

# GENERAL PURPOSE STANDING COMMITTEE NO. 1

Thursday 3 September 2015

Examination of proposed expenditure for the portfolio areas

## TREASURY, INDUSTRIAL RELATIONS

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### UNCORRECTED PROOF

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The Committee met at 8.55 a.m.

#### MEMBERS

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

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

The Hon. S. MacDonald  
The Hon. P. T. Primrose  
The Hon. A. Searle  
Mr D. Shoebridge

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#### PRESENT

**The Hon. Gladys Berejikian**, *Treasurer, and Minister for Industrial Relations*

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**CHAIR:** Welcome to this public hearing for the inquiry into budget estimates 2015-16. I acknowledge the Gadigal people, who are the traditional custodians of this land. I also pay respect to the elders past and present of the Eora nation and extend that respect to other Aboriginal people who may be present here today. I welcome Minister Berejiklian and accompanying officers to this public hearing. Today the Committee will examine the proposed expenditure for the portfolios of Treasury and Industrial Relations.

Today's hearing is open to the public and is being broadcast 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 their evidence at the hearing. I urge witnesses to be careful about any comments they may make to the media or to others after they complete your evidence, as such comments would not be protected by parliamentary privilege if another person decided 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 with certain documentation 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. Minister, I remind you and the officers accompanying you that you are free to pass notes and refer directly to 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. Witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. Minister, 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.

**VICKI TELFER**, Executive Director, NSW Industrial Relations, NSW Treasury, and

**TIMOTHY JOHN SPENCER**, Deputy Secretary, Commercial Group, NSW Treasury, affirmed and examined:

**MARYANNE MRAKOVIC**, Acting Secretary, Fiscal and Economic Group, NSW Treasury, and

**CARALEE McLIESH**, Deputy Secretary, Agency, Budget and Policy Group, NSW Treasury, sworn and examined:

**CHAIR:** I declare the proposed expenditure for the portfolio areas of Treasury and Industrial Relations 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. ADAM SEARLE:** Thank you, Chair. Treasurer, I have questions on the fiscal gap mentioned in the budget statement, Budget Paper No. 1, page 2-13. There was a reassessment last year as a result of the stepping back by the Commonwealth in funding Health and Education. The budget paper shows an increase in the fiscal gap for New South Wales from 1.5 per cent to 2.9 per cent. Then there is an increase from 2.9 per cent to 3.1 per cent by 2050-51, on page 2-14. What is the target fiscal gap for the State, and over what period do you hope to achieve it?

**Ms GLADYS BEREJIKLIAN:** I appreciate the question. It is important and topical, which is why the Premier and I have been advocating, with the Commonwealth and our colleagues from other States, for tax reform. The Premier put forward our proposals to reduce the fiscal gap. We assume that, if nothing is done, by 2030 the States and the Commonwealth will face a \$45 billion shortfall. That figure has been on the record for some time. The aim of the New South Wales Government is to work collaboratively with the other States and the Commonwealth to reduce that gap.

Given decisions taken in the 2014-15 budget by the Coalition Government, the gap does not substantially affect our books until 2017-18. Unless something changes, the New South Wales budget will not feel the brunt of the policy changes until 2017-18. We will be able to absorb the effects of that gap for the first few years. The concern of the Premier and this Government is medium- to long-term stability and the ability to maintain quality services. We are advocating strongly for tax reform to reduce the vertical fiscal imbalance, which already exists but which has been exacerbated by those policy decisions.

**The Hon. ADAM SEARLE:** Thank you for that. You said that the pain does not start until 2017-18 but that the State budget could absorb that for the first few years.

**Ms GLADYS BEREJIKLIAN:** Potentially.

**The Hon. ADAM SEARLE:** Would you outline how much absorption might be expected, assuming that nothing changes?

**Ms GLADYS BEREJIKLIAN:** The figures as presented in the forward estimates demonstrate that in 2017-18 we will need to absorb around \$700 million. We have already banked that in the forward estimates.

**The Hon. ADAM SEARLE:** As a sort of decline in income?

**Ms GLADYS BEREJIKLIAN:** Correct.

**The Hon. ADAM SEARLE:** So you have already made allowances for that?

**Ms GLADYS BEREJIKLIAN:** We have already, and I stress that. When we put the budget together obviously that decision had been made by the Commonwealth in 2014-15. We have already banked that and it starts in 2017-18, the last year of the forward estimates. So that is already in the budget.

**The Hon. ADAM SEARLE:** At what point will the New South Wales budget no longer be able to absorb the pain occasioned by the \$25 billion worth of health and education cuts?

**Ms GLADYS BEREJIKLIAN:** The budget papers demonstrate our capacity to meet the State's needs in the next four years. That is what the budget papers do. Obviously every year we will provide an update to the community of where we stand on those figures. The budget is in a very healthy position. For the first time since we have been in government we have been able to predict surpluses moving forward and that is why we are careful to maintain our fiscal discipline. One policy position that the Government has held strongly and reverently since day one is ensuring that our expenses growth does not exceed our revenue growth.

That is why in the forward estimates we have demonstrated that we believe our revenue growth will decline to around 2.8 per cent. Therefore, it is critical for us moving forward to ensure that our expenses growth does not exceed that. That is the way we have been able to ensure a healthy budget position. We have been able to ensure that the key areas of government receive extra funding and we have also been able to ensure that every dollar we receive over and above what we anticipate in revenue goes straight into infrastructure.

There is no doubt that the Premier, the Government and I are concerned about the medium to long term. That is why we are joining with other States. New South Wales is not alone in this; other States are in the same predicament. That is why we have been engaging in a healthy and robust discussion with our Commonwealth and State colleagues in order to address this issue. Again, the vertical fiscal imbalance already exists and this policy change no doubt has exacerbated that situation.

**The Hon. ADAM SEARLE:** What is the target fiscal gap and over what period?

**Ms GLADYS BEREJIKLIAN:** We have not given a specific figure but if you are referring to the policy change made by the Federal Government, obviously the aim of the States is to try to recoup as much of that as possible. Our aim is to make sure that we try to recoup as much of that as possible, but obviously we are working hard to have a sustainable and long-term modernisation of the Federal-State tax relationship. There is no doubt that key areas of government spending at a State level are growing and we do not have sufficient revenue in the long term to make sure that we grow as quickly as we are growing today.

**The Hon. ADAM SEARLE:** I refer to page 2-14 of the budget statement in Budget Paper No. 1. In the last paragraph of that chapter you mention significant expense measures that are putting pressure on the fiscal gap and you identify the commencement of Sydney Metro Northwest operating expenses from 2018-19. How much expenditure in the 2018-19 year will the North West Rail Link operation add to the budget?

**Ms GLADYS BEREJIKLIAN:** Just to put that into context, major projects obviously sit on the capital side of the budget until they start operating. It is good news for the Government that in that financial year we anticipate a number of major projects will move from the capital side of the budget to the recurrent side because the costs will then be recurrent. I do not have a breakdown of the actual number. I can take that on notice and provide you with an answer.

**The Hon. ADAM SEARLE:** You have taken on notice the operation's costs.

**Ms GLADYS BEREJIKLIAN:** And, to be fair, the exact operation's costs will be known closer to the project being completed.

**The Hon. ADAM SEARLE:** Is it the same for the revenue that you might expect to generate from the operation?

**Ms GLADYS BEREJIKLIAN:** Absolutely. The project is still a few years away from completion and as we get closer to that time it will then be incorporated into our forward estimates. Currently it is not but obviously once it starts hitting our budget that cost will be apparent.

**The Hon. ADAM SEARLE:** Do you have any sort of ballpark figures though or any kind of rough estimates that you can provide here today? I know you have prepared a statement.

**Ms GLADYS BEREJIKLIAN:** In regard to operations?

**The Hon. ADAM SEARLE:** Operation and income and what will be the impact on the budget.

**Ms GLADYS BEREJIKLIAN:** We start considering those movements on the recurrent side as soon as we are able to accurately estimate them and as soon as they hit our books. I can say that it is a fantastic

challenge for a government to have. When you complete a major project and you have to deal with the operational costs it means you are progressing the State's intention to provide productive infrastructure. Again, I will take that on notice. It is too far off for us to be able to accurately assess to the dollar what those costs will be at this stage but, obviously, once we do know those costs they will be made public.

**The Hon. ADAM SEARLE:** But you do not expect it will run at a surplus?

**Ms GLADYS BEREJIKLIAN:** From memory, the recoupment of public transport fares vis-a-vis the cost of running the system was around 30 per cent. I do not know what the exact figure is now but there is no way you will make money from public transport.

**The Hon. ADAM SEARLE:** What I am saying is that when it comes online there will be a net negative impact on the State budget?

**Ms GLADYS BEREJIKLIAN:** Correct. But we factor that in. It is a good challenge to have. That is why it is important for us always to ensure—and I hate to be political, Mr Searle, but can I just make one political statement?

**The Hon. ADAM SEARLE:** We were going so well.

**Ms GLADYS BEREJIKLIAN:** We were. It is early.

**The Hon. ADAM SEARLE:** Just let the record show that the Treasurer got political early.

**Ms GLADYS BEREJIKLIAN:** I make a point of distinction between the way we run our budgets and the way the Labor Government ran its budgets, though I have to say you were not a member of the former Government.

**The Hon. ADAM SEARLE:** I am glad you made that clear.

**Ms GLADYS BEREJIKLIAN:** Unfortunately, under Labor expenses growth exceeded revenue growth which is why the budget got into trouble. That is why we appreciate all the challenges that will come up in the budget in the future. That is why we have maintained our stringent policy of ensuring that expenses growth does not exceed revenue growth. We have managed that in our first four years. That is why—and I am not sure which page it is on—our forecast for revenue growth moving forward in the next four years is a reduced revenue growth down to 2.8 per cent, which means that our expenses cannot exceed that. That is why we are keeping a close eye on those expenses. The issues you raised though are entirely valid because we have to take account of future recurrent expenditure, which will add to expenses growth. Great challenges to have, but, at the same time, it means we need to maintain budget discipline to ensure that we keep providing extra funding to those key areas of government that we need to provide funding for.

**The Hon. ADAM SEARLE:** But that same pressure will also be applied by the second harbour crossing when it is finished and by the other infrastructure projects you have got in the pipeline.

**Ms GLADYS BEREJIKLIAN:** Indeed, similar to the South West Rail Link when that came on board or other projects. The recurrent side always, obviously, is impacted when you open a major project. But that is a good thing; that is what the public needs; that is what our city needs. That is why if you maintain a policy of maintaining expenses growth below revenue growth you are able to absorb those challenges as they come on board.

**The Hon. ADAM SEARLE:** Just to tease out the theme. You have got the Commonwealth cuts, which have not yet been addressed, and you have a series of infrastructure projects that will come on line that will, in a net sense, whatever their other advantages, continue to build fresh on the budget.

**Ms GLADYS BEREJIKLIAN:** Certainly, but that is the challenge of being in government. We always assume those additional expenses in the forward estimates and that is why we were very disciplined with this budget. Even though our budget result was positive and even though it is very positive in the next four years, we have been very careful not to spend more than we can afford—to ensure that fiscal discipline. Because we need to make sure that the extra funding we are giving to key areas of government is sustainable, which is precisely to the point you raised. It is critical for us as a government to maintain the discipline of not exceeding

expenses growth by revenue growth. That is a key challenge, a key discipline that we will continue to maintain moving forward.

**The Hon. ADAM SEARLE:** In terms of the budget, I think you were saying a lot of the current surplus is built on your record stamp duty receipts. That is fine, as long as that continues.

**Ms GLADYS BEREJIKLIAN:** That is not entirely correct but there is no doubt that stamp duty has definitely supported the budget position. I will not deny that.

**The Hon. ADAM SEARLE:** It is a really big component.

**Ms GLADYS BEREJIKLIAN:** Yes.

**The Hon. ADAM SEARLE:** And while it has been healthy in recent years, it is viewed as a pretty volatile source of income.

**Ms GLADYS BEREJIKLIAN:** It sure is.

**The Hon. ADAM SEARLE:** And it would only take a small decline in the coming years of 2 to 3 per cent to return the budget to a deficit situation, and your Government has sold off or aggregated through leases a series of revenue sources. For example, you are losing about \$300 million a year from the ports privatisation. I know you have got a capital sum that you have put into Restart NSW but in terms of your recurrent budget you are losing about \$300 million a year and you are proposing to give away up to \$500 million a year in the so-called intergovernmental agreement taxes. And then, of course, the same will happen when you privatise the electricity companies: you might get a lump sum of money for infrastructure on your capital side but your recurrent side will take another hit. So while you have got this looming fiscal cliff occasioned by the Federal cuts, you are getting rid of a series of long-term, historically reliable sources of income, which is making the State ever more dependent on this very volatile stamp duty.

**Mr SCOT MacDONALD:** Is there a question?

**Ms GLADYS BEREJIKLIAN:** No, I appreciate what you are getting to.

**The Hon. ADAM SEARLE:** The question is, What is your strategy to deal with that volatility that may not be sustainable?

**Ms GLADYS BEREJIKLIAN:** Certainly, you are absolutely correct in highlighting the volatility of stamp duty. I recall during budget day and the budget process I was asked a number of times why we did not go further in perhaps the way that we spent our money. And that is precisely for the reason you raise. I want to make this point: Even though we predicted quite a healthy growth in stamp duty in 2014-15, we are not predicting the same rates in 2015-16. So we have already assumed a reduction in the growth of stamp duty, which we have to. All those challenges that you mention are actually already in the budget. And another interesting fact, which perhaps you did not want to remind me of, was the dividend return from our electricity assets is declining substantially, by hundreds of millions of dollars.

**The Hon. ADAM SEARLE:** I think we have debated this point before.

**Ms GLADYS BEREJIKLIAN:** Exactly, but I just make the point to you that you are entirely valid in highlighting the huge challenges that exist on the recurrent side of our budget. That is why, moving forward, we have adopted the fiscal discipline we have. In my previous response to you I highlighted the fiscal discipline we had implemented in relation to expenses growth not exceeding revenue growth. Another fiscal discipline we have put in place is that for every dollar we receive over and above what we anticipate in revenue—whether it is transfer duty, that is, stamp duty, or any other revenue—it goes straight into infrastructure, it goes straight into our Restart NSW fund. That is a different policy position to the previous Government. Our recurrent expenditure is controlled, so every windfall tax dollar we receive goes straight into infrastructure. That allows us to maintain the fiscal discipline on the recurrent side.

Having said that, I am proud of the fact—and perhaps it is a less spoken about part of our budget—that even though we have record infrastructure spend in the general government sector, in relation to recurrent spend in the general government sector we have been able to continue growth rates in Health spending and Education

spending. Key areas of government are still receiving increases on the recurrent side, year on year, even though we are maintaining the fiscal disciplines. That is because we are sticking to a few principles that allow us to keep the budget under control. Rather than have the budget control us, we are making sure that we are completely in control of the budget so that we can absorb any shocks but also so that we can keep growth in those key areas, which the community expects us to do.

**The Hon. ADAM SEARLE:** But you are still assuming stamp duty will grow over the forward estimates?

**Ms GLADYS BEREJIKLIAN:** But nowhere near the same amount. It is stated in the budget papers, I think—and again, not that I am Mr Greenspan, I do not want to create any shocks in the market—but certainly the figures there demonstrate that we are only expecting about a third of the growth in 2015-16 that we received in 2014-15.

**The Hon. ADAM SEARLE:** You are still assuming continued growth over the forward years?

**Ms GLADYS BEREJIKLIAN:** Yes, but substantially reduced. I want to make this point clear because it is an important point and that is—

**The Hon. ADAM SEARLE:** Your budget says it is about 4.2 per cent growth. That is pretty big by historical standards.

**Ms GLADYS BEREJIKLIAN:** But not compared to last year or the year before.

**The Hon. ADAM SEARLE:** No, but that is for last year. What I am getting at is you are still relying on growth of really historically unlikely proportions to continue to provide you with the revenue that you are currently spending. It would not take much of a market correction to reverse that situation and send the budget back into deficit. What are you doing to reduce the State's reliance on such a volatile source of income, to make its budget more reliable into the future?

**Ms GLADYS BEREJIKLIAN:** I take you back to your first question. I will be the first to accept, as the State's Treasurer, that stamp duty is a volatile source of revenue for the State. In total, it accounts for about 10 per cent of the State's revenue.

**The Hon. ADAM SEARLE:** It is a pretty big slice.

**Ms GLADYS BEREJIKLIAN:** Having said that, Commonwealth grants and GST account for about 40 per cent. So this is why precisely the Premier, I and the Government are strongly advocating for tax reform. We want to have a more or less volatile tax revenue base for the State, no doubt about it. We are agreeing on that point in terms of the volatility of transfer duty vis-a-vis other revenue bases. But the system we have is the system we have, which is why again we are very strongly advocating for reform of the tax base. It is much better for States to have a more consistent revenue stream through the GST than it is through stamp duty, for example. That is a fact and we have been open about that, and that is why we have been strongly advocating for taxation reform. So we are in agreement on the point that the State's budget position is too reliant on volatile revenue bases.

That is why, unlike our predecessors, we have been very restrained in the way that we manage the recurrent side of our budget in particular, whether it is again ensuring expenses growth does not exceed revenue growth or whether it is ensuring that we introduce policies such as all windfall tax revenue going straight into infrastructure as opposed to potentially going into areas that cannot be sustained in the future. Having said that, because we have maintained that discipline over four years and because we have made some tough decisions as a government the recurrent side of our budget is in a healthy position. I want to assure the Committee, because Mr Searle's questions are appropriate on the point that as a government you do need to factor in all the potential negatives, all the potential impacts in the forward estimates and on the recurrent side, and we have done that. That is why we have actually predicted a revenue growth decline to 2.8 per cent.

We accept that and that is why our future budget position and discipline has to consider that declining revenue position for a number of reasons, including dividends from the electricity assets. The budget has taken a hit because of what we perceive to be the future decline in stamp duty revenue and declining dividend revenue, primarily from the electricity assets because of the Australian Energy Regulator [AER] determination. I assure

the Committee that we are working very hard to maintain the fiscal discipline which keeps our budget in a very strong position.

**Dr JOHN KAYE:** Treasurer, the Hon. Adam Searle looked at revenue from duties and the issue of the housing bubble, but I want to take you to the coal bubble that will affect your revenues. Is the revenue from royalties, which I understand is over 90 per cent, from the coal from coalmining forecast to remain that way?

**Ms GLADYS BEREJIKLIAN:** From memory, and I stand to be corrected, we are forecasting a decline in mining royalties in the forward estimates, but I will double check that figure.

**Dr JOHN KAYE:** I will correct you because your mining royalties continue to grow. In fact, in Budget Paper No. 1, page 5-5, it shows that your royalties are scheduled to grow at a spectacular 12.1 per cent. The coal royalties are the fastest growing item of any of the key categorisations of State-earned revenue as against grant revenue from the Commonwealth in table 5.3. Do you want to comment on that?

**Ms GLADYS BEREJIKLIAN:** We may or may not be saying the same thing. The information I have, to put it into perspective in relation to mining royalties in the forward estimates versus the previous four years, is that mining royalty revenue is \$1.1 billion lower in the 2015-16 budget estimates over the four years to 2017-18 compared with the 2014-15 budget. So we have actually revised down the figure—

**Dr JOHN KAYE:** Compared with the forward estimates made?

**Ms GLADYS BEREJIKLIAN:** Correct.

**Dr JOHN KAYE:** Are you comparing forward estimates with forward estimates?

**Ms GLADYS BEREJIKLIAN:** Correct.

**Dr JOHN KAYE:** I appreciate that there is some element of realism there. But nonetheless let us look at what you are forecasting from. Revenues that were realised in 2014-15 totalled \$1.27 billion, and are forecast to grow at an average growth rate between 2014-15 and 2018-19 at 12.1 per cent. I understand royalties are, more or less, ad valorem so a fall in coal prices will affect them. If coal prices continue to fall, unless you massively increase volume—and there are questions as to how you would do that—am I not correct in saying there is an element of unreality in that 12.1 per cent increase?

**Ms GLADYS BEREJIKLIAN:** There is no doubt that whilst I have said that forecast royalties are expected to be \$1.1 billion less—

**Dr JOHN KAYE:** Than the previous forecast?

**Ms GLADYS BEREJIKLIAN:** Correct. But you are right: The budget papers do say on 5-5 to 5-6 that royalties are still forecast to increase by 12.1 per cent per annum over the four years to 2018-19, but I want to stress as a result of the lower Australian dollar, which increases the Australian dollar price of contracts in United States dollars and some increase in coal volumes. I am not sure what the premise of your question is, apart from saying that we anticipate we will get less than what we thought we would last year.

**Dr JOHN KAYE:** So far what has been affecting the royalty figures in New South Wales has largely been price risk.

**Ms GLADYS BEREJIKLIAN:** That is true.

**Dr JOHN KAYE:** What you have not factored in here, which is somewhat independent of the United States dollar value of the Australian dollar, will be quantity risk.

**Ms GLADYS BEREJIKLIAN:** Sure.

**Dr JOHN KAYE:** If there is a downturn—I am not the first person to make this observation—as China is retooling its economy, which may mean that there are lower world coal prices and lower world coal demand, that is not factored in here at all. Is that correct?



**Ms GLADYS BEREJIKLIAN:** No. There is a number of factors that Treasury would consider as to why we have revised our forecast over the next four years. The \$1.1 billion revision is due to a number of factors, including some of the ones you have raised. But there is no doubt the main factor would be coming off commodity prices; and, secondly, the exchange rate.

**Dr JOHN KAYE:** Does that mean that Treasury is forecasting either a 12.1 per cent annual increase in quantities or a 12.1 per cent annual decrease in the value of the Australian dollar, which, by my rough calculations, means if it is on the dollar value that is keeping our royalties going up we will have a 50 per cent devaluation over the next four years?

**Ms GLADYS BEREJIKLIAN:** I will pass to the acting secretary to discuss the rationale behind our revision of downward revenue from royalties. Dr Kaye, could you get to the nub of your concern?

**Dr JOHN KAYE:** That is the nub of my concern: Where does 12.1 per cent come from? It cannot possibly be an annual decline—

**Ms GLADYS BEREJIKLIAN:** I was not sure whether you were concerned about the fact that we receive royalties from the mining sector, coal or what was your concern. I was just trying to get to the nub of your question.

**Dr JOHN KAYE:** My concern is where on earth does this 12.1 per cent come from? If it is all currency, is it Australian currency devaluing at 12.1 per cent per annum?

**Ms GLADYS BEREJIKLIAN:** No. It is partly currency, but I will ask our expert.

**Mr SCOT MacDONALD:** Point of order—

**Dr JOHN KAYE:** No, I was asked a question and I am answering it.

**Ms GLADYS BEREJIKLIAN:** Yes, that is fair enough. I will ask the acting secretary to elaborate on the rationale.

**Ms MRAKOVIC:** Our forecast would reflect the interaction of forecasts around volumes and also coal prices and the impact of the exchange rate. We would take all those three factors into account. Going to your broader question, we would also take into account the forecast for the global economy. All of those factors are taken into account.

**Dr JOHN KAYE:** On notice, can you provide the Committee with a detailed analysis of where the 12.1 per cent comes from?

**Ms GLADYS BEREJIKLIAN:** I am happy to take it on notice. I do not think it will differ substantially from what we have said, but I am more than happy to take it on notice, yes.

**Dr JOHN KAYE:** I refer to the International Monetary Fund [IMF] study that was published midway through this year on subsidies to the energy industry, largely into fossil fuels. I am not aware of the exact figure but I think it was approximately \$3 trillion globally. In Australia that figure was \$A42.6 billion—that is my conversion; it was \$US30 billion, which I think now is about \$42.6 billion—in subsidies going into the energy industry, of which about half was in coal and gas and the other half was in petroleum. Treasurer, is New South Wales doing anything to assess what that means for New South Wales? Where are those subsidies coming from? It is a massive amount of money. You would estimate that is, roughly speaking, \$14 billion of the New South Wales economy going into subsidies.

**Ms GLADYS BEREJIKLIAN:** Are you extrapolating the IMF figures to the New South Wales economy?

**Dr JOHN KAYE:** No, I am extrapolating the Australian figures. The IMF gave the Australian figure of \$US30 billion for the year 2015, which I told you that I converted to Australian dollars, at \$A42.6 billion. I then interpolated those down to New South Wales. I said it was roughly speaking—I said it was a guess—\$14 billion for the New South Wales economy. My question is: Have you looked at those figures? Have you looked at what subsidies are costing us? What are we doing about it?

**Ms GLADYS BEREJIKLIAN:** I have not looked at the specific issue you have raised. The key thing for our Government is to make sure that we provide support to innovative energy sources as well. I will ask the acting secretary to comment on the role of the IMF in those subsidies, if at all, and whether Treasury takes those things on board—perhaps not.

**CHAIR:** And whether those figures are correct.

**Ms GLADYS BEREJIKLIAN:** I have to say I am not aware of the figures Dr Kaye has raised. I am happy to take all those points on notice.

**Dr JOHN KAYE:** I thank you for the reflection on my honesty, Chair. I quoted the \$30 billion directly from the table from the IMF. I told you I converted those to Australian dollars, my exchange rate was off the net this morning, and then I divided it by a third to get a rough estimate for New South Wales.

**CHAIR:** I was referring to the New South Wales figures.

**Dr JOHN KAYE:** I said it was a rough estimate.

**Ms GLADYS BEREJIKLIAN:** I will take on notice the exact component of our New South Wales budget. Your rationale seems perfectly clear in how you determined your figure but I would feel more comfortable if I took on notice the State budget contribution to this subsidisation process, if at all, and what it means in the future.

**CHAIR:** You said in an earlier answer that you and the Premier are anxious to see tax reform. What tax reform do you want to see, in particular, in regard to the GST?

**Ms GLADYS BEREJIKLIAN:** New South Wales was very pleased through the Premier, through our Heads of Treasuries representation and through my recent attendance at the meeting of Commonwealth and State Treasurers to promote a package whereby we recommend increasing the GST to 15 per cent but having consideration for a compensation package for households earning up to \$100,000. We appreciate that when you increase a consumption tax it has an adverse impact on the most vulnerable in the community. That is why the package New South Wales is putting forward recommends increasing the GST to 15 per cent but also ensuring there is a compensation package for households earning up to \$100,000. In addition to that there is still room for income tax cuts. The reason we believe that package of three things is the most critical is that putting up the GST and taking care of the most vulnerable still gives New South Wales a healthy revenue stream.

Reducing income tax means people have more to spend, hence they will consume more and that again contributes to the GST pool increasing. It is also interesting that of the OECD nations we have some of the lowest rates of GST but some of the highest rates of income tax. We believe very strongly that the New South Wales position keeps the GST pool growing, which supports our revenue stream but also gives people discretion through income tax cuts to dispose of their extra money in the way they see fit. Having said all that, the Premier, the Government and I are keen to ensure that these measures take care of the most vulnerable. We appreciate that in many States \$100,000 is an extreme amount of money. It is in New South Wales as well, but our living conditions and cost of living are much higher in New South Wales than in other States. That is why we believe a compensation package for households earning up to \$100,000 is a fair amount.

**CHAIR:** As you know, the Commonwealth cannot increase the GST; it has to be approved by the States. Do you believe there is support by all the State governments for your proposal?

**Ms GLADYS BEREJIKLIAN:** There is no doubt that every State and Territory is committed to reform because every State and Territory government—both the Premiers and the Treasurers—have highlighted the need for tax reform. But it is also fair to say that there is a difference of opinion as to the best way to get to that reform process. That is why we are going through the current discussions at a Commonwealth level. There is no doubt that there is a difference of opinion between the States as to the best way to get to reform. That is why we are going through these discussions at this stage. But I was very heartened during my meeting with other State Treasurers and the Commonwealth Treasurer that there is a genuine desire to reform the taxation system. Of course, our motivation in doing that is to provide a healthier revenue stream and more assured revenue for the State.

I am very proud of the fact that, as yesterday's national account figures confirmed, New South Wales is doing much better than any other State. We are doing much better compared with the national figures, but we want to maintain that quality in the medium and long term. For us to do that we need to ensure a consistent revenue stream, which is why we are putting forward the package we are. The Premier, the Government and I are committed to this entire process. We are heartened that, even though we had a difference of opinion between the States on the method to get there, every State agreed to keep the main packages on the table. Even if people had a difference of opinion on the method of the reform everybody agreed to hear each other out. The Heads of Treasuries in the Commonwealth and the States are continuing the process of putting together some options and packages that will be considered again by the Treasurers when we meet later this year and by the Premiers and Prime Minister when they meet as well.

**CHAIR:** When considering GST tax reform you have proposed a compensation package, which is very good. Have you considered whether there should be exemptions on food, for example, to reduce the impact on low-income families?

**Ms GLADYS BEREJIKLIAN:** As you know, there are already some exemptions. We have not proposed any further exemptions. From our perspective it would be counterintuitive because we are supporting an increase in GST and if you make further exemptions it reduces your revenue. We feel that, given the GST has been around for a considerable time, people are used to it and are accept the existing base. That is why we have promoted an increase in the rate, not necessarily changing the base.

**CHAIR:** The Premier has announced a number of times the budget for infrastructure. I think one of the figures was \$80 billion. Could you confirm what figure the Government is working on for the total infrastructure budget?

**Ms GLADYS BEREJIKLIAN:** In the budget paper the total infrastructure budget, which is essentially all the general government sector plus the total State sector less financial public trading enterprises [PTEs], is around \$68 billion in the forward estimates. But that does not include the \$20 billion for Rebuilding NSW—the total proceeds from the electricity transactions. The forward estimates in the budget have \$68 billion in total State sector accounts excluding financial PTEs. On top of that we need also to consider the proceeds from the electricity transactions, which do not appear in the budget papers. They will appear in the budget papers once each transaction goes through. That is where that figure arises.

**CHAIR:** You have mentioned the transaction going through. What progress has been made with the lease and do you have a broad timetable for its completion?

**Ms GLADYS BEREJIKLIAN:** In relation to TransGrid, which is the first of the three entities we are transacting, the process is underway and we hope to have a preferred bidder by the end of the year. We are in the bidding process as we speak. Obviously, once we hit key milestones I will make sure I communicate that publicly. At this stage the Government is hopeful of having a preferred bidder for the first of the three transactions by the end of the year. That timetable is the one we anticipated and the one we still anticipate moving forward. As soon as I have anything more concrete to say on that process I certainly will.

**CHAIR:** There has been some concern about our electricity being controlled by overseas companies or governments. Is there any restriction on that aspect of the leasing arrangements or is it open-ended?

**Ms GLADYS BEREJIKLIAN:** Each bidder or consortia is aware that they have to go through a number of hurdles—for want of a better term—in order to be eligible to operate those leases. Two in particular are, first, they have to comply with all the regulations that the Australian Competition and Consumer Commission [ACCC] puts in place and, secondly, they have to comply with any direction or guidelines put in place by FIRB or the Foreign Investment Review Board. The bidders are aware that they need to comply with the guidelines put forward by those Federal bodies.

Our team has made sure that the bidders are very clear that it is one thing to satisfy all the State's statutory obligations that are within our jurisdiction but they also need to satisfy a number of obligations imposed by those Federal bodies. We have made sure that they are aware of that. We have encouraged them to stay in close communication with those bodies, as we have, because we want everybody to be fully aware of the conditions in which they hope to operate.

**CHAIR:** Looking at the budget papers obviously there have been a number of property, plant and equipment sales. It does not seem clear in the budget papers what the income is from that and the income from the sale of investments. Could you outline where that is in the budget papers? There is a figure of \$61,000 but obviously it would be a lot more than that.

**Ms GLADYS BEREJIKLIAN:** During the election period we outlined through the parliamentary budget office what we called the savings measures or revenue measures we were hoping to receive in the forward estimates. So I will have to take the specific figure you quoted on notice.

**CHAIR:** There is a figure of \$61,000 under the heading "Proceeds from sale of investments".

**Ms GLADYS BEREJIKLIAN:** I will have to take that specific line item on notice. But I can say that as a Government we are very keen to make sure we use our resources in the best way possible. If that means recycling or, for example, disposing of one asset but acquiring several others which benefit the State, we are always open to looking at that. Certainly the public test we stand by is that any decision we take in that regard has to be in the best interests of the community. I will take that specific line item on notice.

**CHAIR:** And could you include in that the income from the sale of properties at Millers Point and so on?

**Ms GLADYS BEREJIKLIAN:** Certainly, I am happy to take that on notice.

**The Hon. ADAM SEARLE:** Going back to the stability of the budget—

**Dr JOHN KAYE:** Point of order: I thought we still had two minutes of crossbench time left. Is that correct?

**CHAIR:** No, the buzzer has sounded and your time has expired.

**The Hon. ADAM SEARLE:** Treasurer, going back to the volatility or the lack of stability in the State budget, given yesterday's economic announcement—

**Ms GLADYS BEREJIKLIAN:** Can I just stress that this is a long-term trend; it is not a new thing. I do not want to create concern that does not exist about the budget position.

**The Hon. ADAM SEARLE:** Treasurer, I am asking the questions, if I could just get my question out. Given yesterday's economic news about headline growth being reduced to I think 0.2 per cent, what is your revised outlook about the budget? What impacts do you expect to be occurring to the budget as a result of that news?

**Ms GLADYS BEREJIKLIAN:** The Hon. Adam Searle, whilst the Federal figure was 0.2 per cent, I am pleased to say that the figure for New South Wales was 0.8 per cent. So we are bucking the national trend.

**The Hon. ADAM SEARLE:** Sure, but it is still less than 1 per cent.

**Ms GLADYS BEREJIKLIAN:** Sure, and I will ask the acting secretary to comment further, but it was completely in line with our forecast. So we do not feel we need to adjust any of our forecasting based on yesterday's result; in fact it confirms that New South Wales is the leading State in economic performance and in growth. We are in a great position. It is a good time to be the Treasurer of New South Wales, because four years of hard work by this Government has resulted in us being in this position. I want to highlight some of the reasons why the Government believes we are bucking the national trend. There is no doubt we are benefiting from the boom in the non-mining sector, and the massive infrastructure agenda we have is generating jobs. Building approvals are contributing to housing supply, which is generating activity. The fact that our rate was 0.8 per cent, compared to the national growth rate, is certainly extremely encouraging.

I note that not only are we leading in the CommSec State of the State's report but also during the week another major bank released a report on the States and found New South Wales to be leading on all the key indicators. So whilst there is no doubt that there is a softening of the outlook at a Federal level, and we are keeping a close eye on that, New South Wales is bucking the trend. I also note that—and this is a good challenge to have; and I noted it on budget day—we are finding that as the mining sector peters off especially in

Western Australia and Queensland a lot of people are returning to New South Wales to work, which means that our net migration figures are at pretty high levels compared to other years. As a State that means a couple of things. It means we need to work doubly hard on creating jobs and we also need to work doubly hard on ensuring there is housing stock.

Just on those two points I want to note to the Committee some good news New South Wales has recently received. The most recent jobs figures across the nation show that New South Wales created three-quarters of the nation's new jobs in the previous month's reporting, which is fantastic news. This week the Minister for Planning and I were able to talk about a record number of building approvals in the previous month as well. So we are in a very strong position. But, as you highlighted in your questioning earlier, we do not take that for granted. We need to keep an eye on what is happening in our expenses growth and our revenue growth. But I can say with confidence that yesterday's figures have not caused us to have any major revision of our forecasting—in fact they are pretty much in line with our forecasting. I will ask the acting secretary to contribute further on that point.

**Ms MRAKOVIC:** New South Wales State final demand actually grew by an above trend rate of 3.3 per cent through the year to the June quarter 2015. That is stronger than in any other State and above the national average of 1.2 per cent. I note that of course the national average is itself influenced by the New South Wales result. So in fact it is a strong result for New South Wales. New South Wales State final demand increased by 3.4 per cent in 2014-15, and that is slightly above the 2015-16 budget forecast we had of 3.25 per cent. It is only slightly above that forecast but it does mean that we are in a good place to achieve the 2015-16 forecast we set out in the budget.

New South Wales gross State product and State final demand are both forecast to grow above their long-term trend in 2015-16 and 2016-17 at around 3 per cent and 3.5 per cent respectively. Those numbers were actually in the 2015-16 budget. When you look into the details of what has driven that growth of State final demand, you find that household consumption has played a significant role, as has also dwelling investment and non-mining business investment. The Treasurer herself pointed to the transition that is occurring in the national economy—away from mining and back towards non-mining; and that is obviously playing to New South Wales strengths in a more diversified economic base.

One of the big issues continues to be around business investment. I think the latest results are pointing to some pickup in non-mining business investment, and that is a positive for us as well. We certainly expect things like dwelling investment to continue to strengthen. Also, as the Treasurer pointed out, recent labour market outcomes have been strong for New South Wales. We saw New South Wales employment increase by 2.3 per cent for the year to July and that has been continuing an upward trend since January this year. We have the lowest unemployment rate among the States at around 6 per cent. Also, as the Treasurer noted, population growth in the State has been quite strong. That shift away from mining towards non-mining is associated with a shift in population back to States such as New South Wales. So we are clearly seeing some strong growth in population occurring at this time. That was also a trend we pointed out in the 2015-16 budget.

**The Hon. ADAM SEARLE:** Just to switch gears a little, earlier this week your colleague the Minister for Education said that additional moneys had been provided to complete the rollout of the Learning Management and Business Reform [LMBR] program and that this money had been approved. But he would not reveal what the amount was. Can you tell us what that amount of money approved to complete the LMBR is?

**Ms GLADYS BEREJIKLIAN:** Sure. I hope the Hon. Adam Searle will allow me to take a few seconds to contextualise the LMBR project. As you would appreciate, when we came to government the project was already five years in the making so the contract—

**The Hon. ADAM SEARLE:** My question is about the appropriation issues.

**Ms GLADYS BEREJIKLIAN:** I understand that but I want to put into context what it means when you inherit something that has been in the making for five years. I am not going to guild the lily; there is no doubt that it is a challenging program for the Government. The Minister has accepted that. The Premier has accepted that. I have accepted that. There is no doubt that this is a challenging project. But I can also say that any additional cost to the project will be absorbed by the Minister's department.

I also want to stress that, as you would recall, from 1 July we had some machinery of government changes. The project is in the main conducted by the Department of Education and Communities in the primary

and high school rollout but there is also a TAFE component to this, which the relevant Minister is undertaking as well. So there is no doubt that this is a challenging project moving forward. The education department remains confident of implementing the program from next year. Any additional costs will be borne by the relevant department. Having said that, most of the capital expenditure, from what I understand, has been expended so any additional costs will relate directly to the rollout in operations.

**The Hon. ADAM SEARLE:** What is the appropriation for LMBR in this budget? What is the dollar figure?

**Ms GLADYS BEREJIKLIAN:** I cannot tell you in this budget but I can tell you the total cost of the project, which on the record I think the Auditor-General last said was \$573 million to \$576 million. So that is the total capital cost of the project. I will have to take on notice what any contribution is in the financial year.

**The Hon. ADAM SEARLE:** Minister Piccoli confirmed that Cabinet had approved an additional amount of money to complete the LMBR. I would like to know what that amount is.

**Ms GLADYS BEREJIKLIAN:** I do not think that is what the Minister stated. The Minister stated that any additional costs would be commercial in confidence at this stage. I will not comment on—

**The Hon. ADAM SEARLE:** When you announce major infrastructure projects, whether it is the North West Rail Link, the second harbour crossing or WestConnex, there is always a ballpark figure that goes with it. That is not commercial in confidence. Why should this be any different? It is a much smaller project. Why can you not say what the amount is?

**Ms GLADYS BEREJIKLIAN:** I am glad you accept that it is a much smaller project. It is not without its complexity but, as you say, it is a much smaller project.

**The Hon. ADAM SEARLE:** So why can you not tell us what the amount is?

**Ms GLADYS BEREJIKLIAN:** Because I am advised by the Education portfolio that the expected costs must remain commercial in confidence at this time as the department needs to engage some services from the market to complete the work and, as the Minister said, revealing any ballpark figures may jeopardise this work. But I stress that the main capital expenses for the project have been undertaken. Any additional costs will be absorbed by the department. I appreciate anything that impacts our school communities justifiably is a matter of public interest. The Minister will keep the public informed of ongoing progress.

**The Hon. ADAM SEARLE:** Just to be really clear, no additional money has been approved for LMBR. Whatever is going to be spent on it—

**Ms GLADYS BEREJIKLIAN:** I cannot comment on what has happened within the department.

**The Hon. ADAM SEARLE:** I guess that is what I am getting to. So the agency will have to fund all the resources for the LMBR from its allocation in this year's budget? There is no extra money?

**Ms GLADYS BEREJIKLIAN:** As you know, Treasury provides an allocation to each portfolio Minister, each cluster, in the budget. I stress that the education budget was increased by more than 5 per cent in the last financial year. I also stress that in relation to the education infrastructure budget, if I am not mistaken, it increased by—was it 27 per cent?

**Ms McLIESH:** Twenty-seven per cent.

**Ms GLADYS BEREJIKLIAN:** So the education infrastructure budget in one year has increased by 27 per cent. In fact, since Labor's last budget the education budget has gone up by 22 per cent. The education budget is in a strong position. This is a major project not necessarily only in volume; it also touches all schools. I assure the Committee, as has the Minister, that we are doing everything we can as a government to ensure a smooth rollout.

**The Hon. ADAM SEARLE:** But a global amount for a project cannot be commercial in confidence.

**Ms GLADYS BEREJIKLIAN:** But it is not the global amount you are talking about. The total cost of the project as per the last public disclosure was in the vicinity of \$573 million to \$576 million. Any amount over and above that, as the Minister has said, is subject to commercial-in-confidence because there may be existing tenders within the department in relation to the rollout, which are currently the subject of competitive processes. I do not want to jeopardise the process by commenting any further.

**The Hon. ADAM SEARLE:** Could be or are? We are trying to get to the bottom of this. You are being very—

**Ms GLADYS BEREJIKLIAN:** You should ask those questions of the relevant Minister.

**The Hon. ADAM SEARLE:** Well he was extremely evasive and would not answer the question so we thought we would come to the person with the purse strings—

**Ms GLADYS BEREJIKLIAN:** Thank you, I am the person. Fortunately for the Department of Education and Communities, we have substantially increased its budget.

**The Hon. ADAM SEARLE:** So whatever has to be spent on the project will have to come within the resources allocated to education in this year's budget?

**Ms GLADYS BEREJIKLIAN:** That is my understanding.

**The Hon. ADAM SEARLE:** There has been no additional appropriation since the budget was released?

**Ms GLADYS BEREJIKLIAN:** The Treasurer appropriates amounts to each cluster. So we have appropriated \$12.8 billion in 2015-16 to education.

**The Hon. ADAM SEARLE:** So whatever they have to spend will have to come out of that?

**Ms GLADYS BEREJIKLIAN:** Yes.

**The Hon. ADAM SEARLE:** You were asked questions about how you intend to fix the budgetary problem occasioned by the Federal cuts to health and education and you touched on your GST proposal. In fact, you recently wrote an article in the *Australian Financial Review* about that.

**Ms GLADYS BEREJIKLIAN:** It was the *Australian*.

**The Hon. ADAM SEARLE:** It is a shortfall of about \$35 billion for health. Is that over a 10-year time frame or what period?

**Ms GLADYS BEREJIKLIAN:** The figure we were referring to related to 2030.

**The Hon. ADAM SEARLE:** So between now and 2030.

**Ms GLADYS BEREJIKLIAN:** No, that is the fiscal gap in 2030. So in 2030 the fiscal gap between the Commonwealth and the States will be \$45 billion, of which \$35 billion will be health.

**The Hon. ADAM SEARLE:** How much is the gap for New South Wales? How much will we be short if no action is taken?

**Ms GLADYS BEREJIKLIAN:** As I have said, we have given a figure for the forward estimates. It would be inappropriate for me to give a dollar figure beyond the forward estimates year on year. That is the figure we are working with in the medium to long term. I would not want to put another figure on the record.

**The Hon. ADAM SEARLE:** I am just trying to get a sense of what the shortfall is for health and education occasioned by these two cuts.

**Ms GLADYS BEREJIKLIAN:** We have said that by 2030 we anticipate the fiscal shortfall to be \$45 billion, of which \$35 billion is health—so the majority is health spending.

**The Hon. ADAM SEARLE:** And roughly about one-third or 35 per cent of that would be for New South Wales?

**Ms GLADYS BEREJIKLIAN:** About that, given we represent one-third of the population.

**The Hon. ADAM SEARLE:** In your proposal to remedy this, through increasing the GST, you also talk about compensation for households earning up to \$100,000 and there still being room for tax cuts. How much money do you want for New South Wales and how much money do you believe should be going into tax cuts?

**Ms GLADYS BEREJIKLIAN:** We obviously want to recoup as much as we can of what we foresee to be the fiscal imbalance. Can I say, Mr Searle, when referring to exact packages I do not want to pre-empt the work being done by what we call the HoTS, which is the group Heads of Treasuries across Australia. The Commonwealth head of Treasury and the State heads of Treasury—

**Dr JOHN KAYE:** The HoTS?

**Ms GLADYS BEREJIKLIAN:** It is called HoTS.

**Dr JOHN KAYE:** Someone has a sense of humour.

**Ms GLADYS BEREJIKLIAN:** It is actually called the Heads of Treasuries secretaries, which is how they get the HoTS—I was trying to think of the "H" and then I remembered. The Heads of Treasuries secretaries are undertaking this work now. There are two or three main packages that we are working one at the moment and I do not want to pre-empt the work that they are doing.

**The Hon. ADAM SEARLE:** The Prime Minister and the Treasurer have indicated that they are not that interested in any net increase in funding to the States. They are talking about lowering taxes generally, rather than providing the States with net additional revenue.

**Ms GLADYS BEREJIKLIAN:** The proposal New South Wales is putting forward is not inconsistent with the comments made by the Federal Government. In fact, I am heartened by the fact that the Federal Government challenged the States and said, "If you want reform, you have to push it." We said, "Okay, we will." So we took up the challenge.

**The Hon. ADAM SEARLE:** You walked into that one.

**Ms GLADYS BEREJIKLIAN:** No, we stand by it. It would be easy for us to say, "Not our problem. The problem will not materialise for 10 or 15 years." But that is not our attitude. We care about the future of the State; we care about future revenue sources.

**The Hon. ADAM SEARLE:** It is less than 10 years?

**Ms GLADYS BEREJIKLIAN:** It will start impacting the budget but, as I said, it is not a major hit to the budget until some years down the track. There is no doubt that it touches on the integrity of our revenue stream moving forward. I do not want to estimate the impact it will have on our budget which is why we have taken up the challenge to push reform. I have to say on a personal level that I am proud of the position the Premier took in leading the national debate on this issue, and the way in which he has been able to unite both Labor and Liberal premiers on this important issue of tax reform.

This is an agenda we will continue to pursue because we strongly believe that it is not only in the interests of New South Wales but also in the interests of the nation. As time moves on it is becoming more apparent. I do not think any of the founding fathers could have foreseen come the year 2015 the challenges the States are facing in delivering day-to-day services vis-a-vis the Commonwealth's revenue streams. I think it is time for us to take a closer look at how those financial State relations are managed, which is why we have been such strong advocates of tax reform.

**The Hon. ADAM SEARLE:** What is your plan B? What happens if this does not yield the result you are after?



**Ms GLADYS BEREJIKLIAN:** We are working very hard in relation to these matters and we are buoyed by the response we have had from other Treasurers and other State leaders. In fact, if anything, it has allowed the States to work together more than I have ever seen. In the four and a bit years that I have been a Minister I have never experienced or felt such cooperation between all the States, even though we come from different political backgrounds.

**The Hon. ADAM SEARLE:** But, Treasurer, you are relying on persuading the Commonwealth to give the States, and New South Wales in particular, additional revenue. If that does not happen, we will still be approaching the fiscal cliff. What will be your approach to ensuring the integrity of the New South Wales purse?

**Ms GLADYS BEREJIKLIAN:** Maintaining the integrity of the New South Wales purse is already part of the Government's DNA. Notwithstanding any decisions made by any level of government, we have sound principles in place to maintain and manage our fiscal discipline. They will remain in place no matter what decisions are made around us. On the State Government's agenda for pursuing a reduction in the fiscal gap in the medium and longer term is our commitment to the reform process. The goods and services tax [GST] is the most direct way that States receive funding from the Commonwealth. That is the avenue that we are pursuing. We appreciate that we must and should offer a compensation package to low-income households.

**The Hon. ADAM SEARLE:** That is not within the Government's power.

**Ms GLADYS BEREJIKLIAN:** It is within our power.

**The Hon. ADAM SEARLE:** What are the things within your power that you will turn your mind to, should this not prove fruitful?

**Ms GLADYS BEREJIKLIAN:** It is within our power, because the rate of GST cannot be changed unless all the States agree.

**The Hon. ADAM SEARLE:** That is not legally correct.

**Ms GLADYS BEREJIKLIAN:** You are the lawyer. You can tell me what the legal distinction is. The last time I looked, the States had to agree.

**The Hon. ADAM SEARLE:** That might be the political position.

**The Hon. BEN FRANKLIN:** Point of order: The member's time has expired. He will have another opportunity to discuss this.

**The Hon. ADAM SEARLE:** Do you really want Dr John Kaye to have more time?

**Dr JOHN KAYE:** I appreciate the support by Government members of me having more time.

**The Hon. BEN FRANKLIN:** Always happy to help, Dr Kaye.

**Dr JOHN KAYE:** I have questions about GST on school fees. At the moment, education is exempt from GST. I hear what you are saying about exemptions, but each year \$9 billion is paid in fees to non-government schools around Australia. The figure for New South Wales is about \$3 billion. That amount is paid almost entirely to non-government schools. Has the Government looked at removing GST exemption from school fees?

**Ms GLADYS BEREJIKLIAN:** No. Our position is to increase the rate, not to change the base.

**Dr JOHN KAYE:** It is, but you are also saying you will increase the rate and then pass some of that money back to low-income earners or disadvantaged householders. Surely one way of doing that would be to remove the exemption on school fees, which are largely paid by higher income households?

**Ms GLADYS BEREJIKLIAN:** There are a lot of options in the compensation package, but our position is to increase the rate, not to change the base. The Government is open to proposals on how compensation might be provided and what the package might look like.

**Dr JOHN KAYE:** For example, a parent at St Catherine's School, where fees are about \$23,000 a year, is getting a \$2,300 a year tax gift from this exemption. It seems we are giving away money rapidly.

**Ms GLADYS BEREJIKLIAN:** As I said, we are about increasing the rate and compensating the most vulnerable households, those on the lowest income rates. We are looking at suggestions on how the compensation package might be constructed. That is a matter for further discussion.

**Dr JOHN KAYE:** You are happy to increase the scope of the GST to include online transactions. I understand that the Government has agreed that GST be applied to online transactions from 2017. What is the revenue gain from that for Australia and New South Wales?

**Ms GLADYS BEREJIKLIAN:** I do not want to provide figures on that, as there is still work to be done. I want to stress that that principle was supported by every State and Territory, no matter what their political background. The reason the principle was supported is that we live in a digital age and we cannot foresee the kinds of innovations that will occur in the future. It is important for us to acknowledge that, for some people, going to a physical shelf or to an online shelf is the same transaction. As a principle, it was important for us to ensure—

**Dr JOHN KAYE:** You will not hear any argument on that. You are going over an area where there is broad agreement. But you agreed to a substantial change. Was any modelling done? Before you signed the agreement did you see any modelling that suggested how big it might be?

**Ms GLADYS BEREJIKLIAN:** There is some modelling, and the Government has seen advice on the projections.

**Dr JOHN KAYE:** Have you seen dollar figures?

**Ms GLADYS BEREJIKLIAN:** There are a number of variations.

**Dr JOHN KAYE:** Have you seen dollar figures for a number of scenarios?

**Ms GLADYS BEREJIKLIAN:** There are a number of compliance challenges as well. I want to stress that, overwhelmingly, every State and Territory felt it was important to apply GST to online transactions. I will ask—

**Dr JOHN KAYE:** We got that message.

**The Hon. BEN FRANKLIN:** Point of order: The Minister is trying to answer the question and the member keeps interrupting.

**Dr JOHN KAYE:** I apologise if the Minister feels I am interrupting her.

**The Hon. BEN FRANKLIN:** The Minister was about to ask her secretary to add to the information, which I suspect will be very helpful to Dr Kaye.

**Dr JOHN KAYE:** I do not know that it will be, as my line of questioning goes somewhere else.

**The Hon. BEN FRANKLIN:** I ask that the Minister be allowed to finish her answer.

**Ms GLADYS BEREJIKLIAN:** Thank you. I will ask the acting secretary to comment further on what I have said.

**Ms MRAKOVIC:** I wanted to clarify a point. A measure was announced in the 2015-16 Commonwealth budget to extend the GST to cross-border supplies of digital products and services imported by consumers. At the latest meeting of the Council on Federal Financial Relations, which is the meeting of all the Treasurers, Treasurer Hockey referred to the broadening of the GST to cover overseas online transactions of physical goods under \$1,000.

**Dr JOHN KAYE:** We were talking about the latter. I thought that was clear. Thank you for clarifying that. Treasurer, were you shown dollar figures for a variety of scenarios, illustrating the gain from this change to the GST? Will you let us in on the secret? What are the benefits?

**Ms GLADYS BEREJIKLIAN:** There is no secret.

**Dr JOHN KAYE:** Were you shown those studies?

**Ms GLADYS BEREJIKLIAN:** Figures have been available for a while. The 2015-16 Commonwealth budget announced the extension to cross-border supplies of imported digital products and services, which was expected to raise a certain amount of money. I am happy to give you that figure. There are different figures for the latter issue that you raised. At this stage I do not want to put a single figure to any of the scenarios that have been demonstrated. Based on the advice that I have received, my position, which is also the position taken by every other jurisdiction, is that it is in the interests of each State and Territory to adopt this principle. We believe strongly that the benefits of going down this path far outweigh any costs or negatives.

**Dr JOHN KAYE:** If there was modelling, who did it? Was it done by the retail industry or an independent agency? At the meeting of the Council on Federal Financial Relations, did you receive any information?

**Ms GLADYS BEREJIKLIAN:** We received briefings from industry and from government sources. All that was taken into consideration. Dr Kaye, if you are trying to pin me down on a number, I will not give you one.

**Dr JOHN KAYE:** I appreciate that you are not going to give me a number. What I really want to pin you down on is who did the modelling. Was there modelling from an independent source or from government, or did industry sources give you that modelling?

**Ms GLADYS BEREJIKLIAN:** There is modelling from a number of sources. Governments consider all the sources. That is all I will say.

**Dr JOHN KAYE:** Nice dance there, but it is a simple question.

**The Hon. BEN FRANKLIN:** Point of order: The question has been asked three times.

**Dr JOHN KAYE:** I will ask it a fourth time. I have the right to ask questions.

**The Hon. BEN FRANKLIN:** The Minister has answered in the way she feels is appropriate. Therefore, I suggest that the member move on, rather than asking the same question three times.

**Dr JOHN KAYE:** Thank you for your suggestion.

**The Hon. BEN FRANKLIN:** I have taken a point of order, Dr Kaye, and I ask the Chair to rule on it.

**CHAIR:** Order! The member will move on with his questions.

**Dr JOHN KAYE:** I will move on. Was any modelling that was independent of the retail industry presented at the meeting of the Council on Federal Financial Relations?

**Ms GLADYS BEREJIKLIAN:** Do you mean independent of government?

**Dr JOHN KAYE:** I mean independent of the retail industry and independent of those who might benefit from it.

**Ms GLADYS BEREJIKLIAN:** I have seen advice from a number of sources. I am happy to take on notice what information was provided on that topic.

**Dr JOHN KAYE:** Can we go back to the issue that Reverend Nile raised specifically with respect to the electricity transmission distribution transaction, which of course is not in the budget and should not be in the budget at the moment. You indicated in a roundabout way, I think, that once the transactions occurred they

would be in the budget. Can we be clear about what will be entered into the budget? You are anticipating \$5 billion in interest raised on the transaction payments. Is that correct?

**Ms GLADYS BEREJIKLIAN:** We are anticipating that the Rebuilding NSW fund will total \$20 billion, which will include the proceeds of transactions, Federal Government contributions through its asset recycling initiative and also interest and other earnings as a result of the transactions, which totals \$20 billion.

**Dr JOHN KAYE:** The breakdown that I think the Premier gave to Reverend Nile's upper House inquiry into the transaction was \$13 billion cash from the transactions, as it were, \$2 billion from the Asset Recycling Fund and \$5 billion in interest.

**Ms GLADYS BEREJIKLIAN:** Certainly those are the figures and you are correct in quoting them, but obviously the market is the true figure. So until each transaction happens we anticipate we will have a preferred bidder on the first transaction by the end of this year, in which case we will be able to give the public information on what the proceeds of that transaction are. Therefore, the Government has committed \$20 billion to the Rebuilding NSW fund and we stand by that. In regard to specific to-the-dollar results, we will be able to tell you what TransGrid looks like by the end of the year.

**Dr JOHN KAYE:** Sadly, my time has expired, but we will pick that up; that is going somewhere interesting.

**CHAIR:** I note in the budget papers under "Contractors" that New South Wales is funding \$88 million in long service leave and \$182 million in portable long service leave schemes for workers in the building construction and contract cleaning industries. Could you outline the basis for those amounts?

**Ms GLADYS BEREJIKLIAN:** Sorry, could you repeat the last part of your question?

**CHAIR:** These amounts are in the budget: \$88 million in long service leave and \$182 million in portable long service leave schemes for workers in the building construction and contract cleaning industries. What is the basis for those amounts?

**Ms GLADYS BEREJIKLIAN:** I am assuming they are obligations that we have to those individuals, but I am happy to take that on notice, unless anybody wants to answer that question.

**Ms TELFER:** I might be able to clarify that for you. The entitlements that would be there for the building construction industry would be based on the legislative obligations—the 1955 Long Service Leave Act—and that is an amount that is calculated each year. For those people in the public service there is a variety of arrangements largely based on the Long Service Leave Act 1955, but also for New South Wales public servants' extended leave. It is just the simple entitlements that are calculated from the laws that surround long service leave.

**CHAIR:** And that is flexible because the people would be working under different employers who would be disadvantaged if there were not those funds?

**Ms TELFER:** Certainly, for the portable long service leave schemes, the building construction and the contract cleaning leave schemes. The building construction scheme, as you might be aware, was first established almost 40 years ago. It was established because it was recognised that people in the building construction industry do not have long-term tenure with various employers. So it was agreed that a scheme would be established so that people in that industry could have some benefits from long service leave. The legislation for the contract cleaning scheme was passed in 2010 and was established in 2011. It covers people who are contract cleaners because, again, it was recognised by the Parliament that those people have a short tenure and they shift from employer to employer.

**CHAIR:** Also in the budget papers under "Superannuation" is an amount of \$1.4 billion allocated to the State Super Defined Benefits Scheme to reduce unfunded liabilities. What is the total unfunded liability in the State Super Scheme?

**Ms GLADYS BEREJIKLIAN:** We will look that up for you and be able to give that figure to you before the end of the Committee session.

**CHAIR:** And what measures are in place to reduce that unfunded liability?

**Ms GLADYS BEREJIKLIAN:** I want to make sure I get the right number for you, so we will look it up before the end of the session.

**CHAIR:** Could you confirm the State's current total debt?

**Ms GLADYS BEREJIKLIAN:** In the general government sector—and I might just take out the slides I used on budget day—net debt is around \$9 billion. In the total State sector, net debt is around \$38 billion, which is \$24 billion less than what the Labor Party predicted when it was in office. At the moment our debt levels are at what we call abnormally low levels because of the asset recycling cycle, which is why we have been able to maintain our strong triple-A credit rating. We are very pleased with how we are going. I will just confirm those figures to you which I did speak to on budget day. I am assuming you want figures on the total State sector or the general government sector?

**CHAIR:** The total State sector.

**Ms GLADYS BEREJIKLIAN:** I refer, first, to our net debt position. I was not too far off. In 2014-15 in the non-financial public sector, which is essentially the total State sector less financial PTEs, our net debt was \$38 billion, which is more than \$24 billion less than what Labor had predicted when it was in government. Our net debt levels are at a healthy stage, if I can put in those terms, and that is because of our strong fiscal discipline but also our asset recycling strategy, which means we are at a point in time now where we have reserves and liquidity to spend on infrastructure. Just to give you a comparison, New South Wales had the lowest non-financial public sector net debt of any mainland State. I have figures in front of me showing New South Wales in comparison to Victoria, Queensland and Western Australia and we are at the lowest rate compared to those other States.

**CHAIR:** Can you put on the record to whom we owe that money in the largest amounts?

**Ms GLADYS BEREJIKLIAN:** I am certainly happy to take that on notice.

**CHAIR:** Just from memory, who would be some of the largest—

**Ms GLADYS BEREJIKLIAN:** I think it is best if I take that on notice, but from the State perspective it is not so much the entity but the amounts that concern us to make sure we are always within the triple-A credit rating, which we are substantially. I will take on notice that aspect of the question relating to the source of debt.

**CHAIR:** Off the cuff you do not know what the main entity would be—superannuation funds, banks or—

**Ms GLADYS BEREJIKLIAN:** I will take that on notice to establish where the net debt is loaded up, unless anybody wants to answer that now?

**Ms MRAKOVIC:** No.

**Ms GLADYS BEREJIKLIAN:** We prefer to take it on notice to make sure we give you accurate numbers.

**CHAIR:** There have been various schemes by different governments using bonds and so on to help offset that debt. Do you have any plans to initiate something like that—Waratah Bonds and other—

**Ms GLADYS BEREJIKLIAN:** TCorp has wholesale bonds of the order of, I think, \$70 billion and we also have Waratah Bonds, which are retail bonds, and the retail bonds have generated around \$700 million. Obviously, the retail bond market is very different from the wholesale bond market, but the Government has a substantial stake in wholesale bonds. It may be of interest to you—and Ms McLiesh may want to comment further on this—that the Government recently launched what we call social impact investment bonds. This is where private investors, non-government organisations and government work together, through bonds, to support initiatives to help the most vulnerable. A most recent example is what we call the Newpin example, where we issued bonds and private investors invested money. That program was run by the private sector in supporting children in out-of-home care in uniting them with their parents. In addition to our wholesale bonds

through TCorp and retail bonds through Waratah, we are also looking into the innovative area of social impact investment. If you are interested, I can ask Ms McLeish to comment further on that.

**CHAIR:** What is the level of take-up? I gather you are disappointed in the response to the Waratah Bonds; it was not what you expected?

**Ms GLADYS BEREJIKLIAN:** Not at all. The Premier would give you a much better explanation, but the retail bonds market is subject to the cash rate and external environment. And so, we are not disappointed at all. We are a government that looks towards innovative measures in that regard and certainly the social impact investment, even though we have started off on a very small scale, is a substantial innovation which we think we can adapt to other areas of government policy. Given that it is so innovative and critical, I will ask Ms McLeish to explain that a bit further. Her team is doing a lot of really good work.

**Ms McLIESH:** As the Treasurer has said, we have two social benefit bond pilots in operation now. They are on a small scale; they are pilots. The first, as the Treasurer described, is what we call a Newpin bond which has raised \$7 million of capital. That is in partnership with UnitingCare Burnside and Social Ventures Australia. It has raised \$7 million of capital from private investors, ranging from superannuation funds to philanthropists. That money is used to invest in services to help restore children in out-of-home care to their families, where it is safe to do so.

In restoring children to their families, there is a reduction in the cost of government services, that is, foster care payments. That is used to support repayment of the initial investment and returns to private investors. The Government only makes that payment if the outcomes are successfully achieved. It is very early days but there has been quite some success from those bonds. It is in the second year and that particular bond has returned an amount of 8.9 per cent annual return to investors and has restored 66 children safely back to their families. It is an innovative trial and we have learnt quite a bit from the experience.

**CHAIR:** It is very encouraging.

**Ms McLIESH:** The Government is looking to expand those types of pilots in the future.

**The Hon. ADAM SEARLE:** Getting back to the Learning Management and Business Reform [LMBR] issue, are there any conditions on where, within its appropriation, the Department of Education must find the resources to fund, within its budget, the final rollout of the LMBR?

**Ms GLADYS BEREJIKLIAN:** Mr Searle, I have said everything I wish to say on that issue for the record. I refer you to my previous comments, the Minister's comments and other comments that have been made on the issue.

**The Hon. ADAM SEARLE:** Can it move resources between capital and other parts of its allocation to meet their costs?

**Ms GLADYS BEREJIKLIAN:** All I will say is that we have stringent processes in place that every single cluster, every single portfolio Minister must comply with in terms of our allocation and how those allocations are spent. I have said all I wish to say on that issue on the record.

**The Hon. ADAM SEARLE:** Can you rule out a final price of up to \$1 billion for the LMBR?

**Mr SCOT MacDONALD:** Point of order: We really are in commercial-in-confidence territory here.

**CHAIR:** Order! It is up to the Minister to specify that.

**Ms GLADYS BEREJIKLIAN:** I am happy to say to Mr Searle, I have asked you to refer to my previous responses and the responses of the relevant portfolio Minister on that matter. That is all I have to say.

**The Hon. ADAM SEARLE:** Is it not the case that these increases in education allocations that you spoke of, quite proudly, in the last round of questioning could well be eaten up by the need to fund the LMBR rollout?

**Ms GLADYS BEREJIKLIAN:** I am sure you wish to arrive at the conclusions you want to but can I say, on the record, that our first and foremost priority in the education system is to provide support to our schools and school communities, and that is what the Government will continue to do. I refer you to my previous responses and those of the portfolio Minister in relation to this matter.

**The Hon. ADAM SEARLE:** But, surely, if you were to at least provide a bit more information—

**Ms GLADYS BEREJIKLIAN:** I have said quite a lot, actually. If you work out the time I have spent on this issue vis-a-vis other issues I have made a substantial contribution.

**The Hon. ADAM SEARLE:** So the short point is you will not tell us what the final cost will be and you cannot tell us whether they can move the money from within any part of their allocation—

**The Hon. BEN FRANKLIN:** Point of order: The Treasurer has clearly already said that she has made her answer to these questions known. With due respect to my honourable colleague, he is just wasting his time by continuing to go down that line.

**CHAIR:** Order! It is up to the members to use their time in the way they wish to use it.

**The Hon. ADAM SEARLE:** So you have said all you have got to say on the matter?

**Ms GLADYS BEREJIKLIAN:** I have, thank you.

**The Hon. ADAM SEARLE:** In relation to the discussions about the removal of the Goods and Services Tax [GST] on female sanitary products, did you have any discussions with Minister Goward about that matter? Did you get any representations from her?

**Ms GLADYS BEREJIKLIAN:** Firstly, I will not disclose the ins and outs of every conversation I have about every issue. But I will say that I have enormous sympathy and empathy for the sentiment around that issue but could not support it based on the fact that as a State we have put forward a concrete package for tax reform and I did not think it was appropriate to start making piecemeal, one-off decisions, on tax reform when we should be looking at this in a holistic way. As much as I support the sentiment and as much as I support where people are coming from in relation to that matter, it would not have been responsible for me, as the State's Treasurer, to support a one-off adjustment when we are encroaching upon or in the midst of a very substantial tax reform process.

I think a similar debate happened at the time the GST was introduced. I have a lot of sympathy and empathy for a number of advocates who wish to have certain things exempt, whether it is nappies or other products for babies—there are a lot of, understandably and completely justifiably, emotional products about which people feel strongly. But I did not think it was either opportune or appropriate for us to support one-off changes when we are entering this tax reform process in the hope of getting real, meaningful, sustainable reform which is holistic and not piecemeal.

**The Hon. ADAM SEARLE:** Getting back to the Education budget, can I refer you to Budget Paper No. 3, page 2-1. It seems to show a reduction from last year in the spending allocated to the Department of Education from \$13.775 billion down to \$12.776 billion. That is a 7 per cent reduction.

**Ms GLADYS BEREJIKLIAN:** No, I want to correct you. The Government was clear that from 1 July there were a number of machinery-of-government changes. For example, previously VET and TAFE sat within the Education budget; it no longer does. So that responsibility, including the budget, was moved to the relevant Minister.

**The Hon. ADAM SEARLE:** The page I am looking at actually has "Vocational Education and Training" as a line item. It is still there.

**Ms GLADYS BEREJIKLIAN:** Yes and I have to tell you that the Government's Vocational Education and Training [VET] budget has increased, as has the Government's Education budget. I can detail that for you. In relation to the Education budget, it is actually a 5.2 per cent increase from last year. If you look at the amount of money we are spending—

**The Hon. ADAM SEARLE:** I am looking at page 2-1 of Budget Paper No. 3 of the Education cluster and it shows a 7.2 per cent reduction.

**Ms GLADYS BEREJIKLIAN:** No, as I explained to you—

**The Hon. ADAM SEARLE:** This is in your budget, Treasurer.

**Ms GLADYS BEREJIKLIAN:** Exactly and I am explaining to you, at the risk of you embarrassing yourself, which you are at the moment, there is a footnote. You should read the whole of that page, Mr Searle, because there is a footnote which confirms what I have just told you.

**The Hon. ADAM SEARLE:** I can see that.

**Ms GLADYS BEREJIKLIAN:** Footnote (a), "From 1 July 2015, the *Administrative Arrangements*"—

**The Hon. ADAM SEARLE:** Yes, I know that TAFE has gone to Skills.

**Ms GLADYS BEREJIKLIAN:** Yes and there are a number of other ones that have as well. So obviously we abide by every single accounting procedure in terms of how we present the budget papers and that is why the footnotes are critical to give the public assurance we are increasing spending in key areas of government. That is why we went to great lengths to put that explanation there. So, unfortunately, your question is factually wrong. The Education budget has actually gone up, as has the VET budget.

**The Hon. ADAM SEARLE:** When you sold the Port of Newcastle was a cap put on the number of containers that can be moved through the Port of Newcastle?

**Ms GLADYS BEREJIKLIAN:** I understand there is no legislated container cap.

**The Hon. ADAM SEARLE:** So there is no cap on container movements there?

**Ms GLADYS BEREJIKLIAN:** There is no legislated container cap.

**The Hon. ADAM SEARLE:** Is there any other restriction in the sale of the lease documents?

**Ms GLADYS BEREJIKLIAN:** I am not aware of that.

**The Hon. ADAM SEARLE:** What about in the contracts?

**Ms GLADYS BEREJIKLIAN:** I am not aware.

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

**Ms GLADYS BEREJIKLIAN:** I am happy to take that on notice.

**The Hon. ADAM SEARLE:** You are aware of the \$20 20-foot equivalent container charge at the Port Botany on throughput that was in place for a number of years?

**Ms GLADYS BEREJIKLIAN:** I will ask Mr Spencer to answer your questions in this regard.

**The Hon. ADAM SEARLE:** Mr Spencer, are you aware of that container tax, if I can put it that way?

**Mr SPENCER:** For clarification, was it what was called a port container charge?

**The Hon. ADAM SEARLE:** I think it was a \$20 charge on every 20-foot equivalent unit. It was originally to build a truck marshalling yard but when the marshalling was constructed it remained in place. At the moment, the value, I think, over the life of the lease would be in excess of the price that was achieved for the lease of Port Botany. The Government did not talk about that when the sale of the lease went through. Will the Minister confirm her understanding that that is still in place and is still being charged?

**Mr SPENCER:** To provide an accurate answer, I will take that question on notice.



**The Hon. ADAM SEARLE:** In relation to the light rail to Randwick, can you rule out there being a clause in the contract that would prohibit providing extra bus services on the same route?

**Ms GLADYS BEREJIKLIAN:** That question is more appropriately addressed to the Minister for Transport but I understand the contract for that project has already commenced.

**The Hon. ADAM SEARLE:** Will you tell us whether a clause is in that contract that prohibits the Government from providing additional bus services along that same route?

**Ms GLADYS BEREJIKLIAN:** I ask you to refer that to the relevant Minister.

**The Hon. ADAM SEARLE:** Will you abide by the Government's public-private partnership guidelines and publish a contract summary of the South East Light Rail contract?

**Ms GLADYS BEREJIKLIAN:** Again, I ask you to refer to the relevant Minister on that point. I do say that a government—

**The Hon. ADAM SEARLE:** You are the Treasurer. You are ultimately responsible—

**Ms GLADYS BEREJIKLIAN:** I am mid-sentence. As a government, no matter what infrastructure project it is engaged with, it is its statutory obligation to comply with all the reporting processes. I can say from my previous experience that we make sure that we comply. So the Government will always comply with all of its obligations in relation to public information. Certainly that is government policy across the board.

**The Hon. ADAM SEARLE:** In relation to those contracts that you have said you would take on notice—

**Ms GLADYS BEREJIKLIAN:** Which contracts are you referring to?

**The Hon. ADAM SEARLE:** For example, the light rail.

**Ms GLADYS BEREJIKLIAN:** I did not say I would take that on notice. I said you should refer them to the relevant Minister.

**The Hon. ADAM SEARLE:** You will not take them on notice even though you are the Treasurer and you are responsible for the expenditure of the State?

**Ms GLADYS BEREJIKLIAN:** You are changing your question. Ask your questions again. First of all you asked me about a specific—

**The Hon. ADAM SEARLE:** Okay. The contract for light rail out to Randwick and about whether there is anything in the contract that would prohibit the provision of bus services or additional bus services.

**Ms GLADYS BEREJIKLIAN:** I suggested you refer those questions to the relevant Minister.

**The Hon. ADAM SEARLE:** I am asking you as the Treasurer to take them on notice. Do you refuse to do that?

**Ms GLADYS BEREJIKLIAN:** No, I am happy to take it on notice.

**The Hon. SCOTT FARLOW:** Point of order: The Treasurer has already indicated that the questions should be directed to the Minister for Transport. I would think the Hon. Adam Searle should send the questions on notice to the relevant Minister if he is interested in answers.

**Ms GLADYS BEREJIKLIAN:** I am more than happy to take them on notice, which will refer him to the relevant Minister.

**The Hon. ADAM SEARLE:** Have the contract summaries for NorthConnex, the North West Rail and the light rail been published yet?

**Ms GLADYS BEREJIKLIAN:** I refer you to the relevant websites for those because the relevant websites for all those projects have information as to what is available. I stress again that in relation to all major projects the Government complies with all of its obligations, and certainly that remains the case.

**The Hon. ADAM SEARLE:** Treasurer, do you recall the parliamentary inquiry into the electricity sale?

**Ms GLADYS BEREJIKLIAN:** Mr Tim Spencer and I both recall that.

**The Hon. ADAM SEARLE:** We had a whale of a time. Do you recall during the previous campaign there was a lot of debate about whether the transaction would create a budget black hole for the State? I think both you and the Premier significantly contested that proposition that there would be any kind of materially adverse impact on the State budget occasioned by the lease or sale of the electricity assets. Are you aware that after the inquiry the Australian *Financial Review* published a story involving some leaked Treasury memos? Do you recall that?

**Ms GLADYS BEREJIKLIAN:** That was actually on budget day and you have got the wrong newspaper.

**The Hon. ADAM SEARLE:** Mr Winestock's article?

**Ms GLADYS BEREJIKLIAN:** Yes, you referred to the wrong paper.

**The Hon. ADAM SEARLE:** The report said there were two Treasury memos which indicated \$1.5 billion—

**Ms GLADYS BEREJIKLIAN:** Yes. You might also recall on budget day I would have answered I cannot tell you how many questions on that issue. I refer you to my public comments on that matter.

**The Hon. ADAM SEARLE:** Will you release those memos?

**Ms GLADYS BEREJIKLIAN:** As I said on that day, I had no knowledge of the status of those memos, where they were from. As I said on budget day, it does not at all change the Government's position.

**The Hon. ADAM SEARLE:** I appreciate that but you are the Treasurer, the head of the department, and you would have access to those documents. I believe that you have said that those documents were internal workings and had never been to Cabinet. So you have some knowledge of them, do you not?

**Ms GLADYS BEREJIKLIAN:** The budget date was 23 June, so this issue is old.

**The Hon. ADAM SEARLE:** We know that the—

**Ms GLADYS BEREJIKLIAN:** I refer you to the comments I made on budget day about it. I do not see how it is in the public interest to keep going over ground I have already gone over.

**The Hon. ADAM SEARLE:** This is budget estimates and the proposition is that the sale of the electricity assets—

**Ms GLADYS BEREJIKLIAN:** The long-term lease.

**The Hon. ADAM SEARLE:** —the long-term lease will cause adverse impact on the State budget. In the public domain there is reportage that indicates that there are Treasury documents that indicate that there will be a budget black hole of up to \$1.4 billion or \$1.5 billion, which is in excess of what was estimated by the Labor Party at election time as being the impact of the long-term lease. Will you release those Treasury memos so we can see what they say? We have the newspaper reportage but we do not have the documents themselves.

**Ms GLADYS BEREJIKLIAN:** Again without wanting to embarrass you, the Labor Party's predictions on that front are completely wrong and have been found to be so, especially given the AER [Australian Energy Regulator] determination in relation to dividends from the electricity assets. Before we get

anywhere near the transactions the State will be losing hundreds of millions of dollars in dividends over the next four years.

**The Hon. ADAM SEARLE:** If that were true then it would not be worth selling them. The estimated sale price does not bear that out.

**Ms GLADYS BEREJIKLIAN:** It is in our budget papers that pre-transaction, that is, independent of the transaction, the return to the State from those electricity assets is substantially diminished over the next four years, which essentially cuts a huge hole through your argument—number one.

**The Hon. ADAM SEARLE:** Why do you not produce the memos so we can see what they say?

**Ms GLADYS BEREJIKLIAN:** Number one, that is a huge hole in your argument. You keep trying to bring it up but it is the same old story. The AER determination has demonstrated the reduction in dividends which is completely separate from any transaction process. Secondly, it has since been demonstrated through the inquiry process that the benefits to the State far outweigh any negative considerations in terms of the transaction process. In fact, this was the subject of robust debate during the election, during the public inquiry of which I was part, and enormous debate since.

**The Hon. ADAM SEARLE:** Treasurer, you did not reveal the existence of these memos either before the election or to the upper House inquiry in which Reverend the Hon. Fred Nile and I participated.

**Ms GLADYS BEREJIKLIAN:** Clearly they did not have any formal status for them to be revealed.

**The Hon. ADAM SEARLE:** The Treasury documents have been leaked into the public domain. Are you saying that you have not looked into this matter since budget day?

**Ms GLADYS BEREJIKLIAN:** I personally have not, no.

**The Hon. ADAM SEARLE:** Could I ask the departmental officials who are with you whether they have looked at the memos and into the leaking of the memo?

**Mr SCOT MacDONALD:** Point of order—

**CHAIR:** Whether the memos exist.

**Ms GLADYS BEREJIKLIAN:** Indeed.

**Mr SCOT MacDONALD:** This is well outside the scope of budget estimates.

**The Hon. ADAM SEARLE:** This goes directly to whether there is an adverse impact on the budget.

**Mr SCOT MacDONALD:** All of these issues have been canvassed. Chair, I ask if we can move on.

**The Hon. PETER PRIMROSE:** Mr Chair, this goes to the issue of a lack of transparency of this Minister and this Government on this critical issue. This is budget estimates. It is the first opportunity we have had to look at transparency. The Opposition has asked a legitimate question in relation to this matter.

**CHAIR:** Order! The Minister has answered the question.

**Ms GLADYS BEREJIKLIAN:** Yes, it is groundhog day. I have been asked about this matter a number of times, including on budget day.

**The Hon. PETER PRIMROSE:** The question has been directed to your officials.

**Mr SCOT MacDONALD:** Are you canvassing the Chair's ruling?

**The Hon. PETER PRIMROSE:** No, but the question is not directed to the Minister. The question is directed to the head of the department.

**The Hon. BEN FRANKLIN:** Point of order: We are here to listen to answers from the Treasurer.

**The Hon. SOPHIE COTSIS:** And the department.

**The Hon. BEN FRANKLIN:** If the Treasurer feels it appropriate to hand over to the department officials that is what should happen.

**The Hon. ADAM SEARLE:** I will put it in a different context. Treasurer, we are talking about the looming fiscal cliff occasioned by the Federal cuts.

**Ms GLADYS BEREJIKLIAN:** That is your terminology.

**The Hon. ADAM SEARLE:** Yes, I am asking the question. We have looming budget shortfalls if no corrective action is taken. You have admitted that there will be adverse impacts on the budget. You are giving away the intergovernmental agreement [IGA] taxes that are worth approximately \$500 million a year, which will worsen the financial position of the State budget. I am examining the leaked Treasury memos, which appear from the reportage to indicate that there will be an adverse impact on the State budget of a further \$1.5 billion a year. Are you and your officials sitting here today saying that you have not looked into the leaking of that memo?

**Ms GLADYS BEREJIKLIAN:** I personally have not.

**The Hon. ADAM SEARLE:** What about your officials?

**Ms GLADYS BEREJIKLIAN:** I am happy to pass that question to the Acting Secretary.

**Ms MRAKOVIC:** I make a couple of observations in respect of this issue. Treasury provides advice for Cabinet on the fiscal strategy, and a range of economic and fiscal influences on that, obviously including the Rebuilding NSW package.

**The Hon. ADAM SEARLE:** The Treasurer said this was not a Cabinet document.

**Ms MRAKOVIC:** I am saying intended for Cabinet as the whole situation has evolved. Our advice to Cabinet is confidential. In terms of the budget impact of the transaction at the time of the budget, it was described in Box 4.3 of Budget Paper No. 1. There was a box that fully set out the budget impact of the transaction at the time of the budget. In terms of the general issue around Treasury and when Treasury information or what purports to be Treasury information is quoted in the newspaper, there is a range of processes that we trigger internally to look at those.

**The Hon. ADAM SEARLE:** What about this memo? Have you looked into the leaking of this memo?

**Ms MRAKOVIC:** If you could let me complete the sentence, please.

**The Hon. ADAM SEARLE:** That was the question.

**The Hon. SCOTT FARLOW:** Do you want an answer or not?

**The Hon. ADAM SEARLE:** I am not getting it. Have you looked into the leaking of the memo? [*Time expired.*]

**Ms MRAKOVIC:** There is a set of processes that we have internally to examine situations where Treasury's name appears in the media, and those processes have been followed.

**The Hon. ADAM SEARLE:** And what have they shown?

**The Hon. BEN FRANKLIN:** Point of order: The member's time for questions has expired.

**Ms GLADYS BEREJIKLIAN:** That is enough. She has answered the question.

**The Hon. PETER PRIMROSE:** A total lack of transparency. No wonder you guys are trying to cover this up.

**CHAIR:** Order! We will move on to questions from Dr Kaye.

**Dr JOHN KAYE:** Can we go back to the GST on goods that are purchased online with a value of less than \$1,000?

**Ms GLADYS BEREJIKLIAN:** Which I agreed to take on notice.

**Dr JOHN KAYE:** Yes, but you would be aware that there are significant compliance costs associated with that.

**Ms GLADYS BEREJIKLIAN:** Absolutely.

**Dr JOHN KAYE:** Were you given any security that the compliance costs would be lower than the amount of revenue collected?

**Ms GLADYS BEREJIKLIAN:** Part of the premise for all the States and Territories without exception agreeing to this process was the basis that both the principle and the implementation would be of benefit to the States and the Commonwealth. We all entered that on the basis that we believed that the benefits far outweigh the significant burdens in relation to compliance.

**Dr JOHN KAYE:** You said premise and belief in your answer, but you did not say analysis or evidence.

**Ms GLADYS BEREJIKLIAN:** That is why I took on notice your previous question about the sources of material data that we received and were exposed to.

**Dr JOHN KAYE:** You would presumably recall whether you were presented with evidence if that was the case?

**Ms GLADYS BEREJIKLIAN:** We were definitely presented with information advice on various scenarios and I have agreed to take on notice what the sources of those scenarios were. I also stress that in the digital age it would have been irresponsible for us not to go down this route. I stress that it was a unanimous decision of every State and Territory. Everybody is in agreement irrespective of our political hue that this is the right way to go. I agree with you insofar as it is not without its compliance challenges.

**Dr JOHN KAYE:** We are not really arguing the substance of the issue. We are talking about the decision-making process and what evidence you had.

**Ms GLADYS BEREJIKLIAN:** Which is why I have agreed to take on notice the sources of information.

**Dr JOHN KAYE:** On 12 June 2015 you met with the Australian Hotels Association NSW to discuss New South Wales hotel taxation. Can you give us some more detail about what taxation you were discussing? Was it electronic gaming machine taxation or another form?

**Ms GLADYS BEREJIKLIAN:** From memory that was in my public disclosure.

**Dr JOHN KAYE:** That is right. I have not bugged your office.

**Ms GLADYS BEREJIKLIAN:** No, I was just making sure. From memory it was a meet and greet in my capacity as Treasurer where the association introduced themselves to me in my capacity as Treasurer and explained to me a bit about their industry and their challenges.

**Dr JOHN KAYE:** That is interesting, because in the memo it says "to discuss New South Wales hotel taxation". It does not say it was a meet and greet, a social event or an introduction. Whoever wrote your diary said they were there specifically to discuss hotel taxation.

**Ms GLADYS BEREJIKLIAN:** I am sure that came up during the course of the meeting. It would be unusual for a peak body to meet with the Treasurer and not discuss the taxation impact on its industry. If you are asking me to recall specific details of the meeting, all I can tell you is as Treasurer it is my responsibility to meet with every major industry in this State.

**Dr JOHN KAYE:** Do you keep notes on meetings like that?

**Ms GLADYS BEREJIKLIAN:** My staff do, yes.

**Dr JOHN KAYE:** They do?

**Ms GLADYS BEREJIKLIAN:** My staff might.

**Dr JOHN KAYE:** So you would be able to say, for example, whether the \$800 million of annual tax expenditure on the differentiated rate of electronic gaming machine taxation was discussed at that meeting?

**Ms GLADYS BEREJIKLIAN:** I do not think it is in the public interest to recall or recount every aspect of a meeting, but I can confirm that when a peak industry body meets with the Treasurer of the day they discuss the impact of taxation on its industry. I will also confirm that in the budget process there was no change in taxation laws or agreements, or anything of that nature in relation to that industry. But it is my responsibility to give every industry a hearing on what its perceived challenges are.

**Mr DAVID SHOEBRIDGE:** The parliamentary inquiry into bullying at WorkCover recommended a statewide workplace bullying law. What steps have you taken to implement that recommendation or what is your response?

**Ms GLADYS BEREJIKLIAN:** Obviously at face value the Government takes issues around bullying very seriously. I will refer to Vicki Telfer, who may have more detailed information, otherwise I will have to take that on notice.

**Ms TELFER:** We are looking at the policy implications of that and we will be providing some advice to Government in due course.

**Ms GLADYS BEREJIKLIAN:** When we get that advice we will look at it as closely and as seriously as possible because I cannot think of many worse things than people experiencing bullying in the workplace. I give you an assurance that once I receive any advice that is within my area of responsibility it will get the due importance and consideration it deserves.

**Mr DAVID SHOEBRIDGE:** Could you also provide advice about the current estimated extent of bullying across the New South Wales public service? I will give you one example. In WorkCover, despite a large effort to reduce bullying, instances of complaints of bullying in WorkCover I think reduced by only 4 per cent between 2013 and 2014.

**Ms TELFER:** I would have to take that on notice. I also note that I would need to consult with the Public Service Commission, which has some responsibility in this area.

**Mr DAVID SHOEBRIDGE:** The Public Service Commission was meant to be running roundtables on bullying. What has been the outcome of those roundtables on bullying?

**Ms TELFER:** I can tell you that there have been several of those meetings, and I have been attending those meetings as well. As I understand it, some further work is being developed between the Public Service Commission and the unions who have been involved in that. I will take that question on notice and provide some further advice but I will need to ask the Public Service Commission.

**Mr DAVID SHOEBRIDGE:** I am happy for a further response to be made on notice. Minister, the protection of bona fide whistleblowers who come forward and state their position, particularly when their position is endorsed and adopted after an independent inquiry by the Independent Commission Against Corruption [ICAC], surely should be at front of mind for any responsible government. Do you agree?

**Ms GLADYS BEREJIKLIAN:** Of course in principle the Government would agree with that proposition. I am not quite sure what you are getting at with your question but please feel free to ask me directly if there is anything that you feel we need to take on board in relation to that. I am not quite sure where you are going with this but I do not think anybody would disagree with the proposition you have put.

**Mr DAVID SHOEBRIDGE:** I am putting that in-principle position because we know there has been an instance where the laws have not worked—that is, the case of the former deputy commissioner Tara McCarthy. She had the position she had taken publicly fully vindicated by ICAC. Her concerns about corruption and mismanagement were fully vindicated by ICAC. But she had already been dismissed by Commissioner Kear. The law, however, failed to provide a ready avenue for her to be reinstated. Do you accept that that is a gap in the law?

**Ms GLADYS BEREJIKLIAN:** I am happy to take that on notice. It is a matter I have not been directly involved in but I am more than happy to take on notice what you perceive to be a gap in the law to protect whistleblowers—I think that is the premise of your question.

**Mr DAVID SHOEBRIDGE:** The problem, which was identified by the Public Service Commissioner as recently as the end of last year, is that there was no capacity to reinstate to a permanent position a person of that seniority in the public service. Even where there had been a full vindication of them in an ICAC hearing and even where that vindication had been accepted by government, there was no capacity for reinstatement. Is that a matter which your Government is going to look into?

**Ms GLADYS BEREJIKLIAN:** Mr Shoebridge, I will take that on notice, only because I will need to consult with some of my colleagues who have had more direct involvement in that issue. I will definitely take that on notice.

**Mr DAVID SHOEBRIDGE:** In doing that, could you take on notice whether or not amendments to the Public Interest Disclosures Act that would allow for that kind of reinstatement to be granted either by the Minister or the NSW Industrial Relations Commission may well be a positive policy response to that?

**Ms GLADYS BEREJIKLIAN:** I am more than happy to take that on notice but I will need to consult with colleagues who also have some responsibility in this area alongside me.

**Mr DAVID SHOEBRIDGE:** Minister, which agencies have achieved savings so as to be awarded a more than 2.5 per cent pay increase under the New South Wales Public Sector Wages Policy?

**Ms GLADYS BEREJIKLIAN:** I assume you mean which categories of awardees?

**Mr DAVID SHOEBRIDGE:** Yes, you are right—which categories of awardees.

**Ms GLADYS BEREJIKLIAN:** What normally happens is that as enterprise bargaining agreement [EBA] negotiations come around for a class of employee the relevant Minister or party, whether it is a department on behalf of the relevant Minister, will be in direct negotiation over wages for that class of employee. I will have to take on notice how many have exceeded the 2.5 per cent and how many have not in regard to the Government's policy. But I can tell you that, as a result of the Government's policy, we now have the lowest rate of industrial disputation that this State has had for many years. The Government's wages policy has provided a certain framework within which negotiations take place. I cannot give you off the top of my head the figure for awardees because there are several awards in several stages.

**Mr DAVID SHOEBRIDGE:** I am happy for you to take that question on notice. Could you also include what conditions were traded as a result of that 2.5 per cent?

**Ms GLADYS BEREJIKLIAN:** I might need to refer you to the relevant Minister on that front, because obviously each Minister, or rather each department on behalf of the Minister, would have the details of those specific awardees.

**Mr DAVID SHOEBRIDGE:** Perhaps you could answer what you can within your responsibilities and then point me in the right direction for the others.

**Ms GLADYS BEREJIKLIAN:** Yes, thank you. Each portfolio Minister has responsibility for managing their own EBA processes. I will certainly take that on notice.

**CHAIR:** There has been a report, which you are probably aware of, that Metgasco is threatening to sue the Government for damages because the Supreme Court has stopped the suspension of its licence and said that that was not justified. How do you allocate funds, or what funds do you allocate, to that potential damages case?

**Ms GLADYS BEREJIKLIAN:** Obviously the Government took a policy decision in relation to that licence and the mining company then took us to court. We lost the case. The Government then entered into a negotiation process which was not successful. I will have to take any further questions in relation to that on notice, unless Mr Spencer has anything to add.

**Mr SPENCER:** No, my only involvement was in the negotiation to see whether a settlement could be reached. The prior issues were all dealt with by the relevant departments.

**CHAIR:** But you must have some provision for the payment of damages? I am wondering whether you have done any estimates?

**Ms GLADYS BEREJIKLIAN:** The Government went into the negotiation phase based on commercial advice we had received. Unfortunately those negotiations to date have not had a successful outcome.

**Mr DAVID SHOEBRIDGE:** We would assist you with statutory protections if you came to the Parliament.

**CHAIR:** I am just wondering whether you have any estimate of what the potential damages could be? That would be money not in the budget, and you would have to find it. Are we looking at \$1 million or at \$5,000?

**Ms GLADYS BEREJIKLIAN:** I would only be guessing. I would not want to make a volatile situation worse by putting any figures on things. Clearly we negotiated in good faith and unfortunately those negotiations were not successful, which is why the public position is what it is—

**The Hon. BEN FRANKLIN:** To this point.

**Ms GLADYS BEREJIKLIAN:** To this point, I should say.

**CHAIR:** So you are not planning to appeal the Supreme Court decision? I do not think you have, have you?

**Ms GLADYS BEREJIKLIAN:** That matter is probably better directed to one of my ministerial colleagues. Treasury was involved in the negotiations. Insofar as my department was involved, I can certainly say that we went into those negotiations in good faith. Regrettably they have not had the outcome we wanted, at this stage.

**CHAIR:** So any payment would come out of what you call contingencies?

**Ms GLADYS BEREJIKLIAN:** Government always allows for this type of issue. But we also have a responsibility to do what is in the best interests of the taxpayer.

**CHAIR:** There were some questions asked earlier about WorkCover and the inquiry into bullying. Ms Telfer, you are representing WorkCover. Through the Minister, could you outline what reforms have been put in place at WorkCover following that inquiry?

**Ms TELFER:** I used to be at WorkCover but I am now with New South Wales industrial relations within the NSW Treasury. So that question would be better directed to the Minister with responsibility for WorkCover. I am terribly sorry and I would love to help you but I just cannot.

**CHAIR:** So you are not aware what reforms were introduced?



**Ms TELFER:** I am aware of them only from reading the newspapers and hearing of those matters that are in the public domain. I do not have responsibility for matters within the WorkCover area these days.

**CHAIR:** Does the Minister have any knowledge of what reforms were introduced following the bullying inquiry? For example, a new chief executive officer was appointed. Quite a few positive things were introduced. I wanted to give you an opportunity to outline some of those.

**Ms GLADYS BEREJIKLIAN:** Mr Shoebridge also indicated his desire to ensure the Government is giving this issue the attention it deserves. I can assure you that, as far as my responsibilities as the Minister for Industrial Relations are concerned, I will do what I can to ensure the Government responds appropriately. In regard to WorkCover, I will work closely with the Minister for Finance, Services and Property, Minister Perrottet, who also has responsibility in this area. I want to stress to all members of the Committee that we will not take lightly the advice we receive in relation to responding to the inquiry's findings and recommendations. We have an absolute obligation to ensure that anybody who works within government works in a safe environment free from bullying and harassment, which is something I feel strongly about. It is something you can be assured that all arms of government will take seriously.

**CHAIR:** There is always concern about the economic costs of alcohol abuse in New South Wales. Can you put any calculation on what that is costing our State in industry and other areas?

**Ms GLADYS BEREJIKLIAN:** There is a substantial cost. I do not have a whole-of-government cost at my fingertips but I am happy to seek advice from my colleagues. Clearly there is a health cost and a police cost and a number of arms of government are impacted by the adverse consequences of the abuse of alcohol. I will endeavour to answer the question as best I can but as you appreciate, and as you have outlined in your question, it affects so many arms of government. Again, it is within the police Minister's area of responsibility but there is no doubt that the lockdown laws have had a positive impact on antisocial behaviour and the Government is very proud of that fact.

**CHAIR:** I was considering the impact on industry through alcohol abuse in the workplace.

**Ms GLADYS BEREJIKLIAN:** The Government would obviously have a better handle on things within our area of responsibility. It would be very difficult for us to collate figures from non-government or industry, as you put it, but some information may be available on the public record about that. We will try to get you whatever information we have but it might be limited. I appreciate where your question is coming from. We will try to get you what information we can.

**CHAIR:** Would you support any initiatives to reduce the impact of alcohol abuse, for example, by prohibiting alcohol advertising?

**Ms GLADYS BEREJIKLIAN:** The Government took a strong stand in relation to the lockdown laws and they have had a positive effect to date. It was a very strong message to the community about our position. The State Government does not control the matters relating to advertising. We are subject to standards that other jurisdictions apply in relation to that. I can assure you that as a government we will do all that we can not only to address alcohol-fuelled violence but also to address the detrimental impact of alcohol abuse on health and other areas.

**CHAIR:** Has there been any estimate of the cost of domestic violence to the community? Obviously there is the personal cost to those who are injured, but what is the cost to the State?

**Ms GLADYS BEREJIKLIAN:** We are very proud that for the first time in the history of this State—and I am sure that Minister Goward spoke about this during her estimates hearing—we have a Minister dedicated to the area of domestic violence. We have made concerted efforts through this budget process—which never existed before—to pull together all the resources we have as a government to combat domestic violence, and we are looking forward to enhancing further initiatives. I believe the principle of having a Minister for the first time responsible for this important area, coupled with the additional responsibilities she has in managing all government programs in this area, sends a strong message about this Government's position in relation to this important issue.

In my role as Treasurer I will be looking at what further initiatives the Government can implement to deal with this issue. As you have referred to, the cost is more than the dollar figure; the social impact it has on so

many in the community is what is really motivating this Government to try to turn things around—first, to highlight the extent of the problem and, secondly, to look at some of the initiatives governments can take to reduce the incidence of domestic violence.

**The Hon. ADAM SEARLE:** Several charts, tables and chapters that were a feature of past budget papers appear to be missing from this year's papers—for example, tables 1.2 and 1.3 from the 2014-15 budget statement, which show key fiscal indicators over a period.

**Ms GLADYS BEREJIKLIAN:** We definitely have key fiscal indicators in the budget papers; they are just located somewhere else.

**The Hon. ADAM SEARLE:** You have moved them. In the budget statement there are some housing charts—growth of residential transfer duty, transactions and home prices and related matters.

**Ms GLADYS BEREJIKLIAN:** Yes.

**The Hon. ADAM SEARLE:** Also there are chapters like Federal financial relations and government-owned businesses. Are they still there?

**Ms MRAKOVIC:** Yes.

**Ms GLADYS BEREJIKLIAN:** For your information we changed the order of the budget papers this year to modernise and streamline them. First of all I made, some would say, the untraditional and uncouth decision that the Treasurer's speech is no longer formally part of the budget papers.

**The Hon. ADAM SEARLE:** Outrageous.

**Ms GLADYS BEREJIKLIAN:** Exactly. I did break that tradition. I thought a document which you would argue is a political one should not be part of the formal budget papers.

**The Hon. ADAM SEARLE:** It is a matter of record.

**Ms GLADYS BEREJIKLIAN:** Indeed. Budget Paper No. 1 is a budget statement; Budget Paper No. 2 is the infrastructure statement, which used to be the old Budget Paper No. 4; and Budget Paper No. 3 is the budget estimates. So the information you refer to is still in the budget papers but it may not be in the same location. If there are any subsequent tables that you feel are not there I am happy to look them up. Let me assure you that we reconfigured the papers this year because of a decision I took to modernise and streamline the papers to make them more user-friendly. That is a process we will continue. If you are not an economic expert it is difficult to navigate through the budget papers. We have tried to reduce duplication, but let me assure you that the fiscal indicators are still there. In fact, they are on—

**Ms MRAKOVIC:** Page D-2.

**Ms GLADYS BEREJIKLIAN:** It would be illegal for us not to have the fiscal indicators in there. It is in Budget Paper No. 1, page D-2, table D.1 and table D.2. The information you mention is still definitely in the papers; we have just reconfigured it in order to make it more user-friendly. You will also find that the same amount of information exists but we have tried to make it more user-friendly for people who may not be as familiar with the budget papers.

**The Hon. ADAM SEARLE:** Is the current formatting going to be a feature in future years?

**Ms GLADYS BEREJIKLIAN:** I anticipate that it will be but I will not rule out further reform to make them more user-friendly. Obviously we need to comply with all the accounting standards, which we do. We have to pass the Auditor-General's test of transparency and publishing of figures, which we do. I can assure you that I have a very expert and hardwired team within Treasury who make sure that we comply to the letter of the law, in addition to providing anything we feel over and above that is in the public interest.

**The Hon. ADAM SEARLE:** But changing the format from year to year can make comparing apples with apples difficult.

**Ms GLADYS BEREJIKLIAN:** We have made sure we have not done that. Can I stress on the public record that we have not changed the way the numbers are presented—sorry, we have not changed the content or how you can make comparisons from year to year; we have just changed some of the format. I also want to stress that we did have a number of machinery of government changes, which you highlighted in earlier questioning, which is why we spent a lot of time toing and froing in the wee hours of the morning making sure we got all the footnotes right. As you highlighted, if there was a perception about a particular budget allocation we made the footnotes quite detailed so that people could refer to the relevant pages in order to get that information. The acting secretary has indicated that she wants to make further comment on that point.

**Ms MRAKOVIC:** I just wanted to add that generally an amount of information was pulled to a statement of finances at the back of Budget Paper No. 1. My expectation is that much of the material you mentioned I hope will be found in that statement of finances, which is an appendix at the back of the document. The material should still be there but it might be put into different tables because we were also trying to reduce duplication.

**The Hon. ADAM SEARLE:** It appears to be less detailed from the old way.

**Ms MRAKOVIC:** That is why I wanted to mention to you that you may have to look across a number of tables.

**The Hon. ADAM SEARLE:** So you have to go hunting for it now?

**Ms MRAKOVIC:** No, you do not have to go hunting.

**Ms GLADYS BEREJIKLIAN:** No, it is easier.

**Ms MRAKOVIC:** We have tried to reduce the amount of duplication in the numbers. That is why I wanted to make the point that there is an appendix called "Statement of Finances" and you need to look at that appendix when seeking that information.

**Ms GLADYS BEREJIKLIAN:** The point you make is an important one. But very few people would read—I could be wrong; members of this Committee might—the budget papers from cover to cover, which I have done on several occasions.

**The Hon. ADAM SEARLE:** We do our best.

**Ms GLADYS BEREJIKLIAN:** For those who have read the budget papers from cover to cover, in the past there was an enormous amount of duplication. We wanted to make sure that we had the same information available in a more user-friendly format. Rest assured that every level of detail that existed previously is still there.

**The Hon. ADAM SEARLE:** I will now turn to some industrial relations questions before we conclude. Do you remain committed to maintaining the Industrial Relations Commission as a separate standalone tribunal?

**Ms GLADYS BEREJIKLIAN:** The Government has not announced any contrary policy position.

**The Hon. ADAM SEARLE:** The reason I ask is that when this question was asked of your predecessor at last year's estimates he hedged and weaved and left the impression that his personal agenda was to change it.

**Ms GLADYS BEREJIKLIAN:** If there is a change in government policy, we will announce it.

**The Hon. ADAM SEARLE:** Looking at the annual reports of the commission over time, there seems to be a rising or high level of workload for the tribunal, relative to its resources. Although the backlog has been reduced from more than a thousand cases to fewer than 400, according to the most recent annual report, the tribunal is obviously still under a significant amount of pressure. At last year's estimates, the former Minister indicated that there were prospective appointments and that there had been advertisements for those positions. Where is the selection process up to, and when will you make announcements of further appointments to the Industrial Relations Commission?

**Ms GLADYS BEREJIKLIAN:** The Government will proceed with that as soon as it can.

**The Hon. ADAM SEARLE:** It has been five months since the election. Appointments were expected prior to the election, given when the advertisements were placed.

**Ms GLADYS BEREJIKLIAN:** I appreciate that. The appointment process is ongoing and will conclude in the near future. As you have pointed out, the Government has worked hard to reduce the number of disputes. There are figures, to be released today, that confirm the low disputation rate in New South Wales, compared to past rates. We accept and acknowledge the role that the Industrial Relations Commission plays in that process.

**The Hon. ADAM SEARLE:** I wrote to the former Minister last year about the selection process and did not receive a satisfactory answer. The selection process for recruitment to tribunals, including the Industrial Relations Commission, is outlined on the website of the Department of Justice. The selection panel typically comprises the relevant head of the jurisdiction, the secretary of the relevant department, a leading member of the legal profession and another person. The panel draws up a short list of those who have expressed interest and interviews those who are short-listed. Will you assure the Committee that that is the process that is being pursued to fill any additional appointments to the Industrial Relations Commission?

**Ms GLADYS BEREJIKLIAN:** From what I understand, there is a dual process for appointing commissioners versus—

**The Hon. ADAM SEARLE:** Judges.

**Ms GLADYS BEREJIKLIAN:** Exactly. I suspect that the justice cluster has responsibility for judicial appointments and I have responsibility for the balance.

**The Hon. ADAM SEARLE:** The website also talks about the Industrial Relations Commission as a tribunal.

**Ms GLADYS BEREJIKLIAN:** I understand that. Ms Telfer may like to comment on that process. I take on board what you have said, Mr Searle. The appointments are imminent.

**The Hon. ADAM SEARLE:** I received no assurance from the previous Minister that that policy was being followed.

**Ms TELFER:** I have nothing further to add.

**The Hon. ADAM SEARLE:** Would you assure me that the process for the recruitment of members of the Industrial Relations Commission published on the Justice website is the one that you are following?

**Ms GLADYS BEREJIKLIAN:** Yes, as long as it fits within my ministerial responsibilities. The Justice website refers to that cluster. Do I adhere to the statutory and regulatory obligations of the appointment process? Yes.

**The Hon. ADAM SEARLE:** Last year the Human Rights Commission completed a national review entitled "Supporting Working Parents: Pregnancy and Return to Work", which revealed a serious and systemic pattern of discrimination against working parents—mainly working women—that has a significant cost to women and their families, the workplace and the economy. Are you aware of that review? As Minister, what is your policy response to the issues set out in that review?

**Ms GLADYS BEREJIKLIAN:** I am aware of that review and reviews since that time that indicate the challenges faced by families in the workplace. Given the timing of the review, I will defer to Ms Telfer to indicate whether the Government has formally responded to it or whether advice has been provided.

**Ms TELFER:** We did some analysis of the report when it was released. The New South Wales industrial relations system post 2009 covers public sector workers and local government. A range of provisions to support parents in the workplace are contained in industrial instruments in the New South Wales jurisdiction. As the lead employer in the public sector, we canvassed a number of employees about the findings of the report.

New South Wales public sector conditions and practices appear to be more family friendly than the Human Rights Commission found, which is laudable. We continue to monitor the situation, but it appeared that no specific further work needed to be done in the area, given our history and what is available for the workplaces that are covered by the New South Wales laws.

**The Hon. ADAM SEARLE:** I asked the previous Minister about this issue at last year's estimates. He seemed blissfully unaware of the matter. I put questions on notice about what he, as Minister, intended to do. The laughable response I received was: "NSW Industrial Relations does not hold this information." That was the repeated answer to my specific questions on notice. My question to you, Minister, is: What concrete policy actions will you take as Minister to respond to the issues raised in that report?

**Ms GLADYS BEREJIKLIAN:** I will take decisions as they arise and will communicate those decisions publicly. In New South Wales we have a reasonable record on these matters. We look for further opportunities within the Government's wages policy framework. I assure you that whether recommendations come from my department or the Public Service Commissioner or any other body they will be given serious consideration. I cannot predict what I will do in the future. But, based on the issues you raise, if we can do anything tangible that we are not already doing, we will consider it.

**The Hon. ADAM SEARLE:** I will identify some issues. The material received by the Human Rights Commission review indicated that in the New South Wales public sector, for example, employers denied employees training or acting or promotional opportunities on the basis of pregnancy. There was the downgrading of tasks, including removing people from their usual place of work and giving them less meaningful work. There were difficulties in obtaining time off work for medical appointments. There was the inability to access appropriate flexible working arrangements when returning to work. There were difficulties in renewing part-time or term-limited contracts. The inquiry revealed a litany of difficulties experienced by working women during pregnancy and on return to work in the public sector of this State. It is alarming. I am staggered that, more than 12 months after the release of the Human Rights Commission report, the Government has no response.

**Ms GLADYS BEREJIKLIAN:** I remind you of Ms Telfer's comments. I appreciate the seriousness of the issues you raise. We will continue to ensure that we do what we can to reduce the types of incidents you raise. Relatively speaking, New South Wales is ahead of the pack on industrial relations. I do not for a second deny that there is more to do in a number of areas. As we identify the issues, we will take action. Some of the incidents you referred to were from the national inquiry. While the inquiry showed that we still have room to improve the workplace environment for families, and for women in particular, we were heartened that New South Wales already had policy frameworks in place to deal with the issues it raised. The gap in New South Wales was far smaller than it was in other States.

I feel very strongly about this. We will be vigilant in ensuring that every individual, irrespective of his or her circumstances, has an equal opportunity to be the best in the workplace. It is in the State's interest to make sure that individuals of high calibre, irrespective of their gender or family circumstances, have the opportunity to contribute to the good fortune of the State. In my capacity as Minister for Industrial Relations, I will do what I can in that regard. The Government will put in place formal statutory obligations, if that is required, but it will also ensure that it sends a strong message not only to public service agencies but also to the broader community about these issues, which are ongoing challenges for families.

**The Hon. ADAM SEARLE:** What plans do you have for developing gender equity performance indicators for the public sector of New South Wales?

**Ms GLADYS BEREJIKLIAN:** We already have a number of things we put in place. In fact, Premier Baird was very instrumental, when he had this role in relation to supporting women on boards, supporting women at the very senior levels of the public service. So the Government has made some positive strides in that regard. As you see here at the head table, the gender balance is not too bad. I am very proud of the fact that many of our senior people—no disrespect to Tim—within Treasury and Industrial Relations are women; many of the Government's senior board appointments of late have been good women.

Of course, there is always more to do, but the best we can do as a government is to lead by example and I would like to think not only do we have quite encouraging incentives in relation to gender balance—because, forgetting all the altruistic reasons, I think it is to the benefit of the State to have good balance in all of

our departments—but we also have a Premier who has made it a key achievement of his Premiership to promote the status of women in the Public Service and also in the broader community.

**CHAIR:** And we have a female Treasurer.

**The Hon. ADAM SEARLE:** When can we expect the Government response to the Advancing Women report, handed to the Government last September, about gender equity in the public sector?

**Ms GLADYS BEREJIKLIAN:** I will take that on notice.

**The Hon. ADAM SEARLE:** The Office of Industrial Relations does not seem to be mentioned in the budget papers separately.

**Ms GLADYS BEREJIKLIAN:** It is kind of a part of—

**The Hon. ADAM SEARLE:** I know it is part of Treasury, but it was mentioned separately last year. You can perhaps take this on notice: What is its annual budget? How many FTE employee positions does it have? How many actual bodies does it have? If you could take the rest on notice?

**Ms GLADYS BEREJIKLIAN:** I am happy to take that on board.

**The Hon. SOPHIE COTSIS:** The Disability Sector Transition Fund that you announced last week, with the sale of Home Care—it was sold, I understand, for \$114 million and you stated that \$100 million of that will go into the fund—I would like to know, and you can take this on notice, whether your department will administer the fund, how the money will be spent and whether all the proceeds, the \$114 million, will go into that fund?

**Ms GLADYS BEREJIKLIAN:** I am happy to take that on notice.

**Mr DAVID SHOEBRIDGE:** Treasurer, what proportion of the State Executive is female and what proportion is male?

**Ms GLADYS BEREJIKLIAN:** Do you mean the senior State Executive? Can I take that on notice? We have targets in place, but in terms of the current situation I will have to get information from my colleague the Minister for Women.

**Mr DAVID SHOEBRIDGE:** Perhaps I should have started with the targets because I was going to go there. What are your targets for women in the State Executive? There is the State Executive and then there is Senior Executive Band 3, Senior Executive Band 2 and Senior Executive Band 1.

**Ms GLADYS BEREJIKLIAN:** Without stealing anybody's thunder—how can I say this without releasing—

**The Hon. SOPHIE COTSIS:** Just make the announcement.

**Ms GLADYS BEREJIKLIAN:** In all seriousness, the Government has done some work on our priorities as a government, and the number of women in senior positions is one of those things. We will have more to say about that in the near future. I do not want to pre-empt any announcement the Government will make, apart from saying—

**Mr DAVID SHOEBRIDGE:** Far be it for budget estimates to ruin a media opportunity, but I would really like the answer.

**Ms GLADYS BEREJIKLIAN:** In all seriousness, this Committee should take heart from the fact that this is not just an initiative promoted by a few people; it comes from the Premier, and the Premier feels very strongly about this and will have further to say about that in the near future. But I am happy to take on notice the question in terms of existing policies without pre-empting any additional announcements we might make.

**Mr DAVID SHOEBRIDGE:** The question is: What are the existing policies and targets for female participation at the State Executive level and then also at Senior Executive bands 3, 2 and 1, and how is the Government tracking as against those targets?

**Ms GLADYS BEREJIKLIAN:** I am happy to take that on notice as some of it—obviously all of it—encroaches on my colleague's area.

**Mr DAVID SHOEBRIDGE:** Treasurer, you would know there is significant debate federally about winding back the Commonwealth Paid Parental Leave scheme, which currently workers covered by the New South Wales industrial relations scheme can have access to. Do you support workers covered by the New South Wales Industrial Relations scheme having access to the current benefits under the Commonwealth Paid Parental Leave scheme?

**Ms GLADYS BEREJIKLIAN:** We have a responsibility within our jurisdiction to do all we can to support families and women in the workplace. I would rather refrain from commenting on what Federal Government policies might be in that regard, apart from saying that because a number of our employees are under Federal awards as opposed to State awards of course we work with other jurisdictions to make sure policies we can influence are as supportive of families as they can be. I do not know if Vicki Telfer has anything to add on that point.

**Ms TELFER:** I do not think there is anything further to add on that point. Clearly, under the New South Wales industrial instruments, for those covered by them in the New South Wales public sector, there is 14 weeks paid parental leave for people having babies and there is also the ability to take unpaid parental leave. We are monitoring what is happening at the Commonwealth, but I have nothing further to add.

**Mr DAVID SHOEBRIDGE:** As part of an overall package that provides decent protections for women having babies, and fathers and other carers, the 18 weeks Commonwealth Paid Parental Leave scheme is part of an overall package that protects their rights and entitlements. I am just asking you a simple question: Do you support New South Wales public sector workers having access to that additional Commonwealth benefit?

**Ms GLADYS BEREJIKLIAN:** The difficulty in the question is the entitlements—

**Mr DAVID SHOEBRIDGE:** The Commonwealth wants to take it away. That is the difficulty in the question.

**Ms GLADYS BEREJIKLIAN:** But the entitlements that our State employees already have within their existing award framework, you need to be careful to assume the benefits that exist within the New South Wales system, which helps many women and families juggle these issues.

**Mr DAVID SHOEBRIDGE:** You need to be careful not to talk about double-dipping.

**Mr SCOT MacDONALD:** Could we let the Minister answer the question?

**Ms GLADYS BEREJIKLIAN:** I think the sentiment behind Mr David Shoebridge's question is one that all of us here would appreciate in terms of insuring that families have the support to maximise their contribution to the workplace, and certainly within the areas of responsibility that we have as a government we will continue to do all we can to support arrangements, but we are also working within a national framework, and we understand that. But be assured that it is an issue the Government regards as a critical one and we will continue to work within our own jurisdiction about addressing how we can make life easier for families.

**Dr JOHN KAYE:** Treasurer, I take you to the issue of the electricity transaction you are currently engaged with, particularly with respect to TransGrid and the China State Grid Company. The Foreign Investment Review Board [FIRB] is currently deliberating on these matters.

**Ms GLADYS BEREJIKLIAN:** You appreciate, because we are going through a competitive bid process, I will keep my comments very general but I will endeavour to answer the sentiment of your question as closely as I can. During the process all bidders know that not only do they need to comply with the law we have in New South Wales in relation to the transactions plus the regulatory framework in place, plus the licensing conditions, they also need to satisfy any issues that bodies within the Federal jurisdiction might have. That includes satisfying all ACCC issues; it also includes satisfying all FIRB issues. So, as far as possible the

New South Wales Government, or the members of the evaluation committee and the bean team acting on behalf of the Government, know that it is our intent to make sure that each bidding party or consortia is aware of the various loopholes they need to go through to be eligible to be bidding in this process or to be successful.

So therefore, there are matters within the New South Wales Government's jurisdiction and there are matters within the Federal Government's jurisdiction. But we have made it clear to each party that they need to be in close contact with those other bodies, over which the State Government does not have control and which is outside our jurisdiction. And that applies to all bidders, irrespective of their background, irrespective of whether they are representing themselves or the consortia. They need to go through all those hurdles, for want of a better term. I think I used that word when Reverend the Hon. Fred Nile asked me a similar question. There is no doubt that members of our team have been in touch with their Federal counterparts and the Federal Treasurer to ensure that everybody in this process is aware of exactly what they have to go through.

**Dr JOHN KAYE:** Treasurer, you would be aware of comments by Mr Peter Jennings, PSM, a former Defence official who now heads the Australian Strategic Policy Institute think tank. He said:

There is no effective separation between the behaviour of a Chinese firm and the Chinese government, and that means the Communist Party.

He talked specifically about State Grid getting access to ownership or control of TransGrid and said:

That means potentially they'd have the capability to mount a cyber attack and even the PLA (People's Liberation Army) could be given access to the electricity generation network. I think that's a concern.

Do you share Mr Jennings' concern?

**Ms GLADYS BEREJIKLIAN:** I refer you to my previous answer, Dr Kaye, in relation to all bidders, irrespective of their origin, having to go through the same processes to satisfy jurisdictions outside the control of the State Government.

**Dr JOHN KAYE:** But you would accept that—

**Mr SCOTT FARLOW:** Point of order: The member's time has expired.

**Dr JOHN KAYE:** Can I have one more question please, Chair?

**CHAIR:** Order! Put the question on notice now.

**Dr JOHN KAYE:** Thank you, Chair.

**Ms GLADYS BEREJIKLIAN:** Chair, I have a response to a previous question that you asked, if you would like me to give it now.

**CHAIR:** Yes.

**Ms GLADYS BEREJIKLIAN:** You wanted to have a rough idea of the breakdown of who the debt in relates to in the Government's balance sheet. I am pleased to confirm that, as far as our gross debt is concerned, 40 per cent is owed to domestic banks; 40 per cent is owed to offshore investors, of which about half are central banks; and 20 per cent is owed to domestic investors, including superannuation funds and insurance funds. I hope that satisfies your question.

**CHAIR:** Yes, thank you.

**Ms GLADYS BEREJIKLIAN:** My acting secretary has a response to your question regarding superannuation liability.

**Ms MRAKOVIC:** The forecast 30 June 2015 unfunded defined benefits superannuation liability is \$54.053 billion.

**CHAIR:** Thank you. Just a general question: I know we receive royalties from coalmining. What is the total amount of income from coalmining in New South Wales for the previous financial year?



**Ms MRAKOVIC:** Do you mean income to the Government?

**CHAIR:** Yes, to the Government from the royalties.

**Ms GLADYS BEREJIKLIAN:** The royalty revenue from 2014-15?

**CHAIR:** And any other ways in which the Government gets income.

**Ms GLADYS BEREJIKLIAN:** To reiterate the question, royalty revenue for 2014-15?

**CHAIR:** Yes.

**Ms GLADYS BEREJIKLIAN:** We will get that figure for you in a second.

**CHAIR:** To follow up that question and while you are checking that amount, if a company goes bankrupt it has to promise to carry out rehabilitation of the site after the mine closes. Is there any money reserved to continue that rehabilitation, or what system do you go through if that company goes bankrupt? Is the site just left as a hole in the ground?

**Ms GLADYS BEREJIKLIAN:** It might be more relevant for the Minister responsible for mining, unless anybody has any comments. To answer your question in relation to total mining royalties, our estimate for 2014-15 is \$1.273 billion.

**CHAIR:** Is that coalmining?

**Ms GLADYS BEREJIKLIAN:** That is all mining royalties. That is the total figure.

**CHAIR:** Can you give a breakdown for that?

**Ms GLADYS BEREJIKLIAN:** The vast majority is coal.

**CHAIR:** What was the amount from sandmining, which would obviously be smaller?

**Ms GLADYS BEREJIKLIAN:** We will give you a breakdown of how that royalty figure is comprised and we will take that question on notice.

**CHAIR:** What system do you go through if a company goes bankrupt? Is there an insurance policy that covers rehabilitation?

**Ms GLADYS BEREJIKLIAN:** Yes. I will take that part of your question on notice—the remediation of the ground.

**CHAIR:** There have been some complaints that some of the rehabilitation activities have been shocking—very rough. I was wondering what inspection system you go through. It may be a question for the Minister for Resources and Energy, that there is some inspection of those sites to ensure rehabilitation is genuine, not just a bulldozer that pushes soil and some scrub over the site.

**Ms GLADYS BEREJIKLIAN:** I appreciate the question.

(The witnesses withdrew)

The Committee proceeded to deliberate.

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