



LEGISLATIVE COUNCIL

GENERAL PURPOSE STANDING COMMITTEE NO. 1

MEMORANDUM

To Revd Hon Dr Gordon Moyes MLC **cc:** Hon Peter Primrose MLC
Hon Peter Primrose MLC
Hon Robyn Parker MLC Hon Don Harwin MLC
Hon Eric Roozendaal MLC Hon Duncan Gay MLC
Hon Catherine Cusack MLC Hon Tony Catanzariti MLC
Hon Ian West MLC
Ms Lee Rhiannon MLC

From Tanya Bosch

Subject Answers to questions taken on notice during the Budget Estimates hearing

Date 21 October 2004

Reference Treasury, and State Development Portfolios

Please find attached a copy of the answers provided to the questions taken on notice by the Hon Michael Egan MLC, Treasurer, Minister for State Development at the Budget Estimates hearing on Monday, 13 September 2004.

Tanya Bosch
Director, Budget Estimates



**Treasurer of New South Wales
Australia**

20 October 2004

Ms Tanya Bosch
Director
Budget Estimates
Room 812
Parliament of NSW
Macquarie St
SYDNEY

**LEGISLATIVE COUNCIL
COMMITTEES**

20 OCT 2004

RECEIVED

Dear Ms Bosch

Please find attached, in both hard copy and electronic format, answers to questions taken on notice during Budget Estimates General Purpose Standing Committee No.1 hearing.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Egan'.

**Michael Egan
Treasurer**

GENERAL PURPOSE STANDING COMMITTEE NO 1
QUESTIONS ON NOTICE BUDGET ESTIMATES COMMITTEE
QUESTIONS ON NOTICE

QUESTION 1

Capital works funding - (The Hon Catherine Cusack) to ask the Treasurer, Minister for State Development and Vice President of the Executive Council.

- (1) How many agencies were invited to make bids for capital works funding for 04/05?
- (2) Could you give us a list of the agencies invited to make bids?

Answer:

- (1) 9 agencies were invited to make bids for capital works funding for 2004-05.
- (2) The following is the list of agencies invited:

Department of Infrastructure, Planning and Natural Resources
Department of Education
NSW Police
Attorney General's Department
NSW Treasury
Ministry for the Arts
Department of Environment and Conservation
Rail Corporation NSW (via the Ministry for Transport)
Royal Botanic Gardens and Domains Trust

QUESTION 2

The Hon Duncan Gay to ask the Treasurer, Minister for State Development and Vice President of the Executive Council the Hon Michael Egan, MLC -

- (a) How much of the \$10 million [vendor duty] in July 2004 has come from commercial property transactions, and how much from residential transactions?
- (b) How much of the August 2004 [vendor duty] revenue has come from commercial property transactions, and how much from residential transactions?

Answer:

Revenue estimates rely on each taxpayer correctly identifying the nature of the transaction at the time of lodgement. There is evidence of misreporting although we believe these reporting problems are less significant for distinguishing between residential and non-residential transactions than for distinguishing types of transactions within those categories, although this cannot be verified in the absence of comparable independent data sources. With these caveats in mind, I note that:

- (a) Vendor duty revenue assessed in July was \$10.2 million. Of this, revenue from residential transactions was \$8.7 million and revenue from non-residential transactions was \$1.5 million.
- (b) Vendor duty revenue assessed in August was \$26.0 million. Of this, revenue from residential transactions was \$17.2 million and revenue from non-residential transactions was \$8.8 million.

QUESTION 3

The Hon Catherine Cusack asked the Treasurer and Minister for State Development:

What is the dollar cost of the 3 percent provision in the 2004-05 Budget for public sector wage rises?

Answer:

The dollar cost of the 3 percent provision in the 2004-05 Budget for public sector wage increases cannot be separately identified as this amount has already been escalated or built into the budget management system. This occurs as a normal part of the budget process whereby all financial data are escalated into "dollars of the day" for the budget year.

For the forward estimates period, the budget management system can identify dollar amounts for wage provisions. Agency wage increases of 3 percent per annum have been assumed throughout this period.

As advised during the estimates hearing, the estimated 2004-05 sector-wide cost of a 1 percent wage increase is \$180 million.

Excluding teachers, the cost of a 1 percent wage increase for the balance of the general government sector workforce is estimated at \$124 million for 2004-05.

QUESTION 4

What is his (Brad Fitzmaurice) actual salary component?

Can you take that question on notice and undertake to give us a breakdown of the two components of the salary and what those amounts are?

What is the value of his overseas living allowance?

Does the Government cover the cost of his accommodation in London?

Answer:

Salary components are:

- \$99,915 (Department of State and Regional Development)
- \$77,105 (Premiers)

This salary package is in line with SES remuneration.

Value of overseas living allowance – \$72,046 pa.

Rental assistance is provided in accordance with the standard procedures adopted by the Commonwealth Government for officers posted abroad, and does not constitute part of the officer's salary.

QUESTION 5

Who was on the selection panel for Mr Fitzmaurice?

Answer:

Loftus Harris – Director General

Michael Milligan – Manager, Human Resources

John Lightfoot – Consultant, Lightfoot and Associates

QUESTION 6

How many applications were received?

Answer:

15 applications

QUESTION 7

Did the New South Wales Government taxpayers pay for Mr Fitzmaurice's relocation expenses?
What did the relocation cost?

Answer:

As part of Mr Fitzmaurice's conditions of employment, relocation costs of \$9,595.46 were paid by Government.

QUESTION 8

Does he have a travel and entertainment allowance in London?

Answer:

There is no travel or entertainment allowance allocated to Mr Fitzmaurice.

QUESTION 9

Asset Sales – The Hon. Duncan Gay to ask the Treasurer, Minister for State Development and Vice President of the Executive Council.

- (1) Could you give us a breakdown of the agencies for which Treasury keeps 100 percent of proceeds of asset sales?
- (2) Which agencies retain proceeds of asset sales on a 50/50 basis with Treasury?

Answer:

- (1) Based on 2003-04 information, the agencies for which Treasury keeps 100 percent of proceeds of asset sales are the Crown Finance Entity and the Waterways Authority.
- (2) Based on 2003-04 information, the following agencies retained proceeds of asset sales on a 50/50 basis with Treasury:
 - NSW Police;
 - Department of Infrastructure, Planning and Natural Resources;
 - Museum of Arts and Applied Sciences;
 - Department of Community Services; and
 - Department of Juvenile Justice

QUESTION 10.

The Hon. Duncan Gay to ask the Treasurer, and Minister for State Development, and Vice President of the Executive Council the Hon Michael Egan, MLC-

How much revenue has the State Government lost in statute barred fines:

- (a) Could you provide us with a year to date details, with a monthly breakdown, of the amount of revenue lost in 04/05?
- (b) Could you provide us with a monthly breakdown of the amount of revenue lost in 03/04?

Answer:

The monthly breakdown of revenue lost due to fines being statute barred since July 2003 is as follows:

Year	Number of statute barred fines	Value of statute barred fines
2003/2004		
July 2003	22,224	\$3,724,053
August 2003	19,336	\$3,166,894
September 2003	13,295	\$1,830,498
October 2003	39,596	\$6,159,420
November 2003	7,138	\$993,395
December 2003	7,143	\$952,446
January 2004	3,891	\$523,501
February 2004	4,334	\$538,833
March 2004	785	\$119,085
April 2004	628	\$127,305
May 2004	2,895	\$358,455
June 2004	6,510	\$631,532
2004/2005		
July 2004	1,894	\$375,911
August 2004	1,770	\$212,642
	131,439	\$19,713,970

This must be seen in the context of statute barred fines as a percentage of the dollar value of all infringements raised in 2002/03 being greater than 15%, reducing in 2003/04 to less than 2% with a target of less than 1% for 2004/05. Year to date figures indicate IPB will better this target. Total fine revenue budgeted for 2004/05 is \$242 million.

QUESTION 11.

The Hon. Duncan Gay to ask the Treasurer, and Minister for State Development, and Vice President of the Executive Council the Hon Michael Egan, MLC-

How many stamp duty concessions have been given in the past year (03/04) for things such as major projects, company mergers etcetera?

Answer:

A total of 479 duty exemptions for corporate reconstructions to encourage efficient internal restructuring of corporate groups were approved during 2003/04.

There have been no stamp duty concessions in relation to major projects.

QUESTION 12

What is the budget of the London Office?
Can you give us a breakdown of how it is spent?

Answer:

The 2004-05 Budget for the London Office is \$910,000.

The figure is made up of mainly employee related payments (salaries and wages, including on-costs) of \$480,000 (53%) and office accommodation (rent, cleaning, rates and outgoings) costs of \$375,000 (41%). The remaining \$55,000 is for other operating expenses.

QUESTION 13

What destinations has Mr Fitzmaurice been required to visit since his appointment?
Can you give us the details of his official travel?

Answer:

- Belgium, Brussels, 12-14 May 2004 to attend the IPA World Forum conference.
- Dusseldorf, Germany, 21-22 June 2004, to meet with the Government of North Rhine Westphalia to discuss business opportunities arising from the Aachen Agreement.
- Travel within the United Kingdom does not require head office approval.

QUESTION 14

Hon. Duncan Gay to ask the Treasurer, Minister for State Development and Vice President of the Executive Council.

- (a) How much did Treasury pay Frontier Economics in 2003/04?
(b) Could you provide a breakup of payments to Frontier over the life of the contract?

Answer:

(a) 2003/04 - \$1.2 million (including an amount of \$200,000 accrued from the previous year).

(b) Break up of costs for previous years:

1999/00 - \$2.6 M
2000/01 - \$5.2 M
2001/02 - \$6.6 M
2002/03 - \$2.5 M

Total over the life of the contract is \$18.1 M.

Break up of key activities undertaken:

- Strategic advice on electricity reform and the development of the National Electricity Market;
- Advice on ownership issues for the NSW Government;
- Restructuring of Pacific Power, including the creation of Eraring Energy and the sale of Powercoal, Pacific Power International and the Tallawarra power station site;
- The Electricity Tariff Equalisation Fund;
- The introduction of full retail competition for all NSW electricity customers in January 2001;
- The NSW Greenhouse Gas Abatement Scheme;
- The Snowy Mountains Hydro Electricity Scheme corporatisation; and
- The merger of Advance Energy, Great Southern Energy and Northpower to form Country Energy.

QUESTION 15

Hon. Duncan Gay to ask the Treasurer, Minister for State Development and Vice President of the Executive Council.

In respect of the contract with Frontier Economics:

- (a) Was Mr Price hired separately to the contract or was his cost included in the contract with Frontier?
- (b) What was the daily rate that Frontier charged Treasury for its advice?

Answer:

- (a) Mr Price was not hired separately from Frontier Economics. His cost was included in the contract with Frontier.
- (b) \$2000.

QUESTION 16.

The Hon. Catherine Cusack to ask the Treasurer, and Minister for State Development, and Vice President of the Executive Council the Hon Michael Egan, MLC -

- (a) How many drivers' licences were suspended in 03/04 as a result of fine default?
- (b) What would be a gross figure for sanctions initiated on a twelve-month period – 03/04?

Answer:

- (a) There were a total of 113,713 licence suspensions lodged with the Roads & Traffic Authority (RTA) during 03/04 as a result of non-payment of fines. The number of licence suspensions actually applied cannot be determined as the current process allows for the RTA to write to the defaulter giving them 14 days to pay the outstanding fines. If the fine is paid within the 14 days the suspension is not imposed.

(b) The total number of sanctions issued during 03/04 was 239,540 comprising: -

Licence suspensions	113,713
Fleet registration cancellations	5,910
Fleet business restrictions	3,654
Registration cancellations	25,609
Commercial business restrictions applied	27,173
Property Seizure Orders Issued	30,996
Garnishee Orders Issued	12,370
Examination Notices Issued	19,812
Community Service Orders Issued	303
Total sanctions issued	239,540

NB: Some fine defaulters receive multiple fines. Depending on the timing of the fine enforcement this means that:

- sanctions issued against a fine defaulter could have a number of fines attached to each sanction and/or
- several licence suspension requests could be lodged with the RTA against the same individual during any given period.

QUESTION 17

Through the Treasurer to Mr Harris, how much does it cost to run the Country Embassy in Grosvenor Place? Can it be separated from the other part of the department, or is it a total figure?

Answer:

The funding in 2003-04, provided to promote regional NSW through the Country Embassy – Trade and Investment Centre, was \$1,695,766.

QUESTION 18

What is the breakdown of expenditure as authorised by your Chief of Staff and outlined in ministerial memorandum No. 9628 for 2003-04, and do you have a forecast for expenditure in 2004-05?

Answer

The Government applied the same savings regime to Ministers' offices and the Public Service alike.

In keeping with this policy for the 2004-2005 financial year, all Ministers' office budgets were subject to global savings of 3% in line with the savings applied across the public sector.

Ministers' office budgets were subject to a further cut of \$15,000 in line with directives to cut expenditure in media monitoring. Ministers office budgets are determined by the Budget sub-Committee of Cabinet and are reported in financial statements of their host agency.

QUESTION 19

Did you seek or receive reimbursement, or did your government agency pay, or is it in the process of paying for an out-of-pocket expense incurred by you as outlined in ministerial memorandum No. 9924 in 2003-04?

Answer

Reimbursements for expenditure were in accordance with the guidelines on entertainment expenses established in Memorandum No. 99-24.

QUESTION 20

- a) Treasurer, for each of your portfolio agencies in 2003/04, how much was spent on media monitoring from Reham Australia Monitoring Services, as outlined in the Premier's Department circular 2002-22.
- b) Minister, for each of your portfolio agencies in 2003/04, how much was spent on media monitoring other than from Reham Australia Monitoring Services?

Answer:

Circular 2002-22 has been superseded by Memorandum 2004-2 which initiated cost savings across the public sector by consolidating the government's media monitoring requirements and making better use of in-house resources. In 2003-04, the total amount spent on Reham Australia Monitoring Services was \$2.7 million. The precise amount spent on other providers can not be provided, however it is estimated at \$1.7 million. The breakdown of these figures is not provided as they are considered commercial in confidence. Over the entire general government sector, media monitoring costs on Reham have been reduced from \$3.2 million in 2002-03 to \$2.7 million in 2003-04. It should be noted the Leader of the Opposition's office purchased \$123,578 in media monitoring in 2002-03.

QUESTION 21.

The Hon. Catherine Cusack to ask the Treasurer, Minister for State Development and Vice President of the Executive Council, the Hon Michael Egan, MLC-

- (a) What are the expected proceeds from asset sales of motor vehicles for 04/05?
- (b) What is the breakdown of expected proceeds from all asset sales in 04/05?

Answer:

- (a) The expected proceeds from fleet sales of motor vehicles is \$221 million. These sales of fleet vehicles will be made partially by the Crown Finance Entity (\$191m) and partially by the Department of Commerce (\$30m). This is due to government policy to transfer ownership of the State's motor vehicle fleet to Department of Commerce. This process will take a number of years.
- (b) This information cannot be provided as it is commercial in confidence and may reveal the facts about particular sales to be negotiated during 2004-05.

QUESTION 22

Asset Sale Proceeds – The Hon. Catherine Cusack to ask the Treasurer, Minister for State Development and Vice President of the Executive Council.

(1) What is the breakdown, by amount for each agency, of proceeds from asset sales for 03/04?

Answer:

(1) The total amount of asset sales proceeds for 2003-04 was \$450.8 million. The breakdown by amount for each agency is as follows:

Agency	Amount (\$000)
Crown Finance Entity	215,678
Department of Health	61,297
Crown Leaseholds Entity	56,066
Department of Education and Training	35,723
Roads and Traffic Authority	29,208
Environmental Planning and Assessment Act	20,751
NSW Police	4,848
Office of Government Procurement	3,267
Public Trust Office - Administration	3,216
Department of Ageing, Disability and Home Care	2,506
Department of Infrastructure, Planning and Natural Resources	1,724
Museum of Arts and Applied Sciences	1,627
Department of Community Services	1,626
Home Care Service of New South Wales	1,533
Waterways Authority	1,291
Aboriginal Housing Office	1,215
Department of Environment and Conservation	1,197
Department of Juvenile Justice	1,156
Department of Rural Fire Service	903
NSW Food Authority	726
New South Wales Fire Brigades	723
Land and Property Information New South Wales	660
Crown Property Portfolio	650
Department of Lands	566
Department of Agriculture	512
Legal Aid Commission of New South Wales	410
Office of Government Business	358
Art Gallery of New South Wales	273
Department of State and Regional Development	256
Workers' Compensation (Dust Diseases) Board	122
Department of Energy, Utilities and	103

Sustainability	
Building and Construction Industry Long Service Payments	95
Attorney General's Department	85
Office of the Board of Studies	79
Department of Commerce	55
WorkCover Authority	52
Catchment Management Authorities	51
New South Wales Fisheries	40
State Sports Centre Trust	35
Motor Accidents Authority	20
Royal Botanic Gardens and Domain Trust	17
New South Wales Crime Commission	17
Historic Houses Trust of New South Wales	15
Treasury	14
Superannuation Administration Corporation	14
State Emergency Service	12
Office of the Director of Public Prosecutions	7
Independent Pricing and Regulatory Tribunal	7
Australian Museum	6
Department of Local Government	5
The Legislature	5
State Library of New South Wales	4
Department of Corrective Services	3
Ministry for Police	2
Premier's Department	1
Casino Control Authority	1
TOTAL	450,833

QUESTION 23

In 2003/04, for each of your portfolio agencies, how many media or communications advisers were employed as officers of the department? Would you tell us what the cost of this is, and what is the forecast for 2004/05 for the number of media or communications advisers to be employed and their total costs?

Answer:

The employment of staff by government departments is regulated by the Public Sector Employment and Management Act 2002.

QUESTION 24

Treasurer, for each of your portfolio agencies, how much money was spent on advertising in 2003/04? Would you split this into employment-related advertising and non employment-related advertising?

Answer:

In September 2002, the Government initiated a cost efficiency review of government advertising. Following the review, the process of advertising tenders is to be coordinated by the Government Advertising Agency (GAA) which closely monitors the size of advertisements and rejects those that do not meet the stipulated requirements. Furthermore, agencies are required to submit to the Cabinet Sub-Committee each January and July a campaign advertising plan and budget for the following 6 months. Campaign advertising not included in the 6 month strategy will not be approved except in special circumstances and with the Premier's approval.

Total advertising expenditure for community awareness, public notice and public information, including advertising by State Owned Corporations from 1 July 2003 to 30 June 2004 was \$84.6 million compared to \$91.1 million for the period ending 30 June 2003 and \$98.9 million in 1994-95. This is a net saving of \$6.5 million since 2003, a decrease of 7.1 percent, and a saving of \$14.3 million since the last year of the Greiner/Fahey Coalition Government. It should be noted \$120 million is being spent by the Commonwealth Government in the 2004 election year.

DSRD:

Total costs associated with advertising for 2003/04 were \$413,000.

NSW Treasury:

Total costs associated with advertising for 2003/04 were \$1,614,000.

QUESTION 25

The Hon. Duncan Gay to ask the Treasurer, and Minister for State Development, and Vice President of the Executive Council the Hon Michael Egan, MLC-

Could you provide a list of each campaign cost, which firms involved, and how much was spent on media advertising agency fees? Would you provide a monthly breakdown of the advertising expenditure. in the campaigns.

Answer:

In 2003/2004 the Office of State Revenue placed public awareness advertisements totalling \$301,371 to notify clients of payment due dates or raise awareness of legislative changes, potential liabilities, grants or services including:

- Pay-roll Tax,
- First Home Plus,
- Land Tax,
- Unclaimed Money,
- Vendor Duty,
- Parking Space Levy.

No creative agencies were engaged to develop campaign advertising. All Office of State Revenue advertisements were created in-house and booked through the Government Advertising Agency.

The Department of State Revenue conducted a Small Business Month campaign in August/September 2003 at a cost of \$130,500. The campaign was created in-house and booked through Government Advertising Agency.

QUESTION 26

Duncan Gay to Loftus Harris - Do you do any analysis of the success of any of those campaigns? If you do, could you provide information on their success or not?

Answer:

The Department of State and Regional Development conducted a Small Business Month campaign in August/September 2003 at a cost of \$130,500. The media placement was undertaken by the Government Advertising Agency.

QUESTION 27

Treasurer, could you list all consultants that have been used in your department and agencies, including those consultancies that were worth less than \$30,000 in 2003/04?

Answer:

It is Government policy that the professional expertise of public employees be used as a first option in preference to engaging consultants. Consultants should be engaged only when the required professional expertise is not available internally or cannot be provided in a more cost effective manner than can be obtained by engaging a consultant. The policy on consultant use is contained in the publication, Guidelines for the Use and Engagement of Consultants.

Standard practise is to undertake cost projections for consultancies. Consultancies are all monitored and evaluated to ensure that the projects are completed within budget and within the agreed time frame. The total amount spent on consultancies in 2003-04 was \$96 million. This is a 3% reduction on spending from last year and a 27% reduction on spending since 2001-02. The trend in the Commonwealth has seen expenditure of \$147 million in Labor's last full year of Government rise to \$513 million in 2002-2003 under the Howard Government.

Details of consultancies are published in agency annual reports.