

UNCORRECTED PROOF

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

**Tuesday 9 October 2012**

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

## **TREASURY, INDUSTRIAL RELATIONS**

**The Committee met at 9.00 a.m.**

### **MEMBERS**

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

The Hon. S. Cotsis  
The Hon. C. Cusack  
The Hon. G. J. Donnelly  
Dr J. Kaye

The Hon. M. R. Mason-Cox  
The Hon. M. J. Pavey  
The Hon. W. Secord  
Mr D. Shoebridge

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### **PRESENT**

**The Hon. Mike Baird**, *Treasurer, and Minister for Industrial Relations*

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**CHAIR:** I declare this hearing of the inquiry into the Budget Estimates 2012-13 open to the public. I welcome Treasurer Mike Baird and accompanying officials to this hearing. This morning the Committee will examine the proposed expenditure for the portfolios of Treasury and Industrial Relations. The portfolio of Treasury will be examined from 9.00 a.m. to 12.00 noon and the portfolio of Industrial Relations will be examined from 12.00 noon until 1.00 p.m. Before we commence with questions I will make some comments about procedural matters. In accordance with the Legislative Council guidelines for broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee you must take responsibility for what you publish or any interpretation you place on anything said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door.

Any messages from advisers or members' staff seated in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Treasurer, I remind you and the officers accompanying you that you are free to pass notes and to refer directly to your advisers seated at the table behind you. Transcripts of this hearing will be available on the web from tomorrow morning. Treasurer, the House has resolved that answers to questions on notice must be provided within 21 days. I remind everyone to turn off their mobile telephones. All witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. Treasurer, I remind you that you do not need to be sworn because you have already sworn an oath to your office as a member of Parliament. For all other witnesses, I ask you in turn to state your full name, job title and the agency you represent and to swear an oath or make an affirmation.

**PHILIP GREGORY GAETJENS**, Secretary, NSW Treasury,

**MARK ANTHONY RONSISVALLE**, Deputy Secretary, Budget and Financial Management Directorate, NSW Treasury,

**TIMOTHY JOHN SPENCER**, Deputy Secretary, Commercial Policy and Finance, NSW Treasury, and

**MATTHEW JOHN ROBERTS**, Deputy Secretary, Economic, Environment and Services, NSW Treasury, affirmed and examined:

**CARALEE McLIESH**, Deputy Secretary, Human and Social Services, NSW Treasury, and

**KEVIN COSGRIFF**, Deputy Secretary, Fiscal and Economic Directorate, NSW Treasury, sworn and examined:

**CHAIR:** I declare the proposed expenditure for the portfolios of Treasury and Industrial Relations open for examination. As there is no provision for an opening statement we will proceed immediately to questions.

**The Hon. WALT SECORD:** On 11 October 2009 it was reported in the *Sun-Herald* by journalist Lisa Carty—you might know her—that you said Waratah bonds would tap into the superannuation market and would raise funds enough to "build a brand new hospital a week or the South West Rail Link in a month". How many bonds were sold and how much was raised from Waratah bonds?

**Mr MIKE BAIRD:** It seems we have just come back to Groundhog Day.

**The Hon. WALT SECORD:** It is Groundhog Day.

**Mr MIKE BAIRD:** I am happy to talk about Waratah bonds all morning.

**The Hon. WALT SECORD:** You have been dodging questions all year on this.

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

**The Hon. WALT SECORD:** Refusing to answer in the Legislative Assembly—

**The Hon. CATHERINE CUSACK:** Point of order: Can the Treasurer answer the question?

**CHAIR:** Mr Secord, let the Treasurer answer the question.

**Mr MIKE BAIRD:** It is going to be a long four hours.

**The Hon. WALT SECORD:** Fair point.

**Mr MIKE BAIRD:** The good news, and what you will be quite excited about, is that there has been some good progress with the Waratah bonds. TCorp will provide the funding update as it does regularly—on an annual basis it will put the funding profile through—but since the budget there has been more than a 50 per cent increase in Waratah bonds.

**The Hon. WALT SECORD:** So you are up to \$6 million?

**Mr MIKE BAIRD:** We are up to over \$30 million. I know that is going to be disappointing for you but they are the facts—and that is before we have taken into account the benefits of actually lining up with Colonial First State. We are now on the distribution program with them. What they are excited about, which is what we are excited about and what we have already said in this program, is that there will be additional products that will flow through. As a first mover into the market—as you rightly articulate—self-managed super funds is a significant market and we are looking for ways to capture that. We are trying to capture that through the Waratah bonds. We have already made significant progress in relation to that. The next product we are

working on, which is now out there and which Colonial First State will be distributing exclusively for 12 months, is the annuity-style bond. That is exactly what people are looking for.

**The Hon. WALT SECORD:** Are you scrapping the Waratah bonds project and rebadging it?

**Mr MIKE BAIRD:** No, that is just another product available with existing bonds. So the good news on that is—

**The Hon. WALT SECORD:** So 10 per cent, \$30 million instead of \$300 million is good news?

**Mr MIKE BAIRD:** —if you run through what funds are looking for at the moment—

**The Hon. WALT SECORD:** I am sorry, I could not hear you. There was an interruption on the other side.

**Mr MIKE BAIRD:** I said if you run through what the market is looking for at the moment, the self-managed super funds, what they are looking for is alternatives to equity. If you look at the long-term government bond yield, which I am sure you do every day, you will see that we are at an unprecedented position—that is, around the world economic conditions remain challenging. There are concerns in Europe: we are into effectively a recession. There is slowing of growth in China. There is a looming fiscal cliff in America. Now all of those coupled continue to create uncertainty from markets, so what do you do? If you are uncertain in markets where do you put your money? What the professional markets are moving towards is to governments, and that is why the bond yield is coming down. What does that mean for self-managed super funds? What options do you have? We are trying to respond to that.

An annuity-style product if you are retiring at 55 or 60 is the perfect product because in essence you get a bond, an interest coupon and inflation protection. So you maintain effectively a real payment over the term of that bond and at the moment that product is not really offered by banks; it is offered by life insurance companies. We think that is a good product. We think that is something that gives the self-managed super fund additional incentive. We think that that is going to have an additional impact in relation to that program but, at the same time, I think what you are seeing is it being successful. My question to you is: What proposal have you got to raise \$30 million for infrastructure?

**The Hon. WALT SECORD:** You may not understand how estimates work: we ask the questions.

**Mr MIKE BAIRD:** I do understand. I did a few years.

**The Hon. WALT SECORD:** Let me recap here.

**Mr MIKE BAIRD:** The good news is, yes, our target was to raise \$200 million over the four years.

**The Hon. WALT SECORD:** It was \$300 million actually. Do not rewrite history.

**Mr MIKE BAIRD:** It was \$200 million, Walt.

**The Hon. MATTHEW MASON-COX:** Let him finish, Walt.

**The Hon. WALT SECORD:** It was \$300 million and you raised \$30 million, 10 per cent.

**Mr MIKE BAIRD:** So in the first year—

**The Hon. WALT SECORD:** In almost two years.

**Mr MIKE BAIRD:** —we are close to our target.

**The Hon. GREG DONNELLY:** Treasurer, my clear understanding is that the aim was to raise \$300 million over four years. You are saying it is only \$200 million?

**Mr MIKE BAIRD:** I said that here last time. It is \$200 million.

**The Hon. GREG DONNELLY:** No, you are jumping \$100 million here. As I understand it from the published material that we have been able to look at when this was all announced you were aiming to raise \$300 million over four years. Are you saying that is not the case; in fact you are only seeking to raise \$200 million over four years?

**Mr MIKE BAIRD:** Listen, I know this is not going well for you, okay.

**The Hon. WALT SECORD:** It is going quite well.

**The Hon. MATTHEW MASON-COX:** Point of order—

**Mr MIKE BAIRD:** The truth of the matter is that we have said that we would hope to raise \$200 million over the four years.

**The Hon. GREG DONNELLY:** So it is not \$300 million?

**Mr MIKE BAIRD:** If you want to ask me now do I expect to raise more than \$200 million, yes I do. So I expect to raise \$200 million over four years, and why? Let us run through this.

**The Hon. WALT SECORD:** So this is—

**The Hon. GREG DONNELLY:** No, no, Treasurer—

**Mr MIKE BAIRD:** Can I finish?

**The Hon. GREG DONNELLY:** We have a rewriting of history going on here. The figures that have been published were \$300 million over four years—

**The Hon. MATTHEW MASON-COX:** Point of order: The Treasurer is trying to finish his answer and I would ask you to rule that members opposite give him that opportunity.

**The Hon. WALT SECORD:** These are called follow-up and probing questions.

**Mr MIKE BAIRD:** That is fine but just let me finish and I think it is important just so we have the fact base. At the moment—

**The Hon. GREG DONNELLY:** I am not going to allow you to chew our time up. If you are not prepared to agree that the figure is \$300 million, I will move on to my next question.

**The Hon. CATHERINE CUSACK:** Are you saying that if he does not give you the answer that you want he is not allowed to give an answer?

**The Hon. WALT SECORD:** So in opposition you said \$300 million would be raised, you would be build a hospital a week with this.

**The Hon. CATHERINE CUSACK:** Ask a question.

**The Hon. GREG DONNELLY:** Be quiet, Catherine. Stop chatting.

**CHAIR:** Let the members ask their questions without interruptions.

**The Hon. CATHERINE CUSACK:** He is not asking a question.

**The Hon. GREG DONNELLY:** Shut up, Catherine.

**The Hon. CATHERINE CUSACK:** I beg your pardon.

**CHAIR:** Do not interrupt the questioning.

**The Hon. WALT SECORD:** In opposition, like all the themes that are coming out of this Government, you promised big, you promised \$300 million, you raised \$30 million and now you are saying it is \$200 million?

**Mr MIKE BAIRD:** This is a four-year target, Walt. You do not understand, and ultimately—

**The Hon. WALT SECORD:** Did Lisa Carty get it wrong?

**Mr MIKE BAIRD:** No, no. Let me tell you this just so you understand.

**The Hon. GREG DONNELLY:** We are moving on because we have a difference of \$100 million which has just disappeared off the face of the earth and you are the Treasurer of New South Wales.

**Mr MIKE BAIRD:** When I last checked, Greg. Let me just finish this for you, Greg.

**The Hon. GREG DONNELLY:** Let me move onto my next question.

**CHAIR:** The Treasurer is just completing his answer.

**Mr MIKE BAIRD:** I can complete the answer. You asked the question and you want to talk about this. I am just trying to save you some future embarrassment so we can move on to a real topic because ultimately—

**The Hon. GREG DONNELLY:** So this is not significant or real?

**The Hon. MATTHEW MASON-COX:** Let him finish, Greg.

**Mr MIKE BAIRD:** No, no, because as I have told you I am very confident we are going to get \$200 million. I am very confident we are going to do more than \$200 million.

**The Hon. GREG DONNELLY:** Not \$300 million.

**Mr MIKE BAIRD:** At the moment we have raised \$30 million, a 50 per cent increase since the last budget, so there is movement, and that is before we take into account a new product, an annuity-style program, and at the same time you also need to understand that in this market banks, when they are raising their funds, they used to rely a lot more on wholesale funding. Now Basel III is coming. That is going to change liquidity ratios. What that means for banks is they need to move into deposits, so they are paying much more for deposits than they historically have on a relative basis, so as a like-for-like competition, that makes it tougher for us in this current environment but over a longer term that comes and goes. As you understand, there are fluctuations in the market.

**The Hon. GREG DONNELLY:** Now \$100 million just fluctuates over about 12 months?

**Mr MIKE BAIRD:** No, no, that is exactly the same position. I am not changing anything.

**The Hon. GREG DONNELLY:** Well, you are actually.

**Mr MIKE BAIRD:** We are going into a market to access funds from the self-managed superannuation market to put into infrastructure. We have raised over \$30 million—\$30 million that is going into infrastructure in this State and indeed that alone would fund—

**The Hon. GREG DONNELLY:** Let us be clear: is that \$30 million from the start of the program?

**Mr MIKE BAIRD:** That alone will fund the Sydney motorway—

**The Hon. GREG DONNELLY:** Is that \$30 million from the start of the program, Treasurer?

**Mr MIKE BAIRD:** So the WestConnex planning is funded effectively by those funds, so we are making significant progress—

**The Hon. GREG DONNELLY:** So you will not even answer a straight question?

**The Hon. MATTHEW MASON-COX:** Well, Greg, you are just demonstrating your financial illiteracy, mate. Why not let him finish his answer?

**The Hon. GREG DONNELLY:** He is not answering the question.

**The Hon. MATTHEW MASON-COX:** I think he is. He is trying to but you are not letting him. You keep interrupting.

**The Hon. GREG DONNELLY:** Is the \$30 million from the start of the program, Treasurer? That is what I have asked. Could you just clarify whether it is \$30 million from the start of the program?

**Mr MIKE BAIRD:** We have raised over \$30 million.

**The Hon. GREG DONNELLY:** From the start of the program, thank you. My understanding is that between November 2011 and June 2012 \$3 million was raised in the bonds, is that true or not?

**Mr MIKE BAIRD:** You just said you did not want me to answer that.

**The Hon. GREG DONNELLY:** That is the question: In the period November 2011 to June 2012 only \$3 million was raised in Waratah bond applications. My question is: Is the answer yes or no?

**Mr MIKE BAIRD:** Did you listen to the previous answer, Greg?

**The Hon. GREG DONNELLY:** I will ask the question again. Treasurer, in the period from November 2011 to June 2012 was only \$3 million raised in Waratah bonds?

**Mr MIKE BAIRD:** I do not know the exact timing.

**The Hon. GREG DONNELLY:** Could you consult with one of the Treasury representatives to see if they can help?

**Mr MIKE BAIRD:** No, no, I can tell you, Greg. It is all there for everyone to see. I am not hiding anything. About \$30.2 million has been raised to this point. Since the budget it is more than a 50 per cent increase.

**The Hon. GREG DONNELLY:** I have asked you for a period.

**Mr MIKE BAIRD:** Again, I just want you understand what I just said previously.

**The Hon. GREG DONNELLY:** I am asking for the period.

**Mr MIKE BAIRD:** Do you understand how banks raise their funding?

**The Hon. GREG DONNELLY:** I understand that but I am asking: For the period November 2011 to June 2012 was only \$3 million raised? I am trying to work out how much has accumulated since the funds got underway.

**Mr MIKE BAIRD:** It is \$30.2 million, Greg. How many times do you want me to say it?

**The Hon. GREG DONNELLY:** So you will not answer the question.

**The Hon. MATTHEW MASON-COX:** I think he has.

**The Hon. MELINDA PAVEY:** Point of order: The Treasurer has clearly articulated and answered the question about how much has been raised in Waratah bonds. I think it would be appropriate for the member to respect that answer and move on to another area of questioning.

**The Hon. GREG DONNELLY:** He has not answered my question.

**The Hon. MELINDA PAVEY:** He has answered your question.

**The Hon. GREG DONNELLY:** He has not answered my question. I asked for the period very specifically. It was a straightforward question. The Treasurer will not answer it and he will not instruct any of the Treasury people here today to answer it. I find that pretty annoying. It is a straightforward question. If you do not know the answer you can take it on notice, Treasurer.

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

**The Hon. GREG DONNELLY:** Thank you. So you will take that on notice. That is what I have asked.

**Mr MIKE BAIRD:** That is fine, Greg. But just relax mate, it is all okay.

**The Hon. GREG DONNELLY:** You are not answering the questions.

**The Hon. MATTHEW MASON-COX:** You just do not like the answers, mate.

**The Hon. MELINDA PAVEY:** You expect the Treasurer to answer a question with the answer that you want.

**The Hon. GREG DONNELLY:** Go away, Melinda. I move on to Restart NSW. In the Budget Speech last year on page 12 you said in terms of Restart NSW there were three key planks or components: windfall revenues, long-term lease of the desalination plant and Waratah bonds. With respect to the outcome of the windfall revenues, the numbers of which we will talk about later, the lease has now become a sale and the Waratah bonds are tracking at the amount you have described—thank you for telling us how much it is over the course of the program, I am grateful for that number. Is the aggregate of those three elements in terms of what they are generating in terms of capacity achieving as much for Restart NSW as you had hoped?

**Mr MIKE BAIRD:** It is going swimmingly. I mean if—

**The Hon. GREG DONNELLY:** Thank you.

**Mr MIKE BAIRD:** No, I think the important point on this is—

**The Hon. GREG DONNELLY:** I asked a question and he said yes.

**Mr MIKE BAIRD:** I want to answer this question, because what is Restart NSW about? That is what you need to understand. We have determined a range of mechanisms—

**The Hon. GREG DONNELLY:** I have asked you a question. I do not want to know about Restart NSW.

**The Hon. CATHERINE CUSACK:** Mr Chairman, I take a point of order. I am entitled to take a point of order. You are allowing these members to talk all over the Minister. They are the only people you are allowing to behave this way. I ask you to call them to order so that the Treasurer can deliver his answers. The minute he says something they do not like they feel entitled to talk over the top of him. I am asking you as Chairman to bring these members to order.

**The Hon. GREG DONNELLY:** I can move onto another question if he has given his answer and he said yes.

**The Hon. CATHERINE CUSACK:** No, with respect—

**The Hon. GREG DONNELLY:** You are wasting my time.

**The Hon. CATHERINE CUSACK:** The Minister is entitled to give an answer.

**The Hon. GREG DONNELLY:** He said yes.



**The Hon. CATHERINE CUSACK:** It is not up to the member to decide when he has given the answer.

**The Hon. GREG DONNELLY:** The Minister said yes.

**The Hon. CATHERINE CUSACK:** Mr Chairman, the Minister is entitled to finish his answer and I ask you to find that he is entitled to finish his answer.

**The Hon. GREG DONNELLY:** My question was answered and I was moving on to my next question.

**Mr MIKE BAIRD:** Can I quickly talk about Restart? You made an assertion that we are disappointed in Restart NSW—

**The Hon. GREG DONNELLY:** No, I did not make an assertion.

**Mr MIKE BAIRD:** You did make that assertion.

**The Hon. GREG DONNELLY:** I did not make that assertion.

**The Hon. CATHERINE CUSACK:** Just let him finish.

**Mr MIKE BAIRD:** Let me just explain.

**The Hon. GREG DONNELLY:** I did not make an assertion; I asked a question.

**The Hon. MATTHEW MASON-COX:** Let him finish.

**Mr MIKE BAIRD:** The thing about Restart is, and I will keep it to a couple of minutes and then we can move on to your next question, it is being set up—yes, articulated in opposition, executed in government—and what is it about? It is about how we get on and fund the infrastructure of this State.

**The Hon. GREG DONNELLY:** We have read the budget papers.

**Mr MIKE BAIRD:** How do we fund the infrastructure of this State? Over the previous 10 years there was windfall revenue, and you might get to a question on that. There is an asset program that the Government has underway. We are saying that, rather than that money being taken away, use it to pay down debt and net proceeds on the basis of taking this State forward. I do note that the Opposition oppose the desalination plant, they have opposed the generator sales, and they have opposed the long-term lease at Botany and Kembla, so when we start to talk about infrastructure I will look forward to that discussion, but ultimately the net proceeds have given us the capacity to make the announcement last week about WestConnex. We have reserved net proceeds from the upcoming sales to put into WestConnex.

**The Hon. GREG DONNELLY:** Can I ask my next question, please?

**The Hon. CATHERINE CUSACK:** You can after he has answered the one you just asked.

**Mr MIKE BAIRD:** We think that is a good thing for the State and we are proud of it.

**CHAIR:** We will move on to questions.

**The Hon. WALT SECORD:** Can you confirm the latest figures for Restart NSW Fund?

**Mr MIKE BAIRD:** The reconciliation was done at budget time. You have it.

**The Hon. WALT SECORD:** How much is it?

**Mr MIKE BAIRD:** It is \$331 million. There is additional Waratah bond money, which you will be pleased to know, and that will be transferred at some point, and obviously we are hoping—

**The Hon. WALT SECORD:** How much is that?

**Mr MIKE BAIRD:** Over \$10 million is going in.

**The Hon. WALT SECORD:** Is that another figure involving Waratah bonds? Where does this \$10 million come from?

**Mr MIKE BAIRD:** There is no secret. At the budget we allocated there was just under 20. Since then we are now over 30. That is the difference—30 minus 20.

**The Hon. GREG DONNELLY:** With the recent announcement of Waratah bonds, products being developed and then brought to market, will the annuity and interest payments for the Waratah bonds be paid out of Restart NSW?

**Mr MIKE BAIRD:** No, that is part of the overall cash flow of TCorp.

**The Hon. GREG DONNELLY:** It is just a question about how this is all operating, so the annuity and interest payments for the bonds will not come out of Restart, they come out of—

**Mr MIKE BAIRD:** Correct, the cash flow.

**The Hon. WALT SECORD:** Has the Auditor-General completed the annual report on Restart NSW Fund?

**Mr MIKE BAIRD:** As I understand it, that is the part of the State's separate accounts. That is right, is it not?

**Mr RONISISVALLE:** It is part of the Crown audit.

**The Hon. WALT SECORD:** Mr Ronsisvalle, what do you think will happen with the Waratah bonds? Will we make the \$300 million target within four years?

**Mr MIKE BAIRD:** For heaven's sake—

**The Hon. WALT SECORD:** I asked a question.

**Mr MIKE BAIRD:** I do not think—

**The Hon. WALT SECORD:** Are you going to answer? So you are going to answer every question; we are not going to get to speak to the bureaucrats.

**The Hon. MATTHEW MASON-COX:** Point of order: That is clearly a question for the Treasurer. It is a policy issue.

**Mr MIKE BAIRD:** You were asking for an opinion, not a fact.

**The Hon. MATTHEW MASON-COX:** The Treasurer has the right to answer the questions.

**The Hon. WALT SECORD:** Can you advise the Committee how many infrastructure projects have been funded through Restart NSW?

**Mr MIKE BAIRD:** We have announced WestConnex. Is there anything else you want to run through?

**The Hon. WALT SECORD:** Anything else?

**Mr MIKE BAIRD:** Yes, the Princes Highway and the Pacific Highway. On the basis of being here and running through the budget, I am disappointed we are not going into detail in terms of the fiscal strategy and the budget documents themselves, but can I say that what I think you need to do is understand the position that you are overseeing. At the moment you are opposing every asset transaction we put forward. You are opposing

every expense measure we put forward. You are opposing things like workers compensation. You know what happens when you add that up? When you add up all of those measures that you have taken in relation to the fiscal strategy of this Government, that gives you a \$27 billion hole. That is where you sit. I would suggest that you come back here—

**The Hon. GREG DONNELLY:** Do not say we sit—you put us there.

**Mr MIKE BAIRD:** You are kidding.

**The Hon. GREG DONNELLY:** You have been the Treasurer for 19 months and you are saying that is where we sit.

**Mr MIKE BAIRD:** You did not hear what I said. I said that the Opposition has opposed every saving measure this Government has put forward. It has opposed every asset transaction this Government has put forward. It has opposed workers compensation reform. What that adds up to is a \$27 billion hole in the finances of this State.

**The Hon. GREG DONNELLY:** Your black hole theory is well and truly discredited.

**Mr MIKE BAIRD:** No, they are the facts—\$27 billion.

**The Hon. GREG DONNELLY:** The black hole myth does not work, Treasurer. [*Time expired.*]

**Dr JOHN KAYE:** I would like to begin by having a discussion with you about Cobbora coalmine, but before doing that I want to go back in history. Now that you are Treasurer, you would have some understanding of the history of coal contracts for the coal-fired power stations in New South Wales and you would probably have a deeper understanding of it than you and I had in 2009 and 2010. I would like you to share with us some of your insights into that. In particular, do you understand when the coal contracts for the coal-fired power stations will expire?

**Mr MIKE BAIRD:** I am happy to provide you with the details around this, as I have said. The challenge we have in the current context is that the Government is considering the transaction, so there is material, and I am not sure what sits in terms of commercial-in-confidence and what we can discuss in this environment. I am happy to broadly talk about it, but I need to be careful with detail. What detail I can give you I will. There are no secrets, as you know. There is nothing that I am hiding in relation to this transaction in any way, shape or form. You will see it all in the context of what I can provide.

**Dr JOHN KAYE:** I am really asking historical questions about what happened with Labor's management of the coal contracts, because what you and I both observed in 2009 and 2010 was a panicked attempt to provide coal contracts to what were then seven power stations in New South Wales. It looked a lot like suddenly there was a realisation that the contracts, which largely came from the early 1990s, were about to expire. Can you enlighten us on when those contracts did expire?

**Mr MIKE BAIRD:** Let me say this: The more that I have looked at this transaction, the more horrendous it is.

**Dr JOHN KAYE:** You are now talking about the gentrader contracts?

**Mr MIKE BAIRD:** The whole package, and the more I look at Cobbora the more disturbing it is. If you look at Donald Challen's report to the inquiry, he made this assessment, and I will confirm the comments at the back of that. This is the independent review of this transaction done by the former Government. He said:

The preliminary conclusion in considering the benefits and costs of the Cobbora development is therefore that a business case, had one existed—

so there was no business case there—

would have shown that the benefits of the development did not exceed its costs.

So they were happy to proceed with something that is costing more than the benefits. It goes on:

Consideration of the risks inherent in the Cobbora development and benefits which would not be captured in a business case does little to disturb the preliminary conclusion that the benefits do not outweigh the costs.

That is the conclusion in his summary. Nothing I have seen since either in the scoping study or in the details has done anything other than absolutely confirm that. This is a transaction that has cost the State. The true extent is difficult to determine but it is a very significant number. This contract was done to get the gentrader through, there is no doubt about it, and ultimately the State has paid for that. At the moment we are considering all options through the scoping study to try to get a way through this for the State.

**Dr JOHN KAYE:** Do those options include not proceeding with Cobbora coalmine?

**Mr MIKE BAIRD:** It remains an obligation for the Government to develop that. One of the things we are considering is that the fall in commodity prices more broadly obviously is contracting demand in relation to coal. That provides a capacity for us to look at the position. The contracts are not as out of the money as they used to be and at the same time players across the market are looking at their coal arrangements and looking for opportunities because at the moment supply obviously is outstripping demand. It is one of the matters we are considering.

**Dr JOHN KAYE:** In January 2011, as shadow Treasurer, you sat in that very seat and gave evidence to this Committee's inquiry into the gentrader transaction. You gave four reasons why Cobbora coalmine should not go ahead, four reasons that I think many members of the Committee—some of us openly and some of us not so openly—agreed with. All those reasons bar one remain true today. The one that was not true was your analysis of the likely losses against market sale of the coal from Cobbora. As you say, the commodity price has come down although it could well go up again. The question is what happened to the other three reasons.

You talked about the risk of completion, you talked about the risk of cost overruns and you talked about the risk of government ownership of an asset that was sub-economic. You talked about the cost of developing the coalmine. It is low quality coal and a lot of material has to be moved to get that coal, possibly even in comparison to alternative options within the coal space. What happened to those? Now you are in government why are you proceeding with that rather than renegotiating that contract with the two gentraders for an alternative supply of coal that does not involve Cobbora?

**Mr MIKE BAIRD:** The other thing you have missed off that list—

**Dr JOHN KAYE:** That is unlike me.

**Mr MIKE BAIRD:** —is the fact that there is \$1.5 billion in the forward estimates of government to put this thing together. I would argue that we could be putting that into the infrastructure the State needs rather than putting it into constructing a coalmine. That is the fifth point. I made those comments, obviously when we were in opposition, urging the Government not to sign the contract and not to do the deal.

**Dr JOHN KAYE:** The deal being the gentrader deal.

**Mr MIKE BAIRD:** They went hand in hand, John, as you would appreciate.

**Dr JOHN KAYE:** The gentrader deal includes supply of coal from Cobbora.

**Mr MIKE BAIRD:** The only way they got the deal up was to provide that massive subsidy in the transaction. It is something that we are considering in detail as part of the scoping study. If we were not contracted in it would be a very easy decision. If the Government had not signed a contract to supply this coal, I totally agree with you, I would very happily say that that was a silly idea, let us not move ahead. It is contracted; there is a legal obligation on the Government to provide it so we need to consider every point in turn to exit that project and to exit the obligations and the risks that come with it.

**Dr JOHN KAYE:** There are two aspects of that legal obligation. The first is the actual quantity of coal, which is of the order of 9.5 million tonnes a year for 20 years, roughly speaking. The second aspect is that that coal would come from Cobbora rather than being purchased from other mines. Why are you not trying to renegotiate at least the Cobbora component of that contract, particularly now that there are lower commodity prices and lower coal prices? That would potentially save perhaps not all of the \$1.5 billion but maybe a big chunk of that \$1.5 billion could be saved. I ask this question because as you know the environmental assessment report for Cobbora coalmine hit the public domain on Friday last week so you are heading down the path of

building Cobbora coalmine when there is a strong argument that, firstly, it should not happen and, secondly, it might not need to happen.

**Mr MIKE BAIRD:** We have to proceed on the basis of fulfilling our legal obligations. The Government, as you rightly articulated, has an obligation to contract and supply 9.5 million tonnes across a variety of generators. That is an obligation we have to meet. If we do not—it is one of the joys of the contract we have inherited—there are liquidated damages for that first year, which I think I have gone through previously, of just under \$100 million. At every point and turn we have to weigh up how we can extricate the Government from this contract and this process and protect taxpayer value.

**Dr JOHN KAYE:** I think it is well understood that Eric Roozendaal comprehensively screwed the State but the question I am putting to you is the "unscrewing" question: There are only three parties to that contract, two private parties and the Government. Have you attempted to renegotiate at least out of Cobbora, leaving aside the absurdly low coal prices, and purchase that coal, at least in the short term, from other sources?

**Mr MIKE BAIRD:** That work and all the options are part of the scoping study. I am open to every idea and every possibility that delivers value for the taxpayer and removes us from risk. On both sides the contracts give us no value and lots of risk. Mr Spencer may want to add something in relation to the transaction. Mr Spencer has come on board; he is a new addition to the Treasury team. He has spent a lot of time in Queensland but has a lot of experience in the sector.

**Mr SPENCER:** The only thing I would add is that in addition to the scoping study, which is being run by Treasury and the advisers to Treasury, the company itself, Cobbora Holdings, is looking at the detailed engineering and feasibility of the project. That is also going to have an influence on the options and the outcomes.

**Dr JOHN KAYE:** The Treasurer told us what we probably already knew, which is there is a contract to supply specifically from Cobbora. You are now telling us that Cobbora Holdings engineers are looking at the feasibility of the project. We have a contract to supply something and we do not even have an engineering guarantee that it is feasible to do so.

**Mr SPENCER:** This is the detailed engineering. It is the investment commitment which needs to be undertaken.

**Dr JOHN KAYE:** The question is one of cost. The \$1.5 billion could be greater if the engineers come back and say there is more overburden and more binding of the coal to ash and there are all these other problems. The \$1.5 billion could actually be greater.

**Mr MIKE BAIRD:** You are right to raise that because the answer is yes, it could be. I am not going to try to pretend otherwise. We have inherited a contract and an obligation from government and we are doing everything possible to remove both the financial obligations and the risks that the Government has, and they are both significant.

**CHAIR:** To clarify the point Dr Kaye has been raising, are you saying that if you cancelled the contract it would cost \$100 million?

**Mr MIKE BAIRD:** It is difficult to put a determinative number on it because there are a number of different contracts over a number of different years and ultimately the obligation on us is to provide the coal. If we do not have the coalmine we would have to go to the market, as I understand it, to find the coal and we would have to bear the cost differential. If the commodity market surges and we go back to a position we were in 12 or 18 months ago with some of these prices the costs could be unbelievable.

**CHAIR:** The cost of the coal from other sources would be a lot more expensive?

**Mr MIKE BAIRD:** That is right and the liability would come back to us because we have signed and given a legal obligation to supply a metric of coal into the generators.

**CHAIR:** We hear a lot about the black hole you inherited, and it was mentioned today. You are convinced there was a black hole and the Opposition says there was no black hole. Can you clarify the black

hole? What were the dimensions of that financial liability you inherited when the previous Government left office?

**Mr MIKE BAIRD:** I am happy to do so. It is good to get some sensible debate on this issue. Ultimately, if you run through history, the facts were articulated in our 2011-12 budget. They were there to see. In essence, in the lead-up to the election we had a press release from the Government at the time talking about a range of surpluses over the next four years which, in essence, were about \$800 million in total. On coming to government we found that that was not the case because of the significant downturn in revenue.

**The Hon. WALT SECORD:** Treasurer, are you calling Michael Lambert, Tony Harris and Frank Gilbert liars?

**Dr JOHN KAYE:** Point of order—

**CHAIR:** Order! Members should let the Treasurer answer the question.

**The Hon. MATTHEW MASON-COX:** It is not your opportunity.

**The Hon. WALT SECORD:** There is no black hole.

**The Hon. MATTHEW MASON-COX:** It is not your time, Walt.

**CHAIR:** Let the Treasurer answer the question. That is the whole point of my question.

**The Hon. MELINDA PAVEY:** Did you get the wink?

**The Hon. CATHERINE CUSACK:** The Walt wink.

**The Hon. WALT SECORD:** So Frank Gilbert, Michael Lambert and Tony Harris are liars?

**Mr MIKE BAIRD:** As I said—

**The Hon. MATTHEW MASON-COX:** Go back to NIDA. Go back to NIDA, mate.

**The Hon. WALT SECORD:** Give your speech for 10 minutes. Go ahead.

**CHAIR:** Order! Members will give the Treasurer an opportunity to answer the question.

**The Hon. WALT SECORD:** To mislead the Committee.

**The Hon. MATTHEW MASON-COX:** Go back to NIDA, mate.

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

**The Hon. MELINDA PAVEY:** This is outrageous.

**Mr MIKE BAIRD:** The Hon. Walt Secord will have time to ask questions later.

**The Hon. WALT SECORD:** Michael Lambert, Frank Gilbert, Tony Harris—

**CHAIR:** Order! Opposition members should let the Treasurer answer the question. They will have an opportunity to ask questions shortly.

**Dr JOHN KAYE:** The moral hazard is that this is how you get yourself into the media.

**Mr MIKE BAIRD:** Regardless of the theatrics on the other side, from the day this Government came into office until today, effectively there has been a \$10 billion turndown attributed mostly to revenue. Other things such as the Solar Bonus Scheme have had an impact. In essence, \$2.5 billion—

**The Hon. WALT SECORD:** Two and a half years on that scheme.

**The Hon. MATTHEW MASON-COX:** Come on, Walt, pull yourself together.

**The Hon. MELINDA PAVEY:** Send him out.

**The Hon. WALT SECORD:** Sorry, Mr Chairman.

**Mr MIKE BAIRD:** No-one can question the challenges that this Government faces; those are the facts of the matter. We have difficult decisions to make. From the day that this Government took office until now we have had \$2.5 billion a year less. The first revelation was a downturn of close to \$5 billion. Just before the last budget we had further estimates relating to GST which took us down another \$5 billion—a total of \$10 billion. We have to find \$2.5 billion a year, which puts an onus on the Government to respond. We are not making this up. If you look at every budget—

**The Hon. WALT SECORD:** Tony Harris said that your evidence is unsupported.

**CHAIR:** Order! Members will let the Treasurer finish his answer.

**Mr MIKE BAIRD:** If you read every State budget paper—

**The Hon. WALT SECORD:** Read what Tony Harris and Michael Lambert had to say. They say otherwise.

**Mr MIKE BAIRD:** If you read the Commonwealth budget you will see that they are talking about an unprecedented turndown in revenue. Every government has to respond.

**The Hon. WALT SECORD:** Keep saying it, Michael, and you will believe it.

**Mr MIKE BAIRD:** The challenge—

**The Hon. WALT SECORD:** Keep saying it, Michael, and you will believe it.

**CHAIR:** Order! Members will let the Treasurer answer the question.

**Mr MIKE BAIRD:** The disappointing thing is that this Government is trying to deal with a fair dinkum problem and the Opposition's approach is not helping.

**The Hon. WALT SECORD:** You have a responsibility to tell the truth.

**Mr MIKE BAIRD:** The Opposition's approach is not helping. I am telling the truth; I have the numbers here.

**The Hon. WALT SECORD:** Tony Harris and Michael Lambert—

**Mr MIKE BAIRD:** I view this matter seriously. There are challenges and difficult decisions that have to be made. I will not engage in silly political games because this is an incredibly serious issue. This Government is receiving \$2.5 billion a year less so what should it do? We are not making these decisions because we want to; we are making these decisions because we need to live within our means. We are not spending money that we do not have. It would be a very reckless government that said, "We do not have the revenue but we will borrow to pay wages. We will borrow to pay interest and we will let future generations deal with this problem." We are not going to do that.

**The Hon. CATHERINE CUSACK:** That would be a Labor government.

**Mr MIKE BAIRD:** We have made the tough decisions because of those challenging circumstances. The Opposition ignores the fact that we are not immune from Europe, the contraction in China, the fiscal implications in the United States of America and the lack of demand which correlate into a lack of demand and weakness in equity. That means that consumers in New South Wales are saving more and spending less, which is where it starts to flow. What does that mean for us? Just before the last budget we saw a GST write-down of unprecedented magnitude—another \$5 billion. We are in an incredibly difficult position which is why we are

trying to maintain front-line services. We are doing all that we can to maintain front-line services, to live within our means and to get on with building the infrastructure and economic drivers that we need.

**CHAIR:** What are the final cuts that you are planning to make, say, to the education budget? Is that \$1.7 billion?

**Mr MIKE BAIRD:** Sorry?

**CHAIR:** Because of that shortfall what cuts have been announced to the education budget? I want you to clarify the figure.

**Mr MIKE BAIRD:** The Minister for Education outlined those cuts. In essence, the education sector is sharing the labour expense cap, as others are. We are trying to protect the teachers. Since the election, 520 additional teachers have come into our schools and we are reducing the size of head offices. That is what we are trying to do. We are doing what we can as a result of the labour expense cap and other expenses.

**CHAIR:** Is that a saving of \$1.7 billion?

**Mr MIKE BAIRD:** Over four years.

**CHAIR:** The other area was the Health budget. What cuts are proposed to the Health budget?

**Mr MIKE BAIRD:** The Minister for Health has answered that question. The labour expense cap is just over \$800 million over four years. The balance of the efficiency dividends are invested in health services. As savings are being found they are being invested. We have continued to put nurses on the front line. This Government is committed to putting more money into frontline services while restricting the size of head offices.

**CHAIR:** In your budget speech you said that because of financial problems non-essential government programs would be abolished. What are some of those non-essential government programs?

**Mr MIKE BAIRD:** Individual Ministers have announced them and will continue to announce them. Some of those programs were announced in the budget papers. There are grants for environmental education, staff development programs and finance and other things like that. Funding for capital grants for non-government schools has been capped and we have done away with events such as Breakfast on the Bridge. Another example is debt recovery for ambulances—outstanding debts are being pursued—coastal cycleways, the Higher School Certificate advice line and programs like that. Ultimately, because individual Ministers have an opportunity to assess their programs they will determine whether they need them. Clearly they can make these changes but they have an obligation to hit the target.

**CHAIR:** If, as you are hoping, budget income improves obviously some of those programs can be reviewed in the future?

**Mr MIKE BAIRD:** It is all about value for money. Obviously if a program stops we will have an opportunity to reconsider it if the funding becomes available. The same thing applies to health, education and every other cluster. As revenue improves—and we hope that it does—savings will be made, as is occurring currently. Revenue is down, on average, to about 4 per cent. The historical average of the previous 10 years is about 5.6 per cent. If there is a normal return to growth—and we hope that there is—there is a capacity for each cluster Minister to put money where it is needed. Our overall strategy is to return the savings to education and health front-line services.

**The Hon. WALT SECORD:** Treasurer, I refer to the Budget Statement on page 6-3 of Budget Paper No. 2 for the financial year 2012-13 which is entitled "Australian Government Payments to New South Wales."

**The Hon. CATHERINE CUSACK:** You are kidding, Walt.

**The Hon. WALT SECORD:** Are you going to interject, Catherine?

**Mr MIKE BAIRD:** You are going to try to tell us that GST revenue is not going down. That is what you are going to tell us.



**The Hon. CATHERINE CUSACK:** Federal payments—

**The Hon. WALT SECORD:** Here we go.

**The Hon. CATHERINE CUSACK:** You have got to be joking.

**The Hon. WALT SECORD:** I refer to the amount of \$14.796 billion. I want to make sure that we are on the same page.

**The Hon. MELINDA PAVEY:** I do not think you will ever be on the same page.

**Dr JOHN KAYE:** I think they need the reference.

**Mr MIKE BAIRD:** Give us the reference, mate.

**The Hon. WALT SECORD:** I refer to the Budget Statement on page 6-3 of Budget Paper No. 2 and to table 6.1 on that page.

**Dr JOHN KAYE:** Which budget paper?

**Mr MIKE BAIRD:** Is that Budget Paper No. 2? Do you just have a photocopy? I would have thought you would have your own copy.

**CHAIR:** Which budget paper and which page?

**The Hon. WALT SECORD:** I am referring to Budget Paper No. 2, page 6-3. Is everybody on the same page?

**The Hon. CATHERINE CUSACK:** No.

**The Hon. WALT SECORD:** We can do this the hard way or the easy way.

**Mr MIKE BAIRD:** Please tell me you are not going to suggest that GST is increasing.

**The Hon. WALT SECORD:** I ask the questions. The figure is \$14.796 billion. Is that correct? Mr Ronsisvalle, please show the Treasurer the entry.

**The Hon. MELINDA PAVEY:** He does not need to show him.

**The Hon. WALT SECORD:** He is showing him.

**Mr MIKE BAIRD:** I am trying to work out where you are. You have a photocopy and I have the budget paper.

**The Hon. WALT SECORD:** I am referring to table 6.1. I will be moving for an extension of time if this continues.

**Mr MIKE BAIRD:** I think we have the table.

**The Hon. WALT SECORD:** It states that GST revenue is \$14.796 billion for 2012-13. Is that correct?

**Mr MIKE BAIRD:** That is correct.

**The Hon. WALT SECORD:** I now move to the next column. The figure for 2013-14 is \$15.685 billion. Is that higher than the previous number?

**Mr MIKE BAIRD:** That is embarrassing.

**The Hon. WALT SECORD:** Yes or no?

**Mr MIKE BAIRD:** Please tell me—

**The Hon. WALT SECORD:** Yes or no?

**Mr MIKE BAIRD:** No, honestly—

**The Hon. WALT SECORD:** Yes or no? I am trying to establish—

**Mr MIKE BAIRD:** Yes, that has gone up a little.

**The Hon. WALT SECORD:** Yes, it is an increase.

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** The figure for 2014-15 is \$16.399 billion. Is that higher than the previous number?

**Dr JOHN KAYE:** I have the wrong budget paper.

**The Hon. CATHERINE CUSACK:** Walt had a really late night last night.

**Mr MIKE BAIRD:** Okay.

**CHAIR:** Order! Let the member finish his question.

**The Hon. WALT SECORD:** Let me finish! The figure for 2015-16 is \$17.023 billion. Is that higher?

**Mr MIKE BAIRD:** I cannot believe you are asking this; I really cannot.

**The Hon. WALT SECORD:** Yes or no?

**The Hon. MATTHEW MASON-COX:** It is self-evident.

**Mr MIKE BAIRD:** It is a bit higher.

**The Hon. WALT SECORD:** Can you confirm that there is an average growth of 4.6 per cent and that GST revenue from the Commonwealth Government is increasing?

**Mr MIKE BAIRD:** Yes, but what did it used to be?

**The Hon. WALT SECORD:** No, no. Earlier in the hearing you said that the Commonwealth Government had cut GST by \$5 billion, but your own budget papers show that it has increased consistently.

**Mr MIKE BAIRD:** This is embarrassing. I refer you to chart 6.3, which is on the next page. I know you have only a photocopy.

**The Hon. WALT SECORD:** No. I have asked a simple question.

**Mr MIKE BAIRD:** Look at the next page.

**The Hon. WALT SECORD:** Your own budget papers show that there is an increase in GST.

**Mr MIKE BAIRD:** Have you looked at chart 6.3?

**The Hon. WALT SECORD:** You and the Premier say that it has been cut.

**The Hon. MELINDA PAVEY:** In real terms.

**The Hon. WALT SECORD:** Here we go—the Hon. Melinda Pavey is helping you.

**Mr MIKE BAIRD:** Chart 6.3 shows the impact.

**The Hon. WALT SECORD:** Since when is \$14.796 billion less than \$17.023 billion? In what universe is 17 less than 14?

**Mr MIKE BAIRD:** In any budget there is a forecast rate of revenue over four years. The Federal Government provided a forecast in line with historical averages.

**The Hon. WALT SECORD:** So \$17 billion is less than \$14 billion?

**CHAIR:** Order! Let the Treasurer finish.

**Mr MIKE BAIRD:** GST was supposed to be growing at about 8 per cent. As you correctly articulated, it is now growing at a much lower rate. What does that mean for the forward budget estimates? It means less money, and chart 6.3 demonstrates that. This is incredibly embarrassing for you. If you were to read the Federal budget papers you would see that they show that GST payments to the States have fallen; they have fallen \$14 billion from last year to this year. I cannot do anything else for you. The South Australian budget papers indicate that total taxation and GST revenues have been revised down by more than \$2.8 billion since the 2011-12 budget.

**The Hon. WALT SECORD:** This is New South Wales.

**Mr MIKE BAIRD:** Since the onset of the global financial crisis, Tasmania's budget has lost \$1.8 billion in expected GST.

**The Hon. WALT SECORD:** This is New South Wales.

**Mr MIKE BAIRD:** In Victoria revenue from GST and stamp duty has fallen by \$7.6 billion over four years. In Queensland revenue in 2012-13 is 7.6 per cent lower largely due to expected decreases in GST revenue. I cannot believe that we are arguing that point.

**The Hon. WALT SECORD:** So in New South Wales \$17.023 billion is less than \$14 billion?

**The Hon. MATTHEW MASON-COX:** It is time to take a shower, Walt.

**Mr MIKE BAIRD:** Look at chart 6.3.

**The Hon. WALT SECORD:** So less is more.

**The Hon. MELINDA PAVEY:** You are a spin doctor, not an economist.

**The Hon. GREG DONNELLY:** In last year's budget papers—

**Mr MIKE BAIRD:** I hope this question is not on the same topic.

**CHAIR:** Order! Let the Hon. Greg Donnelly ask his question.

**The Hon. GREG DONNELLY:** I refer to GST revenue on page 6-2. The budget paper states that GST in 2011-12 is estimated to be \$5.2 billion, which is an increase of 9.3 per cent on 2010.

**The Hon. CATHERINE CUSACK:** Are you referring to last year's budget paper?

**The Hon. GREG DONNELLY:** Yes. Where did that figure come from?

**Mr MIKE BAIRD:** I do not know what numbers you are talking about.

**The Hon. CATHERINE CUSACK:** He is talking about last year's budget, not this year's budget.

**The Hon. GREG DONNELLY:** We are talking about the continuity between the financial years. In last year's Budget Paper No. 2 on page 6-4—

**The Hon. CATHERINE CUSACK:** Labor wants to examine last year's budget.

**The Hon. GREG DONNELLY:** We are comparing financial years. I want to be clear about the GST issue.

**Mr MIKE BAIRD:** You need to—

**The Hon. GREG DONNELLY:** I have the reference here.

**Mr MIKE BAIRD:** We debated last year's budget papers last year.

**The Hon. MATTHEW MASON-COX:** It is Groundhog Day.

**Dr JOHN KAYE:** That is exactly the point—the 2012-13 figure was \$16.2 billion and this year the figure is \$14.7 billion.

**Mr MIKE BAIRD:** That is exactly right.

**The Hon. CATHERINE CUSACK:** Listen to The Greens; they get it.

**The Hon. GREG DONNELLY:** I just want to ask the question.

**Mr MIKE BAIRD:** Did you hear what Dr Kaye just said?

**The Hon. GREG DONNELLY:** Yes.

**Mr MIKE BAIRD:** That number was \$16.2 billion and it is now \$14.8 billion.

**The Hon. GREG DONNELLY:** The increase—

**Mr MIKE BAIRD:** That is \$1.5 billion that was expected to be there that is not.

**The Hon. GREG DONNELLY:** My question is about the 9.3 per cent.

**The Hon. CATHERINE CUSACK:** In last year's budget?

**The Hon. GREG DONNELLY:** Yes. Where did that figure come from?

**Mr MIKE BAIRD:** I will put us all out of our misery and take the question on notice. We will try to work out the number—

**The Hon. MELINDA PAVEY:** Michael Daley has just sent a note. Perhaps that will help.

**Mr MIKE BAIRD:** We will try to work out the number you are talking about.

**The Hon. GREG DONNELLY:** This is last year's budget paper—

**Mr MIKE BAIRD:** We are talking about this year's budget papers.

**The Hon. GREG DONNELLY:** I know we are. I refer to Budget Paper No. 2 and the top of page 6-3. It states that GST in 2011-12 is estimated to be \$15.2 billion, which is an increase of 9.3 per cent. That is what it says in last year's budget paper, which you signed off on. Where does that 9.3 per cent come from? Where did Treasury calculate that GST would grow by 9.3 per cent? There must be an explanation for that.

**Mr COSGRIFF:** Each year in the Commonwealth budget papers they calculate the total GST they expect to receive in that year in the forward estimates and publish that. We take that number for the budget year and work out New South Wales' share of that. That is the number in the budget paper.

**The Hon. CATHERINE CUSACK:** So it is a Gillard Government figure?

**Mr COSGRIFF:** Effectively, the 9.3 per cent is a Commonwealth Government calculation that is published in its annual budget paper.

**The Hon. GREG DONNELLY:** That is fine. I was simply trying to work out exactly where that figure came from.

**The Hon. GREG DONNELLY:** In regard to that 9.3 per cent, does Treasury separately calculate that figure based on assumptions of looking at the New South Wales economy or does it lift that figure essentially from the Commonwealth?

**Mr MIKE BAIRD:** Mr Gaetjens can talk about that. We take the Commonwealth projections and what you might have seen recently is that, again debunking a bit of your GST issues, Standard and Poors, which is obviously one of the key rating agencies, has taken a view to model its own GFC numbers. So they are not assuming the Commonwealth forecast, they are actually discounting it in a more conservative way, but—and I am not sure how long we have had this tradition, probably since it started—we take the Commonwealth projections. I assume other States mostly do as well.

**Mr GAETJENS:** Other States do. The Commonwealth projections are an estimate of total GST collected by the Australian Government and the impact on New South Wales on an equal per capita term would be exactly that, but we do adjust for any changes in the GST relativities that we would expect through the forthcoming period. But in the budget year, effectively a third of the Commonwealth's GST numbers come to New South Wales.

**The Hon. GREG DONNELLY:** Mr Gaetjens, some of the Treasurer's comments referred to the economic difficulties in New South Wales as he saw it. The Treasurer referred to some matters that he saw as inherited from the previous Government and he gave some example. Then in a seamless explanation he said that there are other exogenous factors that are impacting on Australia and by implication on New South Wales, which is impacting on the GST and other factors. How does one unpick that aggregate effect that the Treasurer bungled up together? Let us assume for the moment that the Treasurer is being perfectly honest in his explanation, but how do we unbundle it so we can actually see what are the respective impacts that he is asserting were caused by the previous Government? I ask that question because we went through these issues, at least in part, in last year's budget estimates and we are chasing our tail in these budget estimates. How do we disaggregate the two so we can clearly see one and the other?

**Mr MIKE BAIRD:** I am very happy for Mr Gaetjens to talk on this in detail because I think it is important for you understand the financial challenges we face. The Secretary is about to answer your question. The week before the last election the previous Government said there would be \$800 million in surpluses but it did not tell us about the revenue downturn, and that is the issue. You can spin it whatever way you like, but the previous Government did not tell us about it, and on the Monday when we got there, there was more than \$4 billion missing. You did not tell us about the revenue deterioration.

**The Hon. GREG DONNELLY:** The Treasurer is editorialising. My question, in any event, was to the director general.

**Mr MIKE BAIRD:** It was not your fault, Greg.

**The Hon. GREG DONNELLY:** My question was reasonable.

**Mr MIKE BAIRD:** That is fine. I just wanted to clarify that because you are taking us down a burrow.

**The Hon. GREG DONNELLY:** Director general, did you understand that I asked my question so that I could get a holistic understanding about what is being asserted as the previous Government's fault, so to speak, and these other factors that the Treasurer is saying are impacting on Australia and New South Wales?

**Mr GAETJENS:** I will give that a go Mr Donnelly. I will concentrate on 2012-13 because that is what this estimates hearing is about. We have seen, leading into the budget, global growth basically being volatile and risky. It has come down and it has come down since and we are seeing, as the Treasurer said, that Europe is now

in recession. In the United States of America unemployment has improved a little, bit but there are still some issues there mainly with respect to its fiscal situation. The private sector in the United States is quite strong, although I think that there are a few concerns about profits in this reporting season coming through. When you look at and try to unpick the things that affect New South Wales you then look at the Australian economy, which people call two-speed, three-speed or patchwork. Around Australia you have different rates, if you like, of economic growth. The resource States are quite strong. Those States like New South Wales that do have some resource base mainly have a source of economic growth from services.

You have there an effect of an exchange rate that is high, driven by the terms of trade at the moment, and also driven by the quite considerable demand for the Australian dollar because of the strength of our economy and the fact that we are seen to be a bit of a safe haven at the moment. That is one of the areas that is driving down the Commonwealth bond rate at the moment. If you bring that down to affecting the New South Wales budget, I think what you are actually seeing is uncertainty continuing about growth, the economic situation in the world and in Australia, and consumers are still saving. There is still, I think, a reluctance to make decisions to go out and spend and on that basis you are seeing through the State budget our GST revenue come down significantly, as has been discussed, compared with previous forecasts. We found out just before this budget that we would be losing more than \$5 billion in GST. Within the fiscal strategy that the State had set we altered the budget settings accordingly because we think that GST reduction is probably more structural than cyclical.

**The Hon. GREG DONNELLY:** When you said "settings" we work between budget to budget—

**Mr GAETJENS:** Yes, this is in the set up for the 2012-13 budget. That is when our GST revenue came down by \$5.2 billion within probably a month of the budget coming down. Prior to that we also had—and this is more again on the fiscal effects on New South Wales—a slowing and removal of the stimulus from the Commonwealth Government and the impact that that has on the State budget is that whilst revenue comes in above the line, quite often it is spent as a capital expenditure so that is below the line. You actually have a mismatch between revenues and expenses and that can actually muddy the water with respect to understanding our true fiscal situation. Since the budget has come out, and I refer to comments of my colleague the Commonwealth Treasury Secretary, I share his concern about the growth in future revenues. We all have hope, but I think that might not be matched in terms of what is going to happen. We are still seeing uncertainty. We are still seeing people look at the spending concessions cautiously.

It was good to see from a State perspective in the past couple of weeks some reporting that house sales had actually improved, auction clearances and sales were higher this year than they were last year, and that is a good sign, but we still have to wait to see the impact of that on the lumpy streams of transfer duties that we get. We see royalties are a bit of a risk at the moment because, as has been noted, we see thermal prices for coal coming down. We still see some constraints, if you like, through the supply chain to the port. We will have to keep our eye on those amounts. I think payroll tax has been keeping up reasonably well and that is again due to, we think, some compositional impacts with respect to the labour market and that is that it is staying quite strong at the high income end and that is actually keeping up the employees who work for the large employers who pay payroll tax. So I guess the way we unpick it mostly is to try to define the economic impacts as they flow through to the fiscal impacts on the budget, but it is quite difficult to actually have a direct cause and effect relationship.

**The Hon. GREG DONNELLY:** All those matters you have covered are factors that are not related to the previous Government?

**Mr GAETJENS:** They basically relate to the preparation of this budget, which was delivered in June this year.

**Dr JOHN KAYE:** Treasurer, I turn to the power transaction that your Government got permission from the Parliament to undertake. Can you give us a brief account of how much you have spent so far on the transaction in terms of advice and other matters?

**Mr MIKE BAIRD:** I have not got the exact details, but obviously we will make that available.

**Dr JOHN KAYE:** So you will take that on notice?

**Mr MIKE BAIRD:** Yes, we can take that on notice.

**Dr JOHN KAYE:** Can we get an itemised account of who you have spent it with?

**Mr MIKE BAIRD:** We will provide the details. I think it is important that what we are doing at the moment is a scoping study. Yes, the Parliament has approved the transaction but the complexity and the breadth of the transaction is such that it is going to take a considerable amount of time and intellectual horsepower to work out what is the way forward for the State. We have a difference of opinion in approach, but from my point of view we want the Government to exit the sector, let the private sector fill the void, put as much downward pressure on price through competition as we can, and maximise value for the State. That is not easy on the basis of the Gentrader contracts that sit there; that is not easy with Cobbora sitting there and the contractual obligations that come into that, but that balance is what we are trying to achieve through it.

**Dr JOHN KAYE:** You talk about creating a rich generation market to drive down household prices, on the other hand—

**Mr MIKE BAIRD:** More competition, and the more efficiently you can use capital in a capital-intensive sector.

**Dr JOHN KAYE:** But then you also talk about maximising the return on the sale to the State. You would accept that those two objectives are directly contradictory?

**Mr MIKE BAIRD:** No, I mean the—

**Dr JOHN KAYE:** I am sorry, did you say "No"?

**Mr MIKE BAIRD:** I do not think they are because at the moment the Government has the generators. Obviously, we are trying to run them as efficiently as possible to put as much downward pressure as we possibly can. That is something that would continue under a new owner.

**Dr JOHN KAYE:** You are saying that there is no consideration, in terms of price of electricity—the wholesale National Electricity Market New South Wales mode price of electricity—there is no consideration of ownership structure because on that basis you would sell it to one purchaser. You would bundle the whole lot up, or what is left after Roozendaal's catastrophic Gentrader transaction, and sell it to one purchaser.

**Mr MIKE BAIRD:** I do not think you would.

**Dr JOHN KAYE:** No, and the reason why you would not is that it would take competitive pressure out of the market and push up wholesale prices, correct?

**Mr MIKE BAIRD:** I think there are a few angles on that. The size of the transaction might mean that there are less bidders full stop, and ultimately it might not be the most efficient market.

**Dr JOHN KAYE:** You are saying there is no tension between market competition in the final outcome and the amount of money you make on the transaction?

**Mr MIKE BAIRD:** It is a market determined thing, so the market will determine the price of electricity through multiple avenues, whether the poles and wires—

**Dr JOHN KAYE:** Surely the more players you introduce into the market the more competition there will be and therefore the lower the wholesale prices.

**Mr MIKE BAIRD:** Potentially, yes.

**Dr JOHN KAYE:** The more players you introduce into the market the less market power they will have and therefore the less they would be prepared to pay for the assets?

**Mr MIKE BAIRD:** We are structuring the transaction to maximise competition full stop.

**Dr JOHN KAYE:** Therefore you are not worried about the returns?

**Mr MIKE BAIRD:** No, because—

**Dr JOHN KAYE:** Because you just said you were and I think most economists would think there was some—

**Mr MIKE BAIRD:** I think what you are trying to argue—if I have not heard you correctly—is that the Government in some way is interested in putting electricity prices up to maximise the value for our sale. That is what I am refuting. We are not doing that in any way, shape or form; we will not do that. What we are interested in is having the most efficient and competitive market we can. Any bidder that comes in is going to require Australian Competition and Consumer Commission [ACCC] approval. So we are going to comply to ensure that there is the maximum competition that you can have with that overall basis. Sure, if a bidder comes in, would they like a monopoly? Of course they would like a monopoly, if that is what you are arguing.

**Dr JOHN KAYE:** But you are not going to give them that, is what you are saying?

**Mr MIKE BAIRD:** No.

**Dr JOHN KAYE:** Not even a duopoly?

**Mr MIKE BAIRD:** No, and the Australian Competition and Consumer Commission would not allow it. That is what is driving us.

**Dr JOHN KAYE:** What liabilities are you prepared to keep in public hands in order to maximise the sale price?

**Mr MIKE BAIRD:** That is a good question and it is one that we will have to answer through the process.

**Dr JOHN KAYE:** I understand what you are saying, but do you not start from a priori position of saying: No, we are not going to do a Roozendaal here. We are not going to take the vast majority of the long-term cost liabilities and leave them with the State and hand all the profits over to the private purchaser in order to maximise the sale price?

**Mr MIKE BAIRD:** You are right; there were all types of risk left behind in that former transaction. No-one told us that if the coalmine did not go ahead that the State was going to be up for just on \$100 million. That was missing, which is significant. Think about the risk, which is why we are pushing ahead with the approvals because obviously we need to get to a position where we can meet that obligation.

**Dr JOHN KAYE:** But all of that—

**Mr MIKE BAIRD:** Please let me finish. Your argument is very right. Ultimately whether it be the risk of constructing a coalmine, meeting an obligation or liquidated damages, which sits there at the moment—at the moment we are in a position where Eraring is down and there is potentially liquidated damages that come with that—there is an ongoing liability that has remained as part of the transaction. We will try to minimise those.

**Dr JOHN KAYE:** You will try to minimise those?

**Mr MIKE BAIRD:** Absolutely.

**Dr JOHN KAYE:** What is your bottom line on that? Roozendaal possibly left us with a \$1.5 billion availability of liquidated damages and maintenance costs over the next 20 years, over the life of the Gentrader contracts. He obviously did not start out with a bottom line; he was just there to sell the industry. What is your bottom line? What are you not going to do? You claim to be under an enormous amount of pressure to bring cash into the budget, you talk about the black hole, the global financial crisis, the GST and all sorts of other things. You are under a lot of pressure to bring cash in, why will you not do a Roozendaal? How do we know that you will not do a Roozendaal on us and hide behind commercial-in-confidence and do exactly what he did, which is pass the profits out, get the cash and then leave future generations of taxpayers to foot the bill?

**Mr MIKE BAIRD:** All I can tell you is that I will not do that. I will give you a clear understanding at the time of the transaction—and it will warrant some more detail than would be normal, I think, given the incredible complexity of this—because ultimately the public will want to know and future governments will



inherit the consequences of decisions we are making. Through this scoping study we are obviously all of those and I will, as I am able, make them publicly available.

**Dr JOHN KAYE:** Let me ask you a different question, but it sounds similar. At the end of this scoping study but before you go to the market—that is, before you actually have a data room and begin all that process—will you have written down somewhere a bottom line on the value of the long-term liabilities that you will leave in public hands? Will there be written down a solid commitment?

**Mr MIKE BAIRD:** The premise is that I start with leaving no liabilities.

**Dr JOHN KAYE:** So your commitment is no liabilities.

**Mr MIKE BAIRD:** No, that is my premise; that is what I would love to be able to achieve.

**Dr JOHN KAYE:** Everyone wants that.

**Mr MIKE BAIRD:** I cannot make that promise now because I am not aware of every potential liability that exists and how that could play out in the transaction. That is part of the scoping study.

**Dr JOHN KAYE:** I am opposed to the sale but is there not a clean sale here? You just sell the bloody thing and you say: That is it. If something goes wrong it is your problem. If you have a labour strike, that is your problem. If coal prices go up, that is your problem. If you have more maintenance than you expected, that is your problem. Surely caveat emptor. If I sold you my second-hand car I would not leave a commitment that I would fix the tyres if they wear out.

**Mr MIKE BAIRD:** That is what we will try and endeavour to achieve at every turn.

**Dr JOHN KAYE:** I do not understand why it is "try and endeavour". Why is it not "that is what we are going to do"? Why do you not start from that position?

**Mr MIKE BAIRD:** No, that is what we are starting from; that is the starting position. What I am telling you is that without full knowledge of what every liability is wrapped up in this I cannot tell you, so that is what we need to determine. To give you my sense of the approach on this, I think I have been consistent since I have been in this place. The way this transaction was done, I was the one that argued for the Government to take a portion of the proceeds and put it against potential future liabilities. When they had to rehabilitate contaminated sites and there were future liabilities that were left to the State, I asked for the proceeds to be put against that. I am aware of it, I have argued for it and as it has turned out that liability money that was put aside has gone close to meeting it on current estimates, but it is something that I think should be part of any transaction. You should minimise residual liability. The State Government wants to exit from the sector and that is what we will try to do.

**CHAIR:** Mr Treasurer, in the budget papers you indicated that because of the poor financial position of the former Labor Government there was a threat to the triple-A credit rating.

**Mr MIKE BAIRD:** Yes.

**CHAIR:** And you have taken steps to prevent that from happening. In view of what you have been able to achieve, is there any threat to the triple-A credit rating now or have you had any questions raised by the rating agencies in regard to New South Wales financial position?

**Mr MIKE BAIRD:** That is an incredibly good question. I thought we would be spending time in this estimates hearing talking about that because we should be talking about it. It is a tough position we are in. The revenue that has disappeared puts pressure on our rating. We have to find expenditure measures to offset that. We are on the precipice. There is no doubt in that sense that we are balancing on a tightrope. We are making adjustments necessary. We are managing the capital program in accordance with that rating, but I make it absolutely clear that it is an ongoing challenge. You have seen the impacts in Queensland, which has been downgraded recently. You have seen the impacts in South Australia, which has been downgraded recently. Why is it important? Too much is lost in the broad public debate on actually not debating why it is important.

At the moment one of the consequences of the global financial crisis is that if there is a dilution of credit of the borrower you get to a position that what used to be a very small margin in terms of the cost of funds has become much wider, so disparity in credit levels has blown out. So the difference between a triple-A rating and AA+ is five or six times what it used to be in some instances. That means that if we lost our rating Treasury estimates, TCorp estimates, that over the next 10 years it would be \$3.75 billion. Obviously, markets fluctuate and come and go, but that is the sort of difference. It would have been much smaller before the global financial crisis. That is a huge amount of money if you think about the WestConnex project; that is a huge portion of that project that you would have to pay again in additional borrowing costs or that is money that you do not have to put into front-line services, whether it be Education, Health or the Department of Community Services.

You are putting it into a higher interest bill and it is one of the reasons that I am particularly critical of governments that do not do everything possible to hang on to it. Why should the communities they are looking after, because a government is not in a position to manage its own budget, have to pay for that, and it is a huge cost? Where we are in terms of global uncertainty, it is also a competitive advantage, because some of the pension funds, investment funds and superannuation funds around the world cannot invest in anything other than triple-A. That pool of triple-A is getting smaller, so New South Wales has a competitive advantage. We are taking every possible action we can to maintain that and we genuinely think that is in the long-term interests of the State.

**CHAIR:** I understand that sometimes when the rating agencies are assessing your triple-A rating with a view to lowering it—and we hope that will not happen in New South Wales—they do have some discussions with the respective governments.

**Mr MIKE BAIRD:** Yes.

**CHAIR:** Have they raised any questions with you over your budget program?

**Mr MIKE BAIRD:** Yes. We have sat down with the two key agencies and run through both the budget strategies and the modelling in detail. But as you see what the agencies are now doing is that they are also running their own models, so the concern obviously is that global credit rating agencies around the world are facing huge pressures and the downturn of revenues we are seeing is happening in governments around the world. They are creating their own modelling and their modelling for our GST, as you might have seen for Standard and Poor's is to take it even lower, so their expectation is of a lower grade. That has a knock-on effect on our rating obviously. We are still confident that we can maintain the triple-A rating but I do not think anyone in this Committee should underestimate the significance of the challenge, because it is pretty significant.

**CHAIR:** One of the areas that is out of your control is the Commonwealth GST payments and even though their projected reduction was \$5.2 billion over four years, is there any guarantee that that figure will be at that level and that it will not increase so that the deficit could be even larger than that and that the reduction in GST could be higher?

**Mr MIKE BAIRD:** And that is part of the reason I am very happy to have this honest discussion because the simple answer is there is none. That is a forecast and, as we see, one of the credible alternate market commentators has actually already discounted that forecast. Obviously if we do not receive the GST as it currently is forecast that adds additional pressure to our bottom line and that is obviously something we are trying to avoid, but as you rightly say, it is outside of our control, other than what we can do in terms of our investment and infrastructure—investing in things like the housing sector, which has been a key feature of our budget. What can State Government do to its own economy while we are facing these global challenges, indeed national challenges? We can invest in the economic drivers and we have done a huge internal view on strategically how do we apply ourselves.

I could get my advisor to talk a bit about the housing strategy if you wanted, but it is very purposeful. Housing used to be about 7 per cent of the economy. It is dropped down to about half of that. If we get it just up to normalised levels it is worth almost \$2 billion a quarter in terms of its economic activity, together with addressing the supply issue we have, so there is a huge knock-on impact. That is what we are trying to do. You cannot sit idly by while you are facing these challenges. Sure, you can live within your means. You can get on with an infrastructure spend, which is what we are doing, and there is more than \$2 billion a year over the next four years we are spending than the previous four on infrastructure, and that is before you take the addition of WestConnex, which we announced just last week. That is the approach you take: Put in the economic drivers and live within your means. It has the best chance of getting through what is clearly a challenge.

**CHAIR:** With all the experts in your department you are probably doing an assessment of what you think the Commonwealth will be doing. Even if the Commonwealth itself does not know what is going to happen, you could actually make your own calculation. For example, in the mining sector, there is a big downturn in that area.

**Mr MIKE BAIRD:** Yes.

**CHAIR:** And that is having a major impact on the Commonwealth revenue, which affects GST?—

**Mr MIKE BAIRD:** Yes, obviously it affects the broad economy. The downturn in the commodity space in particular is going to have a knock-on impact for many months across the country. A capital decision based on a commodity price at a certain level makes good sense. When it drops down to the levels you are seeing now it might not make as much sense, which is why you are starting to see some of the large investment unwind across the country in the commodity sector. That has a flow-on effect. Obviously, the workers who were going there are no longer going there. There is a knock-on impact on their communities and the broader economy, so it definitely is a concern. The Secretary might like to add something.

**Mr GAETJENS:** It might be worthwhile to add that it is not only the economic impacts that affect the GST, but the money that the State receives is also affected by the relativity calculation that is made and by the distribution arrangements for that tax. We are keeping in touch with the GST distribution committee to make sure that New South Wales tries to influence the outcome of that to the advantage of this State. We are also trying to make sure that the Commonwealth and the Commonwealth Grants Commission, in the work that they do, take into account what is going on in New South Wales to make sure that the relativities that they calculate are giving us a fair response in respect of the distribution of the GST. So it is not only the quantity of the tax as a whole but the distribution arrangements as well that we are paying close attention to.

**CHAIR:** I know we are losing billions of dollars because they do not take into account our State population. It would be a lot fairer if it were based on the population of each State to receive the equivalent GST. Are you lobbying the GST committee to move in that direction?

**Mr GAETJENS:** We have made three submissions to that committee. We are expecting its report by the end of this year. We hope it will come up with the right outcome.

**CHAIR:** Are you optimistic?

**Mr GAETJENS:** It is not my job to be optimistic.

**CHAIR:** I did not know whether the committee had indicated that it was seriously considering your request.

**Mr MIKE BAIRD:** It is something that we have lobbied pretty hard on. There is sympathy from the committee that is doing the review. The former premiers Greiner and Brumby have both been sympathetic to the call of the main States. Queensland, New South Wales, Victoria and Western Australia have an agreed position in the sense that it should be earnings per capita. We are happy to make the report available to the Committee. I know the Opposition has not put in a submission yet, but we would appreciate its support on this as well. The benefit to the State would be just under \$3 billion over the next four years, so it is a massive thing—almost \$700 million a year.

**CHAIR:** Will you supply to our Committee a copy of your submission?

**Mr MIKE BAIRD:** Yes, we can give you a copy of the submission. It is also on the website.

(Short adjournment)

**The Hon. GREG DONNELLY:** Treasurer, earlier some comments were made during questioning by Dr Kaye about the electricity industry. Can I ask you some questions about Networks NSW, which as I understand it includes Ausgrid, Endeavour and Essential Energy? The plan is that those organisations will be essentially—and I will use the term colloquially—collapsed into a single entity that will be called Networks NSW. With respect to the Ausgrid part of the business I understand—once again using the term colloquially—that it will be the primary entity or mother lode, which I think is the term used to describe that as the primary organisation. In any event, the three organisations are going to come together and that process is underway, but Networks NSW is not a State owned corporation [SOC] yet. Is that the case—yes or no as to whether it is a State owned corporation?

**Mr MIKE BAIRD:** No. I mean, you are right; we are working on the options.

**The Hon. GREG DONNELLY:** That is fine; I am just trying to get the chronology right. With respect to the organisation that is being established and the process of restructure in moving towards the new entity, I understand that Mr Vince Graham has been appointed the interim chief executive officer and director of all three businesses. Is that the case?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** Have you selected a chairman for Networks NSW?

**Dr JOHN KAYE:** Or chairperson?

**The Hon. WALT SECORD:** I stand corrected—a chairperson or chair?

**Mr MIKE BAIRD:** Yes, and that has been announced. It is Roger Massy-Greene.

**The Hon. GREG DONNELLY:** With respect to Mr Massy-Greene, he has been appointed as chairman of the three boards, because there are still three boards operating at the moment. Is that correct?

**Mr MIKE BAIRD:** Yes.

**The Hon. GREG DONNELLY:** He is the chair of the three boards. To clarify, has it been announced that he will be the chair of the merged entity when it fully comes together as a SOC?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** What process did you go through to select a chairman?

**Mr MIKE BAIRD:** The usual sort of process was undertaken. It was run as you would, so there were a range of candidates considered and he was appointed.

**The Hon. WALT SECORD:** So he is now the chairman?

**Mr MIKE BAIRD:** Yes.

**The Hon. GREG DONNELLY:** So there was an independent executive search conducted to fill the position through the normal processes that Treasury would use to find a suitable person?

**Mr MIKE BAIRD:** He was appointed by the Premier to the position.

**The Hon. GREG DONNELLY:** Was there an executive search done to identify a suitable candidate for the position?

**Mr MIKE BAIRD:** Not that I am aware of, but in terms of appointments to boards you would not necessarily go through an executive search. We have instituted a process that actually—

**The Hon. GREG DONNELLY:** He is going to be the chair of the new entity?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** Is it a paid position?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** How much is the remuneration?

**Mr MIKE BAIRD:** I am not aware of the current remuneration. I can take that on notice.

**The Hon. WALT SECORD:** I would like to know that.

**Mr GAETJENS:** I will take the detail on notice but what we did with the three boards was to rearrange the payments per member so that through the combination of amounts per member and the reduction of three boards into one there is basically a reduction in total of board fees. We will get you the information.

**The Hon. WALT SECORD:** So people are not being paid three salaries?

**Mr MIKE BAIRD:** No.

**The Hon. GREG DONNELLY:** Is Minister Pearce the other shareholding Minister in terms of dealing with this issue?

**Mr MIKE BAIRD:** In Networks?

**The Hon. GREG DONNELLY:** Yes, for Networks. Are there just two shareholding Ministers, yourself and Mr Pearce?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** Do you not think it is unusual that you have appointed him as chairman when he has no experience in this field?

**Mr MIKE BAIRD:** No, I think we are incredibly lucky to have someone with his experience. He has a range of business experiences that stand him in very good stead to oversee a business transformation project.

**The Hon. WALT SECORD:** Is it not customary that you appoint someone who has already served on the board or within the structure in an electricity organisation?

**Mr MIKE BAIRD:** The O'Farrell Government is interested in merit-based appointments. We are looking for the best possible people and I think we are fortunate to have the services of someone such as him and others who have come in and bring significant commercial experience.

**The Hon. WALT SECORD:** Do you know Mr Massy-Greene?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** What is your relationship with Mr Massy-Greene?

**Mr MIKE BAIRD:** I have known him through the years through business circles.

**The Hon. WALT SECORD:** Are you aware that Mr Massy-Greene has donated more than \$50,000 to the New South Wales Liberal Party?

**Mr MIKE BAIRD:** I am not aware of the details. I am sure he may—

**The Hon. WALT SECORD:** You are not aware of the details? One of the donations was to you—\$15,000 to you.

**Mr MIKE BAIRD:** I am sure he may well have donated—

**The Hon. WALT SECORD:** You are unaware that he has made donations but he has made a \$15,000 donation to you and you have appointed him the head of this new organisation.

**Mr MIKE BAIRD:** As I have told you, he has made donations to the Liberal Party.

**The Hon. WALT SECORD:** Substantial, and to you.

**The Hon. GREG DONNELLY:** Fifteen thousand dollars to you, Treasurer.

**The Hon. CATHERINE CUSACK:** The Treasurer just said that the Premier made the appointment.

**The Hon. WALT SECORD:** He is the shareholding Minister—one of two.

**The Hon. CATHERINE CUSACK:** Can you not misrepresent the answers?

**The Hon. GREG DONNELLY:** We are not misrepresenting the answers. It is not your time, Catherine.

**CHAIR:** Let the Labor Party ask the questions. It is their time for questions.

**The Hon. WALT SECORD:** My question is very simple. Is it appropriate to appoint a friend, a mate, who makes donations to your campaign, as head of Networks NSW—one of the most important electrical bodies in the State? Is that appropriate?

**Mr MIKE BAIRD:** As I have told you, the Premier made that appointment.

**The Hon. WALT SECORD:** So you as a shareholding Minister were completely unaware that the Premier was going to appoint a mate of yours who donated more than \$50,000, including \$15,000 to your personal campaign?

**Mr MIKE BAIRD:** It is a Premier's decision. He made the decision.

**The Hon. WALT SECORD:** This does not pass what is called the common-sense test.

**Mr MIKE BAIRD:** Well, I think what you need to understand is that if you are in a position where you are running those sorts of lines we are appointing people on the basis of their merit.

**The Hon. WALT SECORD:** They just happen to be mates who donate to your election campaign.

**Mr MIKE BAIRD:** Have you looked at the CV?

**The Hon. GREG DONNELLY:** Just so we are clear about this, Mr Massy-Greene in his return of the business that he runs, known as Eureka Capital Partners Pty Ltd, for the return period 1 July 2010 to 30 June 2011 has got "Donation"—and we will come to a further one—on 9 March 2011 to "Baird M, Michael, Liberal Party of Australia, \$5,000" and under "Type" it says "money". The next item is 30 December 2010, "Upton, Gabrielle, Liberal Party of Australia, \$5,000, money." The next return—

**Mr MIKE BAIRD:** I told you I did not make the appointment.

**The Hon. GREG DONNELLY:** You made the appointment?

**CHAIR:** No, he did not make the appointment.

**The Hon. GREG DONNELLY:** Right.

**The Hon. WALT SECORD:** You are the shareholding Minister—one of two.

**Mr MIKE BAIRD:** I did not make the appointment. What else do you need? I did not make the appointment.

**The Hon. WALT SECORD:** So you were not consulted whatsoever on Networks NSW as one of two shareholding Ministers? This does not pass the common-sense test.

**Mr MIKE BAIRD:** It was the Premier's appointment.

**The Hon. GREG DONNELLY:** You had nothing to do with it. You sat around the Cabinet table and participated in what would have been the announcement of an appointment and you sat through all that knowing that this gentleman had donated \$15,000 to you and you did not excuse yourself? You think that is acceptable? Now you are saying it is the Premier's appointment.

**The Hon. CATHERINE CUSACK:** Point of order: Mr Donnelly is now making assertions about the Cabinet process, about which he has no knowledge, knowing full well that the Treasurer is in a position where he is unable to make those disclosures. If they want to smear people, at least require them, Mr Chair, to cite some facts.

**The Hon. GREG DONNELLY:** These are all factual. They are all contained in the annual returns.

**The Hon. CATHERINE CUSACK:** The statements and the assertions you just made were smear; they were not facts.

**The Hon. GREG DONNELLY:** They are not smear.

**The Hon. CATHERINE CUSACK:** They were smear, typical Labor disgusting smear. You have had the answers to your questions.

**The Hon. WALT SECORD:** Have you signed any documentation relating to Mr Roger Massy-Greene's appointment?

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

**The Hon. WALT SECORD:** "Not that I can recall"?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** You cannot recall. He is a mate of yours. You have appointed him to an important board. He gave \$15,000 to you and \$50,000 to the Liberal Party and you cannot recall?

**The Hon. CATHERINE CUSACK:** Point of order: The member is making assertions that are just incorrect. The Treasurer did not appoint him. That has been stated repeatedly.

**Mr MIKE BAIRD:** As I told you earlier, I did not appoint him.

**The Hon. GREG DONNELLY:** You are the shareholding Minister.

**Mr MIKE BAIRD:** You look at his CV and tell me you do not think he can add value.

**The Hon. GREG DONNELLY:** He has donated money directly to you.

**The Hon. MATTHEW MASON-COX:** Come on, you grubs. Move on.

**The Hon. WALT SECORD:** He has no experience in electricity. You admitted that yourself.

**Mr MIKE BAIRD:** He has significant experience.

**The Hon. MELINDA PAVEY:** Is this all you have, Walt?

**The Hon. GREG DONNELLY:** No, we have more. This is the further return for Eureka Capital Partners Pty Ltd for the period 1 January 2009 to 25 February 2009. The donation was made on 5 March 2007—Mike Baird, Liberal Party, \$10,000.

**The Hon. MELINDA PAVEY:** What is your question?

**The Hon. CATHERINE CUSACK:** Did you say 2007?

**The Hon. GREG DONNELLY:** I go to another return for the period 1 January 2009 to 25 February 2009—Liberal Party of Australia, \$1,000; Larry Anthony, \$1,000; Liberal Party of Australia, \$2,500; the Wentworth Forum, \$5,000; and Peter King, \$1,000. I go to another return.

**CHAIR:** What is the question?

**The Hon. GREG DONNELLY:** My final one is this. It is for the period 1 July 2010 to 30 June 2011 and the amounts are \$5,000 to one Mr Malcolm Turnbull, paid on three occasions. So, \$15,000 to Malcolm Turnbull.

**The Hon. GREG DONNELLY:** So we have Malcolm Turnbull—

**Mr MIKE BAIRD:** This is fascinating.

**The Hon. GREG DONNELLY:** —Michael Baird, Gabrielle Upton, and Peter King.

**The Hon. MELINDA PAVEY:** And your question is?

**The Hon. GREG DONNELLY:** We have a shareholder Minister who is directly involved in a process.

**The Hon. CATHERINE CUSACK:** What is your question?

**The Hon. MATTHEW MASON-COX:** Is this a soliloquy or something?

**The Hon. WALT SECORD:** We are getting to it.

**The Hon. CATHERINE CUSACK:** Can you just explain the Malcolm Turnbull—

**The Hon. GREG DONNELLY:** We have a shareholder Minister who is directly involved in a process of appointing a person into a key position. That person will oversee the distribution network in New South Wales and he is receiving direct financial support from the person who has been appointed to the position not just during the interim period while the three organisations come together as one. That person will oversee the new organisation. That is an extraordinary situation.

**The Hon. MELINDA PAVEY:** Point of order—

**CHAIR:** Order! What is your point of order?

**The Hon. MELINDA PAVEY:** My point of order relates—

**The Hon. GREG DONNELLY:** And—

**The Hon. CATHERINE CUSACK:** Can you just be patient?

**The Hon. MELINDA PAVEY:** Mr Chairman, I think you need to make a ruling. The Hon. Greg Donnelly is continually making statements and is not asking questions. He should be asked to ask questions, which is what we are here for at budget estimates.

**Mr MIKE BAIRD:** Any time you want to talk about the budget, feel free to do so.

**CHAIR:** Your question relates to whether those details are correct. Obviously the details are correct.

**The Hon. GREG DONNELLY:** They are in the returns, Mr Chairman. Can I table the returns?

**The Hon. MELINDA PAVEY:** They are public documents.



**The Hon. CATHERINE CUSACK:** I would like to see the returns.

**The Hon. GREG DONNELLY:** I would like them tabled in the proceedings.

**The Hon. CATHERINE CUSACK:** Can I see the returns?

**The Hon. GREG DONNELLY:** You will see them in a minute.

**The Hon. CATHERINE CUSACK:** Have you tabled them or not? Are they tabled, Mr Donnelly?

**The Hon. WALT SECORD:** Mr Gaetjens—

**The Hon. CATHERINE CUSACK:** Point of order—

**The Hon. GREG DONNELLY:** Not for the moment.

**The Hon. CATHERINE CUSACK:** Point of order: The member just indicated that he wanted to table the returns. I asked to see them and now he does not want to table them.

**The Hon. WALT SECORD:** Catherine, you are eating up our time.

**The Hon. CATHERINE CUSACK:** It is on the record. He said that he was tabling the returns.

**The Hon. GREG DONNELLY:** I am going to table them.

**The Hon. WALT SECORD:** May I ask my question or are you going to cover up for these blokes?

**The Hon. CATHERINE CUSACK:** I am trying to clarify, as a matter of procedure, a statement that was just made by the member.

**The Hon. WALT SECORD:** May I ask my question or are you going to continue to cover up for these blokes?

**The Hon. CATHERINE CUSACK:** He has indicated that he is going to table them.

**The Hon. MATTHEW MASON-COX:** You are a grub.

**The Hon. CATHERINE CUSACK:** Talking about cover up; why will you not table the figures so that we can have a look at them?

**CHAIR:** Order! The member changed his mind.

**The Hon. CATHERINE CUSACK:** He has changed his mind.

**The Hon. WALT SECORD:** Thank you, Mr Chairman.

**CHAIR:** Finish your question.

**The Hon. WALT SECORD:** My question is to Mr Gaetjens. Have you prepared any documentation for the signature of the Treasurer involving these appointments?

**Mr GAETJENS:** The appointment of Mr Massy-Greene?

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

**Mr GAETJENS:** Not that I am aware of either, but I will check.

**The Hon. WALT SECORD:** Mr Cosgriff, have you prepared any documentation involving this appointment?

**Mr COSGRIFF:** No.

**The Hon. WALT SECORD:** Mr Ronsisvalle, have you prepared any documentation involving this appointment?

**Mr RONSISVALLE:** No.

**The Hon. WALT SECORD:** Mr Roberts, have you applied—

**Mr ROBERTS:** No.

**The Hon. CATHERINE CUSACK:** Will you table the information now?

**The Hon. WALT SECORD:** Pardon, Catherine?

**The Hon. CATHERINE CUSACK:** Will you table the information that you said you would table?

**The Hon. WALT SECORD:** Okay.

**The Hon. MATTHEW MASON-COX:** Gee, this is really going well, guys.

**The Hon. CATHERINE CUSACK:** Are you talking about transparency here?

**The Hon. GREG DONNELLY:** Keep going. We are running out of time.

**CHAIR:** Order! Members should just ask questions and refrain from making comments.

**The Hon. CATHERINE CUSACK:** I am asking the members to fulfil an agreement that they just gave to this Committee.

**The Hon. WALT SECORD:** Treasurer, I ask you one more time—

**CHAIR:** They did not come to any agreement.

**The Hon. WALT SECORD:** Treasurer, I ask you one more time: Have you signed off on any documentation involving the appointment of Roger Massy-Greene, your mate, to one of the most important electrical bodies in the State—someone who made substantial donations to your election campaign?

**Mr MIKE BAIRD:** As I have said—

**The Hon. WALT SECORD:** It is a yes or no.

**Mr MIKE BAIRD:** No, as I have said—

**The Hon. WALT SECORD:** A yes or no answer.

**Mr MIKE BAIRD:** The Premier—

**The Hon. CATHERINE CUSACK:** He has answered already.

**Mr MIKE BAIRD:** The Premier has made this appointment.

**The Hon. MELINDA PAVEY:** The Treasurer has already answered the question.

**The Hon. CATHERINE CUSACK:** Badgering.

**Mr MIKE BAIRD:** The Premier made this appointment.

**The Hon. WALT SECORD:** Have you signed any documentation involving this appointment?

**Mr MIKE BAIRD:** I am telling you that the Premier made this appointment.

**The Hon. WALT SECORD:** You are using weasel words.

**Mr MIKE BAIRD:** No, I am not. The Premier made the appointment.

**The Hon. MELINDA PAVEY:** The Treasurer has answered the question three times now.

**The Hon. WALT SECORD:** Have you? Yes or no? It is a simple question.

**Mr MIKE BAIRD:** The Premier made the appointment.

**The Hon. WALT SECORD:** The dog ate my homework.

**Mr MIKE BAIRD:** No, that is your excuse.

**The Hon. WALT SECORD:** Yes or no?

**Mr MIKE BAIRD:** The Premier made the appointment.

**The Hon. WALT SECORD:** Yes or no?

**Mr MIKE BAIRD:** Do you want me to do it again?

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

**Mr MIKE BAIRD:** The Premier made the appointment.

**The Hon. WALT SECORD:** Are you just going to keep saying that?

**Mr MIKE BAIRD:** Yes.

**CHAIR:** That is the answer to the question.

**The Hon. CATHERINE CUSACK:** Okay, now will you table the information?

**The Hon. GREG DONNELLY:** Treasurer, when you became aware of the Premier's decision to appoint the gentleman, what did you do?

**The Hon. CATHERINE CUSACK:** Point of order—

**The Hon. GREG DONNELLY:** What did you do?

**The Hon. CATHERINE CUSACK:** Point of order—

**The Hon. GREG DONNELLY:** What did you say to the Premier?

**The Hon. CATHERINE CUSACK:** Point of order—

**Mr MIKE BAIRD:** I am not going to go into the ins and outs of Cabinet discussion.

**The Hon. WALT SECORD:** This is not a Cabinet discussion.

**Mr MIKE BAIRD:** The Premier made this appointment.

**The Hon. CATHERINE CUSACK:** Absolutely, it is a Cabinet discussion.

**The Hon. GREG DONNELLY:** He has made the appointment. This gentleman has directly financed your re-election campaigns as a member of the Legislative Assembly, and you do not think that warrants a

discussion with the Premier about an issue of probity and issues relating to the conduct of a Minister of the Crown and a member of the Legislative Assembly.

**The Hon. CATHERINE CUSACK:** Point of order—

**CHAIR:** Order! What is your point of order?

**The Hon. CATHERINE CUSACK:** The Treasurer has answered this question repeatedly. The member knows it is a Cabinet process and that the Treasurer is constrained and you are allowing—

**The Hon. WALT SECORD:** We are not referring to Cabinet processes.

**The Hon. CATHERINE CUSACK:** I am asking you to bring a halt to this smear campaign on the basis that the question has been answered repeatedly.

**The Hon. GREG DONNELLY:** You have a ministerial code of conduct that you are obliged to follow and you have a code of conduct as a member of the Legislative Assembly.

**The Hon. CATHERINE CUSACK:** This is a farce.

**The Hon. GREG DONNELLY:** Clearly you are in breach of both those codes of conduct with respect to receiving financial donations from a person who is responsible—

**The Hon. MATTHEW MASON-COX:** Point of order: This is just a bunch of rambling assertions.

**CHAIR:** Order! What is the member's point of order?

**The Hon. MATTHEW MASON-COX:** There are no questions. This is just a bunch of accusations which have no foundation. The member should be asked to ask questions or we will move on to another line of questions.

**The Hon. GREG DONNELLY:** The Minister is just sitting there saying nothing.

**Mr MIKE BAIRD:** I have answered the question, Greg.

**The Hon. CATHERINE CUSACK:** Point of order: The member should be asked to withdraw the allegations he just made against the Treasurer.

**The Hon. GREG DONNELLY:** The Treasurer is just sitting there saying nothing.

**The Hon. CATHERINE CUSACK:** That is my point of order.

**Mr MIKE BAIRD:** I have answered the question.

**The Hon. GREG DONNELLY:** No, you have not.

**Mr MIKE BAIRD:** Yes, I have.

**The Hon. CATHERINE CUSACK:** My point of order is that the Hon. Greg Donnelly just accused the Treasurer of being in breach of his code of conduct.

**The Hon. GREG DONNELLY:** You are in breach of your ministerial code of conduct.

**Mr MIKE BAIRD:** I am not in breach.

**The Hon. GREG DONNELLY:** You are in breach.

**The Hon. CATHERINE CUSACK:** That is an outrageous allegation.

**The Hon. GREG DONNELLY:** You are an absolute disgrace.

**The Hon. GREG DONNELLY:** You are in breach of your code of conduct as a member of the Legislative Assembly, and you know it.

**The Hon. CATHERINE CUSACK:** Mr Chairman, are you going to rule on my point of order?

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

**The Hon. GREG DONNELLY:** You have not? You have not breached it?

**The Hon. CATHERINE CUSACK:** Mr Chairman, are you going to rule on my point of order?

**The Hon. GREG DONNELLY:** Shall we go to the code of conduct?

**CHAIR:** Order! Mr Donnelly, a point of order has been taken. What is the point of order?

**The Hon. CATHERINE CUSACK:** That that disgusting assertion be withdrawn by the member. He knows it is improper to make an allegation like that.

**The Hon. GREG DONNELLY:** It is a breach.

**The Hon. CATHERINE CUSACK:** It is open to the member to move a substantive motion in which matters such as this can be properly debated. But he just made disgusting and serious unsupported allegations against the Treasurer. I ask that they be withdrawn.

**The Hon. GREG DONNELLY:** If the Treasurer is offended let him speak for himself.

**The Hon. CATHERINE CUSACK:** Mr Chairman, the member should be directed to withdraw those comments.

**The Hon. GREG DONNELLY:** If the Treasurer is offended let him speak for himself.

**The Hon. CATHERINE CUSACK:** Mr Chairman, I am asking you to direct the member to withdraw. I am taking a point of order, Greg.

**CHAIR:** Order! Members will ask questions and not make accusations.

**The Hon. WALT SECORD:** Treasurer, when did you find out that the Premier had appointed your mate to the head of Networks NSW?

**The Hon. CATHERINE CUSACK:** Point of order, Mr Chairman: This is an abuse of—

**The Hon. WALT SECORD:** This goes to the conduct of his portfolio.

**The Hon. CATHERINE CUSACK:** You have asked him this six times, Walt.

**The Hon. WALT SECORD:** He is a shareholder Minister. He should answer these questions.

**The Hon. CATHERINE CUSACK:** If you have nothing else—

**The Hon. WALT SECORD:** Catherine, if you are going to cover up for him that is a matter for you.

**The Hon. CATHERINE CUSACK:** The Chair has just directed you to cease these disgusting allegations.

**CHAIR:** Order! The member just asked a question about when.

**The Hon. CATHERINE CUSACK:** He has asked that question six times.

that?  
**The Hon. GREG DONNELLY:** What about disclosing your conflict of interest, Minister? Did you do

**The Hon. WALT SECORD:** You are in big trouble, Minister.

**The Hon. CATHERINE CUSACK:** Oh, Walt.

**The Hon. MATTHEW MASON-COX:** Give it away.

**Mr MIKE BAIRD:** I am not in trouble.

**The Hon. WALT SECORD:** You are in big trouble.

**The Hon. CATHERINE CUSACK:** Michael Daley is the one in big trouble.

**The Hon. WALT SECORD:** You appointed your mate.

**Mr MIKE BAIRD:** I did not appoint him.

**The Hon. MATTHEW MASON-COX:** I think your time just expired.

**The Hon. CATHERINE CUSACK:** Michael Daley is the one in big trouble.

**The Hon. GREG DONNELLY:** I think you know.

**The Hon. MATTHEW MASON-COX:** I think your time has expired.

**The Hon. WALT SECORD:** He paid for television advertisements. He has paid for Liberal Party television advertisements.

**The Hon. MATTHEW MASON-COX:** I think your time expired, along with your integrity.

**Mr MIKE BAIRD:** Walt—

**The Hon. WALT SECORD:** He paid for Liberal Party television advertisements.

**CHAIR:** Order! Dr Kaye is asking questions now.

**The Hon. MELINDA PAVEY:** There are no cameras on you, Walt.

**The Hon. MATTHEW MASON-COX:** They have given up on you, mate.

**Dr JOHN KAYE:** In August this year I asked you a number of questions in respect of the contract between Tomago Aluminium and Macquarie Generation. A number of those questions related to contract numbers, but the rest of them related to qualitative details about the contract. Basically you refused to answer all the questions on the ground of commercial in confidence. There were two sets of questions: one related to the existing contract which expires in 2017 and the second related to negotiations with respect to contracts for the contract that begins after 2017. Why is it that since 1982 the people of New South Wales have not been allowed to know a single thing about what is probably the largest commercial contract between the New South Wales Government and a corporation in this State?

**Mr MIKE BAIRD:** There are commercial sensitivities around this issue. Obviously when any single party has a contract that large there are commercial sensitivities.

**Dr JOHN KAYE:** That is a circuitous argument. You say it is commercial in confidence because there are commercial sensitivities but, for example, there have been estimates that there is \$60 million to \$80 million a year of subsidies in these contracts. I have been a member of Parliament for five years and I have been asking this question for five years but I have been stonewalled by everyone. How do we know that this is value for money? What were the interruptability provisions in that contract and who is paying for those provisions?

**Mr MIKE BAIRD:** Obviously I do not have that detail before me. Ultimately it is not unusual to have a confidential contract of this complexity. I do not think it is unusual in any way, shape or form.

**Dr JOHN KAYE:** So we just have to rely on the economic sense of the previous Government and you, as Treasurer, and believe that this is a good thing for us? That is what you are asking us to do.

**Mr MIKE BAIRD:** Commercial enterprises will enter into a range of operations and contracts on behalf of the State across our State-owned corporations. I do not think that is an unusual position to have. Obviously this is a significant contract but it is executed in accordance with the responsibility given to the State-owned corporations.

**CHAIR:** Are those increases in harmony with the budget projections?

**Mr MIKE BAIRD:** Yes. Obviously it stays at the 2.5 per cent, but there are additional savings that are founded to supplement above it and from a budget point of view it is neutral.

**CHAIR:** During your budget papers presentation you said that you were having discussions with South Australia to develop proposals for the reform of State taxes. Will you provide an update? Which State taxes are you looking at?

**Mr MIKE BAIRD:** We have looked at a few things. Ultimately the reduction in GST has caused significant challenges. The State's expenses are at a level that will continue to increase and they are increasing beyond our inefficient tax base so the question is: How do you address it? We have made a number of submissions. Indeed, I took one down to the tax forum with the Commonwealth Government which argued a few things, most particular that the Commonwealth should consider quarantining income tax and using a portion of that on an earnings per capita basis and feed it back to the States. The argument would be that for every dollar we got from that we would take 50¢ or half of it away from stamp duty. The two benefits are: obviously more revenue to the State and moving to a more efficient tax base. That is something we support.

We understand that the Commonwealth is in a similar position to ours. The argument would be let us not agree on a timeframe but let us wait for a normal budget position to resume and then we could reconsider it. But that is something that we are taking down for State Treasurers. The other thing that I think deserves serious merit and we should look at is the online GST. I will be discussing that with other State Treasurers whether that is a formal proposal that we actually take forward to Wayne Swan. Retailing is flat and online retailing is growing at 30 per cent and you have got a position now, reports modelling, that suggests that over the next three years not only is it effective, as in the costs recovery of the tax makes it warrant together, but the view is that New South Wales could receive more than \$700 million in the next three years through that.

I think just moving the tax system to the modern age gives a level playing field to our retailers and it obviously helps the budget position. That is something that we will be discussing—it is not a policy or something that the Government is committed to doing, but it certainly deserves serious consideration.

**CHAIR:** Why South Australia?

**Mr MIKE BAIRD:** Because the Federal Treasurer asked me, together with the Labor counterpart in Queensland, Andrew Fraser, to chair it. Andrew Fraser obviously lost the election in Queensland so he was replaced with Jack Snelling in South Australia. He asked two Treasurers to co-ordinate it.

**CHAIR:** I refer to fairness to people who insure their homes versus those who do not insure their homes and the levy proposal, perhaps on each person, you discussed to reduce insurance premiums. What progress have you made in relation to that levy?

**Mr MIKE BAIRD:** Consultation goes on, and that is something that we will encourage. It has lots of complexity balancing the needs of having that and making sure that individuals who are directly impacted are not unfairly impacted as part of any proposed changes we institute. The Henry tax review identified the insurance tax as the most inefficient tax we have so clearly we need to do something about that. I think it is also unfair because only about two-thirds of people are fully insured and the remaining one-third, that needs emergency services, is not paying their amount effectively for those services. The argument is: How do you get to the position where everyone is contributing to a service to which we all have access in a way that is affordable?

The experience from other States, South Australia and Western Australia in particular, is that if you do that the reduction in premium on your insurance policies actually means that you are better off if you are currently fully insured. More broadly, that leads to people being more appropriately insured which, at times of tragedy, is obviously a positive for both the individuals involved, so that is an important point.

**CHAIR:** I assume you are having discussions with the insurance industry in New South Wales about the proposal because an essential part of it is a reduction in premiums? If there is no reduction then there is no benefit to consumers. Do they indicate support to review their premium rates?

**Mr MIKE BAIRD:** Certainly if we cannot reduce the premiums then it is not something that we would support. The experience from Western Australia, whether you use the Independent Pricing and Regulatory Tribunal, or an equivalent body, to regulate it needs to be considered. Western Australia has a similar experience that it used the equivalent of Independent Pricing and Regulatory Tribunal to monitor it. You need to effect it and to make sure that that happens.

**CHAIR:** One of your major challenges as Treasurer is the 48 per cent of the total budget for what is called "employee related costs". It is difficult to dramatically reduce expenditure when it contains 48 per cent for employee costs. Do you have anything in mind to adjust the overall budget so that the percentage is smaller than 48 per cent?

**Mr MIKE BAIRD:** It is difficult. Obviously the provision of government services requires a number of people. That is not an unusual number. It is reasonably consistent with other State governments. I think the main thing is to try to provide a wages policy across the public service that is affordable and reasonable. We certainly think we are doing that.

**The Hon. CATHERINE CUSACK:** Treasurer, are you aware that Mr Massy-Greene, who is Chair of the Red Shield Appeal in New South Wales, made donations to the Labor Party, including \$5,000 to Matt Brown, the former member for Kiama, as well as \$2,500 to Labor's Federal campaign?

**Mr MIKE BAIRD:** In relation to this issue, as I said previously, the full details of the involvement of Roger Massy-Greene, whether it is the Labor Party or others, are not known. I do understand that he has supported the Liberal Party.

**The Hon. CATHERINE CUSACK:** In relation to his support for the Australian Labor Party that would not disqualify him for an appointment under our Government?

**Mr MIKE BAIRD:** Of course it would not; of course making donations does not. As I have said, I did not make this appointment.

**The Hon. GREG DONNELLY:** He writes you cheques, Michael.

**Mr MIKE BAIRD:** I did not make this appointment.

**The Hon. WALT SECORD:** He pays for television ads Michael.

**The Hon. CATHERINE CUSACK:** The Labor Party has indicated that it will table the information the members are quoting. I note that it still has not tabled it. Obviously it would assist the Committee if the Labor Party would fulfil the commitment its members made to transparency in following through on that commitment.

**The Hon. GREG DONNELLY:** We will check first. The hearing is not over yet.

**The Hon. WALT SECORD:** In the roll-call of bureaucrats I neglected to ask Mr Spencer a question. Mr Spencer, did you prepare any advice or documentation involving the appointment of Mr Roger Massy-Greene?

**Mr SPENCER:** Not that I am aware, but I will check.

**The Hon. WALT SECORD:** Not that you are aware?



**Mr SPENCER:** I will check.

**The Hon. WALT SECORD:** These are quite important appointments.

**The Hon. CATHERINE CUSACK:** That is why he is going to check—asked and answered.

**CHAIR:** Mr Spencer is taking that question on notice.

**The Hon. WALT SECORD:** Treasurer, when did you find out the Premier appointed your mate?

**Mr MIKE BAIRD:** I do not know the exact time.

**The Hon. WALT SECORD:** You do not know when the Premier appointed a donor to your personal campaign?

**The Hon. CATHERINE CUSACK:** And to the Labor Party.

**Mr MIKE BAIRD:** I think, Walt, that someone—

**The Hon. WALT SECORD:** You are one of two shareholding Ministers—

**Mr MIKE BAIRD:** You can run your smear and do whatever you like and knock yourself about, but I can tell you it is going nowhere. But if you want to do it, do it, because that is how you play it. We are here at budget estimates to talk about the budget. In relation to that budget we have serious challenges. We are making decisions to try to deal with both continuing services and look after the long-term interests of the State.

I know you are not interested in that and I know you would rather go down a smear campaign, but I can tell you that it is going nowhere.

**The Hon. WALT SECORD:** Chair, Mr Donnelly has a question.

**The Hon. GREG DONNELLY:** Treasurer, under the State Owned Corporations Act 1989, section 20J, Directors, it says:

- (2) The board is to consist of not fewer than 3 and not more than 7 directors appointed by the Governor on the recommendation of the voting shareholders.

You have acknowledged that you are a voting shareholder.

**The Hon. CATHERINE CUSACK:** With respect, he has explained the decision-making change.

**The Hon. GREG DONNELLY:** You have recommended—

**The Hon. CATHERINE CUSACK:** No, the Premier makes this appointment.

**The Hon. GREG DONNELLY:** By his recommendation.

**The Hon. CATHERINE CUSACK:** You know how these things work.

**The Hon. GREG DONNELLY:** You are a recommending shareholder—you and Greg Pearce. So either you or Greg recommended it or both of you recommended it. The only difference being is that Greg Pearce did not seem to have got a financial donation from the gentleman. That is the only difference between you and Greg Pearce.

**Mr MIKE BAIRD:** I would argue again, look at his curriculum vitae. The Premier made the appointment—

**The Hon. GREG DONNELLY:** No, look at the law—L-A-W. You are in breach of the law.

**The Hon. CATHERINE CUSACK:** Point of order: This has gone too far.

**The Hon. WALT SECORD:** You have misled this Committee.

**Mr MIKE BAIRD:** Come on.

**The Hon. CATHERINE CUSACK:** The Premier makes the appointment and he is talking about—

**The Hon. GREG DONNELLY:** He recommends it.

**The Hon. CATHERINE CUSACK:** You know the paperwork and how that works—

**Dr JOHN KAYE:** Point of order: This is really hard on Hansard. Would it be possible for us to shout at each other one at a time?

**The Hon. GREG DONNELLY:** The Treasurer is responsible for the recommendation with respect to the appointment.

**CHAIR:** Can you reframe that in a question?

**The Hon. GREG DONNELLY:** The question is, pursuant to the legislation that you are obviously no doubt familiar with and bound by, were you involved in the recommendation of this gentleman pursuant to section 20J (2) of the Act?

**Mr MIKE BAIRD:** I have you told you this before: The Premier has made the appointment.

**The Hon. GREG DONNELLY:** So you did not recommend him?

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

**The Hon. CATHERINE CUSACK:** It was the Premier's decision. He has answered that many times.

**Mr MIKE BAIRD:** I did not approach him. It was an appointment made by the Premier.

**The Hon. GREG DONNELLY:** So the Premier is in breach of the Act?

**Mr MIKE BAIRD:** The Premier is not in breach of the Act.

**The Hon. CATHERINE CUSACK:** Sorry, the Premier has made the decision and the Minister has implemented it according to the law. He has indicated that to you repeatedly.

**CHAIR:** The Hon. Catherine Cusack will restrain herself.

**The Hon. CATHERINE CUSACK:** They are smearing a good man.

**The Hon. GREG DONNELLY:** On the recommendation—

**The Hon. WALT SECORD:** Catherine, show us some courtesy, please.

**The Hon. CATHERINE CUSACK:** I beg your pardon, Walt. You are smearing—

**The Hon. WALT SECORD:** Can you repeat that. I cannot hear you.

**The Hon. MATTHEW MASON-COX:** You are a bunch of grubs.

**The Hon. CATHERINE CUSACK:** You are talking over the Minister. You are making disgusting smears and now you are asking for courtesy.

**The Hon. WALT SECORD:** I would like Mr Donnelly to repeat the question for the Treasurer.

**The Hon. CATHERINE CUSACK:** He has answered the question three times.

**The Hon. WALT SECORD:** I could not hear the answer. One more time, please.

**The Hon. GREG DONNELLY:** Under section 20J of the Act, were you involved in the recommendation of this gentleman to this position?

**Mr MIKE BAIRD:** The Premier made this appointment. How many times do I have to tell you?

**The Hon. WALT SECORD:** Yes or no? It is a simple question.

**The Hon. CATHERINE CUSACK:** It is his Cabinet. The Premier decides and they implement the decision. He has said that.

**CHAIR:** The Hon. Catherine Cusack will stop interrupting all the time.

**The Hon. CATHERINE CUSACK:** They are badgering.

**CHAIR:** Let us move on.

**The Hon. CATHERINE CUSACK:** Well, ask them to move on.

**The Hon. WALT SECORD:** The most important electricity appointment in the State and you are unaware of it?

**The Hon. CATHERINE CUSACK:** Is this all you have got?

**Mr MIKE BAIRD:** Do you understand that Premiers make appointments?

**The Hon. MATTHEW MASON-COX:** This is Groundhog Day, Walt.

**The Hon. CATHERINE CUSACK:** Have you pinned the entire estimates on this?

**CHAIR:** The Treasurer has answered the question about five times that he was not involved in the appointment.

**The Hon. CATHERINE CUSACK:** This is embarrassing.

**The Hon. GREG DONNELLY:** Let us be very clear then for the record that your answer to the question is that you were not—

**The Hon. MELINDA PAVEY:** The Chair has asked you to move on; you should respect the Chair.

**The Hon. MATTHEW MASON-COX:** You should respect the process, Greg.

**The Hon. CATHERINE CUSACK:** Of course the Premier's Minister has implemented the Premier's decision.

**The Hon. GREG DONNELLY:** —the shareholder Minister responsible for the recommendation. Is that what you are saying?

**Mr MIKE BAIRD:** How many times do I have to tell you? The Premier made this appointment.

**The Hon. CATHERINE CUSACK:** Greg, how many times do we have to go back over this?

**The Hon. GREG DONNELLY:** So you are not—

**The Hon. CATHERINE CUSACK:** Greg, you are as deaf as a post.

**The Hon. GREG DONNELLY:** It is a straightforward question.

**Dr JOHN KAYE:** Point of order: I do think we should talk one at a time for the sake of Hansard. This is really hard on them. If the Hon. Catherine Cusack wants to interject she should do so by point of order. This needs to be done in a more orderly fashion. We are looking silly.

**The Hon. GREG DONNELLY:** I have asked the question but in order to get some clarity I will ask you this: Is it the position that you were not the shareholding Minister responsible for the recommendation of this gentleman to the position we have been discussing? It is a yes or a no answer.

**Mr MIKE BAIRD:** Your question is: Did I make the appointment? I did not.

**The Hon. GREG DONNELLY:** No, not the appointment; the recommendation pursuant to the Act.

**Dr JOHN KAYE:** The Act says the Minister may recommend, it does not say that he has to.

**The Hon. CATHERINE CUSACK:** This is so dumb.

**The Hon. GREG DONNELLY:** No, it does not say "may".

**The Hon. WALT SECORD:** The word "may" does not appear in the legislation.

**The Hon. GREG DONNELLY:** He got the job because of a recommendation. The question is: Did you recommend him or did Greg Pearce recommend him or did both of you recommend him? The only difference is that he paid your re-election campaign and paid you—what was it—\$15,000 and as far as we can tell from our research Greg Pearce has not received a brass razoo yet. That is the only difference.

**The Hon. MATTHEW MASON-COX:** But the Labor Party has.

**The Hon. WALT SECORD:** Some \$53,000—

**The Hon. GREG DONNELLY:** —over five years, and you do not think this warrants a discussion at budget estimates?

**CHAIR:** The Treasurer has answered your question.

**Mr MIKE BAIRD:** I have answered your questions, Greg.

**The Hon. GREG DONNELLY:** No, you have not.

**The Hon. CATHERINE CUSACK:** Now he is saying Marie Bashir made the appointment.

**CHAIR:** Dr Kaye, do you have a question?

**Dr JOHN KAYE:** My question goes to the foreshadowed 15,000 job losses, some of them so-called "voluntary redundancies". Treasurer, what consideration did you give to alternative revenue measures? If we accept—which I do not—the budget black hole story, did you give any consideration to alternative budget measures?

**Mr MIKE BAIRD:** Ultimately you need to take a position before you stick your hand out in terms of revenue measures. You have to do the sensible thing with what you have. It is the same with the transport Minister. The transport Minister has said that she is sticking to consumer price index fare increases until the service improves. It is the same thing. You have to be able to say that you are making what you are running as efficient as you possibly can and control cost as much as you possibly can. Certainly I think that is what we have done.

**Dr JOHN KAYE:** So is a reduction of \$600 million in poker machine taxes for Clubs NSW being as efficient as you could be?

**Mr MIKE BAIRD:** That was a commitment that was made in opposition and—

**Dr JOHN KAYE:** Whether or not you made a commitment in opposition is a political matter. You said you would be as efficient as you can be. You give \$600 million away to the clubs on very lightly taxed poker machines. How is that consistent with being as efficient as you can be?

**Mr MIKE BAIRD:** As I have said, one of the things that the Premier has done consistently is stick to the election commitments we made. He has kept to them. He is trying to rebuild trust with the community. I think that is important because ultimately the former government breached that trust and lost the trust of the community. What the Premier has made a priority as part of our budget response is sticking to the election commitments we made. We have done that.

**Dr JOHN KAYE:** You accept, therefore, that the memorandum of understanding between Clubs NSW and the Coalition parties stands in the way of doing the best possible job you can as Treasurer?

**Mr MIKE BAIRD:** No, I am saying that that is an election commitment we made and we have kept it. I do not think there is anything more to it than that.

**Dr JOHN KAYE:** It is a tax giveaway of some \$600 million. How many public sector jobs would that save? If someone gave you \$600 million over a three-year period, how many jobs would that save of the 15,000 that you are going to axe?

**Mr MIKE BAIRD:** That is not a like-for-like. There is a platform that we were elected on and the Premier has maintained it, and continues to maintain it. I certainly think that is exactly the right thing to do. A government should maintain the promises it makes to the community, to the electorate. The Premier has done that. I think what he has done is exactly right in terms of rebuilding trust.

**Dr JOHN KAYE:** Sadly, our time has expired.

**CHAIR:** Treasurer, will you comment on your approach to the Treasurer's Advance? I note that the previous Government got up to \$600 million in the Treasurer's Advance and in 2011-12 you reduced that to less than \$100 million—maybe even less. Will you explain the value of having a low Treasurer's Advance?

**Mr MIKE BAIRD:** Part of the reason that the budget has started to bring itself back under control is that there has been a change in culture. Across government we have asked both our chief executive officers and directors general to be accountable for the budgets they are overseeing. A budget is a budget. What used to happen—and we saw it every year over the 16 years of the former Labor Government—is that they would have an expense target and they would end up being \$1.25 billion above that expense target. How was that funded? Part of that was funded by the Treasurer's Advance.

It was almost used like an overdraft for agencies that did not fund their expenditure or that could not control their budgets. We have changed that. The numbers continue to come down. It used to be, on average, about \$400 million a year we spent on that. In the last budget that was reduced to just over \$80 million. The numbers themselves are important, but it is also a symptom and evidence of what is there across the whole of government, which is much more budget control and all of the agencies are being held to account for that control. Part of the consequences you start to see is the Treasurer's Advance being a much smaller feature as part of the ongoing budget.

**CHAIR:** You have also established the Fiscal Effectiveness Office?

**Mr MIKE BAIRD:** Yes.

**CHAIR:** That is part of what you have just been saying about departments working within their budgets. Have you any comment on the operation of that office? Is it achieving your objectives?

**Mr MIKE BAIRD:** It is. Ultimately it is one thing to allocate targets; it is another thing to effect them. The Fiscal Effectiveness Office is a group of people on the ground within the agencies and clusters to work with them to identify savings and run programs, and at the same time to deliver and execute against those. We are happy with the progress. It really is a resource to be used by agencies and departments to help them to achieve their targets across their clusters and agencies. We are very positive on how it is progressing.

**CHAIR:** That brings us to the end of this particular session.

**The Hon. CATHERINE CUSACK:** I ask Mr Donnelly if he will table the documents as stated earlier in this Committee hearing.

**Mr MIKE BAIRD:** He did say that.

**The Hon. GREG DONNELLY:** The hearing is not finished, Catherine, so do not get too uptight.

**The Hon. CATHERINE CUSACK:** He indicated that he would table the documents at the conclusion of his questioning.

**CHAIR:** It is the right of the member to decide if he is going to table them. He has not tabled them.

**The Hon. CATHERINE CUSACK:** I am only following through on a commitment that he himself gave to the Committee.

**(Short adjournment)**

**VICKI TELFER**, Executive Director, NSW Industrial Relations, affirmed and examined:

**CHAIR:** We will commence now the hearing into the portfolio area of Industrial Relations.

**The Hon. SOPHIE COTSIS:** Minister, with respect to the Crown Employees (Public Service Conditions of Employment) application that you filed in the Industrial Relations Commission, if the application does succeed and the Industrial Relations Commission, say, hypothetically grants what you are asking for in terms of the conditions that you have applied to abolish, what would the savings be to government?

**Mr MIKE BAIRD:** There is a range of options and I think the important point here is that the Public Service Association argued that it wanted wage increases greater than 2.5 per cent, so it gave 2.5 per cent plus. But it did not explain what conditions it may want to trade off to pay wages above the 2.5 per cent.

**The Hon. SOPHIE COTSIS:** But that is not a negotiation.

**Mr MIKE BAIRD:** So the Government put forward some options. I have only recently met with the Public Service Association. I met with them last week. I said to them, "If you don't like these, tell me what you do like" and that is the position. I was disappointed in the action this week because I said I was happy to constructively engage. This seemed to be the number one issue it was concerned about.

**The Hon. SOPHIE COTSIS:** This application was filed on 6 June in the Industrial Relations Commission. Are you saying to me as Treasurer of this State that when the former Minister, Minister Pearce, filed that application you were not aware of the conditions that your Government wants to abolish?

**Mr MIKE BAIRD:** Bear in mind this is a negotiation.

**The Hon. SOPHIE COTSIS:** Sorry, it is not a negotiation. A negotiation is when two parties or the parties come together and put together a log of claims. That is how you negotiate. What you have done is the same as what you did with the Industrial Relations Commission where you stripped away its powers. You have filed an application that completely destroys conditions that are important to disability support workers and child protection workers.

**Mr MIKE BAIRD:** As I have said to the Public Service Association [PSA], if you want to negotiate these specifically, come and negotiate. I cannot be any more explicit than that. There has been a range of options put forward—

**The Hon. SOPHIE COTSIS:** They are not options. You have stipulated abolishing the 17.5 per cent leave loading, abolishing family and community leave, and abolishing penalty rates, which are important for nurses working in home care under Ageing and Disability. They are not options. You have gone to the commission and put forward the conditions that you want to abolish.

**Mr MIKE BAIRD:** And what I have said to the Public Service Association is that the intention of Government is to put forward some options. It has lodged those officially, and Vicki Telfer might want to add some points on this, but I can give you the Government sense and my commitment, which I gave as the new Minister, just over three weeks into the role. I have said to the Public Service Association, "If you want to come back and negotiate this, come back and negotiate. If you do not like any of these, tell me what you do like, and if you do not want greater than 2.5 per cent, tell us that as well."

**The Hon. SOPHIE COTSIS:** But your offer is final because under the industrial relations changes last year you have stripped the Industrial Relations Commission from making any awards. Your position is final because you have made an application. What I ask you today is, will you withdraw that application?

**Mr MIKE BAIRD:** I have a good faith offer out there for the Public Service Association to negotiate. If they want to, I am happy to engage in that. Let us see what comes of that. The concern I have, being honest, is that I made that offer and they still proceeded with action on Monday. It seemed to go beyond the intent. It started on this and then blew into other issues that it wants to advocate—and fair enough, it is allowed to advocate those.

**The Hon. SOPHIE COTSIS:** You have stripped away workers compensation and you are cutting 15,000 jobs. People who have not marched on the streets for 22 years were saying to me that they were appalled by what this Government is doing. You are stripping away leave loading, which women in aged care and disability services particularly would use—a couple of hundred dollars—to buy Christmas presents for their children.

**Mr MIKE BAIRD:** I understand the challenges that people face. We have not stripped away anything.

**The Hon. SOPHIE COTSIS:** But they are proposals. They are out in public. This is your Government's fundamental principles. This is what you want to do.

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

**The Hon. SOPHIE COTSIS:** I am saying to you—

**Mr MIKE BAIRD:** I can hear you too.

**The Hon. SOPHIE COTSIS:** Why do you not ask your very highly paid lawyers to go down to the commission today and withdraw the application, and that way you can come back to the table with employee organisations and put forward a sensible log of claims.

**Mr MIKE BAIRD:** I am looking for those.

**The Hon. SOPHIE COTSIS:** Why do you not withdraw the application?

**Mr MIKE BAIRD:** That is the point. I have said to the Public Service Association, and I cannot be any more explicit—I said it last week and I say it again here—that I am very happy to engage with them on the issues and if they want to come back, if they say they do not like any of these, fine.

**The Hon. SOPHIE COTSIS:** But they have.

**Mr MIKE BAIRD:** Then what is it that you want to negotiate?

**The Hon. SOPHIE COTSIS:** Yesterday 30,000 people marched across the State and said to you that they do not like it at all. People are not going to give up conditions such as penalty rates and leave loading.

**The Hon. MATTHEW MASON-COX:** What is the question?

**The Hon. SOPHIE COTSIS:** The question is: If this application was granted, what are the savings? What are the costings?

**Mr MIKE BAIRD:** The good news is that I have not asked to see those costings because we have not yet got to a position that we are negotiating. What we are looking for obviously, if savings are found, is that provide they provide a capacity to pay higher wages. That is the premise that we are operating on. I am totally and utterly open to the Public Service Association coming back and saying, "We want to negotiate constructively." If they want to do that then the door is open and I look forward to it.

**The Hon. SOPHIE COTSIS:** If you are not going to withdraw the application, you are not really serious about negotiating. Will you take this on notice and provide us with costings? If this application was to be granted in full you will provide us with the cost to Government?

**Mr MIKE BAIRD:** We will come back with a proposal once it is agreed in any way, shape or form.

**The Hon. SOPHIE COTSIS:** So you will take that on notice?

**Mr MIKE BAIRD:** We will come back once a proposal is agreed, but I do reject utterly your assertion that I do not want to negotiate. Of course I do. I am totally open to negotiating and I said that I cannot be any more explicit to the Public Service Association. I told them, "Come and tell me the terms and conditions that you are happy to put on the table."



**CHAIR:** He cannot take the question on notice because he said he has not done the costings.

**The Hon. GREG DONNELLY:** Just to be clear, I understood that your last comment was that you asked the Public Service Association to put onto the table the terms and conditions—they were your words—they are prepared to negotiate to obtain an increase above the 2.5 per cent, which is the Government's wages policy. Is that the position?

**Mr MIKE BAIRD:** Which is actually the same as the former Government's policy, yes.

**The Hon. SOPHIE COTSIS:** No, it is not.

**The Hon. GREG DONNELLY:** You said you have asked the union to put onto the table the terms and conditions that they are prepared to negotiate over. They were your words.

**Mr MIKE BAIRD:** If they want higher wages. If you want 2.5 per cent then—

**The Hon. GREG DONNELLY:** You appreciate "terms and conditions" is legal terminology for what is contained within their award. Terms and conditions of employment are embraced by an award or enterprise agreement, as opposed to work practices.

**Mr MIKE BAIRD:** To give you an example, the bus drivers agreed to rostering arrangement changes that meant they are able to receive 3.25 per cent rather than 2.5 per cent. I am not precisely sure of the details of the individual rostering arrangements, but that was one of the things. That is a question for the Public Service Association: What are the things that you are happy to put forward that comply with the wages policy—

**The Hon. GREG DONNELLY:** Treasurer, you said "terms and conditions" very clearly.

**The Hon. MATTHEW MASON-COX:** Come on!

**The Hon. GREG DONNELLY:** Last year in the Legislative Assembly you had carriage of the Industrial Relations Amendment (Public Sector Conditions of Employment) Bill 2011. The fifth paragraph says:

Our policy and legislative response will ensure that wage increases of 2.5 per cent are available each year to our hardworking public sector employees.

We concur; they are very hardworking employees.

Increases in excess of 2.5 per cent are available but will be required to be funded through employee-related savings.

They are your words. You have said to us today that you have said to the union that if they want to negotiate above 2.5 per cent they have to indicate what terms and conditions they are prepared to negotiate. My question is: What is the difference between "terms and conditions" and "employee-related savings", which you referred to in *Hansard*?

**Mr MIKE BAIRD:** I do not think there are any differences. I am not sure of the semantic point you are trying to make. At the moment if you receive an allowance for travelling on a plane that might be something about which the PSA says that maybe in this day and age they do not need to be paid an allowance for working on a plane. That is just an example.

**The Hon. GREG DONNELLY:** Do you understand that State sector employees, using old terminology, are paid rates employees? Their terms and conditions are governed by what is contained in their award or their enterprise agreement. They are the terms and conditions. It is not like the private sector where in some instances there are large over-award payments and a whole lot of other arrangements on the side that are outside the award. State sector employees are effectively paid rates employees. What you are saying, if I understand correctly, is that this is a movement in the Government's policy, which is being announced today, from when this bill passed through the Parliament last year and it was 2.5 per cent plus employee-related savings. Today you are saying it is 2.5 per cent plus it is subject to negotiations over terms and conditions. That is very different.

**Mr MIKE BAIRD:** No, no. You are trying—good on you for trying to correct—

**The Hon. GREG DONNELLY:** No, this is not semantic.

**Mr MIKE BAIRD:** No, the policy is 2½ per cent plus if there are employee-related savings, such as the example I gave you about the buses and some of the options that sit within the Industrial Relations Commission at the moment; they are options to pay wages greater than 2½ per cent. What is the issue?

**The Hon. MELINDA PAVEY:** That is not how shop stewards work.

**The Hon. GREG DONNELLY:** That is not how the industrial relations law and jurisprudence work, but you would not understand that.

**The Hon. MATTHEW MASON-COX:** Why do you not accept the answer and move on?

**The Hon. SOPHIE COTSIS:** No, because—

**Mr MIKE BAIRD:** Is there anything you want to add, Ms Telfer?

**Ms TELFER:** Employee-related costs encompass a range of matters that are in the award. There is a series of proposals that have been put forward. The Treasurer and Minister for Industrial Relations made it very clear when he met with the primary union, the PSA, last week that he was prepared to negotiate. If they had other things they wanted to put on the agenda they could bring them forward. It is a long process to go through. A comment was made earlier by the Hon. Sophie Cotsis that awards could not be made anymore. That is not the case; awards can still be made by the Industrial Relations Commission. There is a long process to go through. The next directions hearing on this matter is not until early November and we expect the hearings themselves will not start until February next year.

A range of evidence will need to be put forward. In between times, as the Treasurer and Minister for Industrial Relations has said, he is prepared to sit down and negotiate with the unions about what the Government has put forward and what they might want to put forward, and there may in fact be—one could hope—a settlement. We may have to go to conciliation in the Industrial Relations Commission. The Government has put forward its policy proposal relating to employee-related cost savings, such as was done on the buses through rostering and in Pillar under Fair Work Australia with changes to hours of work. A range of different things are encompassed there. If there can be some agreement then there may be money that can be paid above 2½ per cent. This has a long way to go yet. The policy in the legislation is exactly what the Government is following. It is not a change; it is a long process and the Minister has said he is very prepared to negotiate with the PSA. I am sure he is looking forward to hearing back from the PSA.

**The Hon. SOPHIE COTSIS:** He should withdraw the application. You are saying there are conditions of employment that you have put up. The Premier said on 25 May 2011, "We are not in the business of taking conditions away from public servants." The application you have put forward is about conditions and one of those conditions is the 17½ per cent leave loading. In September, Minister Pearce gave an interview to the *Australian Financial Review* in which he said the 17½ per cent loading was not in line with community standards. Do you agree with that?

**Mr MIKE BAIRD:** We have not taken anything away.

**The Hon. SOPHIE COTSIS:** But that is your proposal.

**Mr MIKE BAIRD:** No, the proposal is: Here are some points if you want pay greater than 2½ per cent—some proposals. Call it whatever you want—terms and conditions or employee-related savings—whatever term you want to use, here is a range of measures that the Government is happy to put forward. I told you, if the PSA comes back and says, "We only want 2½ per cent", that is easy. We can all agree on that and move on. But if they want pay greater than 2½ per cent I am happy to negotiate with anyone who wants to have a wage increase of greater than 2½ per cent. That is the policy and I am happy to enact that.

**Mr DAVID SHOEBRIDGE:** Is your position that the cuts to leave loading, the cuts to penalty rates, the proposed cuts to the remote area allowance, the proposed cuts to parental leave entitlements will only go forward by consent of the PSA?

**Mr MIKE BAIRD:** The policy as it stands is by consent of the parties involved, so the PSA or the IRC determined.

**Mr DAVID SHOEBRIDGE:** This is the point I am trying to test with you. Are you going to take forward to arbitration, in the absence of consent, the possibility of removing those entitlements?

**Mr MIKE BAIRD:** That remains with the PSA.

**Mr DAVID SHOEBRIDGE:** Let us imagine the PSA and other interested parties are not willing to give up leave loading and those other entitlements. Will you at that point not press for their removal through an arbitrated process?

**Mr MIKE BAIRD:** As I have said and to be consistent, if the PSA come back in good faith and say they want to negotiate or they are happy with a wage rise of 2½ per cent I am happy to acknowledge that at that time. They have not, so until we get there it is a hypothetical position. The position as it stands is very clear: Here is a range of options for pay above 2½ per cent. Do you want those? No? What else do you want? Are you happy with 2½ per cent? As soon as I have the answers to those I can give a very clear response. That is the intent, the spirit of what I offered last week.

**Mr DAVID SHOEBRIDGE:** But the letter of what you are proposing as opposed to the spirit of what you are offering is the removal of all these quite longstanding entitlements. The core issue I am exploring with you is this: If the PSA say they are not willing to negotiate to remove those entitlements and they are not willing to put them on the table for pay rises, do you reserve the right to continue to make an arbitrated application to remove those entitlements in whole or part?

**Mr MIKE BAIRD:** Ultimately I need to discuss it with the PSA rather than this Committee. The disappointment I have is that the action was taken on Monday. In essence that is what I offered last week, but it seemed clear the PSA did not want to engage.

**Mr DAVID SHOEBRIDGE:** Are you saying that offer was on the table last week but you have taken it away because they have engaged in industrial action?

**Mr MIKE BAIRD:** No, I have not taken anything away. I am trying to determine whether the parties involved want to negotiate constructively. If they do, I am all ears to the proposals.

**Mr DAVID SHOEBRIDGE:** The key point is if they are not willing to negotiate away those basic rights and conditions that you have proposed and put on the table for a pay rise, do you reserve the right to press on and remove them through arbitration?

**Mr MIKE BAIRD:** The question comes back—

**Mr DAVID SHOEBRIDGE:** The answer is yes, but are you willing to say no?

**Mr MIKE BAIRD:** No, the question comes back: Are they happy with 2.5 per cent? If they are happy with just the 2.5 per cent—

**Mr DAVID SHOEBRIDGE:** Then you will not press to remove those entitlements through arbitration? Is that right?

**Mr MIKE BAIRD:** That is absolutely what we are happy to consider.

**Mr DAVID SHOEBRIDGE:** Happy to consider or will not do?

**Mr MIKE BAIRD:** No, that is what we are happy to consider as part of the negotiation. You are putting questions; I cannot anticipate how the Public Service Association is going to respond.

**The Hon. SOPHIE COTSIS:** That is the award.

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

**The Hon. SOPHIE COTSIS:** Here is the application.

**Mr MIKE BAIRD:** That is the position with them.

**Mr DAVID SHOEBRIDGE:** Minister, do you know on what basis the Government put forward the proposal to reduce the entitlements for parental leave for those long-term foster parents, surrogate parents and other kinship care arrangements? Do you know on what basis the Government put that forward as a proposal?

**The Hon. SOPHIE COTSIS:** Shame.

**Mr MIKE BAIRD:** The basis was in response to the request to pay wages greater than 2.5 per cent. The question is what—

**The Hon. GREG DONNELLY:** Could you say that again?

**The Hon. SOPHIE COTSIS:** That is appalling.

**Ms TELFER:** Can I just clarify a point of fact? The proposed changes provide clarity of the existing provision. At the moment there is no entitlement in the current clause in the award for leave of foster carers and surrogate parents, so it is a clarification. I can tell you—I am sorry, Minister, I have not had a chance to tell you this—that we are doing some work in my office at the moment about foster carers and surrogate parents to see how we can, if there are negotiations, make some changes, provide better clarity or provide some better guidance to agencies in those matters.

**Mr DAVID SHOEBRIDGE:** Did the Government put out a circular in the last 18 months stating that parents of surrogates and foster parents are not entitled to parental leave?

**Ms TELFER:** I am not aware of that circular.

**Mr DAVID SHOEBRIDGE:** Can you take it on notice?

**Ms TELFER:** I will take it on notice.

**Mr DAVID SHOEBRIDGE:** Is there a proposal from the Government to expand parental care entitlements to include people who clearly need parental care leave, such as surrogate parents and foster parents? Is the Government intending to extend parental leave?

**Ms TELFER:** The work that is going on in my office at the moment is to explore the legal situation of surrogate parents. As you know, there are some legal issues about altruistic surrogacy and non-altruistic surrogacy. We are exploring exactly what the law is. It is a developing area of law. It is something that any good employer would do from time to time: make sure that the conditions of employment, as they are in the award, are up to date, are kept modern, and are keeping pace with the changing circumstances of employees. So the work that we are doing at the moment is to explore what the legal situation is around surrogacy and to see what clarity we could provide through these award negotiations.

**Mr DAVID SHOEBRIDGE:** Minister, on 1 December the first of a series of pay increases for community sector workers under the Federal award will kick in. What allowance has the Government made, through budget or otherwise, to make provision for increased payments for 30,000 community sector workers in New South Wales?

**Mr MIKE BAIRD:** It has—

**Mr DAVID SHOEBRIDGE:** How much?

**Mr MIKE BAIRD:** I am happy to provide the details of that.

**The Hon. SOPHIE COTSIS:** When?

**Mr MIKE BAIRD:** Ultimately what we are doing is waiting for the Federal Government to reveal its breakdown in relation to the \$3 million. I understand the Prime Minister is making an announcement today in some way, shape or form. I am not exactly sure what it is—she is going to put legislation through to provide the breakdown. The Government supports it. We will pay our fair share.

**Mr DAVID SHOEBRIDGE:** Will you fully fund the New South Wales Government's share of the pay increase?

**Mr MIKE BAIRD:** We will pay our share.

**Mr DAVID SHOEBRIDGE:** Will you fully fund the New South Wales Government share?

**Mr MIKE BAIRD:** We will fully fund our fair share.

**Mr DAVID SHOEBRIDGE:** Will that leave community services with—

**Mr MIKE BAIRD:** I cannot say how that would work.

**Mr DAVID SHOEBRIDGE:** —sufficient funding between State and Federal to make up for the increased payments?

**Mr MIKE BAIRD:** We will fully fund our fair share. I cannot say any more than that.

**Mr DAVID SHOEBRIDGE:** Do you stand by Minister Pearce's proposition that it will cost the New South Wales Government \$1 billion to fully fund it?

**Mr MIKE BAIRD:** I stand by the position that we will fully fund our fair share.

**CHAIR:** Thank you, Mr Shoebridge. To clarify, as you know, Industrial Relations has been transferred to your responsibility. Is it correct to say that you are now the Minister of Industrial Relations?

**Mr MIKE BAIRD:** As I understand it, yes.

**The Hon. SOPHIE COTSIS:** It was missing.

**The Hon. MATTHEW MASON-COX:** Can I pass the files over to you?

**The Hon. SOPHIE COTSIS:** It was missing for 19 months.

**The Hon. MATTHEW MASON-COX:** No, it was not.

**CHAIR:** You are administering a department. Will you explain exactly what you have taken over from Mr Pearce?

**The Hon. MELINDA PAVEY:** Structure.

**Mr MIKE BAIRD:** The structure—

**The Hon. MELINDA PAVEY:** It is very small.

**The Hon. SOPHIE COTSIS:** A mess; he has taken over a mess.

**Mr MIKE BAIRD:** There are just over 100 employees in the Industrial Relations—

**Ms TELFER:** NSW Industrial Relations has a little over 100 employees—125 or 127 employees. We cover a range of matters. We have a public sector industrial relations branch. We have a public policy branch which looks at the relationship that we have with the Commonwealth and the Fair Work Act. That is important not just for the private sector employees and employers; the New South Wales Government has 50,000 of its employees covered by the Fair Work Act so keeping in touch with what is going on there and negotiating with

the Commonwealth and other jurisdictions is very important. We have a compliance branch, both proactive and reactive compliance.

As a modern regulator—which we like to think we are—we think the best thing we can do is provide information, assistance and advice to employers so they know their obligations and how they can comply with the law. We run a number of seminars and workshops, and we also provide webinars free of service. All of that is free of charge—not free of service, but free of charge. Our webinars attract a lot of participants and of course we have inspectors who do the normal range of things looking at complaints. We also have some of them work under contract to the Fair Work Ombudsman, but we deal with a range of complaints. As for long service leave, at the moment we are taking some prosecutions for taxidrivens in the New South Wales court system. We also regulate shop trading, entertainment industry—those kinds of matters.

We are part of the Treasury cluster so when the change of government was announced on 12 September I transferred. NSW Industrial Relations was transferred from the Department of Finance and Services into NSW Treasury, so I now report to the secretary for treasury, Mr Gaetjens here. We are a small office with those three major streams of public sector industrial relations, public policy and compliance activities. I am not sure if that answers your question.

**CHAIR:** Thank you. Obviously the previous Minister, Mr Pearce, was very much a hands-on person involved with industrial relations with a great deal of experience.

**Mr DAVID SHOEBRIDGE:** Hardly. I don't think so. The hands were on but the eyes were shut.

**CHAIR:** Will he still have a role with assisting you in this area?

**Mr DAVID SHOEBRIDGE:** I hope not.

**The Hon. SOPHIE COTSIS:** Yes, he should.

**CHAIR:** You are new to this particular job.

**The Hon. SOPHIE COTSIS:** If we are going to talk about all the savings—

**Dr JOHN KAYE:** Every working person in New South Wales wants you to say no.

**Mr MIKE BAIRD:** Like everything, Mr Chair, part of the joys of Cabinet is that there are all types of experiences around that table.

**The Hon. SOPHIE COTSIS:** You are so diplomatic. Look at you, you are so diplomatic.

**Mr MIKE BAIRD:** I will certainly be leaning on his experience. He has a lot of experience in the area. In terms of formal—there is no formal sort of lead.

**CHAIR:** Particularly this current issue we have just been having questions about from Opposition members.

**Mr MIKE BAIRD:** Yes, and we are obviously transitioning between us.

**The Hon. GREG DONNELLY:** A good time to pull out the application.

**The Hon. SOPHIE COTSIS:** That is right. New Minister, withdraw the application.

**CHAIR:** I note in the Budget Paper No. 3 page 5-5, "Industrial Relations complaints resolved within 180 days", there was a projection forecast 2011-12 of 95 and now it has been revised down to 60. Is there any reason for that? That is perhaps a question for Ms Telfer.

**Ms TELFER:** With the referral of the industrial relations powers at the end of 2009, NSW Industrial Relations needed to take on board the Fair Work Australia Act. It took a bit longer than what was expected for people to get up to speed with the intricacies of that Act. It is a complex technical piece of legislation and it took

my staff some time to get to full capacity. We have found more recently that our performance against the key performance indicators has dramatically improved.

According to our traffic light system this time last year we were all in the red. Earlier this year we started to go from that to orange. We have three key performance indicators: one where complaints are finalised in less than 60 days, one where they are finalised in less than 90 days, and one where they are finalised in less than 180 days. At the moment two of those are green—so we are meeting our key performance indicators—and one is amber. A lot of work is being done in the office on the complaints that are at more than 90 days but less than 180 days.

We have taken the opportunity in the past year to restructure NSW Industrial Relations. We have a better management system and we have put in accountabilities that are reported to me on a weekly basis with regard to key performance indicators. We have really improved the performance of the office in delivering on complaint investigation and resolution in the past year. It took some time to get up to speed and I am happy to say that staff have embraced the changes that we have made.

All but two of our investigators and some of our assistant investigators, senior investigators and principal investigators have undertaken the certificate of government inspections and investigations in work time and at our expense. That has been one of the contributing factors in their being able to improve their performance. I am still relatively new as the executive director—I have been in the position for less than two years. I noticed that we had needed to do that and we put money aside in last year's budget for it. I am pleased to say that that investment in learning and development for that group of staff is really starting to pay dividends.

**The Hon. SOPHIE COTSIS:** I refer to the Crown Employees (Public Service Conditions of Employment) Award application. The Government has lodged an application to make a new award; it is not about options. Women comprise 60 per cent of the public sector workforce and they work in the aged, education and nursing sectors. They also comprise 87 per cent of the part-time public sector workforce. You want to abolish family leave and sick leave to look after a family member. Do you accept that abolishing those conditions, slashing 15,000 jobs and imposing wage decreases will disproportionately affect women?

**Mr MIKE BAIRD:** No, I do not agree with that on the basis that nothing has been taken away. We are trying to negotiate a position with the Public Service Association and we cannot do anything more than that. I am happy to say this a few times. My door is open and I have explicitly said that if they want to continue to pursue wage increases of more than 2.5 per cent what would they like to use in return? That is what we are waiting to hear.

**The Hon. SOPHIE COTSIS:** The ball is in your court.

**Mr MIKE BAIRD:** No, it is in their court.

**The Hon. SOPHIE COTSIS:** No, it is up to you to withdraw that application. These conditions have been fought for and negotiated over many years and many of them are designed to encourage women back into the workforce—women with skills and qualifications in the areas in which we have skills shortages such as aged care and special needs. We are calling out for more women to participate in the workforce. Despite that, your Government is abolishing many of the conditions that help them to participate.

**Mr MIKE BAIRD:** Again, we are not abolishing anything. We have asked whether or not the Public Service Association wants to negotiate.

**The Hon. SOPHIE COTSIS:** Rule it out.

**Mr MIKE BAIRD:** It is ultimately the same as the changes to the rostering arrangements for bus drivers. What are they prepared to do to achieve the savings required to pay wages of greater than 2.5 per cent? That was the former Government's policy. If they are happy with 2.5 per cent—

**The Hon. SOPHIE COTSIS:** You have to rule this out; it is on the public record. This is your Government's position; that is what you have put out there.

**Mr MIKE BAIRD:** And I am telling you the intent of that in responding to the request for greater than 2.5 per cent.

**The Hon. SOPHIE COTSIS:** You want them to give up those conditions. I am really concerned about domestic violence leave. At the moment family and community service leave, sick leave and sick leave to care for a family member may be used by a staff member who is experiencing domestic violence. When those entitlements are exhausted, the award provides for special leave to be granted. That consists of five paid days granted automatically to the staff member. The application that the Government has made to the Industrial Relations Commission calls for family and community leave, sick leave and sick leave to care for a family member to be abolished.

**Mr MIKE BAIRD:** We are abolishing nothing.

**The Hon. SOPHIE COTSIS:** Minister Pearce issued a press release about this. You are rolling those conditions into personal and carers leave entitlements. Family leave, which is accrued at a rate of 2.5 days, will be abolished. If the application is accepted, if staff who are experiencing domestic violence exhaust their leave entitlements the departmental head can grant miscellaneous leave because special leave will be deleted from the award. The award provides that miscellaneous leave may be granted by the department head, either paid or unpaid. There is no guarantee. I would like you to rule that out completely. Experts have stated that domestic violence clauses in awards are very important for employees who are victims of domestic violence. I am very concerned that that is in a document.

**Ms TELFER:** Personal and carers leave will be combined to allow greater flexibility for people to use family care leave provisions.

**The Hon. SOPHIE COTSIS:** But it is all rolled into one.

**Mr DAVID SHOEBRIDGE:** But the periods will be reduced.

**Mr GAETJENS:** As you said, it is going to be rolled over into personal and carers leave.

**The Hon. SOPHIE COTSIS:** At the moment, in the first and second years of employment staff accrue 2.5 days of family leave and thereafter they accrue one day's leave each year. That is a category of its own. We have sick leave and sick leave to care for a family member. You want to abolish family leave and combine sick leave with other entitlements to make it personal and carers leave. You are removing family leave.

Family leave is about people who experience an emergency. If their child has to go to hospital they can use family leave to run off to the hospital to make sure that their child or elderly parent is okay, knowing that they will not lose pay. That is what we have fought for for many years because we know that women are the main carers of children and elderly parents.

**Ms TELFER:** Can I just clarify about domestic violence leave? Under the miscellaneous leave provision, people will still be able to access that for domestic violence leave.

**The Hon. SOPHIE COTSIS:** Only from the department head. They do not automatically get it.

**Ms TELFER:** It is one of the things that we would hope in the negotiations that we can talk to the unions about getting some greater clarity and certainty for people—

**The Hon. SOPHIE COTSIS:** There is no negotiation when it comes to domestic violence.

**Ms TELFER:** Please do not misunderstand me because I take domestic violence very seriously.

**The Hon. SOPHIE COTSIS:** We all do.

**Ms TELFER:** I have worked in the area, I have listened to people, I have taken the phone calls as a government employee—

**Mr DAVID SHOEBRIDGE:** But don't take the leave.

**Ms TELFER:** Please do not misunderstand me.



**The Hon. SOPHIE COTSIS:** Will you clarify it for me?

**Ms TELFER:** Miscellaneous leave will be available. One of the things that we would look forward to doing is providing greater certainty about how and when that can be accessed. It is not something to be trifled with.

**The Hon. SOPHIE COTSIS:** No, not all, but it should be granted as it is now.

**Ms TELFER:** I am hoping through the negotiations—as the Minister has said many times today and to the union last week, he is keen for the union to come back and negotiate to get serious matters such as this clarified.

**Mr MIKE BAIRD:** I understand and share the concerns raised by the Hon. Sophie Cotsis. Across a range of options that are being considered for wages above 2.5 per cent, I have said to the Public Service Association we are not taking anything away. We are saying, "Here are some options" in that document.

**The Hon. SOPHIE COTSIS:** Domestic leave should not be an option.

**Mr MIKE BAIRD:** As you know, once you run through what has been described, they are trying to create it in a way that continues it but in a more efficient way, whether that is right or wrong—

**The Hon. SOPHIE COTSIS:** There is no efficiency in domestic violence clauses.

**Mr MIKE BAIRD:** I totally agree.

**The Hon. SOPHIE COTSIS:** This is something that has been put because it has been recommended by experts and researchers that we need to have domestic violence clauses in awards.

**Mr MIKE BAIRD:** I am agreeing with you. I cannot be any clearer than that. The option sits with the Public Service Association to come back and talk to us. We are not taking anything away; we are saying, "Here are some options, come back and talk to us. If you do not want any of them, what other ones do you want or do you just want the wages at 2.5 per cent?" That is the policy position.

**The Hon. GREG DONNELLY:** In relation to the bus driver example to which the Treasurer referred earlier, as I understand it, the parties sat down and came up with an agreed position. In other words they negotiated an outcome across the table. Presumably there were claims by both sides that they worked through and came to a concluded outcome and that was then taken off to the Industrial Relations Commission, ratified or registered, and that money has now flowed. That negotiation above 2.5 per cent is to be clearly distinguished from the situation in which public sector employees find themselves in in New South Wales, that is, there was a live application before the Industrial Relations Commission to, in effect—and I use this word in a considered way—restructure a number of award entitlements.

With respect to consideration of that restructuring, there should be arbitration by the commission, and that is where this can end up. These award entitlements, some of which we have discussed today, are up for change. In terms of the award application, if you have had a chance to look at it—and I appreciate you are only newly in the role—it is, in fact, to reduce down, not improve, a series of what are, in effect, award entitlements. That is a very different scenario from the bus drivers to which you referred earlier. I appreciate that you were not the Minister when the bus drivers had the negotiation, but surely, Treasurer, hopefully after that explanation, you will concede that we are in a very different position for State sector employees.

**Mr MIKE BAIRD:** I have offered the exact same thing to the Public Service Association.

**The Hon. GREG DONNELLY:** No, you have not, not the same. The award application is on foot and is before the New South Wales Industrial Relations Commission and if it is to run its course it will lead to arbitration.

**Mr MIKE BAIRD:** What I have said to the Public Service Association is if it wants to negotiate, that is, the bus example, I can only offer that. I am offering that.

**The Hon. GREG DONNELLY:** I do not want to be flamboyant about it, but it is like putting a gun to someone's head and saying, "Listen, I want you to negotiate now".

**Mr MIKE BAIRD:** I have said everything is on the table.

**The Hon. CATHERINE CUSACK:** It is not to reduce down, it is a trade-off.

**Mr MIKE BAIRD:** Everything in that document is up for discussion.

**Mr DAVID SHOEBRIDGE:** But you have not said you will not proceed to arbitration.

**The Hon. GREG DONNELLY:** We have probably exhausted that line of questioning. With respect to the Industrial Relations Commission, the Industrial Court and the Transport Appeal Board, I understand that in 2010 those bodies saw 2,775 matters filed, 2,587 matters completed and 971 matters continuing. In 2011 those same bodies saw 3,460 matters filed, 3,338 matters completed and 1,025 matters continuing. Those figures show quite an increase through those bodies. In your role as Minister for Industrial Relations in New South Wales, can you commit to the appointment of additional members to those bodies to ensure that the applications can be dealt with in a timely way so that we will not have, in effect, a logjam operating in a number of those tribunals? There have also been retirements in those bodies.

**Mr MIKE BAIRD:** I think you can run through the timing. The intent is yes. I know there are some overdue appointments. There is a need in capacity, to put in more people, and that is something we will consider directly.

**Ms TELFER:** We are getting the papers together at the moment about the appointment so we expect that there will something going through Government in the next few months. It will be, in the end, a policy position for the Government to make.

**Mr DAVID SHOEBRIDGE:** Treasurer, you said earlier that the New South Wales Government was committed to a fair share of funding for the community sector award increases. How will you determine a "fair share"? What is your criterion for fairness?

**Mr MIKE BAIRD:** We need to negotiate it with Canberra obviously. The Federal Government has made a determination that has put money on the table, and we need to understand how that matches with our profile.

**Mr DAVID SHOEBRIDGE:** How will you determine fairness? Will you ensure that the community sector does not have to decrease services to meet the award increases? Is that part of your criteria for fairness?

**Mr MIKE BAIRD:** There are two parts.

**Mr DAVID SHOEBRIDGE:** That is not part of the fairness?

**Mr MIKE BAIRD:** At the moment the current funding is about 80:20, that sort of proposition, between the State and the Commonwealth. Obviously we want to see the Commonwealth pay its fair share and the State has an obligation to pay its fair share. At the same time, it obviously needs to be affordable. We will comply and do everything we possibly can in the context of those constraints.

**Mr DAVID SHOEBRIDGE:** What is your criterion for fairness? Is it just a bargain between you and the Federal Government, and the community sector will be collateral damage? Is it just a matter of equity between you and the Federal Government, regardless of services in the community sector?

**Mr MIKE BAIRD:** There is a ruling that we are going to do everything we can to comply with. The community sector workers are some that I have the most incredible respect for. I sit day-in, day-out—one of the privileges of my role as a lower House member is to see the silent work that they do while we about our day. They are the ones who are on the ground actually dealing with those who are the victims of domestic violence. They are the ones who are dealing with those who are mentally ill roaming around in our community. They are the ones who are doing everything that we can ask anyone to do, often voluntarily.

**Mr DAVID SHOEBRIDGE:** They are often the ones, particularly at the moment, who are on short-term contracts and who cannot get their contracts renewed because their organisation has not got an answer from the New South Wales Government about funding their fair share of services. What will you do to remove that uncertainty and allow those very workers to be protected going forward?

**Mr MIKE BAIRD:** We are doing everything possible, David. We are waiting, as I said—

**Mr DAVID SHOEBRIDGE:** Everything possible waiting?

**Mr MIKE BAIRD:** No, I said "David". I have not heard what the Federal Government is about to put into Parliament tomorrow—they seem to be making some decision in relation to funding allocation. Obviously not Industrial Relations, but Treasury is working with the sector as well to determine how we can phase this in. It is a long process and all I can tell you is that I will do everything possible to ensure that we give them the fair wage as the ruling depicts.

**Mr DAVID SHOEBRIDGE:** The Contract Cleaning Industry (Portable Long Service Scheme) Act came into force in 2010. One element of that Act was a requirement for the Industrial Relations Advisory Council to review the operation of the Act and consider portable long service leave being extended across all workers in New South Wales. That was to commence on 1 July this year. Has it commenced? If so, to what extent has it advanced?

**Mr MIKE BAIRD:** Ms Telfer can talk in detail about that. I had my first council meeting—was it Friday, I think it was?

**Ms TELFER:** Friday.

**Mr MIKE BAIRD:** It was on the agenda. What is the update?

**Ms TELFER:** The changeover in portfolio has meant an inevitable delay because clearly we need to brief—

**Mr DAVID SHOEBRIDGE:** But this was meant to start on 1 July, well before the change.

**Ms TELFER:** No, as soon as possible after 1 July and to report back within 12 months. The review was to commence as soon as possible after the first 12 months of the scheme being in operation—that was 1 July this year—and to report back to the Minister before the end of the 12 months—that is 30 June next year. The Industrial Relations Advisory Council, as you know, has responsibility for that review. We have put together some draft terms of reference. I have to say that the change in portfolio has meant that it has not progressed to actually commencing the review but we hope to get it started very soon. The Industrial Relations Advisory Council has the ability to have subcommittees. I expect that we will be doing this as a process through subcommittees. I do have to say that from an administrator's point of view—I am the chair of the contract cleaning industry scheme—that it is still a scheme in its infancy. It has been going for less than 12 months. I am a bit doubtful about whether or not we will be able to tell very much from a scheme so soon after its commencement.

**Mr DAVID SHOEBRIDGE:** Will you draw on the experience of the construction industry scheme, which has been going for vastly longer?

**Ms TELFER:** It is one of the things we will be looking at. I can give you some statistics about the contract cleaning scheme.

**Mr DAVID SHOEBRIDGE:** No, that is not necessary.

**Ms TELFER:** There are only 25,000 cleaning workers in there and only 850 employers. It still is in its infancy. It has made very few payments because it does, of course, take some time to get people up with their entitlements. We are looking at how we can get experience and how we can draw out experience from other areas, including other jurisdictions and other—

**Mr DAVID SHOEBRIDGE:** Are you looking at compliance issues in the cleaning sector?

**Ms TELFER:** There is a compliance team in the Long Service Corporation.

**Mr DAVID SHOEBRIDGE:** Can you take on notice any compliance action you have taken?

**Ms TELFER:** No actual action has been taken so far. What we have got is terrific compliance at the moment: 95 per cent of the employers are making their payments within the required time frame. The very few that are not doing it in that time frame are being chased up very quickly and are paying what they need to pay. The work is being mostly transacted online. It is quite a success story as far as its administrative operation goes, but as far as telling whether or not the scheme is having a benefit I think it will be quite difficult because it is so soon.

**Mr DAVID SHOEBRIDGE:** Could you provide those further figures that you were going to give on notice?

**Ms TELFER:** Yes, happy to do that.

**CHAIR:** Treasurer, the Government's policy on wage increases over 2.5 per cent must be based on savings. The purpose of this application is to determine where those savings will come from.

**Mr MIKE BAIRD:** Yes. I think we are open across all groups that want to apply for wages greater than 2.5 per cent, you just have the matching savings that go with that. Ultimately the best way to proceed with that is through constructive negotiations, which is what I am offering the Public Service Association as part of this.

**CHAIR:** So the application is more of a form of what unions do with an ambit claim?

**Mr MIKE BAIRD:** It was some suggestions for some measures that could be engaged in.

**The Hon. SOPHIE COTSIS:** Suggestions? You are gutting it.

**The Hon. GREG DONNELLY:** It has been filed in the commission.

**Mr MIKE BAIRD:** Yes. Ultimately, the position reflects the personal discussion I had with the Public Service Association last week—if you are unhappy with all of these tell us what you are happy with or if indeed you are happy with just 2.5 per cent. They have to answer those questions and then I can respond, and I will.

**CHAIR:** You will now try to convene a meeting with representatives of your department.

**Mr MIKE BAIRD:** They were busy yesterday.

**The Hon. SOPHIE COTSIS:** You should have come down. You would have met some good workers, disability support workers.

**CHAIR:** Without putting petrol on the fire, there has been some suggestion that the unions broke the law with their protest or strike—it was against the Industrial Relations Commission's direction—and whether there will be any penalties.

**Mr DAVID SHOEBRIDGE:** That is sub judice. It is before the commission.

**Mr MIKE BAIRD:** In the spirit with which I am trying to negotiate this, there is a range of options currently put forward by the Government—namely, if you are unhappy with all of those come back to us or if you are happy with just 2.5 per cent tell us and I will respond as soon as I get an answer. Yes, I will be proactively seeking to meet with the Public Service Association to finalise this. It is presently in abeyance. It is much better to constructively negotiate on these things and that will be my approach.

**CHAIR:** Over the past couple of years there has been a great deal of tension between the O'Farrell Government and the Industrial Relations Commission. Do you have a better working relationship now?

**Mr MIKE BAIRD:** I am meeting with Justice Boland tomorrow, and I am looking forward to that discussion. Ultimately anyone that I am engaged with or any stakeholder group that I have responsibility for

I look forward to working constructively with them, and I see no reason to be different with the Industrial Relations Commission.

**Mr DAVID SHOEBRIDGE:** Mr Chair, could I have one question on the Industrial Relations Commission about that?

**CHAIR:** Yes.

**Mr DAVID SHOEBRIDGE:** An upper House committee was looking at the consolidation of tribunals and it came up with a series of recommendations. When is the Government going to respond to that Committee and what is the Government's current intention with the Industrial Relations Commission?

**Mr MIKE BAIRD:** The Government will respond shortly.

**Mr DAVID SHOEBRIDGE:** In the fullness of time and at the appropriate juncture, but what is the Government's current intention with the Industrial Relations Commission?

**Mr MIKE BAIRD:** I am yet to meet with Justice Boland. I want to meet with him and understand his view, his position, his concerns and his vision, and we can mutually agree a position from there.

**The Hon. GREG DONNELLY:** Mr Chair, I am happy to table the documents that were referred to earlier.

**Documents tabled.**

**The Committee proceeded to deliberate.**

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