

Rev Fred Nile MLC
Special Purpose Standing Committee No.1
Budget Estimates Secretariat
Room 812, Parliament House
Macquarie Street
SYDNEY NSW 2000

Our Ref: G08/02560

Dear Sir / Madam

I refer to my appearance before General Purpose Standing Committee No.1 in relation to the supplementary hearing into Budget Estimates 2008/2009.

As required, following are answers to those questions taken on notice during the hearing as well as additional questions received on notice after the hearing.

If you require any additional information, please contact Cees Anthonissen – Office Manager on 9228 5451.

Yours sincerely

Joe Tripodi
Minister for Finance
Minister for Infrastructure
Minister for Regulatory Reform
Minister for Ports and Waterways

FINANCE, INFRASTRUCTURE & REGULATORY REFORM

Questions taken on Notice during hearing

QUESTION 1

Mr RONSISVALLE: The Government has a wages policy funding 2½ per cent wage increases.

The Hon. GREG PEARCE: The risk is that the increases are higher? Is that the risk?

Mr RONSISVALLE: That is a potential risk, yes.

The Hon. MATTHEW MASON-COX: A very significant risk.

The Hon. GREG PEARCE: What have you allowed for that risk in terms of dollars going forward in the budget?

Mr RONSISVALLE: Most of the wage agreements have now been locked in.

The Hon. GREG PEARCE: So it is not a risk?

Mr RONSISVALLE: There are some outcomes that are above in terms of

The Hon. GREG PEARCE: What have you allowed for those outcomes?

Mr RONSISVALLE: I am not familiar with the all the numbers.

The Hon. GREG PEARCE: Would you take that on notice and give us the numbers?

Mr RONSISVALLE: Yes.

ANSWER

I'm advised:

The mini budget recognises a number of risks to the budget. In respect of the wages policy the government has agreed to fund 2.5% in the budget. Increases in addition to this amount will have to be met by agencies through productivity improvements.

QUESTION 2

Mr RONSISVALLE: If I recall the Health area went over budget in net terms by around \$300 million last financial year. To turn the Health system around to recover that amount of money is not a task that can easily be taken on so there needs to be some allowances for a carrying over in the next financial year.

The Hon. GREG PEARCE: What have you allowed for the carry over?

Mr RONSISVALLE: I am not familiar with the exact numbers.

The Hon. GREG PEARCE: Will you take that on notice and provide the committee with the exact numbers?

Mr RONSISVALLE: Yes.

ANSWER

NSW Health has advised that the carry over impact of the 2007-08 budget overrun into 2008-09 is expected to be approximately \$100 million. This estimate recognises that part of the 2007-08 result related to one-off impacts, and also that the department is taking a range of measures to reduce the flow-on impact. Treasury factored this risk into the recent mini-budget process.

QUESTION 3

Mr SCHUR: I cannot give you specifics but the divestment of those sites would be dealt with as part of the overall energy strategy and transactions are not separate from that, which is why there would not be a specific role for State Property in regard to that. As to who owns the specific sites, I am not certain but I can only presume they would be the existing publicly owned generators. We can get back to you on the details.

CHAIR: Yes, because if you are going to sell the sites you must own the sites.

Mr SCHUR: Yes.

CHAIR: And the sites must exist.

Mr SCHUR: Yes, they do. I just am not certain of the specific agency that owns the sites.

CHAIR: Do you know where the sites are specifically?

Mr SCHUR: I do not know.

CHAIR: Could you take that on notice to inquire about that?

Mr SCHUR: Yes.

ANSWER

I'm advised:

There are five (5) potential generation sites at different stages of the development application approval process. These are:

- 1) Tomago
- 2) Colongra
- 3) Bamarang
- 4) &5) Marulan (2 sites).

QUESTION 4

The Hon. GREG PEARCE: Mr Schur, going back to the growth centres and the developer levies, when the Treasury did its review last November was any

modelling undertaken to establish what an appropriate amount of levy would be to provide necessary infrastructure for those growth centres?

Mr SCHUR: That modelling was done previously at the time that the growth centres were established, and it precedes me. Essentially the full infrastructure cost associated with development in the growth centres was included in the calculation of the original levy, which was \$33,000 per lot. That was based on some financial modelling. There was also some assessment done as to the cash flow of those funds based on some assumptions about take-up. Obviously that has been revised in the current property climate.

The Hon. GREG PEARCE: Was that Treasury modelling and cash flows? Who prepared it?

Mr SCHUR: That would have been done by the Growth Centres Commission at the time in consultation with Treasury.

The Hon. GREG PEARCE: And Treasury would have that material?

Mr SCHUR: Yes.

The Hon. GREG PEARCE: Could you take on notice providing to the Committee a copy of that material of the modelling, cash flows and assumptions?

Mr SCHUR: Yes.

ANSWER

I'm advised that the Crown Solicitor has advised that Committees do not have the power to order the production of documents.

QUESTION 5

The Hon. GREG PEARCE: How did you derive the changes last November if you did not do further modelling at that time?

Mr SCHUR: Different types of modelling were done in the lead-up to the announcement in November 2007 and that was to assess whether all the various levies that confront developers—local levies, State levies utility levies—some analysis and assessment was done as to whether, on one hand, it was likely to be commercially viable for developers to continue to develop in some areas and, on the other hand, to assess whether it was appropriate that some elements of the levy were actually paid for by developers as opposed to by taxpayers. The key principle around which the reforms were determined were whether the infrastructure was needed by the development, and if the answer to that was no, a decision was made to extract that aspect of the levies from the levy calculation—insofar as the State levies were concerned.

The Hon. GREG PEARCE: Were you responsible for that assessment?

Mr SCHUR: I was responsible for coordinating it.

The Hon. GREG PEARCE: So there is a report, or something along those lines?

Mr SCHUR: Yes.

The Hon. GREG PEARCE: Would you mind taking on notice providing a copy of that report to the Committee as well?

Mr SCHUR: Sure.

ANSWER

I'm advised that the Crown Solicitor has advised that Committees do not have the power to order the production of documents.

QUESTION 6

The Hon. GREG PEARCE: That is in addition to the 4.4 per cent growth which was included in the original budget papers?

Mr RONSISVALLE: Yes. Table 4.5 clearly shows that the expenses in the mini-budget are higher than what was in the budget papers in June—

The Hon. GREG PEARCE: Which already included 4.4 per cent?

Mr RONSISVALLE: Yes. If you turn to page 4.4-1, you can see that the forward estimates period expenses are now expected to go up by 4.9 per cent per annum, compared with the 4.5 per cent per annum that was in the budget papers.

The Hon. GREG PEARCE: The original base increase was from when—from the previous budget papers?

Mr RONSISVALLE: That 4.5 per cent would have been calculated on the estimated results for expenses in 2007-08 going through to forward estimates. The 4.9 per cent is calculated on the actual expenses that were incurred in 2007-08.

The Hon. GREG PEARCE: We have an extra \$7 billion there. Then you have listed a number of dot points, which total about \$3 billion, including superannuation and the extra Federal funds. So, net we have a \$4 billion growth there. Is that an accurate summary?

Mr RONSISVALLE: I did not do the mathematics of this. Will take that on notice.

The Hon. GREG PEARCE: Then we say that the measures in the mini-budget have resulted in a saving of expenses of \$3.3 billion. So, all up, expenses would have gone up by \$10.3 billion if you had not had that saving?

Mr RONSISVALLE: To be honest, the mathematics of that does not sound completely correct. But there are—

The Hon. GREG PEARCE: It is very hard to follow the mathematics of this document because we do not have any detailed figures, so we try to make sense of what is here. On page 4.7, the top dot point talks about additional expenses in a range of core government activities. Could you provide us with the detail of where those additional expenses are?

Mr RONSISVALLE: I can take that on notice and come back to you, yes.

ANSWER

I'm advised:

Details of the additional expenses in a range of government activities, referred to in the top dot point on page 4.7 of the Mini-Budget, are set out below.

	\$m
Health Immunisation Grant	\$26
Police Death & Disability Scheme	\$30
RTA increased maintenance and cash-back costs	\$21
Increased costs due to delay in Way Forward Program – Correctives	\$29
Higher spending through Climate Change Fund	\$22
Increased Groundwater Structural payments	\$24
Funding for Illawarra Medical Research and Tourism promotion	\$27
Education higher school costs	\$34
Additional Out-of-Home-Care Funding	\$42

QUESTION 7

The Hon. GREG PEARCE: Ms Anderson, I have tried to find anything about the Better Regulation Office in the budget papers, and there is nothing under the former Minister for Small Business, and Minister for Regulatory Reform. So I decided to go back and have a look at the Premier's. In Premier's, the only one I could find is a line that shows that the expenses of the office are \$2.2 million. Is that right?

Ms ANDERSON: \$2.2 million, yes. The office sits within the Department of Premier and Cabinet, that is correct, and he is staffed by a director and eight other staff members. We also have a small number of expenses in terms of publishing documents.

The Hon. GREG PEARCE: Nine staff costs \$2.2 million? That sounds like quite a nice job to have. Are you acting director?

Ms ANDERSON: Acting assistant director.

The Hon. GREG PEARCE: Perhaps you could take on notice and provide to the Committee a breakdown of the expenses of the office.

ANSWER

The Better Regulation Office budget allocation from Treasury in 2008-2009 is \$2.1 million. This is made up of employee related expenses of \$1.4 million covering ten full time equivalent positions and other operating expenses of \$0.7 million.

QUESTION 8

The Hon. GREG PEARCE: What are the key performance indicators your office? What do you actually do?

Ms ANDERSON: The Better Regulation Office has a couple of roles. First, we act as a gatekeeper, and make sure that all regulatory proposals that go through either Cabinet or the Executive Council—

The Hon. GREG PEARCE: Gatekeeper? I am sorry, do you have key performance indicators?

Ms ANDERSON: We do not have formal KPIs. We measure our performance by— Can I take that on notice?

ANSWER

The Better Regulation Office (BRO) has been established to drive regulatory reform and advocate for better regulation making across Government. Performance reporting is undertaken in relation to the following key tasks:

- 1) BRO reports annually on the effectiveness of the NSW Government's regulatory processes. In October 2008 the Minister for Regulatory Reform released the first of these reports entitled *Annual Update: Removing Red Tape in NSW*.
- 2) BRO undertakes targeted reviews into specific regulatory areas or industries (for example, its review into shop trading hours) and reports on the Government's commitment through its annual reporting and also regular performance reporting under the State Plan.
- 3) BRO also monitors and reports on the Government's performance in implementing the recommendations of the IPART's *Investigation into the Burden of Regulation and Improving Regulatory Efficiency* on a six-monthly basis. The first progress report was released in April 2008 and the second progress report in October 2008.

QUESTION 9

The Hon. MATTHEW MASON-COX: Could you provide us with details of the licences that you are reviewing at moment, and the other priority areas into which the office is looking, so that we can address those issues?

Ms ANDERSON: Yes.

Answer

The targeted review of selected occupational licences includes a review of the licences for the following trades:

- Entertainment industry agent/manager
- Floor finisher and coverer
- Kit home supplier
- Lift mechanic
- Motor vehicle repairer
- Optical dispenser
- Property inspector (pre-purchase)
- Strata manager
- Structural landscaper
- Venue consultant
- Wool, hide and skin dealer.

In partnership with the NSW Department of Water and Energy, the Better Regulation Office (BRO) is conducting a targeted review of the plumbing and drainage regulatory framework in NSW.

BRO also represents the NSW Government on the Council of Australian Governments Business Regulation and Competition Working Group. The work of this group focuses on 27 priority regulatory reform areas and eight competition reform areas. Further information on these reform areas can be found at www.coag.gov.au

QUESTION 10

The Hon. GREG PEARCE: What is the consultation process relating to Federal infrastructure funds that are likely to come in? The August letter relating to the submission from New South Wales came from David Richmond. How do you work with Mr Richmond and the Premier's Department?

Mr SCHUR: Effectively, Mr Richmond and I coordinate our response to the Federal Government in our submission to Infrastructure Australia. So everything we submit has been reviewed and vetted by my agency as well as his.

The Hon. GREG PEARCE: Would you have given likely budget costings for various projects that have been identified as priorities?

Mr SCHUR: Our submission would have included our best estimates of the cost of those projects, yes.

The Hon. GREG PEARCE: As it is not in the letter, could you take my question on notice and provide those estimates to the Committee?

Mr SCHUR: Yes.

ANSWER

I'm advised:

The estimated costs for projects submitted to Infrastructure Australia total over \$45 billion.

QUESTION 11

Dr JOHN KAYE: How many inspectors form WorkCover's management stream within the inspectorate?

Mr BLACKWELL: I would have to take that question on notice. I am happy to provide the numbers.

ANSWER

WorkCover has 313 inspector positions, including 35 inspectors with management functions. All members of the Inspectorate perform duties to improve occupational health and safety in New South Wales, such as providing advice and information to management, committees, unions and workers, resolving workplace health and safety disputes and conducting workplace inspections.

QUESTION 12

The Hon. GREG PEARCE: Could Mr Ronsisvalle tomorrow provide the detail of agency expenditure so that we do not again have to take that on notice?

Mr RONSISVALLE: I will see what we can do.

ANSWER

Please refer to the answer to question 6.