that I would need to see.

**The Hon. PETER PRIMROSE:** It is going to be Sydney's second airport. Do you care whether or not there is a curfew there?

**Mr MIKE BAIRD:** There are two things. You need to minimise the impact on the community. That is granted. You also need to make sure that it is economic and it works. In that context there is the potential for it to operate 24-hours a day but, again, I need to see the details to get to a final position on it.

**The Hon. PETER PRIMROSE:** Do you believe we need to ensure that there are stringent environmental policies in place to protect any endangered species at the airport site?

**Mr MIKE BAIRD:** Yes.

**The Hon. PETER PRIMROSE:** So you are worried about insects but you have no position on the curfew. Is that right?

**Mr MIKE BAIRD:** No, not at all. To be clear, I sense that there could well be a proposal that says there is no curfew. I am open to that position but I want to ensure that the protections are in there for the community. I want to make sure that it does make economic sense. It needs to be an economic success otherwise there is no point in having it. In that context you may well be able to operate it without it operating 24-hours a day. The only way you can get that understanding is when you get to a position of knowing who is going to be there, how they are going to participate in the sense of airlines and freight, who are going to be the major tenants, together with any industry that is alongside it. I am looking forward to the economic proposal coming forward but I am very supportive of Badgerys Creek airport, as I think is the Labor Party.

**The Hon. PETER PRIMROSE:** Given the importance of the airport to Western Sydney, which we all agree on, has your department prepared any material relating to the merits or otherwise of a curfew?

**Mr MIKE BAIRD:** None that I am aware of. The department has engaged with the Federal Government. Bear in mind that this is a Federal Government responsibility. They have aviation, so they are bringing forward the plans, but we would engage at the appropriate time.

**The Hon. PETER PRIMROSE:** May I ask the secretary whether he has prepared any material relating to the pros and cons of a curfew?

**Mr COMLEY:** I am not aware of any material we have prepared on the question of a curfew.

**The Hon. PETER PRIMROSE:** Will you take that on notice?

**Mr COMLEY:** I will take it on notice.

**The Hon. PETER PRIMROSE:** Has any New South Wales agency given you advice regarding a curfew?

**Mr MIKE BAIRD:** None that I am aware of, but you are putting the cart before the horse. Before you get to that issue you need to get to a position on what is going to be the economic configuration of that airport—who are going to be the anchor tenants and what are the requirements. All that needs to be considered before you even get to that issue.

**The Hon. ADAM SEARLE:** There is a curfew on the existing airport at Kingsford Smith, is there not, so why do the people of Western Sydney not deserve the same consideration?

**Mr MIKE BAIRD:** You have a hypothetical position and it is not a matter of a distinction. It is a matter of whether there is a capacity to deliver an economic airport at Badgerys Creek. We will wait to see the proposal. I am hoping that Labor is supporting Badgerys Creek airport because from all the time that I spend in Western Sydney I know there is a strong sense that this will provide incredible opportunities, particularly in relation to employment. Up to 30,000 jobs are coming to Badgerys Creek airport. My hope is that you have signed up to that.

**The Hon. PETER PRIMROSE:** The real concern being expressed to us by people in Western Sydney is the uncertainty about your Government's position relating to a curfew. At the moment you say you do not have one. You have not even had information prepared for you to consider your position in relation to it.

**Mr MIKE BAIRD:** Because it is a long way off. You need to see what the economic configuration of that airport is going to be. At the appropriate time that is something that can be engaged in. But minimising the impact on the local community is obviously part of the consideration in putting those plans together.

**The Hon. PENNY SHARPE:** Premier, do you believe that gay and lesbian families are normal?

**Mr MIKE BAIRD:** Penny, obviously I do.

**The Hon. PENNY SHARPE:** That is good to hear. Premier, you know there has been quite a furore in the last week or so in relation to the *Gayby Baby* decision that your Government has taken. I will read to you what one parent wrote to me this week and seek a response from you on this. The parent wrote:

I want to cry, because although I know our child is ever so loved and balanced and sensible and fully supported as an emerging young person in their own right I cannot really know what this does to them. I am outraged at the media, but more at the damage made so much greater with a government affirmation and intervention that ensured that the message of "unacceptable", "not normal" and "tacitly deviant", therefore worthless, was slammed full force without consideration, consultation or care into the minds of children and families through the State.

How do you respond to that, Premier?

**Mr MIKE BAIRD:** I say to her that I am incredibly sorry. She is evoking real emotions, and emotions of pain that obviously I wish she did not have. I am obviously not aware of all of her circumstances but it is very clear from that quote that she feels very hurt, and there is a range of issues she is hurt on. Can I say on that issue that we banned nothing in relation to that film—

**The Hon. PENNY SHARPE:** But you sent a very strong message to every school in the State that there were not to show it during school time.

**Mr MIKE BAIRD:** It is able to be shown at lunchtime. It is able to be played—

**The Hon. PENNY SHARPE:** So it is able to be shown at lunchtime—you can confirm that—if they choose to do so?

**Mr MIKE BAIRD:** Yes.

**The Hon. PENNY SHARPE:** There have been mixed messages about that.

**The Hon. TREVOR KHAN:** Point of order: The Hon. Penny Sharpe needs to let the Premier answer the questions and not interrupt him as he answers.

**Mr MIKE BAIRD:** And it is also available in classes such as personal development, health and physical education [PDHPE], which has bullying as part of its curriculum. It obviously could be shown as part of that. It has been shown at some New South Wales schools. I have to say that I was very distressed by the way this played out. The last thing I want is the message that the Hon. Penny Sharpe alluded to upfront. Every person has value; everyone is normal. People have different circumstances and come from different backgrounds. Tolerance and inclusion are critical parts of why this State is so strong—

**The Hon. PENNY SHARPE:** That is good, Premier. Can I then take you to what you think are the parameters of tolerance in relation to this issue. In the comments that you made you talked about the parameters of tolerance. Can I also say that tolerance is a very different concept to acceptance. Is your position one of tolerance or is it acceptance that there is a great diversity of families in this State?

**Mr MIKE BAIRD:** It is complete acceptance. The last thing I want is for any family not to feel loved and accepted across New South Wales. That is my position full stop. I do understand the concerns that you are raising. But ultimately the only decision that was made was that we do not want schools to shut down, particularly maths classes, potentially a month before the Higher School Certificate. We are happy for that to be shown at lunchtime, in curriculum classes or after school. We are very happy with that. There is no problem there—

**The Hon. PENNY SHARPE:** Premier, that is a very big wind back from where you started—where the Minister gave a directive that the film was not to be shown in schools on that Friday.

**Mr MIKE BAIRD:** It is entirely consistent with the position.

**The Hon. PENNY SHARPE:** Who did you speak to? Did you speak to the Minister before he went out and gave the directive to schools?

**Mr MIKE BAIRD:** The Minister came to me in relation to a proposal—

**The Hon. PENNY SHARPE:** Was that after the *Daily Telegraph* article on 26 August?

**Mr MIKE BAIRD:** —and I supported him in his decision.

**The Hon. PENNY SHARPE:** Did you speak to anyone else in relation to this matter on that day?

**Mr MIKE BAIRD:** If I did, I am not going to go into it here.

**The Hon. PENNY SHARPE:** Did you have any discussions with Reverend the Hon. Fred Nile in relation to this matter on the day?

**Mr MIKE BAIRD:** I think Reverend the Hon. Fred Nile would find it quite insulting that you would ask that. The answer is no. I am not going to go into the ins and outs of what may have happened with this, the Hon. Penny Sharpe. To be honest, in this debate there are two sides and we have to respect everyone.

**The Hon. PENNY SHARPE:** I understand that, but we also have to care for every family and every child in this State in our schools. The message that was sent from this Government was that a very innocent film—by the way, have you seen the film, Premier?

**Mr MIKE BAIRD:** I have seen it.

**The Hon. PENNY SHARPE:** And would you accept that it is a pretty innocent film?

**Mr MIKE BAIRD:** I would accept that there are some very good lessons in there, yes.

**The Hon. PENNY SHARPE:** Then why was it not allowed to be shown in schools?

**Mr MIKE BAIRD:** I have given you the reason for that. It does not relate to the content; it relates to shutting down a school for it.

**The Hon. PENNY SHARPE:** But schools of course shut down for a whole range of different reasons, such as Multicultural Week, Harmony Day and school assemblies. There are a whole range of those things. Why was this particular film seen as different? Do you see what I am trying to get at here? I am trying to understand what the parameters are around this. If you say that families are normal, and that the film is a good film and has good lessons to be learnt, why can it not be shown in schools?

**Mr MIKE BAIRD:** Well, it can.

**The Hon. PENNY SHARPE:** Well, it was not allowed to be shown two weeks ago so I welcome your clarification on that.

**Mr MIKE BAIRD:** No, it was not; and that has not changed.

**The Hon. PENNY SHARPE:** Premier, will you apologise to the girls at Burwood Girls High School who sought to show this film for all the right reasons and found themselves in the middle of a maelstrom not of their making?

**Mr MIKE BAIRD:** I congratulate those who were involved in the project. I am not in a position to say otherwise. Yes, I understand the way it was reported. Let me go to the point. In the film the Fijian teacher was talking to one of the young boys. Understanding the circumstances he was in, she said very specifically, "Okay, I want to play a role to remind him that he has value." Everyone has value. If anyone in this State does not feel that they are valued and they are accepted that is a terrible thing. To be honest—

**The Hon. PENNY SHARPE:** Do you accept that the way that this was handled has sent a terrible message?

**Mr MIKE BAIRD:** To be honest, as part of this debate I have found it very distressing for some to say that the Government, and obviously I am at the centre of that, would in any way try to tell anyone across New South Wales that they are of less value than anyone else. No-one has more value than anyone else. We are all valued and everybody should be accepted. That is the message you will get from me every day of the week. I understand how this was reported but it was not in any way against that principle.

**The Hon. PENNY SHARPE:** I think we will have to agree to disagree on that. Premier, you have been on the record as saying that you believe that a free vote is the way in which marriage equality should be achieved in the Federal Parliament, is that correct?

**Mr MIKE BAIRD:** I have said, and we need to be careful with the words—

**The Hon. PENNY SHARPE:** You have said that you believe the issue should be resolved via a free vote, is that correct?

**Mr MIKE BAIRD:** I have said that is my personal position. As leaders before me have done in this place, when matters of conscience come before the Parliament I think that is what they should be. So that is obviously my personal position.

**The Hon. PENNY SHARPE:** Given the discussions federally in relation to this now going to plebiscite or referendum, what is your view on that?

**Mr MIKE BAIRD:** I do not think anyone can argue with the people of this country having a say. I do not think anyone could argue with that.

**The Hon. PENNY SHARPE:** So you support a plebiscite even though you have previously supported a free vote in the Parliament?

**Mr MIKE BAIRD:** There are two questions here. If it came to the Parliament, would I support a conscience vote? Yes.

**The Hon. PENNY SHARPE:** Are you talking about if it came to the New South Wales Parliament?

**Mr MIKE BAIRD:** Yes, I would support a conscience vote. If the proposal is to go to everyone across New South Wales and ask them in a plebiscite, as is what the current proposal appears to be from the Federal Government, then I would support that—

**The Hon. PENNY SHARPE:** Sorry, I just need to clarify because I thought your position previously was that if it went to the Federal Parliament it should be a free vote?

**Mr MIKE BAIRD:** That is a matter for the Federal Parliament; it is not a matter for me. I am the New South Wales Premier.

**The Hon. PENNY SHARPE:** So you previously supported a free vote and now you are going to support a plebiscite. Is that a fair description of your views?

**Mr MIKE BAIRD:** No—

**The Hon. TREVOR KHAN:** Point of order: Notwithstanding my interest in this issue, I do not think this really has anything to do with budget estimates, and it does not have anything to do with the Premier's responsibilities. I would submit, again notwithstanding my interest in this matter, that the Hon. Penny Sharpe should move on to another matter more relevant to the budget estimates.

**The Hon. ADAM SEARLE:** To the point of order: Wide latitude is given at budget estimates hearings as to the matters that can be explored. The Premier is the political and civic leader of the State. This is a matter of significant social moment and I think the issue should be able to be explored in this forum. Surely the Chair is not going to shut down discussion on this important issue.

**CHAIR:** Order! The Hon. Penny Sharpe can ask questions but I think she should try to relate her questions to the budget. We are here for budget estimates.

**The Hon. PENNY SHARPE:** Sure. A third of all same-sex couples in Australia live in New South Wales, Premier, so they have a fairly big interest in what happens and the decisions that you make in relation to this State. I just want to confirm this. So you believe that if a plebiscite comes forward that is a reasonable way to proceed?

**Mr MIKE BAIRD:** I think it is a reasonable proposition by the Federal Government. How could I not? If they want to take it to the people of the country and let them have a vote that is a good thing.

**The Hon. PENNY SHARPE:** So do you think in human rights matters where everyone is accepted and we are all very tolerant that somehow members of the LGBTI community should have to go to a plebiscite to decide whether they have a right to exist and get married?

**Mr MIKE BAIRD:** I know you are passionate about this issue, but you and I have a difference of opinion on it. I value your opinion and I hope you value mine.

**The Hon. PENNY SHARPE:** I do value your opinion. I am just trying to understand what your view is.

**Mr MIKE BAIRD:** In that context, as I have said, if it was my responsibility in New South Wales that is what I would do. If it was introduced into legislation—and I am sure it would be—I would say, "Let's have a conscience vote. Let's decide." As you know, it has been to the High Court and referred effectively to the Federal Government, as it should be—it is that Government's responsibility. Ultimately it is a matter for the Federal Government to determine. I support a conscience vote here; I am not in the Federal Parliament. I think the Federal Government should resolve it. I would be very happy for it to be resolved. I understand both sides of the debate. I understand the hurt on your side of the debate. I know there is an immense amount of hurt in relation to this issue.

**The Hon. PENNY SHARPE:** Premier, after the furore in the past few weeks you can understand the concerns of many people as to how this debate will play out.



**Mr MIKE BAIRD:** I do, but I hope you also understand that some of the things that have been directed at me—because I have a different position on this—have been incredibly distressing and hurtful. I understand that people have different views to mine but that does not mean I value them any less.

**The Hon. PENNY SHARPE:** I want to be clear about this. It is your position on marriage equality that it should only be available to a man and woman? Is that correct?

**Mr MIKE BAIRD:** That is my position. Again, I know there is a difference of opinion out there. I think the onus is on this Parliament and, indeed, political leaders full stop, to try to encourage a debate that does not bring out the hate that is so prevalent. There is a lot of hurt in this debate and a lot of people are hurting on both sides.

**The Hon. PENNY SHARPE:** I am sorry that your feelings are hurt. I will finish with an example of the sort of thing we are going to continue to see. This was sent to me earlier this week: "Mrs or is it Mr Sharpe? Gay relationships are not normal, and biologically not normal, and some of us are really repulsed by them. Hope you understand. Love and kisses Harry." Do you think that sort of thing would be reasonable in the debate if we go forward with the plebiscite, rather than the Parliament providing equality for all citizens through the normal parliamentary procedures?

**Mr MIKE BAIRD:** I do not think anyone should send that sort of email. As I have said, our role on both sides of the debate is to ask for respect and to value the opinions of others. We are not going to agree on everything, but in controlling the tone of this debate it is important to play a leadership role rather than to feed hysteria. I encourage the Federal Government to complete this, to make a decision in relation to either putting it to the people or taking it to the Parliament as soon as it possibly can.

**The Hon. ADAM SEARLE:** My question is in relation to the deputy mayor of Auburn being fined twice but not prosecuted by the Electoral Commission. A spokesperson for the commission commented that there were a number of reasons for that, including policies that penalty notices be issued rather than prosecutions. Can you tell the Committee what the Electoral Commission policies are in this regard—about whether or not it decides to prosecute?

**Mr MIKE BAIRD:** I am happy to take that on notice. There are a range of provisions. I will get the details for you.

**Dr JOHN KAYE:** Premier, I want to briefly pick up on what the Hon. Penny Sharpe was asking you. I seemed to hear in your response to her expressions of grief for the robbing of validity of same-sex couples a kind of equivalence argument for things that might have been said—namely, that perhaps your attitudes are homophobic, which I do not believe. Is that what you are saying? Are you trying to equate somebody saying that the very essence of the existence of gay couples is invalid with an insult about your attitudes?

**Mr MIKE BAIRD:** No. I could show you the comments. They are not appropriate to discuss publicly.

**Dr JOHN KAYE:** I am sure they are not. Are you saying that they go to the same level of hurt or are you saying that the relationship of couples of the same gender is not valid, or have I misunderstood you?

**Mr MIKE BAIRD:** No. I am not going to get into this. We have probably discussed it enough for now. I am not going to say that the hurt of one person is more than the hurt of another. I am not going to say that someone is valued more than another. But it does distress me that some people in this State feel that they are not valued or accepted. I do not want to see that. I encourage everyone on both sides of the debate not to forget when they are sending emails, text messages or even making phone calls that real people are receiving them. Indeed, a great cowardice comes with this. People dismiss what they write in emails and texts as just a view. Everyone should understand that real people receive these messages and the feelings they evoke are significant. It is terrible that you can have the hysteria and the impact on individuals that clearly we are seeing with some of the hurt out there.

**Dr JOHN KAYE:** In November 2014 a member of your staff intervened in the writing of the public school enrolment form with respect to ethics and special religious education [SRE]. Why was your office involved in the writing of a public school enrolment form?

**Mr MIKE BAIRD:** I want to maintain the status quo. In that simple proposition having SRE in schools is an important provision—it has been there for a long time, more than 100 years—and I am happy for it to remain. At the same time it is optional, so ethics classes are offered and I am happy for those classes to be offered to those who do not chose to do SRE.

**Dr JOHN KAYE:** Is it slightly unusual for the Premier's office to get involved in the exact drafting of an enrolment form with bureaucrats in the Department of Education and Communities?

**Mr MIKE BAIRD:** There was consideration of an enrolment form, which has been resolved. As you know, there was acknowledgement about SRE—

**Dr JOHN KAYE:** But is it unusual for the Premier's office to be involved in that?

**Mr MIKE BAIRD:** All types of things end up in the Premier's office.

**Dr JOHN KAYE:** Even trivial line management issues like this?

**Mr MIKE BAIRD:** All types of things. Again, I support the status quo. I want SRE in schools but I am also happy for ethics classes to be offered.

**Dr JOHN KAYE:** The record shows that the department had a timeline of introducing a changed form by April 2015. Your office was strongly insistent on it being changed by 8 December 2014. Can you explain why the time change was so important, given that a tiny number of students would enrol between December 2014 and April 2015?

**The Hon. TREVOR KHAN:** Really?

**Dr JOHN KAYE:** Yes. The vast majority of students will be enrolled by then.

**The Hon. TREVOR KHAN:** It is the start of the school year.

**Mr MIKE BAIRD:** I am not sure of the timing. My position on this has been pretty clear.

**Dr JOHN KAYE:** Why that specific time? Why were you so keen that it be finished before the end of term four 2014?

**Mr MIKE BAIRD:** As I understand it, the form and the make-up of the form had been running for a long time and I wanted it resolved.

**Dr JOHN KAYE:** But your staffer was extremely explicit and in some senses quite bossy about it being done by the end of term four 2014. That does not make sense to me. Why would you do that?

**Mr MIKE BAIRD:** The amazing thing is that it can take 12 months to do a form; that is incredible. You just want it done, do you not? A lot of things can be done in 12 months.

**The Hon. TREVOR KHAN:** It is a staffer in the Premier's office.

**Dr JOHN KAYE:** You are laughing off something that I find completely inexplicable. The only event that I can think of between December 2014 and April 2015 is the State election. You have denied publicly that that was a relevant consideration.

**Mr MIKE BAIRD:** I will deny it again.

**Dr JOHN KAYE:** You have never given a valid explanation as to why you wanted it brought forward to December 2014.

**Mr MIKE BAIRD:** I wanted it done. It had been going for a long time, and I wanted it resolved. What is your point? The concern is whether there is an ethics option on the enrolment form, and there is.

**Dr JOHN KAYE:** My concern is your office's intervention. You have changed the topic. I want to know why your office intervened and why it was so fixated on doing it by 8 December 2014.

**Mr MIKE BAIRD:** I have heard all your conspiracy theories.

**Dr JOHN KAYE:** There is no theory, just a question, and you have not given an answer.

**Mr MIKE BAIRD:** It had nothing to do with poles and wires. It had nothing to do with the election. It was a long-running issue that I wanted resolved. I found it incredible that a form could sit there for over a year.

**Dr JOHN KAYE:** As you know, it has not been changed yet.

**Mr MIKE BAIRD:** The revised form has gone out. That is my understanding.

**Dr JOHN KAYE:** That is not correct. If you look on the website you will see that it still has the old form.

**Mr MIKE BAIRD:** I will check. There has been consultation and public discussion on the new form.

**Dr JOHN KAYE:** It was publicly discussed only after it was leaked and there was a furore in the *Sydney Morning Herald* about it. There was no public consultation on the draft that you were pushing.

**Mr MIKE BAIRD:** It has been publicly discussed. I am not sure of the date. I do not know whether it comes in next term or the term after, but I can obtain those details for you.

**Dr JOHN KAYE:** Premier, let us talk about education funding. Your Minister for Education has done a remarkable job on the National Education Reform Agreement, such that Jane Caro, from whom I never thought I would hear these words about a Liberal-Nationals education Minister, says that he is the best education Minister in Australia.

**Mr MIKE BAIRD:** Do you agree with that?

**Dr JOHN KAYE:** I have said on the record that he is the best education Minister that a Liberal-Nationals Government could ever produce.

**Mr MIKE BAIRD:** So the answer is no.

**Dr JOHN KAYE:** I do not want to say that publicly because that is the kiss of death to him. Adrian, if you are listening, I am sorry.

**CHAIR:** You have said it publicly.

**The Hon. PENNY SHARPE:** You have just ruined him.

**Dr JOHN KAYE:** I really am sorry, Adrian. He has been a staunch advocate for what is called colloquially Gonski funding, despite the absence of the penultimate and ultimate years of funding.

**Mr MIKE BAIRD:** Not from us.

**Dr JOHN KAYE:** You are committed to New South Wales delivering its share of the last two years of funding?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** And nothing can change that now.

**Mr MIKE BAIRD:** No. I guess we could lose the next election and Labor could take away the funding.

**Dr JOHN KAYE:** That is not correct. Your Government is responsible for one year of that funding.

**Mr MIKE BAIRD:** Yes, in 2019. I think 2020 is the last year of funding.

**Dr JOHN KAYE:** The point is that no Federal changes or a change of education Minister would interfere with your commitment to New South Wales contributing its share to the National Education Reform Agreement.

**Mr MIKE BAIRD:** No. It is incredibly important. We made the decision to sign up to the agreement at a tough time for the budget. We had faced significant revenue shortfall. There was a plunge in goods and services tax [GST] revenue in particular. Cabinet made a collective decision to support the Gonski agreement. We wanted to support it because the model for providing the same level of funding to students, particularly disadvantaged students and those in remote areas, was a basic premise that we strongly believed in. Every student should be given every opportunity. The funding level to support that was critical. So we signed up and made a number of decisions to constrict spending elsewhere across government because we so fervently believed in education reform.

The New South Wales Government signed up to the six years. I have asked the Department of Education to ensure that we can meet the challenge of demonstrating the benefits of the additional funding. That is the critical part. As we move into years two, three and four, we will need to see improvements in educational outcomes.

**Dr JOHN KAYE:** You have had two years. You mean years three, four and five.

**Mr MIKE BAIRD:** Yes.

**CHAIR:** We will go to questions from Mr Brown.

**The Hon. ROBERT BROWN:** Premier, I am sure this question is within the purview of your portfolio. You would be well aware, through your department, of the joint Commonwealth and New South Wales review of the Martin Place siege, which was reported in January 2015. Would you agree that the reclassification of firearm categories is outside the scope of the recommendations of that review?

**Mr MIKE BAIRD:** I understand your concerns. Mr Comley was involved in that review and can provide context. In simple terms, the focus has been on illegal firearms. An illegal firearm was used in the Martin Place siege. You will have seen the recent announcement on illegal firearms. That continues to be our focus. There are other things happening at a Commonwealth level.

**The Hon. ROBERT BROWN:** My next question was about that.

**Mr MIKE BAIRD:** I will let Mr Comley address that.

**Mr COMLEY:** There were four recommendations from the joint review, which did not go to reclassification. Work has been done subsequently, through the Commonwealth counterterrorism committee and through the Council of Australian Governments [COAG], which has led to other categorisations of firearms. That was not part of the original review but it has been dealt with subsequently.

**The Hon. ROBERT BROWN:** Thank you. Premier, in light of the information provided by Mr Comley and in light of answers given earlier today by the Deputy Premier, would you agree with the Deputy Premier's stated position that any changes to the classification of firearms categories within New South Wales would need to be rigorously justified and costed, be evidence based and include extensive consultation with stakeholders and industry?

**Mr MIKE BAIRD:** That is a reasonable proposition. We will be supportive of anything that improves safety. Firearms matters are being considered broadly, but our focus has been on illegal firearms. The Government will continue to consider options relating to illegal firearms, but the proposition you raise is reasonable.

**The Hon. ROBERT BROWN:** My constituents will applaud you for saying that on the record. Thank you.

**CHAIR:** Premier, I am sure you are pleased with the building approvals numbers for the past 12 months. I understand that the number of building approvals to July—61,000—is the highest for more than 41 years. What are your plans to ensure that this level of building approvals continues?

**Mr MIKE BAIRD:** It is extraordinary when one looks at what has happened. In its last two years in office, the Labor Government oversaw 50-year lows in housing approvals. The figure for last month, which is about 6,800, is extraordinary because it is the highest ever in a month. The number of approvals over the past 12 months is the most ever recorded—61,000. The policy decisions that we took at the time were somewhat unpopular. We redirected the first home buyer grant to new builds. Where a lack of infrastructure stood in the way of housing development, we built that infrastructure. The Housing Acceleration Fund invested directly in roads, water and sewerage, which councils, State Government and developers were waiting for, to build housing. We have undertaken that, connected into about 160,000.

Look at the infrastructure build that the Government has undertaken. People have been waiting for the North West Rail Link, which is now part of Sydney Metro, and for the South West Rail Link. It is a similar story with schools and hospitals. People are waiting for them to be built before they are willing to obtain approvals and invest in housing. That package has come together powerfully. We will continue to focus on exactly this strategy; that is, we need to do everything to get supply going, which obviously is connected to all those things I just outlined. If we get to a position of maintaining that—it is obviously difficult to maintain a world-record result relative to this State but we must because the supply and demand issue is the real challenge in affordability—the more we can do with supply obviously the better it is in the overall affordability of the housing market, which is another important consideration.

**CHAIR:** And, obviously, for jobs.

**Mr MIKE BAIRD:** Absolutely—a huge impact on jobs.

**CHAIR:** When the Treasurer was with us earlier today she pointed out how the Social Benefits Bond scheme is progressing well. What are your plans for extending the Social Benefits Bond scheme?

**Mr MIKE BAIRD:** It is one of the most exciting developments relating to social policy. Recently I met with John Key and Bill English, and New Zealand is doing some innovative things.

**Dr JOHN KAYE:** Key not Kaye.

**Mr MIKE BAIRD:** I know you like him. I know that you have a soft spot for him, just like you have a soft spot for the education Minister.

**Dr JOHN KAYE:** I like anagrams.

**Mr MIKE BAIRD:** What they are doing in New Zealand is fascinating. They are looking at disadvantaged families, the costs that flow from them and the long-term social outcomes. They are trying to manage and to intervene earlier which is similar to the Social Benefits Bond scheme. We are very proud of the one we have done. At times of crisis, when children have just been removed or are about to be removed from their families, in comes Newpin led by UnitingCare, which runs comprehensive family counselling sessions and brings those families back together. If we do not have such a program, once a child has left about 25 per cent of them come back. Under this bond 60 per cent are coming back, which was its target. The benefits are keeping families together and, in the long term, education outcomes are better, employment outcomes are better, there is less connection into the justice system and health outcomes are better. There are so many benefits. It is incredibly exciting.

The next thing we are looking at is homelessness—prevention and intervention, in particular, in relation to youth homelessness. We are also looking at reoffending rates. If someone within the justice system commits an offence; the reoffending rates run at about 50 per cent. But costs are coming into the system at about \$100,000 a year, so if we can keep them out we not only save money but also deliver better social outcomes more broadly particularly for individuals. What sort of intervention can we put in place at the moment so that when they leave prison to enter social programs we keep them out of prison? We are moving on potentially to health intervention. How do we intervene earlier in the area of obesity?

Everyone is focused on an outcome. As part of it we attracted additional investment so a number of super funds invested in this. In the area of philanthropy they are looking for opportunities to contribute to social policy and that social finance area is growing exponentially. Australia was the second country to implement a Social Benefits Bond scheme—the first was in the United Kingdom. It has now taken off. We are committed to doing two of these each year, which is a tough ask. I have told Treasury officials that I think it is a courageous decision, but they think they can do that, so hats off to them. We will do everything we can to ensure that we implement schemes such as this but it involves tapping into new funding and delivering long-term savings. However, those savings can be reinvested into programs to make a huge difference across a range of social policy areas. This is one of the schemes of which I am most proud.

**CHAIR:** I note that the scheme pays charities or community groups to run social programs. What are the eligibility requirements for those community groups and charities?

**Mr MIKE BAIRD:** That is one of the challenges we face as many people want to participate in these charities, but it is a challenge to find people with the necessary skills and expertise. We need to attain a certain level of skills, but the more familiar we are with the scheme the more opportunities there will be for others to participate. Treasury has a specific unit that engages more broadly across the sector. We are asking it to build up skills and to help the sector to prepare for bonds and opportunities as they come. That is something we will continue to do.

**CHAIR:** It is a good news story.

**The Hon. ADAM SEARLE:** Getting back to the Electoral Commission, I think you took on notice what the Electoral Commission prosecutions policies were. Do you know who wrote those policies?

**Mr MIKE BAIRD:** I do not know who wrote those policies.

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

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** Can you tell us when they were last reviewed?

**Mr MIKE BAIRD:** It is some time ago.

**The Hon. ADAM SEARLE:** Can you take that question on notice?

**Mr MIKE BAIRD:** Sure.

**The Hon. ADAM SEARLE:** Are they publicly available like the Director of Public Prosecutions guidelines, or are they only kept by the Electoral Commission?

**Mr MIKE BAIRD:** I can get that information for you.

**The Hon. ADAM SEARLE:** Are you aware that during the recent State election complaints were made to both the ICAC and the Electoral Commission about the conduct of the campaign being run by and on behalf of Glenn Brookes, MP, the member for East Hills?

**Mr MIKE BAIRD:** I am aware of that, yes.

**The Hon. ADAM SEARLE:** The ICAC responded to that and said, "The ICAC considers that the matters involve possible breaches of two pieces of legislation that are administered by the NSW Electoral Commission. In this instance the ICAC considers that the Electoral Commission is well-positioned to investigate the issues raised." I note you have already forwarded the matter to the commission. Can you tell me why the Electoral Commission has not investigated those complaints in connection with the Glenn Brookes campaign?

**Mr MIKE BAIRD:** I do not know whether that is the case.

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

**Mr MIKE BAIRD:** I understand that he is considering a number of cases post the election. I am happy to take that on notice.

**The Hon. ADAM SEARLE:** What resources are specifically allocated to the Electoral Commission to help it investigate compliance and disclosure laws and matters such as the Glenn Brookes complaints? How many people are employed in the Electoral Commission who deal with that?

**Mr COMLEY:** We will take that on notice.

**The Hon. ADAM SEARLE:** Not the budget for the Electoral Commission; but in particular for investigating complaints like this.

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** Are you satisfied that the Electoral Commission has sufficient resources to investigate complaints as and when they are made; for example, to resolve issues if they arise during an election campaign?

**Mr MIKE BAIRD:** The Electoral Commissioner has not come to me and said that he does not have enough resources.

**The Hon. ADAM SEARLE:** But the fact that those matters remain extant for more than five months after the election suggests that there are not adequate resources, does it not?

**Mr MIKE BAIRD:** No, because you are making an assumption that he is not investigating it. He may well be investigating it.

**The Hon. ADAM SEARLE:** So you will report back and take on notice whether or not the investigation is being undertaken?

**Mr MIKE BAIRD:** Sure.

**The Hon. ADAM SEARLE:** And where that investigation is up to?

**Mr MIKE BAIRD:** Obviously there is an investigation and there are limitations on what I can reveal. But in the context of whether it is being undertaken, I can do so.

**The Hon. ADAM SEARLE:** Can you tell the Committee whether at any stage prior to the State 2015 election this year you received a briefing from former police Minister Stuart Ayres about the Andrew Stoner matter? Were you briefed by Stuart Ayres about that—yes or no?

**Mr MIKE BAIRD:** Let us be clear: I was made aware late last year that there was a personal investigation concerning the Deputy Premier. But as to the details of everything that took place, I saw those in the media like everyone else.

**The Hon. ADAM SEARLE:** Premier, turning to your GST plan, before you put out a plan to increase the GST from 10 to 15 per cent, which would be a 50 per cent increase in that tax, did you speak to the Prime Minister about your plan?

**Mr MIKE BAIRD:** Before the leaders retreat, yes, I did speak to the Prime Minister and I spoke to every State Premier and Territory leader.

**The Hon. ADAM SEARLE:** You rang them, had a phone conversation and gave them a heads up of what you were proposing?

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** Did the Prime Minister encourage you to put forward this particular proposal?

**Mr MIKE BAIRD:** The Prime Minister encouraged everyone to make constructive contributions. So obviously, that is what mine was. I am happy to go through it. Do you want to go through it?

**The Hon. ADAM SEARLE:** What, your proposal?

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** I have some questions, so I will ask the questions and you can give the answer.

**Mr MIKE BAIRD:** With the indulgence of the Committee, I have five PowerPoint slides which will give you the basis for what we have done.

**The Hon. ADAM SEARLE:** I am happy for you to provide them on notice to the Committee.

**Mr MIKE BAIRD:** Well, why do I not talk to you about it, so you have a sense of what we are doing?

**The Hon. ADAM SEARLE:** If Government members wanted to take up some questions, they could, but I will ask my questions. I am happy for you to provide the PowerPoint—

**Mr MIKE BAIRD:** Well, it just might give you some context around it; that is all.

**The Hon. TREVOR KHAN:** You just do not want to know, do you?

**The Hon. PENNY SHARPE:** No, you had the opportunity to provide a PowerPoint to the estimates committee—a very unusual approach, Premier. But your people have given up their time, so we get to ask the questions.

**The Hon. ADAM SEARLE:** I think I have the call, Chair?

**CHAIR:** Yes, you have.

**The Hon. ADAM SEARLE:** Premier, did you speak to the Prime Minister or the other State leaders about any other tax change options, other than a 50 per cent increase in the GST?

**Mr MIKE BAIRD:** Well, obviously the Victorian Premier had a view that he wanted the Medicare levy to be raised, as did the Queensland Premier. Those are the proposals. The Federal Government is running through its own tax reform white paper process. There is a range of views on this. I felt very strongly about it. I am happy to go through it, if you want to go through the substance of the matter because I think it is important to inform this debate.

**The Hon. ADAM SEARLE:** I will ask the questions and if there is anything not covered, I am happy for you to take that on notice.

**Mr MIKE BAIRD:** Any time you want to go to the substance, let me know.

**The Hon. ADAM SEARLE:** You are on record, I think in the *Australian* as saying that a revenue stream of \$20 billion is required before 2020, to close the fiscal gap for the States and to put vital health services back on a secure footing. Is that \$20 billion globally for all States, not just for New South Wales?

**Mr MIKE BAIRD:** Correct.

**The Hon. ADAM SEARLE:** So that New South Wales would need an extra what—\$7 billion?

**Mr MIKE BAIRD:** Well, circa.

**The Hon. ADAM SEARLE:** It is your specific intention that this increase you are seeking in the GST would be specifically hypothecated towards health care?

**Mr MIKE BAIRD:** Yes. So can I give you the proposal now?



**The Hon. ADAM SEARLE:** I cannot tell you how to answer, Premier.

**Mr MIKE BAIRD:** It is important not only to take individual pieces. So what are we trying to achieve? If you ask me what is the thing that keeps me awake—not what is the biggest risk that we are facing as a State and as a country—I think it comes down to this question of long-term health funding. If you follow the budgets—I know we are in estimates—you would have seen that revenue, for the last effective 10 years of Labor Government, was north of 6 per cent; indeed it was upwards 6.5 per cent. That has contracted significantly. The revenue growth in this State is down to about 4.5 per cent; there has been a shift down in revenue.

What is not going down is health expenditure; it is doing the opposite. Inflation costs relating to new technology, population and demographic changes is what is driving expenditure upwards. We have been at 5.2 per cent but undoubtedly that will come under pressure to go upwards. By the time we get to 2030 and we look at that challenge across the country and at the modelling that has been done—look at the Commonwealth budget, the State budget and at the projected expenditure—what is the underlying fiscal gap? This goes beyond existing budgets. On a conservative basis—and Mr Comley has done a lot of this modelling in his former life—\$45 billion is where we are short and health costs alone are \$35 billion.

**Dr JOHN KAYE:** Over what period is that \$45 billion?

**Mr MIKE BAIRD:** Annually—by the time we get to 2030. So the challenge is: What do we do? Do we become more efficient? Australia's percentage of GDP for health costs is just over 9 per cent. Other OECD countries go all the way up to 17 per cent. So effectively we are the most efficient health provider. It is unlikely that we will be able, through the Federation process, to gain the efficiencies required to resolve that fiscal gap. In that context, in my own view we need more revenue. What is the best way to do that? If we compare ourselves with other OECD countries we find that of the top 33 countries we have the third lowest GST. In that context the average is about 20 per cent and we are at 10 per cent. It can be increased or hypothecated towards that revenue gap. Just as importantly we must ensure that we look after those who can least afford it. So for families earning less than \$100,000, the proposal is to provide compensation. We can take away the progressive nature of these concerns which I know people have and we can deal with them as part of this proposal. Compensation can be achieved through income tax measures and pensions.

Ultimately, lower income tax will be delivered, which is where we are at. Our global competitiveness was being challenged as our income tax rates were higher. So we can deliver the trifecta, which is additional revenue towards health services; looking after those who need to be looked after; and improving the competitiveness of the national economy. I know there are people who oppose this but I think it is a critical issue and one with which we have to deal. I understand it is not necessarily a popular decision but a unanimous position has been taken by all leaders in relation to fiscal gap which could well be worse. Mr Comley might want to talk about some of the assumptions. However, it would be remiss of me not to deal with it now. We do not want to manage and govern only for today or next month; we have to deal with issues in the long term and what is coming is unprecedented in magnitude.

**The Hon. ADAM SEARLE:** That fiscal gap you spoke of—\$45 billion by 2030 which is New South Wales share—was confirmed by the Treasurer this morning as being about \$15 billion annually. Is that about right?

**Mr COMLEY:** That is assuming you take New South Wales as being a third of the whole system.

**The Hon. ADAM SEARLE:** What does your modelling show?

**Mr COMLEY:** In the modelling, we did not disaggregate by State. We said, "Let us treat the States as a whole and let us treat the Commonwealth as a whole" because it is much harder to get agreement between States as to the level of impact for any particular State. Overall, we would say that is the State's gap at that point in time. There is no particular reason to say New South Wales will be better or worse than that. One of the things to which the Premier is alluding is that the fiscal gap modelling uses a pretty standard approach and that growth will continue uninterrupted from now until 2030. As a former colleague of mine said, "You assume we have had 24 years of uninterrupted growth and you manage to do another 15 but in our modelling—"

**The Hon. ADAM SEARLE:** After yesterday's figures, that is a bit of an assumption, is it not?

**Mr COMLEY:** That is what I was highlighting; that the numbers used for that modelling were a nominal GDP growth rate of 5.5 per cent, which is 2.5 per cent for inflation and 3 per cent for real growth, which is what the trend has been.

**Mr MIKE BAIRD:** So 3 per cent is the trend.

**Mr COMLEY:** Three per cent is roughly the trend over that period. If you have instances of below-trend growth of, say, 2 per cent like we had yesterday or you have a recession that fiscal gap would get larger unless you implemented larger policy measures.

**The Hon. ADAM SEARLE:** Just on that fiscal gap, at the moment New South Wales gets about \$17 billion a year from GST. So a 50 per cent increase, without making any allowance for tax cuts or compensation packages, would only increase it by about another \$8 billion or \$8.5 billion. What modelling have you done that shows that the 50 per cent increase in the GST you are proposing will close the fiscal gap that is opening up, as in your budget paper?

**The Hon. TREVOR KHAN:** It is all in the balance.

**Mr COMLEY:** It is a good question. The issue is we are comparing numbers for different periods—2015 versus 2030. You have to take account of how you would expect the GST base to grow, how you would expect other tax bases to grow and how you would expect health expenditure to grow. So the broad assumption that we have used in those calculations is that the revenue bases are again also growing roughly at nominal GDP. The calculation we did is, with all those assumptions, what is the fiscal gap out there? When we come back to 2020 what would be the number we would have in 2020, which would then increase to get to that number? So roughly, if we took the gap now, there is a GST basis of about \$50 billion. If we were raising 50 per cent of that now, that would be \$25 billion without compensation but then we would have to grow that roughly at nominal GDP. That is why we do not need as large an increase in GST in a year like 2020 as would be implied by the fiscal gap in 2030. That is what our modelling tries to capture—the difference in revenues at different points in time.

**The Hon. ADAM SEARLE:** Taking that approach, even with a 50 per cent increase in GST you then deduct the income tax cuts that your Federal colleagues seem to be interested in taking to the next Federal election—

**Mr MIKE BAIRD:** You have got to pay the compensation.

**The Hon. ADAM SEARLE:** And the compensation package—

**Mr MIKE BAIRD:** No, you can do them through both of those.

**The Hon. ADAM SEARLE:** Okay. So that would detract from that \$25 billion just outlined by the Secretary of the Department of Premier and Cabinet. Under your proposal how much will be left in the kitty? What is the quantum of compensation you are proposing will be taken out of the increase in GST?

**Mr MIKE BAIRD:** As per the PowerPoint.

**The Hon. ADAM SEARLE:** You can tell us.

**Mr MIKE BAIRD:** It gets close to —

**The Hon. BEN FRANKLIN:** Point of order: Dr John Kaye has asked if he could table the PowerPoint as well as speak to them, and I think that would be terrific.

**Dr JOHN KAYE:** No, I did not say that. I said "table" them; I did not say "speak" to them.

**Mr MIKE BAIRD:** At this stage it is somewhere between \$17 billion and \$18 billion—that is the net position that we are in.

**The Hon. ADAM SEARLE:** That is what we get now in GST, is it not?

**Mr MIKE BAIRD:** No. Are you asking what is the net of compensation under our proposal?

**The Hon. ADAM SEARLE:** Yes.

**Mr MIKE BAIRD:** That is what I think you are trying to get to.

**The Hon. ADAM SEARLE:** Yes. Are you saying it would raise about \$25 billion, and then after compensation it would raise a net \$17 billion? Is that what you are saying?

**Mr MIKE BAIRD:** Yes, that is right.

**Mr COMLEY:** Again, this is national numbers rather than New South Wales numbers. So roughly half of the revenue goes in compensation if you are compensating the way the Premier described it.

**The Hon. ADAM SEARLE:** Under the current distribution model what would New South Wales realistically be expecting to get under your proposal?

**Mr MIKE BAIRD:** That is to be determined.

**The Hon. ADAM SEARLE:** Premier, there is an existing formula for distributing the GST?

**Mr MIKE BAIRD:** No, wait. You need to think in a national context. We are saying once you get that revenue stream it naturally grows. There is a growth that comes with the revenue stream, but the aim is to get to that \$35 billion gap by 2030. That is the aim.

**The Hon. ADAM SEARLE:** I know you keep saying you are talking about all the States together rather than State specific, but how can people make an assessment about whether your proposal is sound—or even effective—without knowing what it will actually mean for New South Wales? There is an existing model for distributing the GST formula between States. Do you propose to change that?

**Mr MIKE BAIRD:** No, but that obviously is something that could be discussed as part of this process.

**The Hon. ADAM SEARLE:** It is not part of your proposal—

**The Hon. TREVOR KHAN:** Let the Premier finish his answer. Do not keep interrupting.

**Mr MIKE BAIRD:** The secretary can talk about the Federation work stream so you can understand the work that we are doing. But you need to understand that this is not the comprehensive, final position; this is an initial piece of work that we have done, which I think deals with all the challenges that are in the debate and provides a good start in terms of a proposal that is good for State and country. I think you are getting confused in that the \$35 billion is the sum of parts, so by its nature it is taking all health systems and giving what the gap is across all of them. So we are finding a revenue stream that funds them all. That is the important point. Mr Comley, do you want to talk about the work streams?

**Mr COMLEY:** Just briefly, this came out of the COAG retreat—and you would have seen the communique that came out of that. The leaders commissioned a number of work streams to take this forward. One work stream was on the revenue and the fiscal gap. So it was essentially saying: Here is a starting point of what the implications might be. The work stream is led by the Premier and the Premier Palaszczuk of Queensland and that is essentially to look at what feasibly you would need to do to compensate to hit the same target. But also when you bring everyone in a more detailed modelling exercise, does it verify the numbers that have been put on the table in terms of closing the fiscal gap?

There is also a work stream on health to ask the question: Are there things that can be done to improve the efficiency of Health and still deliver outcomes for citizens? There is a work stream on education to look at, in particular, preschool and vocational, education and training. There is a work stream on housing and homelessness, and I think that is all. Essentially, the idea is to inform the next COAG meeting with more detail as to how an overall package might come together. One of the issues that has certainly been raised—no surprise—by a jurisdiction such as Western Australia is what should be the distribution formula of GST in the

Federation. So that is also part of the discussion that has been had in the COAG context, and was reflected in the COAG communique.

**The Hon. ROBERT BROWN:** That would be a doozey, wouldn't it?

**The Hon. ADAM SEARLE:** Premier, in 2011 you proposed a change to the GST distribution process to make it per capita but that was not successful. According to Budget Paper No. 1, page B4-5, chart B 4.3, in this year's budget on a per capita basis New South Wales is short-changed nearly \$900 million a year in GST. So if there was no change in the distribution formula, a 50 per cent increase would just see nearly half a billion in GST go interstate from New South Wales pockets. That would be pretty disastrous for New South Wales residents, would it not?

**Mr MIKE BAIRD:** No. These are forecasts that are getting closer and closer. This concept in the health challenge that we have before us has been spoken about pretty much for the past 10 years, and budget papers have alluded to it during that period. We are now on the doorstep. If you are three or four years away from this gap starting to rise exponentially—which is really what we are looking at between 2020 and 2030—you have to start taking action. I would only ever put forward a proposal for this State that was in its interest. Some of it is not easy, sure. No-one wants to pay an additional tax but you can compensate those who are disadvantaged and are most vulnerable; you can ensure the competitiveness of the economy, so compensation comes that sees lower income tax; and you have funds towards the maintenance of healthcare costs—just trying to get them down.

Just look at the charts around the world and where we sit as a percentage of GDP versus the other countries. We know these costs are coming and there is no point trying to make up how you are going to deal with it. We put forward a concrete proposal on how we are doing it. So for the people of this State I think it is a very good deal. It is a lot of certainty in ensuring that we have the revenue needed to deliver the health services that the State expects.

**Dr JOHN KAYE:** There is a number of different scenarios with health costs that do not necessarily involve the sorts of growth that you are envisaging. There is a number of scenarios to do with technical improvements rather than workforce efficiencies—technical efficiencies. For example, people are now talking about better treatments, pharmaceutical and pharmacological, for dementia that will reduce the cost of dementia care dramatically. That would have a significant impact on the Health budget. But leaving that aside, if we accept that there are going to be increases in health costs, as you projected, there are a number of different places you could seek revenue. You have sought revenue out of the GST which is a broad-based tax. Other people might say it is a more socially just, more equitable, revenue stream to go to income tax or wealth tax. Did you compare in your studies alternative ways of raising those revenues?

**Mr MIKE BAIRD:** In a simple form. You can go through the Henry review and look at the efficiencies of taxes. The GST is about as efficient as you can get.

**Dr JOHN KAYE:** I did not say "efficiency"; I said "equity".

**Mr MIKE BAIRD:** But as to the income tax provision, globally we sit in the worst quartile. We have income tax rates that are not competitive with the rest of the world, and that really starts to impact our competitiveness. If you want to grow the economy you have to be competitive and the concept of raising income tax when we are already uncompetitive and in terms of the mobility of labour capital, it starts to do the exact opposite. People will start to avoid wanting to have jobs in the country because the costs are too high. There is some analysis around that. Ultimately, I think that our solution picks up the general concepts of an efficient tax. The fairness is dealt with by ensuring we compensate those who can least afford it and at the same time deliver the outcomes we want. I think we have taken that into consideration.

**Dr JOHN KAYE:** Sweden, Norway, Denmark and Finland all run higher rates of personal income tax than Australia. They do not seem to struggle with competitiveness. Are there not some fairly spectacular counter examples to the oft quoted but never proved—

**Mr MIKE BAIRD:** Are you saying that you want us to have the highest income tax rate in the world?

**Dr JOHN KAYE:** First of all, I ask the questions and you answer them. Secondly, I am asking you to respond to the challenge that I put to your proposition that we cannot be in the highest quartile of personal

income tax and remain competitive. I am asking how you respond to that in the context of some spectacular counter examples of highly competitive economies that run very high personal income tax.

**Mr MIKE BAIRD:** As I said, we are in pretty much the highest quartile. If your proposal is to take us right to the top of that, my argument holds. That is part of the challenge of this. We have a revenue challenge but we cannot look at the tax system and put an economic drag on the overall economy.

**Dr JOHN KAYE:** What about other taxes, for example, taxes on wealth, a better tax on capital gains or an estate tax on capital gains, which are all possible? Did you look at any of those?

**Mr MIKE BAIRD:** Again, I have said that I am open to proposals that come forward. I have put one proposal down and it does not mean I would not consider others. I have said I am happy to consider the Medicare levy as an example but I think that just raises income tax, which comes back to my competitiveness question. I have not ruled anything in or out. I am open to any other proposals that come forward.

**Dr JOHN KAYE:** Let us talk briefly about the steel industry. You would be aware that the No. 5 blast furnace at Port Kembla is at risk of being closed by its current owner, BlueScope. You would also be aware of a number of options that have been floated. I understand that you have had communications or meetings with BlueScope management. Are you committed to there being a raw steel industry in New South Wales, as in a blast furnace, and what options do you see for the State in making sure that happens?

**Mr MIKE BAIRD:** The last one first: yes, very much so. I commend the CEO and local management. It is very clear they are doing everything possible to keep it here. They have outlined a program and I know that the unions are considering it. My encouragement to them is to really consider it. Yes, there are some job losses but they are effectively trying to keep 2,500 jobs there. That is a very important part of this. I think they are doing everything possible to maintain this business when the global price and global circumstances have moved against them. The business has a capacity, if economy fortunes return, to become more competitive and maintain. But they are in a challenging part of an economic cycle. They are doing everything possible and I congratulate them on that. It is a critical employer in the Illawarra. We are having discussions with them and are happy to work constructively with them.

**Dr JOHN KAYE:** What do you see as the options?

**Mr MIKE BAIRD:** I do not want to go into the options here. The CEO and management wanted to ensure that they put a collective plan together, which they are doing. Part of that is the discussion that they are having with the unions currently. We will be talking to them ongoing. There is some time before any final decisions are made.

**Dr JOHN KAYE:** You have a \$68 billion infrastructure spend in Treasurer Berejiklian's budget this year. You are adding another \$20 billion to that.

**Mr MIKE BAIRD:** She is a very good Treasurer.

**Dr JOHN KAYE:** Through that the State is a major purchaser of contracts that use a lot of steel. You would be aware of the Save Our Steel campaign run by the unions in the Illawarra. Are you rejecting that out of hand or would you give that consideration?

**Mr MIKE BAIRD:** Already in our procurement policy, as people bid they have to provide local economic impacts. They have to demonstrate how it actually helps the local economy, so there is a weighting within the procurement process to consider the benefits to the local economy. I thought in terms of our construction and maintenance that it would have been great if 50 per cent came from New South Wales-based businesses but the advice I have is that it is even higher. It is above 60 per cent and closer to 70 per cent. There is already a big portion that is from New South Wales businesses.

**Dr JOHN KAYE:** But you are talking about the total purchasing, not the purchase for steel. A lot of the steel that goes through that purchase is imported steel.

**Mr MIKE BAIRD:** But in construction and maintenance a big part of that is steel.

**Dr JOHN KAYE:** That is not steel necessarily that comes out of Port Kembla. A lot of it is raw steel that is imported and processed here or imported as steel product.

**Mr MIKE BAIRD:** What I am telling you is that we are doing, I think, everything right here. In terms of procurement we need to balance value for the taxpayer with the need to ensure that if there are benefits to the local economy they are also included. There is a balance in that and I think we have got the balance right.

**Dr JOHN KAYE:** But you have not shut the door on the idea of following what the Americans, Canadians and South Africans do. They are all steel-producing nations with distressed blast furnaces and they require all government contracts to purchase a percentage of blast furnace steel from their own blast furnaces. You have not ruled that out?

**Mr MIKE BAIRD:** I think our procurement policy is right where it sits. I do not want to get into the position where I am talking about various options, but we will be constructive with the company as much as we can be. We do understand the focus on New South Wales businesses. On the numbers that I have been given, it looks like a very significant number of our full procurement across construction and maintenance is New South Wales-based businesses.

**Dr JOHN KAYE:** In July last year your then environment Minister now planning Minister Rob Stokes said, "When it comes to clean energy we can"—

**Mr MIKE BAIRD:** These are all your favourite Ministers, aren't they, John?

**Dr JOHN KAYE:** I have wrecked one today. I do not want to wreck another one.

**The Hon. ROBERT BROWN:** Go ahead, be my guest.

**The Hon. PENNY SHARPE:** Even I would stick up for Rob.

**Dr JOHN KAYE:** Yes, he is not a bad bloke. My time has expired so I will have to wreck him in the next round.

**CHAIR:** Premier, could you confirm that section 32 of the Education Act 1990 states, "On average, not less than 30 minutes and not more than one hour of meaningful teaching time per week should be allocated for special religious education"? Given that it is a requirement of the Act, could a school independently decide not to include it in its curriculum?

**Mr MIKE BAIRD:** That is my understanding of the Act. The expectation is that the Act is followed. I am not aware of any circumstances where it has not been followed.

**CHAIR:** Going by media reports, apparently Burwood Girls High School does not include special religious education [SRE] in the curriculum.

**Mr MIKE BAIRD:** I am not aware of that.

**CHAIR:** Would you take that on notice and investigate it?

**Mr MIKE BAIRD:** I am happy to take that on notice

**CHAIR:** And see what action should be taken, if it is a local policy, to reverse it?

**Mr MIKE BAIRD:** The requirement of the legislation is that SRE is provided in our schools, so it does need to be provided in our schools. I will take that on notice. But I am not aware of that having taken place.

**CHAIR:** I made some suggestions and raised in the upper House the problem with residents at Millers Point who are being evicted from their homes which are being sold by the Government. Will you accept my proposal to allow the remaining Millers Point residents to remain in their homes or to relocate to the Sirius public housing building that was purpose built in 1979 and has 79 well-kept apartments, many of which are empty?

<9>

**Mr MIKE BAIRD:** The Minister is looking at this as we speak. It is a difficult issue. Obviously the proposal was that we could turn 400 dwellings into 1,500 or 1,600 dwellings, and that is a good thing. At the same time, we need to be conscious that there are individuals who are frail and who potentially have been there a long time and are elderly. In the context of that, the Minister is considering how we might address that. We are very conscious of those concerns and the Minister will be dealing with those shortly.

**CHAIR:** So there is some degree of urgency in dealing with this issue?

**Mr MIKE BAIRD:** Yes, I do understand. He is very aware of the challenges for some of those tenants, in particular, and he is determined to come up with a solution. Obviously it is something that we are considering.

**CHAIR:** There are still serious concerns in the State over water allocations for general security irrigators. At present unnecessary regulation has resulted in irrigators being unable to plan for and plant crops even when there is water available in the dams. Could you investigate this matter, or do you have an update as to what is happening and what can be done to speed up the process?

**Mr MIKE BAIRD:** I will see whether the secretary has any further updates. These plans have been running for a long time; I think they have been in place for more than 10 years. The context is trying to balance them. We want to make sure that the water is allocated as it is needed, and obviously the flows have to be there. The plans have been running reasonably well, for well over two years as I understand it. There have been points of inflection but I understand they have been running reasonably well. Outside any acute concerns, I think the plan would be to continue.

**Mr COMLEY:** My understanding is that it is monitored every two weeks and information is provided to those who are affected by the water allocations every two weeks to keep them informed. What they are trying to do is to balance the need for continuing that supply with not over-allocating and then causing environmental problems down the track. I think that is the ongoing process that is being followed.

**CHAIR:** Premier, you are probably aware that, because of the heavy rain and flooding, there is no shortage of water. I have been advised that the Murray system at present has nearly seven million megalitres of water in storage and is still experiencing good inflows. So why are the general security irrigators in the Murray Valley being denied any allocation of water? The water is there.

**Mr COMLEY:** We are happy to take that question on notice. The Department of Primary Industries has to monitor those inflows and then model what is going to happen for long-term river health. If there is a specific concern that they are not adequately taking into account the recent inflows and therefore keeping allocations back then we can certainly look into that. But my understanding is that it is a fairly well-established process that has been going on for 10 years.

**CHAIR:** Warragamba Dam is overflowing, so there is plenty water. There has been a lot of controversy, Premier, around coal seam gas—and especially fracking. There have been debates in the upper House and private member's legislation about this. Has the Government changed its position on a moratorium on coal seam gas in New South Wales?

**Mr MIKE BAIRD:** No, we have not. We have to get it right though. I think Mary O'Kane did a first-class job when she went through the entire industry. She came to the conclusion that the risks posed by the industry can be managed through appropriate regulation and protections. She has put forward a number of those, which we will be bringing forward in legislation to ensure that they are in place. At the same time, we are rolling back the licences that were handed out—like confetti sprinkled across the State—without any regulations or protections in place. I think we are down to just over 10 per cent of the State being covered by those licences, and it was over 50 per cent. So we have made some very good progress on that.

As the NSW Gas Plan comes in and we finish that licence buyback we will get to the position of, "You can undertake coal seam gas extraction provided the risks are managed. You will do it where we want you to do it and with the appropriate controls." That is what should have gone on from day one, but it was not done. So we are cleaning up what we inherited. I think the structure of the NSW Gas Plan, as we put it together, is very important. It is critical that we have gas for the long-term future competitiveness of our economy, which we touched upon earlier. There are other things that we have done, including signing a memorandum of

understanding [MoU] with the Northern Territory Government to potentially provide additional gas from there, which will put downward pressure on gas prices here. We are happy for it to be in the places we are happy for it to be with the appropriate protections and controls. I think that is the right policy.

**CHAIR:** The New South Wales upper House recently passed a motion against human trafficking, which included calling upon the New South Wales Government to commit to a definitive plan of action by 2019 to address human trafficking in this State and to establish a State-based hotline by 2016 to report human trafficking. Premier, have you or anyone else in the Government taken any steps to address human trafficking, whether for sex or for labour, in New South Wales?

**Mr MIKE BAIRD:** As I understand it, it is more of a Federal responsibility. I think there are things we can do to support their efforts. I will take that question on notice and give you an outline. Of course, I am willing to take any actions I can to assist in that.

**CHAIR:** Would you look at the issue of the hotline? That is something the State could do without having to involve the Federal Government.

**Mr COMLEY:** We can look at that. One of the questions in these things is always: Is it better to have a national hotline or a State-based hotline? So people only need to know the one number. We can certainly consult with relevant people to see which is the most fit for purpose for this particular crime.

**CHAIR:** One of the problems about involving the Federal Government is that it takes time. Usually the Federal Government has to negotiate with all the States.

**Mr MIKE BAIRD:** Reverend Nile, you do not always get the answer you want.

**CHAIR:** Sometimes the State has to go ahead and take the initiative, and the other States and eventually the Federal Government will follow.

**Mr COMLEY:** We fully understand that.

**Mr MIKE BAIRD:** We will take that up. We will find out exactly where we are up to and what role we can play, and respond specifically on the hotline issue.

**Mr COMLEY:** I do have some information here. I understand that there is currently a national hotline—the human trafficking report line. It is probably channelled through the Australian Federal Police [AFP] hotline, which is 131 AFP or 131237.

**CHAIR:** It does not get much publicity then?

**Mr COMLEY:** No, it might be a question of how that is publicised rather than whether you want to duplicate that hotline. I think that is what we need to look into.

**CHAIR:** There have been reports that the Commonwealth Bank may move its workforce of 6,000 from Western Sydney to government-owned land elsewhere. Is that media report correct?

**Mr MIKE BAIRD:** There have been reports that the Commonwealth Bank is looking at a range of options in terms of its accommodation. Of course, I would love them to stay in Western Sydney but ultimately that is a decision that has to be made by the Commonwealth Bank.

**CHAIR:** Premier, you are also the Minister for Western Sydney so are you taking any steps to encourage them or to give them some incentive to stay in the western suburbs?

**Mr MIKE BAIRD:** I know that they have spoken to the Parramatta City Council, which has done a first-class job promoting the opportunities there. I think they are considering this as part of their overall strategy. Unfortunately, my preference and desire are not really relevant here. It is ultimately a matter for the Commonwealth Bank.

**The Hon. PENNY SHARPE:** Premier, coming back to the Andrew Stoner matter, who briefed you in relation to the Andrew Stoner matter?



**Mr MIKE BAIRD:** I answered that question previously.

**The Hon. PENNY SHARPE:** So that would be the police Minister, is that right?

**Mr MIKE BAIRD:** At the time.

**The Hon. PENNY SHARPE:** So when exactly was that?

**Mr MIKE BAIRD:** I have told you that there was an informal discussion.

**The Hon. PENNY SHARPE:** When?

**Mr MIKE BAIRD:** Late last year.

**The Hon. PENNY SHARPE:** So before the election?

**Mr MIKE BAIRD:** Yes.

**The Hon. PENNY SHARPE:** When he was still the Deputy Premier?

**Mr MIKE BAIRD:** No.

**The Hon. BEN FRANKLIN:** He stood down in September.

**The Hon. PENNY SHARPE:** That is fine, and that is what I am trying to ascertain. It is not an unreasonable question. I am just trying to work out the time line. So he was not the Deputy Premier but it was before the last election. What action was taken as a result of the briefing?

**Mr MIKE BAIRD:** Well, nothing. I was told that the police were investigating a personal matter for Mr Stoner. There has never been an allegation about this. If you have an allegation, then please tell me what it is.

**The Hon. PENNY SHARPE:** I am simply asking you for the time line as to when you knew about the matter and what action you took.

**The Hon. TREVOR KHAN:** Point of order: How does this have anything to do with the matters before this Committee?

**CHAIR:** The Premier is unaware of the matter.

**The Hon. PENNY SHARPE:** He is not unaware of the matter. He has just said that he was briefed on the matter.

**Mr MIKE BAIRD:** No, I said—

**The Hon. PENNY SHARPE:** As he was the Premier, I am trying to ascertain the time line.

**The Hon. BEN FRANKLIN:** He said he had been informally advised.

**The Hon. PETER PRIMROSE:** To the point of order: We are talking here about the Premier using State resources and being informed by State agencies. This certainly comes within the ambit of this consideration.

**The Hon. BEN FRANKLIN:** It is a very wide ambit.

**The Hon. PENNY SHARPE:** It is. Which we learnt in government and you learnt in opposition.

**The Hon. TREVOR KHAN:** Further to the point of order: We did and there were limits to the width of that ambit. You are quite correct; I tested it to its limits. This is truly beyond those limits.

**The Hon. PENNY SHARPE:** It is up to the Chair.

**CHAIR:** The Premier has answered the question.

**Mr MIKE BAIRD:** Yes, I have answered it. I became aware of the details as the media reports came to light on the matter.

**The Hon. PENNY SHARPE:** Can you provide to the Committee on notice the time line of when you knew, who briefed you and what action was taken?

**Mr MIKE BAIRD:** No. I have told you everything. There is nothing else to tell you. That is it. This is a personal matter for Mr Stoner. If you have an allegation that you want to make about it, then tell me what it is and I will be happy to respond. I saw the details as you did when they came out in the media.

**The Hon. PENNY SHARPE:** But you were briefed previously about the matter.

**Mr MIKE BAIRD:** No, I was advised there was a personal matter being investigated. That was it. I saw the details as they came out in the media. This is a personal matter for Mr Stoner. If you have an allegation you want to put, then tell me what it is.

**The Hon. PETER PRIMROSE:** It all flows through, does it not? Badgerys Creek and the curfew—

**The Hon. BEN FRANKLIN:** It is a grand conspiracy.

**The Hon. PETER PRIMROSE:** You all sort of float above it, do you not?

**CHAIR:** The Premier has answered the question, so we will move on.

**The Hon. PENNY SHARPE:** The Premier has changed his view.

**CHAIR:** This is not a discussion group. The question was asked and the Premier has answered the question.

**Mr MIKE BAIRD:** Tell me specifically what the allegation is.

**The Hon. PENNY SHARPE:** You have changed what you said previously.

**Mr MIKE BAIRD:** No, I have not.

**The Hon. PENNY SHARPE:** You originally said that you only heard about it in the paper. Today you have confirmed that there was an informal briefing and that you were aware of it.

**Mr MIKE BAIRD:** Yes, there was an informal discussion but I was not aware of the details until I saw it in the paper. That is it.

**The Hon. ADAM SEARLE:** Why have you proposed an increase in the GST rather than the States getting a share of income tax as you had floated on 13 May this year?

**Mr MIKE BAIRD:** Do you want me to go through the PowerPoint?

**The Hon. ADAM SEARLE:** No, we have got the PowerPoint.

**CHAIR:** We have got a copy. You can refer them to the page.

**The Hon. ADAM SEARLE:** On 13 May you said this:

The Federal Government has ruled out an increase in the goods and services tax. I have put forward the solution to share income tax. If we share income tax we have a capacity to reduce stamp duty. That is what we need.

You are not proposing that now, you are proposing an increase in the GST only. What has changed your mind? Why are you no longer proposing a cut in stamp duty, for example?

**Mr MIKE BAIRD:** What has changed is an understanding of the fiscal gap.

**The Hon. ADAM SEARLE:** Since 13 May you have realised that the fiscal gap is a problem?

**Mr MIKE BAIRD:** The work in relation to the fiscal gap—I am not sure what date it was finalised—was probably after that.

**Mr COMLEY:** It was after that.

**Mr MIKE BAIRD:** So the work we have done on the fiscal gap was likely after that date and I was merely articulating what I had argued previously. The Commonwealth budget is soaring to the moon and they have the growth taxes. So the Commonwealth budget in a normalised economic environment has a better capacity to fund the costs of health. The concept was to share a growth tax, and income tax is a growth tax, which gives you the capacity to try to match that expenditure as it grows. But the problem is that the fiscal gap analysis has determined that it is much bigger than that. That is the point.

**The Hon. ADAM SEARLE:** The emerging fiscal gap was quite clear from the Federal budget last year. Your budget papers this year have identified that as the pivotal moment.

**Mr MIKE BAIRD:** Okay, so let me—

**The Hon. ADAM SEARLE:** There is a clear problem not only with health funding but also with education funding and opening up a \$25 billion fiscal gap for the State.

**Mr MIKE BAIRD:** The Federal budget did not articulate this gap.

**The Hon. ADAM SEARLE:** You knew what was going to be cut from 2017-18 onwards.

**Mr MIKE BAIRD:** Let us be clear, you are talking about the allocation between the State and Federal governments. This is beyond that, which is why I think we needed the PowerPoint.

**The Hon. ADAM SEARLE:** But you already knew that there was an existing problem?

**Mr MIKE BAIRD:** This is why we need the discussion. If we do not understand it here, what chance have we got of it being understood in the broader public?

**The Hon. PENNY SHARPE:** Maybe you should do a PowerPoint for the Parliament.

**Mr MIKE BAIRD:** I am happy to.

**The Hon. PENNY SHARPE:** You could bring us altogether and we could sit and watch a PowerPoint.

**Mr MIKE BAIRD:** I will do that if you want me to.

**The Hon. ADAM SEARLE:** The emerging budgetary problems for the State were quite apparent when the Federal Government foreshadowed those swinging cuts to health and education last year. Before the election this year you ruled out any changes to the GST. On 18 November last year you said:

There are no plans to change the GST. There is absolutely nothing on the table in relation to the GST.

On 14 May last year you said:

I am going to take a decision to the people of New South Wales and we are going to be responsible in everything we do. We have no commitment to change taxation.

Now it has all changed. It was quite clear even then that there was an emerging budgetary problem for the State because of those Federal cuts.

**Mr MIKE BAIRD:** No. Yes—

**The Hon. ADAM SEARLE:** Yes?

**Mr MIKE BAIRD:** You are correct on the last point: the change in the Federal funding mix did have a significant impact on us. But the new information, which is the relevant information, is regardless of where that line sits; it is much bigger than that. That is the analysis on the fiscal gap that we have done. With the compilation of all State and Territory budgets and the Commonwealth budget, by the time we get to 2030 we will still be \$35 billion short for health and \$45 billion overall. As the Secretary has said, that is a conservative estimate. In some respects I congratulate the Leader of the Opposition on this because to date he seems genuinely wanting to work out how we can deal with this challenge in health. I find that refreshing.

We are not in a position where immediately we pull out the political sabres and say, "We will never consider this under any circumstances." Surely what we have to do in this place is start to collectively deal with this. This is not made up. This is modelling done by the Department of Premier and Cabinet with external consultants who conservatively estimate that this is \$45 billion overall, and \$35 billion for health, that we are short on an annual basis. It is an incredible challenge that we face.

**The Hon. ADAM SEARLE:** Given that daunting task, why are you still persevering with the abolition of the intergovernmental agreement [IGA] taxes, which raise on average \$500 million per year for the New South Wales budget? You are proposing to abolish them from 1 July next year. That is irresponsible given the emerging budgetary proposition, is it not?

**Mr MIKE BAIRD:** This is where we fundamentally disagree. I do not know whether you have noticed what is happening in New South Wales but it is actually performing pretty well.

**Dr JOHN KAYE:** With the IGA taxes in place.

**Mr MIKE BAIRD:** Let me tell you why. What have we done? We have made the cost of doing business cheaper in New South Wales. We have taken away payroll tax for new jobs, which I am still trying to work out why Labor has opposed. It is an unbelievable position that you do not want to support taking away payroll tax for new jobs, but you have. We have obviously reformed the Workers Compensation Scheme, which is now returning more benefits back to those who are injured but it is also producing reduced premiums—so I think that balance is right.

We have raised the threshold in relation to payroll tax. We have also obviously done infrastructure and housing. What has that produced overall? It has produced maintaining competitiveness in terms of our businesses. The unemployment rate is now at its lowest; some 250,000 jobs have come to New South Wales since we were elected; and economic growth in the March quarter was 0.5 per cent and in the recent quarter was 0.8 per cent. On an annualised basis that is 3.3 per cent. Why is that important? It is important because it is above trend. I do not know whether you noticed the economic numbers released yesterday and heard the concern being expressed across the rest of the country. New South Wales is powering ahead.

**The Hon. ADAM SEARLE:** It is still only 0.8 per cent.

**Mr MIKE BAIRD:** That is annualised at more than 3 per cent, which is above trend. Queensland sent an SOS to the Prime Minister today asking for help. Our growth is remarkable and we have grown faster than the national average for the past 10 consecutive quarters on an annualised basis. That is the first time that has happened in 30 years. Business confidence has been positive for 24 months and retail sales for 23 months, and housing starts are at record levels. Given that, I think the policy settings are right. If we can make it more competitive for businesses, that will provide an opportunity for them to do exactly what they have been doing, which is investing in jobs and growing the economy. I would argue that we do not want to reverse that trend.

**The Hon. ADAM SEARLE:** Do you support extending the GST to financial services as proposed by South Australian Premier Jay Weatherill?

**Mr MIKE BAIRD:** What a privilege it has been to work with him. I have a great deal of respect for him. I know he wears the Labor Party badge, but that is not important to me. What is important is that we get the Federation and tax reform processes right. He has demonstrated exactly that approach. He is determined to do the right thing, not only for today but also for future generations. He has some genuine concerns about the GST

proposal that I have acknowledged. He is focused on ensuring that we look after the most disadvantaged in our communities, and I share that goal. He is being constructive. He does have a view about financial services that should be considered.

**The Hon. ADAM SEARLE:** It would raise an extra \$3 billion or \$4 billion a year.

**Mr MIKE BAIRD:** I am not ruling anything in or out. We have started the discussion and we are now having it. This is the sort of public policy we should be talking about across New South Wales. It is the biggest challenge we face. Jay Weatherill has played an incredibly constructive role. Andrew Barr from the Australian Capital Territory, Colin Barnett and Will Hodgman are trying to progress this. Even though Annastacia Palaszczuk and Dan Andrews have different approaches, they are trying to be as constructive as possible. I put on the record my appreciation of Jay Weatherill and his approach, because we have an opportunity to do something very significant for our States and the country. The secretary has pointed out that there are some technical challenges with regard to imposing the GST on financial services.

**Mr COMLEY:** No GST system in the world taxes financial services other than general insurance, although many have wanted to do so. It is not as though it has been put in the too-hard basket. To apply the GST to financial services, one must estimate the margin on the service. While at times one can estimate the margin for a whole financial institution—the funding costs versus the revenue—it is difficult to allocate that to an individual service. That was considered when the GST was designed in 1997-98 and it was decided that it was not technically possible and too risky. Even if it could be done, every financial service would have to be taxed, which, of course, includes home mortgages. There would need to be a significant change in the taxation of home mortgages. That would be difficult. If they were to be carved out, we would end up with a much lower revenue yield than anyone has suggested in the debate.

**The Hon. ADAM SEARLE:** Are you aware of the view expressed by the Housing Industry Association [HIA] that if the GST were imposed on housing in New South Wales home ownership would be out of the reach of many people?

**Mr MIKE BAIRD:** I have not specifically heard the concerns expressed by the HIA. As part of this we must obviously engage with all stakeholders. We would have discussions with the HIA, which has been a very constructive stakeholder in New South Wales over the past few years. I am happy to take its concerns on board. We are a long way from reaching consensus, but I am encouraged that we are having a civil discussion. If it were introduced, we would have to be mindful of the impact more broadly on the economy. We would ensure that it was not an immediate cramp on the economy and consumption. We would have to consider the impact on housing as part of that. We would engage with the HIA as a stakeholder as part of the process.

**The Hon. ADAM SEARLE:** Are you aware that the total combined taxes, levies and charges can already be up to 44 per cent of the price of a new house and land package in Sydney?

**Mr MIKE BAIRD:** We are doing what we can. The biggest thing we have been able to do, which the HIA has supported, is finally build the infrastructure that it has desperately needed. The north-west sat undeveloped because the rail link that had been promised since 1988 was not delivered. People were waiting to provide housing, but the infrastructure never came. Not only are we building the metro to the north; we are also expanding the motorways and providing schools and hospitals. As I said, 61,000 new houses is a record—and records have been kept for 41 years.

**The Hon. ADAM SEARLE:** Are you aware that increasing the GST on new housing will dampen new construction activity and therefore possibly supply? That would be a problem, would it not?

**Mr MIKE BAIRD:** I think our track record speaks for itself.

**The Hon. ADAM SEARLE:** I understand that, but if the HIA's concerns are valid and the GST is increased by 50 per cent, which will impact on all the components involved in home construction, that could significantly dampen activity. That would be a problem, would it not?

**Mr MIKE BAIRD:** A number of things go into housing settings, and I have mentioned a number of the policies already. We doing everything we can to produce housing, and the results speak for themselves.

**The Hon. ADAM SEARLE:** Increasing the tax would not promote the provision of additional housing.

**Mr MIKE BAIRD:** It is a relatively small part of the overall cost of housing. I am not dismissing that concern; I am simply saying that it is something we could consider. Given the proposals, there is no way will get consensus across every industry and every stakeholder in the State. It does not mean we do not listen or that we are not cognisant of their concerns. We certainly would be in this instance. I can obviously discuss that issue with the HIA.

**The Hon. ADAM SEARLE:** The median house price has risen from about \$750,000 to almost \$1 million in the past year and the rate of home ownership among 25- to 34-year-olds has decreased by more than 20 per cent in the past 20 years. Where is your Government's housing affordability plan?

**Mr MIKE BAIRD:** I think 61,000 new houses speaks for itself.

**The Hon. ADAM SEARLE:** Despite those increases, the housing in Sydney continues to be more and more unaffordable. What level of supply do you believe will make housing in this city affordable? What do you define as "affordable"?

**Mr MIKE BAIRD:** The best thing we can do is to stick with what we have done over the past 12 months.

**The Hon. ADAM SEARLE:** But the price of housing keeps increasing.

**Mr MIKE BAIRD:** Recent statistics indicate that it has plateaued, and I am pleased about that. Some steam is coming out of the market, which is important. House prices increasing is a positive thing, but we do not want the situation to be unsustainable. The most recent data suggests that prices are plateauing, and that is a good thing for the market overall. However, the best thing that the Government can do is to continue to deliver supply, which is what we are doing.

**Dr JOHN KAYE:** Premier, in July 2014 your then Minister for the Environment said:

When it comes to clean energy, we can be Australia's answer to California.

That was Rob Stokes, whose career I think I have just wrecked.

**Mr MIKE BAIRD:** Say you like him.

**Dr JOHN KAYE:** Your Government's submission to the Federal Government's review of the renewable energy target in May 2014—you had recently become Premier at that point—starts with the following words:

The NSW Government is committed to a secure, affordable and renewable energy future for NSW.

That is entirely supportable. In light of those comments, what is the Government doing to address the loss of 8,000 gigawatt hours a year from the renewable energy target, which is likely to strip 2,600 hours of renewable energy in New South Wales?

**Mr MIKE BAIRD:** We are doing what we can. The Government supports renewable energy. We have been clear on that. We are doing it in a way that is in the interests of taxpayers and we are providing the frameworks to encourage it. We have taken a leadership position. The energy efficiency program across our properties has delivered significant benefits.

**Dr JOHN KAYE:** Approval is being sought at the moment for 5,456 megawatts of renewable energy. The Government has a low rate of approval for renewable energy projects, particularly in the wind industry. What are you doing about that, Premier?

**Mr MIKE BAIRD:** The Minister for Planning is considering that at the moment. I understand that there is a backlog in the planning system. On a positive note, as you would know, in western New South Wales a number of solar programs have been approved and are underway.

**Dr JOHN KAYE:** According to the Clean Energy Council, there are 27,771 direct jobs and another 63,727 related jobs waiting for approval from this Government. Do you think you are moving too slowly?

**Mr MIKE BAIRD:** I cannot agree with those statistics without having seen the analysis. I understand that a number of projects will provide a number of opportunities. That is taken into account in the Jobs for NSW initiative, which you might have seen us bring forward recently. Part of the challenge is to look at our competitive advantages and how we maintain them. We have handed out funds on a reactive basis; we want to be more proactive. We want to look at where the new jobs are and how we can support those sectors and industries. I would happily include renewable energy as part of that. Jobs for NSW will consider renewable energy as part of its overall approach. Technology companies are front and centre. Fintech maintains our competitive advantage and takes the technology industry in a new direction. Renewable energy is part of that.

**Dr JOHN KAYE:** Premier, you accept that your Federal Government colleagues are deeply hostile to renewable energy. They have slashed the renewable energy target. The Federal Treasurer talks about a wind farm being "offensive". The insecurity caused by the attitude of the Federal Government is making it difficult to finance large-scale projects in New South Wales, particularly wind projects. Do you have any plans to restore confidence to the wind industry, through the financing of the industry? Do you have any plans to compensate for the loss of the 8,000 gigawatt hours from the renewable energy target?

**Mr MIKE BAIRD:** The Federal Government has outlined a target and has a plan to meet it. You can disagree with the plan, but the Government is taking emissions reductions seriously.

**Dr JOHN KAYE:** To be clear, I am not talking about emissions; I am talking about renewable energy. I am talking specifically about the future of the renewable energy industry in New South Wales.

**Mr MIKE BAIRD:** Yes, but—

**Dr JOHN KAYE:** Direct Action will do nothing for wind energy in New South Wales.

**The Hon. TREVOR KHAN:** Let the Premier answer the question. You are cutting him off.

**Dr JOHN KAYE:** Let him answer the question.

**Mr MIKE BAIRD:** The point is that the target provides the overall framework for the renewable energy industry. There is a bipartisan position on that target but there are different approaches from both sides of politics on how to achieve it. One has to give credit to the Federal Government. It has agreed, with the Federal Opposition—

**The Hon. PENNY SHARPE:** It still does not agree on climate change.

**Mr MIKE BAIRD:** It has agreed. There is a renewable energy target. To return to the original question, the Minister for Planning is currently considering wind energy projects.

**Dr JOHN KAYE:** Are you prepared to sit back and let whatever comes out of Canberra happen to the renewable energy industry in New South Wales? Is that what you are saying?

**Mr MIKE BAIRD:** Look at the international approach. The best way to do it is on a national basis.

**Dr JOHN KAYE:** That would be true if the Federal Government were not hostile to wind technology, the most cost-effective renewable technology, and had not set out to sabotage it. That would be true if there were not a two-year review of the renewable energy target.

**The Hon. TREVOR KHAN:** Point of order: Dr Kaye is making speeches, not asking questions.

**Dr JOHN KAYE:** Thanks for that advice. Premier, do you accept that the hostile environment requires specific action in New South Wales?

**Mr COMLEY:** Wind farms will still receive renewable energy certificates under the renewable energy target, which is the primary financial assistance to wind farms in the system.

**Dr JOHN KAYE:** Mr Comley, are you seriously telling me that price will not be affected by reducing demand? I thought you were an economist.

**Mr COMLEY:** We could have a long debate about climate economics, if you wanted to.

**Dr JOHN KAYE:** I am not talking about climate economics; I am talking about a specific industry in New South Wales. You just told me that it does not matter if you reduce the demand for the product.

**Mr COMLEY:** I did not say that. The renewable energy target is increasing the demand for wind farms from the current level. It has not increased by as much as the previous target of 41,000 gigawatt hours, but it has still increased demand from the current level, which will support the financial viability of those farms.

**Dr JOHN KAYE:** The existing farms.

**Mr COMLEY:** And the new farms, because there is not enough renewable energy to meet the target.

**Mr MIKE BAIRD:** That is exactly what the Minister for Planning is considering.

**Dr JOHN KAYE:** Let us talk about the Minister for Planning. He is in charge of the wind energy guidelines, which are still in draft form. Will they remain in place? His predecessor referred to them as "the most stringent noise guidelines in the world". Is that what we will keep, here in New South Wales?

**Mr MIKE BAIRD:** The Minister for Planning is considering that as part of his remit.

**Dr JOHN KAYE:** So there might be some relief from those guidelines?

**Mr MIKE BAIRD:** I am not going to announce anything here. The good news is that he is considering the issues.

**Dr JOHN KAYE:** So far, you have given nothing to the argument that there is a significant challenge facing the wind industry in New South Wales. Is there a commitment from the New South Wales Government, at least in principle, to do something to help the wind industry to survive this difficult time?

**Mr MIKE BAIRD:** We are very supportive of renewable energy. I understand the concerns of the wind industry. They are being considered, as we speak, by the Minister for Planning.

**Dr JOHN KAYE:** I am supportive of the Sydney Swans, but that is not going to do them any good. Do you accept that hostility from the national Treasurer and the Prime Minister towards the technology will make it harder for new projects to obtain finance?

**Mr MIKE BAIRD:** No. There is an agreed renewable energy target, as the secretary has just outlined, that will increase demand. We have an opportunity within that framework. I think that there should be a national framework, and that is the point.

**Dr JOHN KAYE:** It will be reviewed in two years time.

**Mr MIKE BAIRD:** There is a national framework. We have an opportunity to consider that, and that is exactly what the Minister for Planning is doing.

**Dr JOHN KAYE:** I return, briefly, to the topic of special religious education classes. You intervened on the wording of the form because you wanted something to change. Was your motivation in doing so the decline in enrolments in special religious education?

**Mr MIKE BAIRD:** I cannot see how that falls within the scope of an estimates hearing. I am not sure in which part of the budget it appears. I think I have answered that.

**Dr JOHN KAYE:** You have not.

**The Hon. PETER PRIMROSE:** It falls under education.



**The Hon. BEN FRANKLIN:** Absolutely. Raise it with Minister Piccoli.

**CHAIR:** Mr Premier, there is still a lot of concern for the residents of that small village of Bulga. I am pleased that the planning Minister, Rob Stokes, has asked the Planning Assessment Commission to hold another review, this time giving equal weight to economic, environmental and social factors. Do you believe this could lead to some reduction in the mining threat to the village of Bulga?

**Mr MIKE BAIRD:** Obviously you have seen the action of the planning Minister. Importantly in this we have strongly held to an independent process. There are two sides to this debate, obviously. The mining industry is a critical part of the economy—with more than 20,000 direct jobs and more than 100,000 indirect jobs. It is a huge part of New South Wales. But at the same time you cannot override environmental or social considerations, obviously reflected in community. All of that needs to be weighed up. It will be done on the basis of the independent process that we have established. The public hearing gives people another opportunity to put their views.

**CHAIR:** I did raise this question earlier about the rehabilitation of mining sites. If a company goes bankrupt, is there any financial system or insurance arrangement whereby that rehabilitation would still be carried out or would the money be taken out of the royalties that the Government has received from the coal mining company?

**Mr MIKE BAIRD:** Well, what did the Treasurer say?

**The Hon. PENNY SHARPE:** Surely your staff can tell you that. They will have read her transcript.

**Mr MIKE BAIRD:** No, it is fine. Reverend the Hon. Fred Nile, you do not take that from royalties. Royalties are standalone. There are at times conditions put around it, but in the usual course of events, by its very nature, a mining licence would be given to companies of financial standing. I cannot think of too many examples where a mining company has gone broke and it has abdicated in regard to rehabilitation. By the nature of the safeguards I think there is enough there.

**Mr COMLEY:** It is also true, Chair, that many of the mines are required to put funds into bonds to cover rehabilitation. I am advised that at 30 June this year there was \$1.9 billion in security bonds against various mine sites across the State.

**CHAIR:** Is that voluntary or do you require that?

**Mr COMLEY:** No, they are typically not voluntary. It is a condition of the licence when they enter into them.

**CHAIR:** So there are funds available then?

**Mr COMLEY:** There are funds available.

**CHAIR:** Dealing with police and safety, congratulations to the Government on how it is handling and responding to terrorism threats and so on. Would you direct the Director of Public Prosecutions [DPP] to hand over all the documents relating to the Monis bail applications that the Coroner asked for? Apparently there is something that the DPP feels it must retain. It raises concerns about what is being hidden from the public and from the Coroner.

**Mr MIKE BAIRD:** We do not have the statutory ability to demand that that be handed across. Obviously we have huge sympathy with the families. If I was a family member I would want everything on the table. That is my personal preference. Obviously the DPP has a strong view on this matter and I have to respect that, despite the fact that my view would be that anything the Government has that can be put on the table should be put on the table. It is pretty clear. You cannot go through events like that and not learn. Already we are learning. We have taken some actions that I think are just common-sense measures, but my hope is that everything we can learn from this is learnt through this inquiry. Obviously anything we can do to make sure that does not happen again is my determination and priority. I can only imagine what it is like for the families and the hostage victims at the moment, seeing these events roll out. It would be incredible to try to understand how they are feeling. All of us were shaken by those events, but they were there and some families have lost someone forever. To see it replayed must be absolutely horrendous for them.

**CHAIR:** You mentioned your concern for the families. They are the ones that are asking for these papers to be handed over to the Coroner. Even though you cannot direct the Director of Public Prosecutions, would you have a private discussion with him or suggest to him that he should review his decision?

**Mr MIKE BAIRD:** We have sort of suggested that to the DPP.

**CHAIR:** It is not a good look at the moment.

**Mr MIKE BAIRD:** I understand their concerns; I really do.

**CHAIR:** The New South Wales Commissioner of Police has been outspoken, as you know, over the problems with the drug ice. He said something along these lines, "It could bring New South Wales to its knees." How is the Government responding to the ice epidemic?

**Mr MIKE BAIRD:** We have taken a range of measures. The feedback that I continue to get even within my local area command is that it is spiking. It is exponentially on the rise and it is causing devastation, so we have to take action and we are. The first thing we are trying to do is to ensure that the culture of taking ice and then hopping on the road is stopped. Hopefully that will make people think again about taking the drug. Drug testing is being significantly increased—indeed, tripled—up to 100,000 a year, which the Deputy Premier has announced. We have also tried to clamp down on those who are manufacturing and distributing by reducing the amount that people can be charged for. Reducing the amount they can hold means that they can face significant penalties. We are also trying to track pseudoephedrine and who is using that. We have introduced a whole range of measures. Three centres have been established to ensure that people who want to get off ice are supported. That is an important part as well.

Nationally it is now part of the Council of Australian Governments [COAG] agenda. We had a presentation from Ken Lay who has been charged with this and who obviously brings great front-line experience from his role as commissioner of Victoria. A number of initiatives have been considered in addition to what we are doing. Our next step is to coordinate with what is happening nationally. I can assure you, Mr Chair, that anything we can do to curb ice we will, because it is becoming an absolute scourge.

**CHAIR:** Thank you. Moving on to tourism, the budget for Destination NSW shows a forecast \$10 million loss; is that correct? If so, what is the reason?

**Mr MIKE BAIRD:** I think that related to timing of payments. I can get the details for you.

**CHAIR:** There had been a delay in payments to the department?

**Mr MIKE BAIRD:** Correct. I will get that confirmed.

**CHAIR:** And Destination NSW is now part of the Department of Premier and Cabinet. Is there any reason for that transfer?

**Mr MIKE BAIRD:** Structurally, international trade and investment has come into the Department of Premier and Cabinet cluster, so Destination NSW makes sense as part of that.

**Mr COMLEY:** It is still an independent body. It is just that it sits within the Premier and Cabinet cluster because the policy agency function moved into the Department of Premier and Cabinet. If you move a function that has a statutory body hanging off it, it moves into the cluster but it still operates as an independent entity with an independent board and decision-making.

**CHAIR:** Good. According to what I have been able to discern, there has been a drop in visitor numbers in recent years. Is that correct?

**Mr MIKE BAIRD:** I think it plateaued for a couple of years but then it has gone up. I do not know whether I have them.

**CHAIR:** What is the current situation? And if there is a decline, what is the reason for the decline?

**Mr COMLEY:** I have seen the numbers. I think the Premier is right—they have gone back up.

**Mr MIKE BAIRD:** It has definitely gone back up. In 2011 the figure for international visitors was 2.6 million and that has gone up to 3.1 million, so it is pretty strong growth. And for overnight stays, which might be what you are talking about—basically, day trips into New South Wales—the figure was 76.9 million, 80 million, 81 million then 80 million, so it plateaued. But then it was up to 83.5 million last year. From when we came in, it has gone from 76 million up to 83.5 million now. Obviously there is a significant focus in terms of international; there is obviously a lot of spend in relation to that. The day trippers, the overnights and the international are all significantly increasing.

**CHAIR:** Do you agree though that it is very important for the economy and for jobs?

**Mr MIKE BAIRD:** It is huge; it is a very significant part.

**CHAIR:** We will move on to the Hon. Adam Searle.

**The Hon. ADAM SEARLE:** Premier, what sanction does a Minister face if they do not include a meeting when they publish a ministerial diary? Is that grounds for dismissal or resignation and what policies are around that?

**Mr MIKE BAIRD:** It would depend on the circumstances. Everyone can make a genuine mistake. What is the circumstance you are talking about?

**The Hon. ADAM SEARLE:** I was just asking the question. In March of last year the former Premier and Minister for Western Sydney announced the relocation of 3,000 public sector work positions to Western Sydney to boost the regional economy. Can you tell us how many of those jobs have now been transferred to Western Sydney?

**Mr MIKE BAIRD:** There is good progress on it. I am happy to take it on notice to give you an actual number or an estimate of the actual number.

**The Hon. ADAM SEARLE:** The Community Relations Commission was meant to move, I think, to Liverpool and I do not think it has. The Ambulance Service was going to move from Rozelle to North Parramatta but I do not think it has. Sport and Recreation was meant to move from Olympic Park to Penrith and, again, I do not think it has. The Office of Environment and Heritage was supposed to move from the Sydney CBD and Hurstville to new co-located premises in Parramatta and I do not think that has happened. When you take these questions on notice can you provide those details and match it with the original announcement?

**The Hon. PENNY SHARPE:** Premier, could you also take on notice the number of jobs that have moved from Western Sydney into the CBD over that period as well—public sector positions that have moved in across every department?

**Mr MIKE BAIRD:** Sure.

**The Hon. ADAM SEARLE:** Premier, are you aware that UrbanGrowth, which I think is a State-owned corporation, is offloading a lot of its property portfolio in western and south-western Sydney in line with its transition out of greenfield development, which is its most profitable arm of business? Are you aware of that?

**Mr MIKE BAIRD:** UrbanGrowth offloading?

**The Hon. ADAM SEARLE:** It is offloading its property portfolio in western and south-western Sydney because it is transitioning out of greenfield development in favour of major urban transformation. Greenfield development is where its most profitable business is presently, is it not?

**Mr MIKE BAIRD:** By its nature that would be right.

**The Hon. ADAM SEARLE:** At the moment UrbanGrowth provides a pretty healthy return to the State as well as engaging in its important activities. You would accept that?

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** Which means that the profits that would come from developing the sites it currently has in western and south-western Sydney will now be denied to UrbanGrowth and to the greater public sector in favour of private developer interests that will now take over those sites in western and south-western Sydney. So you are basically privatising the profits that would otherwise come to UrbanGrowth.

**Mr MIKE BAIRD:** Does that make any sense? I cannot work out what you are saying.

**The Hon. ADAM SEARLE:** It does. At the moment they own a lot of property that they would otherwise develop for housing.

**Mr COMLEY:** But if they sell those assets and get a return on those assets—

**The Hon. ADAM SEARLE:** They are selling them undeveloped.

**Mr COMLEY:** But, in a sense, the value of the land is what the uplift or developer does. So the proposition that you lose money in selling them—

**The Hon. ADAM SEARLE:** I am not saying you lose money; you do not get the profits that would otherwise come through going through the development process.

**Mr COMLEY:** But you would have to form a proposition then that the developer is not prepared to pay or a competing developer is not prepared to pay for the uplift available from that land. I personally cannot see how that is a loss of value to the State. It is just a question of whether they are the best people, the developer or another developer.

**The Hon. ADAM SEARLE:** If they retain the property they get a bigger return from the asset, which of course would be in favour of the State, and you are preferring developer interest in this case, are you not?

**Mr COMLEY:** Only if they are a more efficient developer than another developer.

**Mr MIKE BAIRD:** Are you saying the State Government should become a property developer?

**The Hon. ADAM SEARLE:** It already is. UrbanGrowth already is a property developer.

**Mr MIKE BAIRD:** It facilitates it.

**The Hon. ADAM SEARLE:** But it also does it as well.

**Mr MIKE BAIRD:** There is a strategy to get out of the greenfield, yes.

**The Hon. ADAM SEARLE:** But in this case you are handing to the private development industry quite a lucrative line of business by doing that.

**Mr MIKE BAIRD:** You are market selling through a competitive process land that they then have the capacity to develop in accordance with the planning provisions that are available to them.

**Mr COMLEY:** And also have to bear the risks.

**The Hon. TREVOR KHAN:** And spend the money in the development process as well.

**Mr COMLEY:** Yes.

**The Hon. ADAM SEARLE:** Premier, the Independent Pricing and Regulatory Tribunal [IPART] conducted an ethanol review this year. Did you, as Premier, initiate that review?

**Mr MIKE BAIRD:** Yes, we have. We have asked IPART to consider that.

**The Hon. ADAM SEARLE:** Under the Independent Pricing and Regulatory Tribunal Act, the tribunal is required to give notice of any investigation in a newspaper. Was a notice placed in any newspaper for the ethanol review? If so, which paper and on what date?

**Mr MIKE BAIRD:** I am not sure. That is a question for IPART.

**The Hon. ADAM SEARLE:** We did ask for you to bring people from IPART to this estimates hearing and you declined to do so, so I am asking you.

**Mr MIKE BAIRD:** That is fine; I can take that on notice, but there is no secret. It is a review that is being done.

**The Hon. ADAM SEARLE:** The IPART legislation also states that IPART reports are to be made public and to give details and timings of how this is to be done. Why has the ethanol report not been made public?

**Mr MIKE BAIRD:** It is not yet complete.

**The Hon. ADAM SEARLE:** So you are saying IPART has not provided to you as its Minister the completed report on ethanol?

**Mr MIKE BAIRD:** They are doing some additional work.

**The Hon. ADAM SEARLE:** So they have provided you with that report.

**Mr MIKE BAIRD:** They have provided a preliminary report.

**The Hon. ADAM SEARLE:** Why have you not released the preliminary report?

**Mr MIKE BAIRD:** Because there is still some more work to do.

**The Hon. ADAM SEARLE:** Section 21 of the IPART Act also says IPART must make submissions and documents available to the public. Why was that not done in relation to the ethanol report?

**Mr MIKE BAIRD:** I am not sure. I am very happy to take that on notice if that is, in fact, the case.

**The Hon. ADAM SEARLE:** Are you able to tell us which stakeholders were consulted in the course of the review?

**Mr MIKE BAIRD:** Again, I am happy to take that on notice and ask IPART to respond.

**The Hon. ADAM SEARLE:** Can you tell us how stakeholders were selected to participate in the review?

**Mr MIKE BAIRD:** Again, I am happy to take that on notice. There are no secrets here; we have asked them to consider ethanol in this State.

**The Hon. ADAM SEARLE:** Can you tell us why there was no invitation for public submissions to be made in connection with this review?

**Mr MIKE BAIRD:** Again, it is a question that I am happy to ask IPART. My understanding is that there is also a capacity for them to do work for government in terms of various analyses that might be required.

**The Hon. ADAM SEARLE:** But in the usual course they will advertise a review and they will invite public submissions as well as submissions from identified stakeholders. This does not appear to have occurred in the present case. I am just trying to understand why that is the case, considering your government refuses to enforce the existing ethanol mandate.

**Mr MIKE BAIRD:** As I said, I think there is a capacity for IPART to do work for government. I am not sure under what provisions this was done, but we can find that out for you. There is nothing secret. If your question is will the report be made public—which I guess is what you are getting to—of course, it will.

**The Hon. ADAM SEARLE:** When?

**Mr MIKE BAIRD:** It has to be done first.

**The Hon. ADAM SEARLE:** But, Premier, you are the person who asked IPART to do this work. You gave them a reference under the Act. Is that correct?

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** So you would know, because you signed off on the terms of reference, whether this was supposed to be a secret process rather than an open and public process. Is that correct?

**Mr MIKE BAIRD:** As I say, there is no secret.

**The Hon. ADAM SEARLE:** I will phrase the question this way: Why did you not ask IPART to conduct this review in an open and transparent way so that all those who are interested in the wider public knew about it and could participate in it fully?

**Mr MIKE BAIRD:** As I said, and I am happy to check the provisions, there is a capacity to ask IPART to do some bespoke work for government in terms of some analysis. I can check whether this sits within those provisions or broader provisions, and that can probably answer all your questions. But the fact of the matter is that we have asked them to do some work in relation to the ethanol mandate and they will be providing that back and we are very happy to make that report public. There is nothing to worry about; you will be able to read it.

**The Hon. ADAM SEARLE:** That does not answer my question, which was: Why did you approach the task in this way? Assuming what you have said is correct, why did you ask IPART to undertake the work in that way rather than through an open and transparent process of public consultation?

**Mr MIKE BAIRD:** There are many things that governments will consider. The Secretary took a view in relation to modelling of the fiscal gap to seek some—

**The Hon. ADAM SEARLE:** But you did not ask IPART to do it.

**Mr MIKE BAIRD:** —some external advice, but he did not tell you about it. Governments will do that. But in relation to this matter, if your concern is whether the report be made public, yes, it will.

**Mr COMLEY:** If I might add, my recollection is that IPART inquired into this same issue, I think within the past two years.

**The Hon. ADAM SEARLE:** Yes, in fact it was mentioned at estimates last year on a slightly different issue.

**Mr COMLEY:** For public submissions then, and I think IPART would have formed a judgement that there was nothing to stop it going out for public submissions. But what it is mainly trying to do is update its information about the evolution of the market, since it had received all the information previously. There was nothing to limit it going more broadly, but what it was trying to do was to update the comprehensive piece of work it had done two years ago.

**Mr MIKE BAIRD:** And in that piece of work, from memory, it suggested that it was able to make only limited findings, given the limited amount of time that it spent. So it was almost, if you like, an inbuilt request for additional time on this particular topic.

**CHAIR:** You have some questions on notice.

**Mr MIKE BAIRD:** Yes, that is fine.

**The Hon. ADAM SEARLE:** Premier, I am happy for you to take this on notice as well. Can you tell us why some participants were able to put submissions to IPART in this review, while others were simply asked to respond to a list of questions? Can you enlighten us, either now or on notice, as to why IPART has gone about its job in that way?

**Mr MIKE BAIRD:** I think it just goes to the broader question of under what provision. So, as part of the request we are happy to take that on notice.

**The Hon. ADAM SEARLE:** What is the time frame for the completion of this report?

**Mr MIKE BAIRD:** As soon as possible.

**The Hon. ADAM SEARLE:** So you do not have an estimated time frame at all?

**The Hon. SCOTT FARLOW:** How long is a piece of string?

**The Hon. ADAM SEARLE:** I acknowledge that interjection. Is this how it is going to be?

**The Hon. PETER PRIMROSE:** That is why we asked for IPART representatives to be here today and we were turned down.

**Dr JOHN KAYE:** That is why they are not here today.

**Mr MIKE BAIRD:** No it is not.

**The Hon. PETER PRIMROSE:** Why did you not allow them to come?

**Mr MIKE BAIRD:** It is fine; we will get answers to your questions.

**The Hon. PETER PRIMROSE:** Why did you not allow representatives of IPART to be present here today to inform you, if you do not know?

**Mr MIKE BAIRD:** In terms of those specific questions I said I am happy to take them on notice.

**The Hon. TREVOR KHAN:** As he is entitled to do.

**The Hon. ADAM SEARLE:** I am asking the questions. So you do not know when the review will be completed. Do you have an estimated time frame? Is it by the end of the year?

**Mr MIKE BAIRD:** That is my expectation, yes.

**The Hon. ADAM SEARLE:** At what point will you release the additional work? I think you said there is an initial report to you and now it is doing some additional work. Is that going to comprise a separate report or is it going to be in a consolidated report, do you know?

**Mr MIKE BAIRD:** You will have a consolidated report to read.

**The Hon. ADAM SEARLE:** By the end of the year?

**Mr MIKE BAIRD:** That is the expectation.

**The Hon. ADAM SEARLE:** Do you expect that that is when you will make it public?

**Mr MIKE BAIRD:** That would be my expectation.

**The Hon. ADAM SEARLE:** Or do you think you will examine it before you release it?

**Mr MIKE BAIRD:** Of course I will want to examine it.

**The Hon. ADAM SEARLE:** We still have not had any satisfactory answer as to why this review is being conducted out of the public gaze, which I would like to have an answer to.

**Mr MIKE BAIRD:** I have answered that.

**The Hon. BEN FRANKLIN:** The Premier has taken all these questions on notice.

**The Hon. ADAM SEARLE:** The reference that you have made to IPART, will you make that publicly available so that we can see what the reference was?

**Mr MIKE BAIRD:** We will release the report.

**The Hon. ADAM SEARLE:** I am asking a different question. I am asking you: Will you release to the Committee the reference you gave IPART so we can see the terms on which you gave IPART its work to do?

**Mr MIKE BAIRD:** I do not quite get what your conspiracy theory is built on because, if you are so concerned about this, you are going to be able to read every word. The report is available to you and everyone across New South Wales. There is a simple request and there is nothing here. The simple request is—

**The Hon. ADAM SEARLE:** My simple request is: Will you release the reference that you gave IPART so that we can see what you asked it to do and how you asked it to do it?

**The Hon. BEN FRANKLIN:** Point of order: The Premier is trying to answer the question.

**The Hon. ADAM SEARLE:** With respect, the Premier is fencing.

**The Hon. BEN FRANKLIN:** To the point of order: The honourable member continues to interject and interrupt the Premier as he is making perfectly valid points. I ask that the Premier be allowed to continue and to complete his answer in silence.

**Mr MIKE BAIRD:** The ethanol mandate is running below mandated levels so the question is: How do we increase that? And that would be something you might ask IPART to consider.

**The Hon. ADAM SEARLE:** You could start by enforcing the mandate. Premier, this is a simple question.

**Mr MIKE BAIRD:** We are happy to release the report.

**CHAIR:** The report would normally state the terms of reference at the beginning of the report, would it not, why it was doing it?

**Mr MIKE BAIRD:** Yes.

**The Hon. PETER PRIMROSE:** Why the problem? Why not release the terms of reference now?

**Mr MIKE BAIRD:** As the Chair said, the expectation is that it is included as part of the report.

**The Hon. PETER PRIMROSE:** Why the secret?

**Mr MIKE BAIRD:** There is no secret.

**The Hon. PETER PRIMROSE:** Well, release them.

**Mr MIKE BAIRD:** We are releasing the report.

**The Hon. PETER PRIMROSE:** Release the terms of reference.

**Mr MIKE BAIRD:** My understanding is that the terms of reference are part of the report.

**The Hon. PETER PRIMROSE:** Talk about being evasive.



**Dr JOHN KAYE:** You are aware that the National Australia Bank [NAB] has withdrawn financial support or is declining financial support, to the Adani mine in Queensland.

**Mr MIKE BAIRD:** I saw the article in the paper. I think it said it was not participating in it.

**Dr JOHN KAYE:** Not participating in it. Do you think that sends a signal about the coal industry and its future?

**Mr MIKE BAIRD:** I do not think my role is to comment on National Australia Bank's lending policies but really, the only conclusion I can draw is that it is not participating in that facility. There could be a range of reasons as to why it is not participating in that particular facility.

**Dr JOHN KAYE:** In your mind will this State still be mining coal in 50 years?

**Mr MIKE BAIRD:** That would be my expectation.

**Dr JOHN KAYE:** Can we go to the electricity privatisation or the long-term lease—

**Mr MIKE BAIRD:** We have done this for a while, the electricity privatisation. It is nice to do it again.

**Dr JOHN KAYE:** We have, and in your case from both sides; in my case, only from one side.

**The Hon. ADAM SEARLE:** At least he has the benefit of consistency.

**Dr JOHN KAYE:** I do; he does not. Premier, I ask you about the Asset Recycling Fund. That is \$2 billion, 10 per cent of your proposed total recycling Infrastructure NSW spend coming out of the Asset Recycling Fund [ARF]. Do you have legal advice that the Federal Treasurer can provide you with that \$2 billion in the absence of legislation going through the Senate?

**Mr MIKE BAIRD:** We have had advice from the Federal Government that that is the case, yes.

**Dr JOHN KAYE:** You have had it from the Federal Government. You do not have your own independent advice on that?

**Mr MIKE BAIRD:** It is a pretty sad state of affairs if a State Government starts taking legal advice on verbal confirmation from the Federal Government.

**Dr JOHN KAYE:** I was not asking legal advice on verbal confirmation; I was asking whether you have legal advice on \$2 billion.

**Mr MIKE BAIRD:** But I am saying that if the Federal Government tells me that it is going to write a cheque for \$2 billion, I am taking that at face value.

**Dr JOHN KAYE:** Did it put that in writing to you?

**Mr MIKE BAIRD:** Yes, it has been published.

**Dr JOHN KAYE:** It is in writing that it will give you \$2 billion?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** Can we go to the issue of the Foreign Investment Review Board's [FIRB] review of potential participants in the leasing process? One of the most famous of those participants, of course, is State Grid from China. You are aware that a number of concerns have been raised about the ownership or the control over New South Wales grid by a company that is wholly owned by a government that is not democratic?

**Mr MIKE BAIRD:** I think it is unfortunate to wind back the clock to the last 10 days of the election, where we saw, I think, an appalling campaign that was run that was xenophobic in the extreme and the concerns

that were raised were wrapped up in the pretence that they were security matters. They were not security matters at all.

**Dr JOHN KAYE:** Are you impugning my question here?

**Mr MIKE BAIRD:** No.

**Dr JOHN KAYE:** Could you answer my question?

**Mr MIKE BAIRD:** Coming back to the question, when this was raised in that environment, my response then, as my response now, is that those matters are dealt with by FIRB. Part of the obligation and function requirement of FIRB is to consider, in the national interest, anyone who has come to make an investment in Australia, that it is in the national interest. And that would obviously consider, as part of that, any security concerns that may well exist.

**Dr JOHN KAYE:** The Foreign Investment Review Board [FIRB] might, for example, insist that two members of the board of the entity to which the lease is written are Australian citizens with security clearance. Would that lower the asset value?

**Mr MIKE BAIRD:** Our job is to let FIRB do its job. It is a matter for FIRB what it thinks is required to protect the national interest or to ensure that anyone bidding does so. This is not a value proposition; this is about appropriate investments. On your point, security concerns should be addressed however they need to be addressed, if, in fact, they can be addressed. If someone could not satisfy security concerns and were not allowed to bid, then they should not be.

**Dr JOHN KAYE:** Are you entirely outsourcing the security implications of a foreign non-democratic government having control of our power grid to FIRB?

**Mr MIKE BAIRD:** To the body that is charged with that responsibility in this country.

**Dr JOHN KAYE:** Which is?

**Mr MIKE BAIRD:** The FIRB.

**Dr JOHN KAYE:** So the answer is yes, nobody in New South Wales is going to turn their mind to any potential security implications?

**Mr COMLEY:** The FIRB obviously is informed by all the other elements of the Commonwealth Government that have an interest in security. So the FIRB is informed by all the intelligence available to the Federal Government who are the most expert in the field to protect the national interest on security matters. We do not have that architecture in New South Wales.

**CHAIR:** The Commonwealth has the resources to do that but you do not?

**Mr COMLEY:** It is just a matter of fact where you allocate these resources. Obviously we have people who concern themselves with counterterrorism issues in the police, but in terms of security intelligence that is a Federal responsibility.

**Dr JOHN KAYE:** Transgrid owns a substantial fibre optic network. Is that part of the transaction?

**Mr MIKE BAIRD:** Yes, it is.

**Dr JOHN KAYE:** And that fibre optic network, correct me if I am wrong, provides communication services to New South Wales government departments.

**Mr MIKE BAIRD:** That could well be the case.

**Dr JOHN KAYE:** It certainly does to the Commonwealth Government, or it will shortly, as it is being extended into the Australian Capital Territory, and it will to Commonwealth government departments. Are you

concerned about a critical component of the communication system, for example, for police, industry and commerce, being in the hands of a foreign non-democratic government?

**Mr MIKE BAIRD:** It comes back to the answer, and obviously it is a hypothetical, that any company that may be participating in this process and wanted to be successful would have to satisfy the body charged with the responsibility in this country that security interests were mitigated or there were none, and obviously it would be approved and allowed. Unless you are arguing that you do not think FIRB is in the position to make that decision?

**Dr JOHN KAYE:** I am not arguing anything at all. I am just asking you questions and you are answering. You are imputing argument but I am just asking questions. Are you concerned? Do you lose sleep over what is happening on the Chinese stock market and, more fundamentally, what is happening to the Chinese economy in terms of your plans to reap \$13 billion or thereabouts out of the leasing of most of the electricity industry?

**Mr MIKE BAIRD:** There are a number of elements. The impact of China more broadly on the economy is something that I think we should be focussed on, and I do have some concerns on where that is going. It is a reason as a government you cannot lose focus on those sorts of events because very quickly they could have a big impact on our capacity to deliver what we need to deliver. So that is something I am very conscious of and I am spending a bit of time on. In relation to your question on what that does in a market dislocation, accordingly meaning less attractive bids for the lease, it is actually the inverse. Because what the volatility is doing at the moment is actually heightening asset managers' interests in defensive-style assets. What you are seeing in terms of where interest rates are, where yields are at, these sorts of assets in that environment are very, very attractive.

So I am not disputing that there may well be an impact in terms of the cost-of-debt figures. But people will not necessarily respond to events right now. They will take a long-term view on that, potentially, on the cost of equity. But as a whole, it actually makes these assets more attractive. I think there is a lot of interest, there is a lot of competitive tension, and I think that genuinely this is an incredible opportunity for the State. Everything is lined up, notwithstanding a bit of market dislocation at this point.

**Dr JOHN KAYE:** That is exactly what Eric Roozendaal said.

**Mr MIKE BAIRD:** Well, that does worry me. I hope the results are a bit better than that one.

**CHAIR:** I note in the budget papers \$600,000 has been set aside for the Veterans' Employment Scheme to employ veterans within the public service. What is the response to the scheme? How many veterans have been employed?

**Mr MIKE BAIRD:** Yes, it was very well received by the sector. I am not sure we have the actual number.

**Mr COMLEY:** I have not got the numbers. My understanding is we are still finalising the details of how we will reach out to the veterans' community. In the first instance, it is really moving to raise awareness of the opportunities.

**CHAIR:** But the scheme is available?

**Mr COMLEY:** Yes, that is right. There are clearly veterans with very relevant skills for the sector we will reach out to. I am happy to take on notice if there are specific numbers. I do not think they have flowed through from that scheme yet.

**CHAIR:** I note you have allocated \$15.7 million to complete the construction of an education and interpreting centre within the Anzac memorial at Hyde Park, for which I congratulate you. Do you have a plan to employ some veterans in the centre? If so, how many?

**Mr MIKE BAIRD:** I do not think there is a specific plan but obviously they would be welcome. That is a very good initiative which I will put to the trust as a very appropriate idea. We will take that forward.

**CHAIR:** There has been a lot of controversy following the heavy rain in New South Wales and what to do with the white elephant desalination plant, which I understand costs \$500,000 each and every day. Do you have plans to avoid that cost or what is in the contract?

**The Hon. PENNY SHARPE:** El Niño is coming; you had better be careful.

**Mr MIKE BAIRD:** On its face value it is an unbelievable waste of money. But when you roll into it the facts—I do not think that the former government did many things right but in the position it was in, it was a pretty challenging time with just over 30 per cent or effectively four years' water supply for a city. A global city being in a position that its water supply could go was untenable, clearly. We were arguing at the time in terms of recycling, which was a more expensive proposal than a desalination plant. The context of that decision is effectively that the former government took out an insurance policy. Today Warragamba is 100 per cent full, so we do not really need it. As you are paying the money it seems wasteful, but thinking in the context as an insurance policy if we are ever in a position where we were or worse, we have the capacity to provide water. I think it is a policy that, on balance, was probably the right thing to do at that time.

**CHAIR:** I commend you for your infrastructure building program. Is there a strong commitment to ensure that when you are granting tenders priority is given to local providers and suppliers, in particular, in New South Wales?

**Mr MIKE BAIRD:** Yes, we do. We discussed that a bit earlier. The procurement policy is that they must put in a plan for the local economy benefit. For the larger projects there is a request in relation to, specifically, the provision of apprentices and the education legacy. That involves asking them to engage with local TAFEs and universities to ensure that the skills that are being learnt on the projects are being spread far and wide, not just to the youth coming through who are participating but also to spread that wider. We are learning from the incredible opportunities to build the infrastructure and providing future employment opportunities for them off the back of it.

**CHAIR:** We commend you for the Restart NSW program and the \$400 million for the Housing Acceleration Fund; however, are funds being allocated for transport infrastructure to connect new homes to Sydney Rapid Transit for jobs and education?

**Mr MIKE BAIRD:** A big part of it has gone into local roads—more than 80 per cent has gone into local roads. Around the airport we have Bringelly Road, the M7 and Northern Road.

**The Hon. PENNY SHARPE:** You need to ask the deity.

**Mr MIKE BAIRD:** Who is the deity?

**The Hon. PENNY SHARPE:** Duncan the Deity. He would be able to tell us all this.

**Mr MIKE BAIRD:** I think that is an appropriate term. Camden Valley Way is a good example where housing was locked back but the widening of it has made people more confident that they can absorb the growth and traffic that comes with housing estates. Those funds have been used to deliver the transport infrastructure, and in particular the road transport infrastructure, that is needed to facilitate it.

**CHAIR:** I assume you will keep monitoring that situation as time goes on?

**Mr MIKE BAIRD:** We certainly will.

**CHAIR:** That brings us to the end of our allocated time. I thank you and the secretary of the department for your attendance. You have 21 days to provide answers to questions taken on notice. Some other questions may be forwarded to you from the Committee. Thank you, Premier. I wish you all the best for the future.

**Mr MIKE BAIRD:** Thank you, Mr Chair. Thank you, everyone.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**