

GENERAL PURPOSE STANDING COMMITTEE NO. 1

Friday 22 August 2014

Examination of proposed expenditure for the portfolio area

TREASURY, INDUSTRIAL RELATIONS

The Committee met at 9.00 a.m.

CORRECTED PROOF

MEMBERS

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

The Hon. C. Cusack
The Hon. G. Donnelly
Dr J. Kaye
The Hon. M. J. Pavey (Deputy Chair)

The Hon. G. S Pearce
The Hon. A Searle
Mr D. Shoebridge

PRESENT

The Hon. Andrew Constance, *Treasurer, and Minister for Industrial Relations*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

Corrections should be marked on a photocopy of the proof and forwarded to:

**Budget Estimates secretariat
Room 812
Parliament House
Macquarie Street
SYDNEY NSW 2000**

CHAIR: Welcome to the public hearing for the inquiry into budget estimates 2014-15. Before we commence, I acknowledge the Gadigal people who are the traditional custodians of this land. I also pay respect to the elders past and respect of the Eora nation and extend that respect to other Aboriginals present. I welcome Treasurer Andrew Constance in his new role and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of Treasury and Industrial Relations. Today's hearing is open to the public and is being broadcast live via the Parliament's website. A transcript of today's hearing will be available on the Committee's website from tomorrow morning.

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

There may be some questions that witnesses could only answer if they had more time or with certain documents to hand. In these circumstances, witnesses are advised they can take a question on notice and provide an answer within 21 days. Any messages from advisers or members of 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 refer directly to your advisers seated at the table behind you. Please turn off your mobile phones for the duration of the hearing. 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 as you have already sworn an oath to your office as a member of Parliament.

MARYANNE MRAKOVIC, Associate Secretary, Fiscal and Economic Group, Treasury,

CARALEE McLIESH, Associate Secretary, Agency Budget and Policy Group, Treasury,

TOM GILMARTIN, Chief Operating Officer, Treasury, sworn and examined:

PHILIP GREGORY GAETJENS, Secretary, NSW Treasury,

TIMOTHY JOHN SPENCER, Deputy Secretary, Commercial Group, Treasury, and

VICKI TELFER, Executive Director, NSW Industrial Relations, affirmed and examined:

CHAIR: Thank you, Treasurer, for bringing the key members of your department to our hearing. I declare the proposed expenditure for the portfolio of Treasury and Industrial Relations open for examination. The questioning of the portfolio of Treasury will run from 9.00 a.m. to 11.00 a.m., which is a change from the original announced times. The questioning of the portfolio of Industrial Relations will run from 11.15 a.m. to 11.55 a.m. As there is no provision for the Minister to make an opening statement before the Committee commences questioning, we will begin with questions from the Opposition.

The Hon. GREG DONNELLY: Thank you, Treasurer and officers from the department for coming along today. Minister, last week the Premier released a statement in which he said, "I have always absolutely complied with the electoral funding laws and the records are there for all to see. Yes, I can guarantee that I have never accepted an illegal donation." Treasurer, under oath, are you able to make the same statement today?

Mr ANDREW CONSTANCE: Sure. First, the Liberal Party is responsible for the processing, managing and receipt of donations. Personally, I have always sought to comply with the electoral funding laws. I note that the Premier has undertaken activities to start to clean up politics in this State. I acknowledge that the Labor Party, likewise, recognises the need for reform in this area and I think he welcomes that.

The Hon. GREG DONNELLY: Treasurer, sorry to interrupt but the question was: Can you guarantee that you have never accepted any illegal donations?

Mr ANDREW CONSTANCE: I have just made clear to you and I will continue to—

Mr DAVID SHOEBRIDGE: It is great to know Labor and Liberal are getting together to clean things up. The rest of the State takes no comfort from that.

CHAIR: Order! No commentary for the Treasurer, thank you. He can answer the questions.

Mr ANDREW CONSTANCE: Again, I am happy to state clearly on the record that at all times I seek to comply with the electoral funding laws of this State. It would not matter if it was the last election or any other election—

The Hon. GREG DONNELLY: The question is not "seek to", it is that you have.

Mr ANDREW CONSTANCE: I have and always will seek to comply about the electoral funding laws of this State.

The Hon. GREG DONNELLY: The question is not "seek to". In any event, let us move on.

Mr ANDREW CONSTANCE: I made the point that the Liberal Party is responsible for fundraising.

The Hon. MELINDA PAVEY: Let us move on, Greg.

The Hon. GREG DONNELLY: Treasurer, do you think that the people of New South Wales have a right to know who is making donations to candidates during election campaigns?

Mr ANDREW CONSTANCE: Again, there are funding laws in place. My observation and my disappointment is that we have recently seen a union movement go to the High Court to seek that some of these laws be overturned.

Mr DAVID SHOEBRIDGE: The current threat comes from a developer who gave your candidates cash.

Mr ANDREW CONSTANCE: My strong observation is that we have a clear process involving—

Mr DAVID SHOEBRIDGE: The current threat comes from a developer who gave your candidates cash.

The Hon. GREG PEARCE: Mr Shoebridge, control yourself.

Mr ANDREW CONSTANCE: We have a clear process involving Kerry Schott, John Watkins and Andrew Tink to look closely at these laws. I note that the Labor leader has given in principle support for this process.

The Hon. GREG DONNELLY: Okay, let us focus—

The Hon. CATHERINE CUSACK: Listen to the answer, Greg. Listen to the answer.

The Hon. GREG DONNELLY: Let us move on. I will go to the final part of this questioning. In the interests of transparent accountability, will you commit to publicly releasing the sources of your donations for the 2015 election?

Mr ANDREW CONSTANCE: My commitment is to follow the electoral funding laws of the day.

The Hon. GREG DONNELLY: We will probably return to this theme.

The Hon. ADAM SEARLE: Treasurer, with your budget that was handed down this year, you put out a one-page glossy statement. I am happy to provide a copy if you do not already have one, which talked about record investments in infrastructure. You mentioned that the Government had committed \$60 billion. Presumably that is over the next four years?

Mr ANDREW CONSTANCE: It is \$61.5 billion. We have a budget of which I am very proud. It is the strongest budget we have seen in decades off the back of three years of hard work by the Liberal-Nationals to gain control of the budget. We have ensured that we are living within our means and, by that, I mean that expense growth does not exceed revenue growth. We have ensured that we have put downward pressure on the expenses through our savings measures opposed by the Labor Party to deliver lower net debt, a triple-A credit rating, and ensuring that we can invest in core services for the vulnerable and invest significantly in infrastructure. We have been opposed every step of the way in our budget measures by the Labor Party and, quite frankly, this is a budget of which we are very proud. We will continue to maintain that discipline when it comes to the budget.

The Hon. ADAM SEARLE: In your Government's first budget in 2011-12 it committed over the four years of this Parliament it would undertake what it then described as a record infrastructure investment worth \$62.6 billion—\$15.3 billion in the 2011-12 year and an average of \$15.8 billion in the following three years. You have never reached any of those targets, have you?

Mr ANDREW CONSTANCE: In our infrastructure spending, again we make no apologies for investing in schools, hospitals and the roads around this State. If you look at the hospital redevelopments that are occurring around the State at this point in time—one of the biggest being in Blacktown and through to all the regional hospital developments—we have nothing to be ashamed of in our record spend in infrastructure. We will maintain the budget discipline to be able to invest. We certainly have ensured that we have the rigour around our investments through Infrastructure NSW. Very pleasingly, we have outlined a very strong vision to unleash the potential of this State when it comes to infrastructure by moving to a 49 per cent lease of the electricity distribution assets—

The Hon. ADAM SEARLE: We will come to that next.

Mr ANDREW CONSTANCE: —opposed by you. It is a measure designed to congestion bust in this city, unlock regional freight pinch points and make sure that we will continue to—

The Hon. GREG DONNELLY: We are talking about your record to date, Minister; we are not talking about the future.

The Hon. CATHERINE CUSACK: Are you sure you want to ask about infrastructure? I mean it is up to the Labor Party but it is just a bit rich.

The Hon. ADAM SEARLE: Treasurer, in your first budget you promised \$15.3 billion in infrastructure but your Government only spent \$13.4 billion—an underspend of nearly \$1.9 billion in your first year of office, a 12 per cent underspend. Can you explain why you did not meet the commitment you made in that first budget?

Mr ANDREW CONSTANCE: Let us be clear: This is an unprecedented level of spending and it is 30 per cent higher over the next four years than the four years to 2009 when you were in office.

The Hon. ADAM SEARLE: Treasurer, cut the spin.

Mr ANDREW CONSTANCE: Unlike you lot when you were handing money back to the Commonwealth because you could not deliver on the infrastructure projects you promised such as the Rozelle metro, we have been getting on with the job. You only need to drive around this State to see the cranes and the tunnel boring machines that are about to go in, everything from WestConnex, NorthConnex, North West Rail Link and South West Rail Link. Just on the South West Rail Link, I also highlight the fact that we have a project that is 12 months ahead of schedule, hundreds of millions of dollars under budget and well-managed, versus the efforts that you made when you were in government. If you want to continue questioning about infrastructure I am happy to keep giving you answers. Your assertions are wrong. We are investing heavily in infrastructure in the interests of the people of this State.

The Hon. ADAM SEARLE: I am happy to provide copies of the budget papers to you and to Mr Gaetjens.

Mr ANDREW CONSTANCE: Quite frankly—

The Hon. MELINDA PAVEY: They might have them.

The Hon. ADAM SEARLE: I am sure they do. In your first year you said—

Mr ANDREW CONSTANCE: You did not read the budget bills from what I can see, let alone the budget papers. We can come to that if you like.

The Hon. ADAM SEARLE: We can, but the point is you said you were going to spend \$15.3 billion in your first year and you spent \$1.9 billion less. What projects were slated to be invested in and not invested in?

Mr ANDREW CONSTANCE: Your assertion is that the infrastructure has not been built and was not being built?

The Hon. ADAM SEARLE: I am exploring why you spent less than you committed to spending.

Mr ANDREW CONSTANCE: You know as well as I do that there are various reasons why infrastructure projects can take time to proceed.

The Hon. ADAM SEARLE: Such as?

Mr ANDREW CONSTANCE: But the bottom line is that we have a 30 per cent increase in infrastructure investment in the next four years compared with the four years up until 2009 when you were in office. We have not been handing money back to the Commonwealth in infrastructure allocations such as you lot did. We have outlined a strong vision for the future, which you are opposing when it comes to the 49 per cent lease of electricity distribution assets. That means that you oppose things such as Sydney Rapid Transit and the

second harbour crossing. You are opposed to WestConnex because you have no means to fund it. You are opposed to North West Rail Link because you have no means to fund it. You have opposed every savings measure introduced by this Government in the past three years, which means that your underlying budget had you been office would have been \$4.2 billion in deficit. When in government you overspent \$1 billion every year above what you had budgeted for in your expenses. As a result, you did not tip any windfall tax gains into infrastructure when you should have. Public sector wages were out of control when you should have had the discipline to ensure that you lived within your means—

The Hon. ADAM SEARLE: Treasurer, can you just stop the spin and answer the question?

The Hon. CATHERINE CUSACK: You wanted to ask about infrastructure; this is the answer.

The Hon. ADAM SEARLE: No.

CHAIR: Order! Other members of the Committee will stop interjecting.

Mr ANDREW CONSTANCE: I am very proud—

The Hon. ADAM SEARLE: If you look at the three years to date, as I said in the first year you underspent by \$1.9 billion. In your second budget you promised \$15 billion to be spent on infrastructure but again you spent less than \$15 billion—half a billion dollars underspent. In the 2012-13 budget you promised \$15.5 billion but again you delivered just over \$14 billion—that is a cut of nearly 9 per cent based on what you promised. So for the three budgets to date you have underspent by \$3.8 billion on infrastructure. Can you identify the projects that you said would be invested in but you did not invest in? Do you know?

Mr ANDREW CONSTANCE: Mr Searle, let me run you through the capital works projects to assist you. I again remind you that when you were in office—

The Hon. ADAM SEARLE: I have the budget papers here.

Mr ANDREW CONSTANCE: —you failed to build anything.

The Hon. ADAM SEARLE: That is not true.

The Hon. GREG DONNELLY: These are the figures, Treasurer.

Mr ANDREW CONSTANCE: In fact, Bob Carr closed Sydney if I remember correctly.

The Hon. ADAM SEARLE: Treasurer, will you just answer the question?

Mr ANDREW CONSTANCE: Let us run through it: \$31.8 billion of major capital works for the Transport sector, including major upgrades for the Pacific Highway, \$5.8 billion; Princes Highway, \$681 million; Western Sydney growth roads, \$557 million; and Great Western Highway and Bells Line of Road, \$359 million. The WestConnex Motorway project, \$3.8 billion, including \$398 million in the next 12 months; Western Sydney roads to support Sydney's second airport at Badgerys Creek, \$1.4 billion; rail projects, including the North West Rail Link, \$5.2 billion; Northern Sydney Freight Corridor, \$576 million; Fixing the Trains investment, \$280 million—

The Hon. ADAM SEARLE: You can give us the list but what I am asking is to identify—

Mr ANDREW CONSTANCE: —\$233 million for the next generation of rail freight—

The Hon. CATHERINE CUSACK: Point of order: The Treasurer is answering the question that was asked by the member.

Mr ANDREW CONSTANCE: CBD and South East Light Rail, \$401 million, new buses, \$422 million, the Opal Card, \$205 million, new ferries, \$42 billion—

The Hon. GREG DONNELLY: Point of order—

The Hon. ADAM SEARLE: The Treasurer is just reading out a shopping list. He is not answering the question.

Mr ANDREW CONSTANCE: —NorthConnex public private partnership, \$502 million.

The Hon. CATHERINE CUSACK: You can't ask about infrastructure and stop this.

The Hon. GREG DONNELLY: Point of order—

Mr ANDREW CONSTANCE: Do you want me to get onto energy and water?

CHAIR: Order! Treasurer, a point of order has been taken.

The Hon. GREG DONNELLY: My point of order is that this was a straightforward question about there being a gap. We have asked for an explanation of what has not been invested in as a result of that gap.

The Hon. CATHERINE CUSACK: You are getting the explanation.

The Hon. ADAM SEARLE: No, we are not. Treasurer, during the week there was a story in the *Sydney Morning Herald* about how some rail safety measures had not been invested in. I have identified over the three budgets to date some \$3.8 billion that you promised would be spent but that has not been spent. What other projects that you said in the budget would be invested in were not delivered? Do you have a list of those things?

Mr ANDREW CONSTANCE: As I indicated, some infrastructure projects do not necessarily proceed to their time frames for various and specific reasons. If you have a specific question for the transport Minister I suggest that you put the question on notice. Maybe you should have taken the opportunity—

The Hon. ADAM SEARLE: You are the Treasurer; you are responsible for the budget. I am asking you to explain what seems to be a systematic pattern of underspend.

Mr ANDREW CONSTANCE: —for questioning the individual Minister concerned. But I am very proud of this infrastructure budget. Unlike you lot we have not handed money back to the Commonwealth—

The Hon. ADAM SEARLE: Actually, you did.

Mr ANDREW CONSTANCE: —including, if I remember correctly, around the \$80 million or \$90 million mark in relation to the metro.

The Hon. ADAM SEARLE: Treasurer, by cancelling the Parramatta to Epping Rail link you handed \$2 billion back.

Mr ANDREW CONSTANCE: I am sorry?

The Hon. ADAM SEARLE: By cancelling the Parramatta to Epping Rail link—

Mr ANDREW CONSTANCE: Do you really want to go to the Parramatta to Epping Rail link?

The Hon. ADAM SEARLE: You had \$2 billion on the table. You handed that money back.

Mr ANDREW CONSTANCE: You really want to touch on that? Let us just highlight Labor's failure when it comes to infrastructure. When you were in office you promised umpteen times to build the North West Rail Link. You promised to have it built by 2010.

The Hon. ADAM SEARLE: Treasurer, my question to you is to explain—

Mr ANDREW CONSTANCE: Particularly in relation to that rail project you raised—

The Hon. ADAM SEARLE: —the gap between your promises and what you have delivered.

Mr ANDREW CONSTANCE: —you built half a line at double the cost.

The Hon. CATHERINE CUSACK: You specifically raised it, Adam. You have got to listen to the answer.

Mr ANDREW CONSTANCE: You might not like the answer, Mr Searle.

The Hon. ADAM SEARLE: You have not given an answer.

Mr ANDREW CONSTANCE: The bottom line is we have increased infrastructure spending 30 per cent above what you had it at until 2009. In the next four years we are building the projects. Go round and have a look. John Robertson says that the North West Rail Link is not being built but there is a construction site for the North West Rail Link 800 metres from his electorate office door. Let us be really clear in relation to this. We have managed the budget to invest where we need to. We have been recycling capital out of existing assets, which you have opposed, to invest in more productive infrastructure.

The Hon. ADAM SEARLE: You are losing income streams too.

Mr ANDREW CONSTANCE: As a result we are unleashing this economy to be one of the strongest—

The Hon. GREG DONNELLY: You cannot say that about the loss of the income streams. We will come to that.

Mr ANDREW CONSTANCE: I will look forward to that. You beauty!

The Hon. GREG DONNELLY: The question is the gap. Can you explain the gap? Obviously you are not prepared to do so.

Mr ANDREW CONSTANCE: I have just explained to you that sometimes—

The Hon. ADAM SEARLE: Treasurer, you have been promising record spends. You have said you were going to spend more than \$15 billion every year and you have not even managed to spend that figure. This year's commitment is \$15 billion. To reach the original target you made in 2011-12 you would have to spend \$20 billion this year and you have budgeted for \$15 billion.

Mr ANDREW CONSTANCE: I think your logic is wrong.

The Hon. ADAM SEARLE: You cannot get it done, can you? You cannot deliver it.

Mr ANDREW CONSTANCE: In essence, you are coming in here and throwing figures around—

The Hon. ADAM SEARLE: I am looking at your first budget in which you said over the four years you would deliver \$62.6 billion in infrastructure.

The Hon. CATHERINE CUSACK: The Labor Party says we cannot deliver.

Mr ANDREW CONSTANCE: We are delivering.

The Hon. ADAM SEARLE: You are not.

The Hon. GREG PEARCE: Point of order—

CHAIR: Order! The Hon. Adam Searle will let the Treasurer answer the question.

The Hon. GREG PEARCE: The Treasurer was about to go onto energy and water, where we have achieved a savings regime that few did not ever do.

Mr DAVID SHOEBRIDGE: Point of order—

The Hon. ADAM SEARLE: That is not a point of order.

The Hon. GREG PEARCE: And cut the gold plating that you were doing.

CHAIR: Order! The Treasurer is trying to answer the question. The Treasurer has the call, not Committee members.

Mr ANDREW CONSTANCE: Thank you, Chair. I am happy to continue to talk about infrastructure for the next four hours, because we are delivering on our projects. We are building what we said we would build—unlike the Labor Party, who promised a raft of projects and never delivered them.

The Hon. ADAM SEARLE: Treasurer, you cannot explain why you have not met your first budget commitment—which is that you would deliver \$62.6 billion.

Mr ANDREW CONSTANCE: I reject your assertion in the question. We have outlined an infrastructure program—

The Hon. ADAM SEARLE: I have in my hand your first budget with the commitment—

Mr ANDREW CONSTANCE: I do not even know what you are waving around there, Mr Searle.

The Hon. ADAM SEARLE: I am happy to hand it up.

Mr ANDREW CONSTANCE: Well, hand it up then. The point is that we have absolutely nothing to be ashamed of in regard to infrastructure developments across the State. In fact I want to continue—we are investing \$9.9 billion in energy projects to ensure reliable energy supply and \$3.9 billion for water and wastewater services. You have handed me the infrastructure statement of 2011-12—

The Hon. ADAM SEARLE: And then behind it is 2012-13 and following that is 2013-14.

Mr ANDREW CONSTANCE: I can say with confidence that Ministers are getting on with building the projects they have committed to in their respective portfolios—

The Hon. ADAM SEARLE: But you have not delivered, have you? You cannot explain—

The Hon. CATHERINE CUSACK: Chair, I am sorry but this is going to be shambolic if the member continues to interject on the Minister while he is trying to answer the question. An assertion has been made—

Mr DAVID SHOEBRIDGE: Ms Cusack, are you taking a point of order because I wish to take a point of order?

The Hon. CATHERINE CUSACK: Mr Shoebridge, I have the call and I am entitled to complete my point of order.

CHAIR: Order! We will deal with one point of order at a time. I call the Hon. Catherine Cusack.

The Hon. CATHERINE CUSACK: Point of order: The Minister is responding to the allegation that he is not delivering on infrastructure. But it is difficult for both the Committee and the Minister when the member continues to interject, which in turn is triggering more interjections around the room. Could you call the member to order and allow the Minister to finish his response?

Mr DAVID SHOEBRIDGE: Point of order: I have been sitting listening to the two parties fighting each other and the Minister joining the rabble. The Minister asked to be given access to the papers. He should be given access to the papers and he should then read them and answer the question.

The Hon. GREG PEARCE: That is not a point of order.

CHAIR: Order! I think the Minister is well aware of what is in the papers as he wrote them and he was involved in their preparation. Are there any further questions?

The Hon. ADAM SEARLE: Yes. Treasurer, I have handed you some documents from the past few budget papers—your Government's budget papers. When you look at what you committed each year in each budget compared with what you delivered you see that you have failed to deliver \$3.8 billion of investment in infrastructure and you are well short of your first year's commitment to deliver \$62.6 billion in infrastructure.

The Hon. GREG PEARCE: Mr Searle, you are embarrassing—you do not understand the budgeting process and delivery.

The Hon. ADAM SEARLE: I am just asking the Treasurer to explain why he is well short on what he promised in that first year.

The Hon. GREG PEARCE: It is quite embarrassing.

The Hon. ADAM SEARLE: Each year you have fallen short.

Mr ANDREW CONSTANCE: You are obviously struggling to—

The Hon. ADAM SEARLE: Treasurer, you cannot even deliver \$15 billion a year, can you?

Mr ANDREW CONSTANCE: Mr Searle, you are struggling to understand the budget papers, and that explains why you did not read the budget bills. We will come to that later. Let me identify one project which I think is very important, that is, the South West Rail Link, which you identified before. In December 2004—

The Hon. ADAM SEARLE: Chair, the Treasurer is highly unresponsive. I asked him to explain the gap.

The Hon. CATHERINE CUSACK: Mr Searle, let the Treasurer answer. This hearing is going to be shambolic if the Hon. Adam Searle does not let the Treasurer answer.

The Hon. ADAM SEARLE: If only he would answer. He cannot give a straight answer.

The Hon. CATHERINE CUSACK: How can he when the Hon. Adam Searle keeps talking over the top of him?

The Hon. GREG DONNELLY: Don't screech, Catherine.

The Hon. CATHERINE CUSACK: You have done your share of screeching in this place, Greg.

CHAIR: Order! The Treasurer is endeavouring to answer the question. Treasurer, please continue with your answer.

Mr ANDREW CONSTANCE: Let us take a project like the South West Rail Link, which we have delivered 12 months ahead of schedule. If I remember correctly, it is \$300 million under budget.

The Hon. GREG PEARCE: That is the answer.

Mr ANDREW CONSTANCE: In December 2004 it was first announced by Labor at a cost of \$688 million. In March 2008 it was re-announced by Labor at a cost of \$1.36 billion. In November 2008 the South West Rail Link was axed by Labor. In November 2009 it was re-announced by Labor for \$1.3 billion to be delivered by 2016—a four-year blowout. In February 2010 Labor revealed the total cost had blown out by \$2.1 billion. That is your record in office. We are prepared to stand by our infrastructure spending. I have made it clear to you that on occasion—

The Hon. ADAM SEARLE: Can you give a straight answer as to why you have not delivered?

Mr ANDREW CONSTANCE: I have explained to that on occasion some infrastructure projects do not necessarily get delivered according to their time frame—be it due to local planning requirements, environmental constraints, or whatever.

The Hon. ADAM SEARLE: I am just asking for that explanation.

Mr ANDREW CONSTANCE: Well, I have given it to you. I said this to you before.

The Hon. ADAM SEARLE: Well, not in detail, Treasurer.

Mr ANDREW CONSTANCE: If you want to give me the detail of an individual infrastructure project then fair enough. But we have set our infrastructure budgets and we stand by them. We are building what we committed to. The outcomes are there and will continue into the future. I urge the Labor Party to sign up to the vision that we are outlining for the State in regard to the lease of the electricity distribution networks so that we can get on and unlock the potential of this State.

The Hon. GREG PEARCE: We deliver ahead of time and under budget. We deliver with good management and make savings.

CHAIR: Order! There will be no commentary, please. Mr Pearce, the Treasurer can quite adequately answer without your prompting.

The Hon. ADAM SEARLE: So the short answer, Treasurer, is that you cannot give an explanation for the gap between what you committed to deliver and what you have delivered.

Mr ANDREW CONSTANCE: I have just outlined that if there is an individual infrastructure project that might have—

The Hon. CATHERINE CUSACK: He has given it to you four times, Adam.

The Hon. ADAM SEARLE: Will you take on notice the explanation for each year's underspend?

Mr ANDREW CONSTANCE: Of course I am happy to take on notice any question that you might provide. Provide the questions on notice.

The Hon. ADAM SEARLE: I am asking you now, Treasurer. You can take it on notice.

Mr ANDREW CONSTANCE: If you want to outline a concern about any individual infrastructure project, please do so. We have a very proud record.

The Hon. GREG DONNELLY: Mr Searle is asking about the projects that explain the gap. That is what he asked for. That was the start of the questions.

Mr ANDREW CONSTANCE: I have just given you the answer. If the Hon. Greg Donnelly stopped yelling at me and he listened he might acknowledge that.

CHAIR: Order! The Minister has answered the question that there are delays in establishing projects.

The Hon. GREG DONNELLY: We are asking about the projects that caused the gap, Mr Chair.

The Hon. ADAM SEARLE: I am happy that the Treasurer cannot answer the question.

Mr ANDREW CONSTANCE: In regard to general government capital expenditure under the Labor Party from 2008 to 2011 the average was \$6.5 billion. Under us it is \$9.6 billion. So we need to talk carefully about this. The Labor Party trashed the budget and we have had to repair it.

The Hon. GREG DONNELLY: We are asking for an explanation of the gap.

The Hon. ADAM SEARLE: That is rubbish. Our last budget was \$1.3 billion in surplus.

Mr ANDREW CONSTANCE: I have just given you the explanation for the gap.

The Hon. GREG DONNELLY: No, the projects.

CHAIR: Order! We move now to questions from Mr David Shoebridge. The time for questions from the Labor Party has expired.

The Hon. GREG PEARCE: Labor's time is well and truly up.

Mr DAVID SHOEBRIDGE: If only it was up, given this particularly pathetic behaviour from a bunch of spoilt, overpaid brats. It has been a pretty disgusting performance. Treasurer, how much funding has been allocated to the adviser Goldman Sachs to manage the proposed sale of the Cobbora coal project?

Mr ANDREW CONSTANCE: I will hand over to Mr Tim Spencer as the Deputy Secretary on that issue. Again, I was not engaged in that process as I was not Treasurer at the time. Allow me to hand that question over to Mr Spencer. If there are any further specific questions we can take them on notice.

Mr SPENCER: I will probably in large part take that question on notice. Goldman Sachs is under a contract which covers the sale of the generation assets and Cobbora. The actual amount contributed by the Cobbora project will not be known until the conclusion of that process.

Mr DAVID SHOEBRIDGE: What about the overall consultancy contract then? Can you give us an answer in relation to that?

Mr SPENCER: Again, it depends on the outcome of the process. Under the contract it is not a contract that has an hourly or a daily fee; it depends on the outcome of each of the sale processes that has been undertaken over the past year or so.

Mr DAVID SHOEBRIDGE: Mr Spencer, perhaps on notice then you could provide answers on the payments to date under the contract—and, if you can, divided between Cobbora and the balance of the contract—and what the budgeted or estimated costs will be under that contract going forward?

Mr SPENCER: I will take that question on notice.

Mr DAVID SHOEBRIDGE: Treasurer, this next question may be for you or you may want to pass it to Mr Spencer. What is the status of the 46,000 hectares of land that have been acquired by the Cobbora Holding Company for that project? This is the public land.

Mr ANDREW CONSTANCE: Again we are working through a process in regard to the status.

Mr DAVID SHOEBRIDGE: Treasurer, I am asking you because it is a substantial matter of concern for the surrounding community. If the coal project does not go ahead a huge part of the local area has been sterilised for development. It is a matter of real concern.

Mr ANDREW CONSTANCE: Mr Shoebridge, I thank you for your question. The sale process has commenced. Again, we have had to work through a process to de-risk the budget around this. In essence, we inherited what could only be described as a dog in this situation. It was left to us by the former Government in an appalling situation—exposing the taxpayer to costs in the hundreds of millions of dollars. We have now commenced a process relating to the unencumbered Cobbora project. We are in the process of going to market, and we will test the market.

Mr DAVID SHOEBRIDGE: So what is the status of that 46,000 hectares of land at the moment? What is the Government doing with it now and intending to do with it between now and whenever a final decision is made on the project?

Mr ANDREW CONSTANCE: There is a land aggregation and licensing program that is being implemented—

Mr DAVID SHOEBRIDGE: That is really what I am asking about.

Mr ANDREW CONSTANCE: That is, again, to meet Planning Assessment Commission approval conditions, which include maximising the agriculture productivity of the Cobbora land.

Mr DAVID SHOEBRIDGE: Is the land being leased out? Is the Government paying to maintain it, including the fencing and the productive capacity of it? What are your actual plans for this large chunk of land that is so important to the local community and its economy?

Mr ANDREW CONSTANCE: Again, there are Planning Assessment Commission approval conditions in place, and obviously there is the land aggregation and licensing program that goes alongside that.

Mr DAVID SHOEBRIDGE: You are not able to say what your plans are for the land in the interim between now and whenever a final decision is made on the project other than that there is an aggregation project going on?

Mr ANDREW CONSTANCE: The land is going to be licensed. I just made that clear.

Mr DAVID SHOEBRIDGE: Licensed to whom and for what purpose?

Mr ANDREW CONSTANCE: Again, all purposes have to adhere to the approval conditions set by the Planning Assessment Commission [PAC] and we are working through those processes currently. There is no secret of this. I do not know whether Mr Spencer wants to add to the answer.

Mr DAVID SHOEBRIDGE: Perhaps Mr Spencer might be able to add some detail.

Mr SPENCER: I do not think I can add any more, apart from the fact that, as the Treasurer said, the planning condition was the aggregation of land and the licensing of the land for land conservation purposes, I think is probably the best term, and use. Beyond that I cannot add anything at this stage.

Mr ANDREW CONSTANCE: For your benefit, Mr Shoebridge, we have committed \$20 million to the Cobbora Transition Fund, which is out of the Restart NSW Fund, to assist those local communities to drive further productivity. We have set in place an expression of interest process for that fund, which closed on 31 January this year, and selected projects are in the process of being announced.

Mr DAVID SHOEBRIDGE: Is the \$20 million fund guaranteed regardless of whether the Cobbora mine project moves on to the next stage?

Mr ANDREW CONSTANCE: Yes, it has been established for the purposes of the benefit of the local community in recognition of what has occurred there courtesy of the former Labor Government.

Mr DAVID SHOEBRIDGE: Has your Government put a time frame on the expression of interest for the sale of the mine site?

Mr ANDREW CONSTANCE: I would have to take that on notice. I do not have that information at hand, unless Mr Spencer has that answer.

Mr DAVID SHOEBRIDGE: Mr Spencer, has the Government placed a time frame on the expression of interest for the sale of the mine site?

Mr SPENCER: Not an end time frame at this stage.

Mr DAVID SHOEBRIDGE: Do you have any indicative time frame that you are working to?

Mr SPENCER: I can take that on notice.

Mr DAVID SHOEBRIDGE: Treasurer, in the event that a private developer cannot be secured for the site, will you give a commitment to offer the land acquired back to the previous owners and residents?

Mr ANDREW CONSTANCE: I am not going to deal in hypotheticals. Ultimately let us determine what the market is willing to do in that regard and not pre-empt any process, which I would never ever do and never ever seek to do as Treasurer. I am not going to speculate or deal in a hypothetical question.

Mr DAVID SHOEBRIDGE: I think the first question you answered this morning was about donations. It was not a matter I was intending to ask you any questions on, but your answer was qualified. You

were asked whether you had complied with the donations laws and your answer was that you seek to comply with the donation laws. I am asking you about that qualification. Why do you put that qualification on it when the question was very clear?

Mr ANDREW CONSTANCE: For starters, as I also indicated, the Liberal Party is responsible for the funding, the processing and the reporting of donations. I do not carry that responsibility as an individual candidate or member.

Mr DAVID SHOEBRIDGE: Just stopping you there, you do have your own very clear statutory obligations.

Mr ANDREW CONSTANCE: I have given you the answer in relation to that question.

Mr DAVID SHOEBRIDGE: You cannot contract out your statutory obligations to the Liberal Party. As a member of Parliament and a candidate for election you have your own statutory obligations under the donation laws. That is what I am asking you about.

Mr ANDREW CONSTANCE: And I indicated—

Mr DAVID SHOEBRIDGE: I am asking you why you give the qualification that you seek to comply with laws when you are being asked whether you in fact do and have complied with laws.

Mr ANDREW CONSTANCE: I indicated very clearly that at all times I have sought personally to comply with the electoral funding laws in the same way that you no doubt do.

Mr DAVID SHOEBRIDGE: I am happy to give the commitment now that I have always complied with the donation laws.

Mr ANDREW CONSTANCE: I think you will find that the evidence I have given you this morning is very much in line with your view.

Mr DAVID SHOEBRIDGE: I am asking you why you will not give that same unambiguous black-and-white statement to the Committee and, more broadly, to the public that all times you have complied with the donation laws. No-one is interested in what you seek to do; they want to know what you have done. Have you complied with the donation laws?

Mr ANDREW CONSTANCE: To the best of my knowledge I have and I always would comply with the electoral funding laws of the day. I have made that clear in my original answer and I am here to talk about the budget.

Mr DAVID SHOEBRIDGE: I am glad we finally got there, Treasurer.

Mr ANDREW CONSTANCE: I got there before, so do not suggest otherwise.

The Hon. GREG DONNELLY: No, you did not. You said "seek".

Mr DAVID SHOEBRIDGE: I do not need your help, Greg. Thank you for clarifying that, Treasurer. Can I move on to the question of whether or not the Government has purchased any shares in Ramsay Health Care Limited or Healthscope Limited? When I ask that question I am also talking about the companies' subsidiaries.

Mr ANDREW CONSTANCE: It is terrific that I have the Chair of TCorp sitting next to me. Let me be crystal clear: It would be illegal for me to direct the investment activities of TCorp, so the inference in your question is wrong. You might want to rephrase it.

Mr DAVID SHOEBRIDGE: I have not made any inference. I have simply asked a question.

Mr ANDREW CONSTANCE: You did.

Mr DAVID SHOEBRIDGE: Has the Government—and I am happy to say—or any of the Government's agencies or entities purchased shares in Ramsay Health Care Limited or Healthscope Limited or any of the companies' subsidiaries? No inference, just a question.

Mr ANDREW CONSTANCE: Let us be clear, the Government does not make investments. I suggest you reword your question in relation to TCorp and do not leave an impression that the Government somehow makes these investments.

CHAIR: Order! Mr Shoebridge, that is the end of your time.

Mr DAVID SHOEBRIDGE: Mr Chair, I have asked the question very clearly.

The Hon. GREG PEARCE: He has answered it.

Mr DAVID SHOEBRIDGE: No, the Treasurer has refused to answer it. He said that Mr Gaetjens can answer the question. I would ask that Mr Gaetjens provide an answer.

The Hon. CATHERINE CUSACK: You are now having a debate. This is estimates. You ask questions, he answers and we move on.

Mr DAVID SHOEBRIDGE: He has taken issue with the question rather than answered it.

CHAIR: Order! Mr Shoebridge, you can raise the question again in your next round. Treasurer, can you update the Committee on the progress of the Government's asset recycling program and, in particular, what are the Government's future plans for the Manly Hospital site and the Cronulla Fisheries site?

Mr ANDREW CONSTANCE: The Government has a very proud record of seeking to recycle capital through its on-balance sheet assets into more productive infrastructure. This is a far better option than debt burdening our children and taxing enterprise. It is designed to support the economy, drive jobs and housing growth and at the same time ensure that we get better value for the taxpayer. At the same time we have an expectation that Ministers will better utilise their assets that exist within their respective portfolios. As part of that we want to ensure that we are delivering the core service needs of local communities. The Government also unashamedly has a policy in relation to the decade of decentralisation where we are seeking to relocate jobs out of the city into the regions. Some 1,500 jobs are associated with that. It underpinned in many ways the decision that was made in relation to Cronulla Fisheries.

CHAIR: Order! What is the direct answer to my question about those specific sites?

Mr ANDREW CONSTANCE: Specifically in relation to Manly and Cronulla I would have to get you more exact details from those respective Ministers about what their agencies are planning in terms of that. One point that I would make under the Property Asset Utilisation Taskforce [PAUT] report is that whenever there is a decision made such as the relocation of specific functions and what have you, those property assets and the benefits to be derived from those property assets must remain within the respective portfolio area. I can get you more specific details in terms of the future around Manly Hospital and Cronulla Fisheries and report back to you.

CHAIR: You would be very pleased with the result of the auction for the government-owned housing in Kent Street. Do you have any updated figures of what you estimate will be the total income and, with that total income figure, that it is guaranteed that the income will be used for community housing, and not just be swallowed up in the Government's budget?

Mr ANDREW CONSTANCE: Yes, sure. Can I just say on this score in relation to this process it is very important, given the huge backlog in terms of waiting lists for public housing in this State, that we try to identify ways to open up more available support to those who are requiring housing. What we have seen in relation to Millers Point is a process where we want to take the proceeds from those respective sales to invest in more housing for those in need across our community. It would not matter if it was people seeking support in Western Sydney, regional New South Wales or here in the inner city.

We also at the same time have a significant maintenance backlog which we inherited from the last Government in the hundreds of millions of dollars. Like all agencies, Land and Housing Corporation have a

requirement to look at better utilisation of their assets and invest back into those service needs. At the same time there has been an expectation from the Government to work with individual residents in terms of their specific needs. As a former Minister for Ageing, I have to say that some of the state of the property that exists in that area and the vulnerabilities that exist within some individual tenants is of real concern.

The maintenance of these properties has been let go for so many years that I think it is a shameful situation. We have taken that decision. It is the right decision. Obviously in terms of those individual residents concerned, we want to ensure that they get even more suitable accommodation from social housing to support them with their requisite needs. But at the same time, to be able to unlock that capital and invest in more housing is the stated aim. The money does not come back to the Consolidated Fund. The money remains within social housing.

CHAIR: Thank you. Can the Treasury advise the Committee how much money the Government allocates to community grants in the Sydney metropolitan area?

Mr ANDREW CONSTANCE: Community grants? I might have to take that question on notice. Yes, it would be best to take that question on notice.

CHAIR: Can the Treasury advise the Committee on any community grants specifically designed to support the promotion or running of the Sydney Gay and Lesbian Mardi Gras? Who can apply for those grants?

Mr ANDREW CONSTANCE: I think there might be some allocation of funding through Destination NSW, but again I would have to take it on notice. We do run a Community Building Partnership program, which again is designed to assist. It is an allocation of funding to support community projects within individual electorates. Again, I would just have to take that question on notice.

Mr DAVID SHOEBRIDGE: And it is a major economic boom for Sydney.

CHAIR: In other words, could you clarify the finances allocated to Major Events for community grants and other purposes?

Mr ANDREW CONSTANCE: Again, I will take that on notice for you.

CHAIR: Can the Treasury advise the Committee with all the environment issues put to one side, what will be the projected revenue from the coal seam gas [CSG] industry to the State budget?

Mr ANDREW CONSTANCE: Again, I would not have that breakdown. I mean, in terms of royalties we have that figure available.

CHAIR: An approximate figure?

Mr GAETJENS: Chair, that would depend on production coming into account and then giving rise to the royalty payment. All I can say is that the decision the Government made a couple of years ago, I think it was, there was a royalty holiday for CSG projects, which was ended. If CSG came in, royalties would be paid from the first unit of production, but we have not forecast, I am pretty sure, any CSG royalties at the moment. Royalties at the moment are about 95 per cent coal, I think, if my memory is right.

CHAIR: Ninety-five?

Mr ANDREW CONSTANCE: Per cent coal.

Mr GAETJENS: From coal.

CHAIR: What is the total amount in money, just approximately, that you expect? You must have some anticipated figure in mind for budgeting purposes in future budgets.

Mr GAETJENS: Not particularly for coal seam gas.

Mr DAVID SHOEBRIDGE: Are you asking about the CSG or all royalties?

CHAIR: No, CSG.

Mr GAETJENS: I will take that on notice, but it would not surprise me if we had nothing in the budget for CSG.

CHAIR: What may be an anticipated figure, then?

Mr ANDREW CONSTANCE: In the budget we have had a downward revision in terms of royalties, Mr Chair, because of the downward turn and weakness in coal prices. That is obviously something which is affecting the industry and therefore is going to affect royalties into Government. Again, we will obviously do our level best to provide you with further information, if that is what you are seeking.

CHAIR: One of the concerns would be, if the royalty figure is something that you are pushing higher, then obviously the companies will transfer those royalty amounts to the gas prices. Do you anticipate some impact on gas prices for families in New South Wales?

Mr ANDREW CONSTANCE: Gas prices are of enormous concern. It is something which concerns me as the Treasurer and its impacts, particularly on our manufacturers and, in particular, manufacturers in Western Sydney. We are expecting a downturn of royalty revenues in the order of \$153 million. That just is indicative of where the mining industry is at at this stage because of world commodity prices and the like. But we want to ensure that as a Government we have acted responsibly to make sure we have the right regulatory regime in place at the same time we are working alongside the industry, which is a major employer in this State. I reiterate this is a national problem in terms of the availability of domestic supply of gas. It is one which is exercising the mind of the Minister every day of the week. We want to ensure that we deliver affordable local energy to meet the needs of our manufacturing base, our business community in particular and households for that matter.

The Hon. ADAM SEARLE: Treasurer, you referred to the proposal to lease out the electricity companies for 49 per cent lease over the four companies, which is Ausgrid, TransGrid, Essential and Endeavour, but you are not going to lease out Essential to any degree. That is correct, is it not?

Mr ANDREW CONSTANCE: The decision of the joint party room of The Nationals and Liberals was to proceed with a 49 per cent lease of the electricity distribution network. We have indicated that Essential Energy will remain 100 per cent government-controlled. The observation I would make in relation to this is that this is the right thing to do to be able to invest in the infrastructure that our State needs, to decongest our global city, to address the freight pinch points that exist around the regions, and to deal with the water infrastructure requirements of the regions when it comes to boosting productivity, particularly for our agricultural sector. This is the decision that we have made. I think it is disappointing that the Labor Party, who on many occasions has sought to try to head down this path, seem to have always come up against John Robertson and the Electrical Trades Union [ETU].

The Hon. GREG DONNELLY: They came up against Barry O'Farrell in the last Parliament as Opposition leader.

Mr ANDREW CONSTANCE: Again, let us be very clear: We are doing the right thing.

Mr DAVID SHOEBRIDGE: So now you want to sell it, Greg?

Mr ANDREW CONSTANCE: We are doing the right thing.

The Hon. ADAM SEARLE: Treasurer, just answer the question.

The Hon. GREG PEARCE: I hope Hansard picket that up, David.

Mr ANDREW CONSTANCE: I am very grateful for that kind intervention on behalf of The Greens.

The Hon. GREG PEARCE: Yes. Thank you, David. The Greens are supporting it; The Greens are good.

The Hon. ADAM SEARLE: Treasurer, just answer the question.

Mr DAVID SHOEBRIDGE: I cannot keep track of them. Is he trying to sell it now?

Mr ANDREW CONSTANCE: One thing that we do know for certain is The Greens position.

The Hon. CATHERINE CUSACK: The Greens are turning the estimates into a shambles. I would ask the member to desist.

Mr ANDREW CONSTANCE: No. I welcome that intervention, trust me. It has just confirmed that the Labor Party—

CHAIR: Would members please stop talking over each other. Do not make it too hard for Hansard.

Mr ANDREW CONSTANCE: Sorry, Hansard.

The Hon. ADAM SEARLE: Treasurer, because you are not touching Essential, to get the 49 per cent leasing over the other three companies—

Mr ANDREW CONSTANCE: Thank you for identifying the word "lease" as opposed to "sale".

The Hon. ADAM SEARLE: You would have to lease out more than 65 per cent of each of those three remaining companies to achieve your overall 49 per cent yield. That is correct, is it not?

Mr ANDREW CONSTANCE: No, we are conducting a scoping—

The Hon. ADAM SEARLE: Or are you going to lease out the whole of one of the companies?

Mr ANDREW CONSTANCE: We are conducting a scoping study at this present time. We announced that. That work will be completed later in the year, which will advise the Government on the structure to proceed with. I am not going to pre-empt that process, but we have indicated that Essential will remain 100 per cent Government controlled.

The Hon. ADAM SEARLE: Ausgrid and Endeavour—those other two companies that you will privatise by lease—have operations in the Upper Hunter and Bathurst electorates. In the 19 June edition of *The Land*, the Deputy Premier said that there were significant concerns about the employees and operations of Ausgrid and Endeavour in those locations falling effectively into private hands. He said that he has taken the matter up with the Premier, to have those parts of Endeavour and Ausgrid converted to Essential Energy—that is, to be made part of the Essential Energy Corporation presumably. Can you advise the Committee about whether those plans are proceeding or not?

Mr ANDREW CONSTANCE: In terms of the scoping study, it will look at regional-based employees in those companies. But can I say this: This is the right thing to do and we are doing it to fund infrastructure which is vital for the State. My observation, in relation to the performance of these State-owned corporations, is that some of the union rorts that were negotiated by John Robertson when he was the ETU organiser, and carried on by the existing union leadership, have led to higher electricity prices. If you make a comparison between those costs and the costs in Victoria since it moved, in 1996, to engage the private sector to run its electricity businesses, network costs have declined from 1996 to 2012 in Victoria by negative 18 per cent. In New South Wales, over that same time period, network costs have increased by 122 per cent.

We have given a guarantee, in terms of a reduction in network costs associated with household electricity bills, as part of this transaction. We will have job guarantees for those employees to which you refer. And let me be clear, we do not accept the union feather-bedding that has gone on within these businesses affecting consumers across the State. I am proud that we have opted now to engage the private sector to better manage these businesses on behalf of consumers while, at the same time, cutting out the union rorts. We have seen what occurs when the public sector manages it.

I want to see a better deal for household consumers in this State. It has been backed up by Rod Sims, Chair of the Australian Competition and Consumer Commission, who only in the last fortnight has confirmed publicly that this is the right thing to do. If this had proceeded when it should have, back in the late nineties under Bob Carr and Michael Egan, and not been donged on the head by John Robertson—that man carries with

him the responsibility of costing this State \$20-plus billion through his political activism. That means he is not an acceptable leader as Premier of this State and I think it is offensive that the Labor Party would sponsor the leadership of John Robertson—a former union organiser—to lead its party into the next election.

The Hon. ADAM SEARLE: Point of order—

CHAIR: Order! Estimates hearings should not be used to make disparaging remarks about other members of Parliament.

The Hon. ADAM SEARLE: The Treasurer was reflecting on a member of the other House.

CHAIR: Order! That is the point I am making.

The Hon. ADAM SEARLE: That needs to be done under the rules of our House, which apply to this Committee, by way of substantive motion. The Treasurer is just engaging in gratuitous abuse.

Mr ANDREW CONSTANCE: I am happy for Mr Pearce to move a substantive motion to that effect next time the House is sitting.

The Hon. ADAM SEARLE: Treasurer, your question about what you referred to as the network costs, the majority of costs for these companies is, in fact, in maintaining the infrastructure as fit for purpose. Are you suggesting that, in this new regime your Government is proposing, that there will be less money to be spent on infrastructure and maintaining the physical integrity of the network? That is what you are getting at, isn't it?

Mr ANDREW CONSTANCE: I thank you for that question. I remind you that, under Labor prices increased by 60 per cent in the last five-year price path, courtesy of Labor's mismanagement. The Government has done everything possible to put downward pressure in relation to the management of these businesses, with enormous savings and benefits now starting to flow through. I still think that there are inefficiencies in these businesses and that is why we have started to engage this process in terms of a proper scoping study. But Labor's record, when it comes to the management of these businesses, is abysmal. The union practices which were allowed to be negotiated have been abysmal for consumers and we stand by our record when it comes to putting downward price pressure on household bills.

The Hon. ADAM SEARLE: Thank you, Treasurer. I refer to Budget Paper No. 2, the Budget Statement, page 9-7, which sets out at table 9.1 the dividend from the electricity companies and other sources. I see that total dividends for the present budget year are estimated to be \$1.778 billion, but in last year's budget the estimate for the year was only \$1.172 billion. So there has been a \$600 million increase in the dividends from the State-owned corporations. If I read page 9-7 correctly, you say that you are changing the capital structure of the companies that are listed there. You have changed the practice by which the Government gets dividends out of State-owned corporations, have you not? It is now able to be determined by the Treasurer. So you have just extracted another \$600 million out of the State-owned corporations because you can. That is what you have done, is it not?

Mr ANDREW CONSTANCE: I can draw your attention to your practices when Labor was in government, if you like.

The Hon. ADAM SEARLE: Previously it was a matter of negotiation between the boards of the company and the Treasurer of the day; now, you can just extract the money by direction, can you not?

Mr ANDREW CONSTANCE: Again let us make it clear that I make no apologies, as Treasurer, for acting in the best interests of taxpayers in this State. The bottom line is that we have had a budget which is a fantastic budget.

The Hon. ADAM SEARLE: But it would be a budget that would be \$600 million in a hole if you had not been able to extract that extra dividend out. You are leasing out these companies. You leased out the port, you are leasing out parts of the electricity companies. You are going to lose these dividends.

Mr ANDREW CONSTANCE: We have had dividend policies in place and I seek comfort from the boards that have given me comfort that the approach we have taken in relation to dividends does not hurt consumers. I sought that assurance from the boards. And frankly, we make no apologies for ensuring that we run

a disciplined budget, a responsible budget. We have enormous core service responsibilities. I note that you are not talking about the half billion dollars of new moneys that we are putting into child protection in this State. There are very obvious challenges that we have in relation to the Federal Budget and its impact on the State's finances. I took a very responsible decision in relation to the additional dividends in 2014-15 from retained earnings in Transgrid, Sydney Water and Sydney Catchment Authority.

The Hon. ADAM SEARLE: But when you lease out these companies, you will not be able to get those dividends, or you will lose about 49 per cent of them.

Mr ANDREW CONSTANCE: Again, if you want to talk specifically in relation to the distribution and transmission of assets, there is going to be declining dividends off the back of demand. That is outlined in the budget—you can see that in the forward estimates in the table to which you are referring. So there is no news in that.

The Hon. ADAM SEARLE: The fact is, you have increased the dividends you have extracted from these companies because of that new practice. And Treasurer, if you cannot answer the question, perhaps Mr Gaetjens can answer the question about the change in practice from taking dividends out of companies.

Mr ANDREW CONSTANCE: We have taken the retained earnings from these companies and done so in a responsible way, by ensuring that there is no impact on consumers—end of story.

The Hon. ADAM SEARLE: The fact is, you have leased out the ports and you are in the process, if you are re-elected, of leasing out the electricity companies. You will not have access to these dividends. Can you tell the Committee what the lost dividend flows from these sources will be, once you have leased them?

Mr ANDREW CONSTANCE: Your assumption is wrong, first of all because, in essence, what we are doing in terms of having a retention value in place in relation to the leasing around these assets is bringing forward those payments to invest in productive infrastructure to meet our community's needs today. This State is losing \$5 million annually in relation to—

The Hon. ADAM SEARLE: Treasurer, at the moment you are getting annual returns, which are propping up your expenditure on Health, Education and Roads. You are receiving annual dividends and receiving income.

Mr ANDREW CONSTANCE: The budget is \$67.5 billion.

The Hon. ADAM SEARLE: You are converting that, at best, to capital. You are losing the revenue streams. What are you going to do to replace those revenue streams?

Mr ANDREW CONSTANCE: We will not be losing the revenue streams because they are factored into the retention value in relation to these assets.

The Hon. ADAM SEARLE: You are turning that into a capital sum to invest in infrastructure, you say. So you are going to lose them as annual income, you are going to get a lump sum for capital purposes, you say. You will lose the annual income streams from the electricity companies, as you have from the port. What are you going to do to fill that gap? Are you going to cut spending or increase taxes to fill that recurrent budget hole you are creating?

Mr ANDREW CONSTANCE: Are you going to allow me to answer the question?

The Hon. ADAM SEARLE: Yes.

Mr ANDREW CONSTANCE: Let me be clear, first of all in terms of loss of dividends, there is no loss of dividends. There is bringing forward of payments to invest in more productive infrastructure which ultimately delivers stronger revenue flows into Government. We will be making sure of the appropriate economic appraisal and rigours around the infrastructure projects which we invest in. That is why we have Infrastructure NSW to do that. When you lease out an asset there is a retention value put in place which obviously factors in future income, including that of dividends. Now, I need to make that clear. Your question is fundamentally flawed in its argument and that is why we are very clear in relation to making sure we have a

retention value and we do not go below the retention value when we either lease or sell an asset, which is a practice which I might add Labor were expert at. We are very clear in relation to this.

We, as an economy in New South Wales, are being affected by congestion to the tune of \$5 billion lost every year. We have mums and dads unable to get home at night to read to their kids before bedtime. We have people being late to work, people stuck in traffic jams and on rail platforms because of the years of under-investment in infrastructure by the Labor Party. We now want to invest in the future by ensuring we unlock the potential of our assets, recycle that capital into more productive assets, therefore generating more income and benefits for the State. So your question is fundamentally flawed.

The Hon. ADAM SEARLE: Treasurer, at the moment these electricity assets are returning annually to government in the form of dividends and tax equivalent payments.

The Hon. CATHERINE CUSACK: He doesn't understand.

The Hon. ADAM SEARLE: When you lease them you will lose that income stream.

The Hon. CATHERINE CUSACK: He doesn't understand retention value or what it means.

The Hon. ADAM SEARLE: One of the many promises that you are suggesting that could be paid for out of the leasing is the second harbour crossing. Treasurer, no railway crossing makes a profit, does it, in New South Wales? So you will you be converting, at least in part, a productive income-producing asset for, at best, a loss-making asset. That is what you are proposing, is it not?

Mr ANDREW CONSTANCE: Thank you for confirming on the record that the Labor Party is opposed to a second harbour crossing, which again—

The Hon. ADAM SEARLE: No, I am just exploring the validity of what you are promising.

Mr ANDREW CONSTANCE: You have just opposed to it.

The Hon. ADAM SEARLE: It seems to me you are creating not one but two budget holes.

Mr ANDREW CONSTANCE: You have opposed a sensible way forward to address the \$5 billion congestion cost to this State.

The Hon. ADAM SEARLE: No, you are creating two budget holes. You are losing the annual flow of revenue.

The Hon. CATHERINE CUSACK: So spending on railways is making a budget hole?

The Hon. ADAM SEARLE: No.

The Hon. CATHERINE CUSACK: That is just what you said, Adam.

The Hon. ADAM SEARLE: That is not what I am saying.

The Hon. CATHERINE CUSACK: That is exactly what you said.

CHAIR: Order! The Hon. Catherine Cusack will let the Hon. Adam Searle to ask his question.

The Hon. ADAM SEARLE: I am exploring the Treasurer's assertion that—

The Hon. CATHERINE CUSACK: Public transport centre, you have made a budget hole. That's what you said.

The Hon. GREG DONNELLY: Shut up, Catherine.

The Hon. CATHERINE CUSACK: I beg your pardon.

CHAIR: Order! Committee members are not here to clarify other members' questions.

The Hon. CATHERINE CUSACK: They are not questions.

The Hon. ADAM SEARLE: The Treasurer asserted he was going to take the proceeds and invest in an income-producing way. I am exploring with him how the second harbour crossing would in fact be an income-producing asset, if that is in fact his assertion.

The Hon. CATHERINE CUSACK: Maybe just let him just keep answering the questions for you. He has got plenty to say.

The Hon. GREG PEARCE: Labor would just go on another debt binge.

Mr ANDREW CONSTANCE: I do not know what economic textbook you study but it is not one I have looked at. You have dug yourself into a hole by admitting that you do not understand the retention value on assets when it comes to recycling capital. I think that is very alarming from someone who is a senior shadow Minister in a group of people who want to form a government in March.

The Hon. ADAM SEARLE: There is some disputation about what you might achieve.

The Hon. CATHERINE CUSACK: It explains what has been going on for the last 16 years under Labor.

CHAIR: Order! Please let the Treasurer answer the questions.

The Hon. CATHERINE CUSACK: You might direct that to the member—

The Hon. GREG DONNELLY: Shut up, Catherine. You do not want time, so shut up.

The Hon. CATHERINE CUSACK: —because he is constantly interrupting the Treasurer when he tries to answer.

CHAIR: Order! Please cease interrupting the hearing.

The Hon. GREG PEARCE: Can we have a bit of decorum from the Labor members in the way they address other members of the Committee?

The Hon. ADAM SEARLE: That is not a point of order.

CHAIR: They are being provoked by your side.

The Hon. ADAM SEARLE: The Treasurer is more than capable of handling himself in this forum. He does not need the Hon. Catherine Cusack to be running interference for him. I was just exploring some of the Treasurer's assertions that he is turning these income-producing assets into, I think his assertion was, more income-producing assets. What are you proposing to build out of these privatisation proceeds that you say will lead to further income for the State? Looking through your various promises or suggestions that you might fund out of the proceeds, none of them seems to be income producing, per se.

Mr ANDREW CONSTANCE: Sorry, I do not want to give you an economics lesson, but first and foremost you obviously do not understand retention value and, secondly, you do not understand interest payments associated with debt. I cannot believe what I am hearing out of you, to be honest. You oppose the infrastructure projects—

The Hon. ADAM SEARLE: No, I am just exploring how you say you are going to fund them, Treasurer.

CHAIR: Order! Let the Minister finish his answer.

Mr ANDREW CONSTANCE: —and you show a blatant misunderstanding when it comes to recycling capital. Is it any wonder that the Labor party is the party of debt? You also fail to understand the interest payments that are currently being made on debt in this State, so I am bewildered.

The Hon. ADAM SEARLE: Treasurer, when we left office the State debt was at \$7.9 billion.

Mr ANDREW CONSTANCE: Projected to go to \$20 billion. We have taken action. You are kidding yourself, aren't you? Have you seen what you have done at a national level? You people are a disgrace. Quite frankly, for you to sit here and start to try and come up with voodoo economics on the recycling of capital when it is about investing in more productive infrastructure, I think a senior member of the Labor Opposition in this State has just demonstrated his understanding of economics.

The Hon. ADAM SEARLE: No, Treasurer, I am exploring your assertions.

Mr ANDREW CONSTANCE: It is a real concern that you do not understand the future dividend payments—

The Hon. ADAM SEARLE: You have not answered how you are going to fill the hole in your annual budget when you lose—

The Hon. MELINDA PAVEY: Order! The Treasurer is answering the question.

Mr ANDREW CONSTANCE: —you do not understand the net present value of future cash flows; you do not understand interest payments on debt; you do not understand recycling capital into more productive infrastructure; and you are opposed to every infrastructure development which the Government has outlined as part of its vision to get this State moving. I am glad to hear and it is very enlightening to hear this from a senior member of shadow Cabinet.

The Hon. CATHERINE CUSACK: It's embarrassing.

The Hon. ADAM SEARLE: You are just avoiding answering the question.

Mr ANDREW CONSTANCE: No, I have answered the question.

The Hon. ADAM SEARLE: There is some dispute about what you might achieve from this sale. Your Government says it will achieve net \$13 billion.

Mr ANDREW CONSTANCE: Some dispute? What, from you and the ETU? You are the only people disputing this.

The Hon. ADAM SEARLE: No, UBS in the *Australian Financial Review* says it would be more like \$10 billion or \$11 billion. How can you guarantee that you will achieve retention value?

Mr ANDREW CONSTANCE: Wait, wait, wait. Before you inappropriately go and put figures out there, let me again be clear as the State's Treasurer. I am not going to pre-empt any scoping study process and certainly once we move into a market sounding environment I am not going to be giving anything away. For you to be starting to throw figures around is grossly irresponsible.

The Hon. ADAM SEARLE: Treasurer, your Government has thrown figures around.

The Hon. CATHERINE CUSACK: It is good news, Adam, it's time. The embarrassment can come to an end.

Mr ANDREW CONSTANCE: You have made clear you do not support \$20 billion of infrastructure projects.

The Hon. ADAM SEARLE: You have asserted what you will achieve.

Mr ANDREW CONSTANCE: You have just embarrassed yourself in front of everybody in this Committee and no doubt anybody watching.

CHAIR: Order! We will move on to Mr David Shoebridge.

Mr DAVID SHOEBRIDGE: Thank you, Mr Chair. Mr Gaetjens, in the last round of questioning I was seeking to ask you the questions in relation to the purchase of shares in Ramsay Health Care Limited or Healthscope Limited or any of the subsidiaries. I was hoping in the interregnum you have had time to think about that and put the answer on the record.

Mr GAETJENS: Thank you, Mr Shoebridge. In terms of my role as chair of TCorp, TCorp manages assets on behalf of agencies in the State. The State has quite a few liabilities against which it needs assets to offset: the Treasury Managed Fund, which covers insurance; Safety, Return to Work; and even the Long Service Corporation. They are investments and assets that TCorp invest in. Through that process it is done independently of TCorp. The model that is adopted—

Mr DAVID SHOEBRIDGE: We are getting to Ramsay Health Care at some point, are we?

The Hon. MELINDA PAVEY: Order!

Mr GAETJENS: TCorp adopts a manager-of-manager approach for its investment assets. Neither I as chair, or the management of TCorp make any decision about the investments made in those asset funds that are held on behalf of the State. Unless I went and specifically asked the question I would not know the equity holdings of those asset funds.

Mr DAVID SHOEBRIDGE: Could you take it on notice then and ask the question?

Mr GAETJENS: I am pleased to take it on notice but I agree with the Treasurer. Neither the Treasurer or the TCorp management board, or anyone of the Government, becomes involved in individual investment decisions.

CHAIR: Is the question clear to you?

Mr GAETJENS: Yes.

CHAIR: The question is on notice.

Mr DAVID SHOEBRIDGE: Thanks, Mr Chair.

Mr GAETJENS: Could you name the companies again?

Mr DAVID SHOEBRIDGE: Ramsay Health Care Limited or Healthscope Limited or any of the subsidiaries of those companies.

Mr GAETJENS: Thank you.

Mr DAVID SHOEBRIDGE: Treasurer, you said in an earlier answer that coal royalties had fallen by \$153 million.

Mr ANDREW CONSTANCE: Projected it says—budgeted to.

Mr DAVID SHOEBRIDGE: That is the budgeted fall for the last financial year, the 2013-14 financial year that you were talking about, is it not?

Mr ANDREW CONSTANCE: I will just go back and have a look. Yes, I use the frequent term of "forward estimates". Again, I am happy to give you the outline across the forward estimates, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: I have the forward estimates in front of me. That is what I am asking. Your answer seemed to be talking about this year's budget.

Mr ANDREW CONSTANCE: I was talking about 2013—

Mr DAVID SHOEBRIDGE: I think the figure was for last year's budget, was it not?

Mr ANDREW CONSTANCE: I apologise. The 2013-14 was \$153 million. This year, in terms of licences—sorry, I am being pointed to the wrong figure. Let me be clear, so it is very, very clear for you. The budget in 2013-14 was \$1.513 billion. The revised number, as a result of coal prices is \$1. million. The budget for 2014-15 is \$1.592 billion.

Mr DAVID SHOEBRIDGE: I might come back to that later. I will hand over to my colleague.

Dr JOHN KAYE: Mr Gaetjens, on 4 July did you attend a meeting involving the Office of Fair Trading?

The Hon. GREG PEARCE: What year?

Mr ANDREW CONSTANCE: Well, guess what, he is the head of the cluster.

Dr JOHN KAYE: So you did?

Mr ANDREW CONSTANCE: We have brought Fair Trading and Finance—

Dr JOHN KAYE: At that meeting, Mr Gaetjens, was Mr Hubby present?

Mr GAETJENS: I am not absolutely sure of the date, but I will take that on notice.

Dr JOHN KAYE: Was there a meeting with you, Mr Hubby, and Commissioner Rod Stowe on 4 July?

Mr GAETJENS: Around that time, yes.

Dr JOHN KAYE: There was. Did the Hon. Matthew Mason-Cox turn up to that meeting at all?

Mr GAETJENS: Briefly, yes.

Dr JOHN KAYE: Can you recall what the Hon. Matthew Mason-Cox said when he attended that meeting?

Mr GAETJENS: Not specifically, and we are now getting to areas, I think, where I—

The Hon. MELINDA PAVEY: It is not in relation to expenditure.

Dr JOHN KAYE: It is, actually.

Mr GAETJENS: I would be happy to take this on notice because there is advice from the Clerks of the Parliament that put this area of questioning in a grey area for me to answer at the moment.

Dr JOHN KAYE: Let me ask you this: Did the Hon. Matthew Mason-Cox express to Mr Stowe that he no longer held his confidence?

Mr GAETJENS: I will take the same approach to that question.

Dr JOHN KAYE: You will take it on notice?

Mr GAETJENS: Yes.

Dr JOHN KAYE: Thank you. I will ask you another question with respect to the issue that Mr Shoebridge was following. Has Treasury done any projections on the financial savings associated with the healthcare model being pursued at Northern Beaches hospital, that is to say, passing the responsibilities for delivery of public hospital services to the private sector? Have you projected budget savings or is there any way you can see from the budget what the budget savings, the cost differences would be?

Mr GAETJENS: Again, I think I will take that on notice. Our infrastructure finance unit is part of the group of people looking at the options to proceed with Northern Beaches and I think in that respect, again, we would be helping particularly with the financing aspect and, again, the financing aspect would look at the overall financial impact of the project. So to the extent we or Health has looked at the change to cost infrastructure on that I would take that on notice, but we would be addressing it through that lens.

Dr JOHN KAYE: You would be looking at the capital cost of building a new hospital, which has passed largely but not entirely to the private sector, and you would be looking at the operational costs of running that hospital, is that correct?

Mr GAETJENS: Correct.

Dr JOHN KAYE: Are you in a position to provide the Committee, either on notice or here, with any projections around that? What will be the cost savings?

Mr GAETJENS: I will take that on notice. I think we are assessing those now. I will take that on notice.

Mr ANDREW CONSTANCE: Again, be mindful that we are dealing with commercially sensitive information.

Dr JOHN KAYE: Given that the public sector is no longer in the equation for providing that service, at least outline the baseline data on what the public sector provision would have cost?

Mr GAETJENS: I do not think it is correct to say that the public sector is not involved. The public sector is involved as the purchaser of the service.

Dr JOHN KAYE: Sure, but not as a provider.

Mr GAETJENS: It is still very interested in the cost of the service.

Dr JOHN KAYE: It would be interesting to know whatever you can give us. Your involvement, I imagine, is largely around the cost effectiveness of expenditure, is that right, and reducing costs?

Mr GAETJENS: Again, with public-private partnerships [PPPs], generally there is a public service comparator on which you base these in order to make decisions so that it is better value for money.

Dr JOHN KAYE: Is that largely the same public sector comparator that was used eight or nine years ago? Has it changed dramatically over the past nine years?

Mr GAETJENS: I would have to take that on notice.

Dr JOHN KAYE: In answering that can you show us the ways in which it has evolved? My recollection is that it was initially introduced at schools.

The Hon. MELINDA PAVEY: That is right.

Dr JOHN KAYE: And it was imported from England, but you might give us a bit of a history of that on notice. On the issue of public-private partnerships and contracting out government services, does Treasury in general have a policy or does the public sector have a policy of looking at the campaign donations given by bidders for public sector? It is the other way around. Looking at the public sector provision do you then ask a question whether that creates a political risk or a risk of perception of conflict of interest?

Mr ANDREW CONSTANCE: We have an appropriate process around probity planning with decisions of government and we adhere to that. Certainly in terms of the appointment of probity officers and the like, it is a well-established and important practice. Probity officers exist with very good reason. Obviously it is a question that the Treasury Secretary can answer or take on notice.

Dr JOHN KAYE: Treasurer, what I am asking is, in that probity process and in the risk management process is the issue of the amount of campaign donations being given by—for example, Ramsay famously has given \$250,000 to the New South Wales Coalition parties over the past decade.

The Hon. CATHERINE CUSACK: Is that what this is about?

Dr JOHN KAYE: It may or may not have an impact on the outcome; I am not alleging it does. Is Treasury or are you concerned that in the current environment in New South Wales where campaign donations are significant, that that creates some degree of political interest in the Government's decision-making process?

Mr ANDREW CONSTANCE: Dr Kaye, my observation is that The Greens have received the largest corporate donation in Australia's political history from Wotif.

Dr JOHN KAYE: Actually it was an individual donation.

Mr ANDREW CONSTANCE: Does that mean that you do not use Wotif or you stay out of any decision where an ecotourism-style product might be developed? Your assertion is crazy.

Dr JOHN KAYE: There is no assertion. It is a question.

Mr ANDREW CONSTANCE: Your assertion—

Dr JOHN KAYE: Treasurer, you converted a question into an assertion.

The Hon. CATHERINE CUSACK: Is there a conspiracy? No there is not.

Dr JOHN KAYE: It is not your role to do that. I want to know: Do you look at campaign donations when you make these decisions?

The Hon. CATHERINE CUSACK: Of course, yes, they sit there and go through their campaign—

Mr ANDREW CONSTANCE: Campaign donations are declared as per required by the funding laws.

Dr JOHN KAYE: I was asking the Minister, not the—

The Hon. CATHERINE CUSACK: It is so pathetic, Dr Kaye.

The Hon. GREG PEARCE: Your time is up, anyway.

CHAIR: Thank you, Dr John Kaye. Treasurer, earlier I was asking some questions about income from royalties and so on. The reason I was asking those questions is that there is some concern from the thoroughbred industry in the Hunter Valley about the harmful impact of coalmining and future coalmining. Their argument is that they contribute \$15 million, which is the figure I heard, to the economy through taxation and other means. When you look at a coalmine, do you weigh up the royalties versus the income from another industry, and would that be a factor as to whether we should go ahead with a coalmine, if we are going to have a coalmine, but lose another industry? Is there any concern about protecting an already viable industry in the Hunter Valley such as the thoroughbred industry?

Mr ANDREW CONSTANCE: Ultimately, planning decisions rest with the PAC, and they factor in a whole raft of things. Personally I want to see both industries thrive in this State. They are important employers. The racing industry generates employment for around 50,000 people across the State. It is an important industry, particularly for the Hunter region. I would like to see the industry grow on the far South Coast. By the same token, we also need mining in this State. We do our level best to ensure that we have the right regulatory regime. My observation is that when we came to office we had an appalling situation where exploration licences were thrown around like confetti.

We have sought to tighten that process right up. At the same time we have seen a very concerted effort on the part of the Government to try and strengthen the regulatory environment around the mining sector. It is a real challenge and occasionally you do see industries obviously butt up against each other. But decisions in

relation to planning rest with the way in which the planning Minister ensures that the right framework is in place and, ultimately, the independent decision-making rests with the Planning Assessment Commission.

CHAIR: They would certainly take into account the viability of an existing industry?

Mr ANDREW CONSTANCE: I am not here to respond in that regard. That is a question for the planning Minister. Again, I am happy to take the question on notice.

Mr DAVID SHOEBRIDGE: The impact on potential competitors is not part of section 79C of the Environmental Planning and Assessment Act.

CHAIR: Treasurers can be tempted when seeing income in one area to make judgements that may negatively impact on another area.

Mr ANDREW CONSTANCE: I am dealing at a macro level in that regard. As I said, these are two very important industries for our economy in terms of employment, income generation and revenue stream to government.

CHAIR: In a similar way, what would you estimate is now the percentage of government income from all forms of gambling? There have been some reports that it is 12 per cent. Have you made an estimate of that?

Mr ANDREW CONSTANCE: Again, there is a pie chart which outlines this in the budget papers.

CHAIR: I am seeking a percentage.

Mr ANDREW CONSTANCE: I will outline this quickly. Composition of tax revenue 2014: transfer duty, 24 per cent; payroll tax, 30 per cent; other stamp duty, 7 per cent; land tax, 10 per cent; taxes on motor vehicle ownership and operation, 9 per cent; gambling and betting, 8 per cent; and other tax revenue, 12 per cent. Again, I would make the observation that we do suffer as a result of vertical fiscal imbalance with the Commonwealth and our dependency on income flow from another tier of government. Ultimately, I would like to see a system of taxation in this country where Australians are paying less tax but in a much fairer system. We are going to see the Commonwealth embark on a tax white paper next year and New South Wales will obviously play its part in wanting to see State taxes—by that I also mean gambling taxes—be part of that reform process.

CHAIR: Would it be correct to say that the percentage of income from gambling has reduced? It is my understanding that it was 12 per cent at one stage. What was it in the previous year?

Mr ANDREW CONSTANCE: Across forward estimates gambling tax revenue is forecast to grow on average 4.3 per cent per annum over the four-year period and revenue from racing is expected to increase by 1.9 per cent per annum over the four-year period. That is outlined in the budget papers.

CHAIR: Has your department ever attempted to assess the social and economic costs of gambling, for example, the negative cost of family breakdowns, divorces et cetera and the increased expenditure to Family and Community Services as a consequence.

Mr ANDREW CONSTANCE: I will ask the Treasury Secretary to answer as to whether any assessment has been done on the social impact. It is not a question I have posed to him in the three months I have been Treasurer. But can I say more broadly that no-one wants to see anyone suffer from potentially addictive gambling and this should be a concern for everyone in the community—from me as Treasurer to the Premier and so on.

Mr GAETJENS: Mr Chair, I cannot tell you whether we have done anything specifically in Treasury but I will take the question on notice. Certainly the issue has been widely taken up nationally. An Australian Productivity Commission report looked at the wider consequences of gambling and I think the matter has been covered in that report and others. As the Treasurer has said, it is something that all governments take into account when they look at this issue.

The Hon. GREG PEARCE: Mr Gaetjens, there has been an excellent report recently prepared by an upper House committee chaired by Reverend the Hon. Fred Nile. I commend that report to you.

CHAIR: Treasurer, as you know, country areas were excluded from the leasing of the poles and wires because of some internal debate within the Government. Do you plan to make changes to that in the future, perhaps in a year or two, and cover the whole State so that the leasing income derived can be used to benefit country areas?

Mr ANDREW CONSTANCE: Regional New South Wales will get a very good deal if we receive the mandate because \$6 billion or thereabouts will go into regional infrastructure.

CHAIR: It would have been higher if you had included country poles and wires?

Mr ANDREW CONSTANCE: Ultimately, the decision of the party room is the decision of the party room. The Nationals and Liberal parties came together and agreed that a 49 per cent lease across the entire network was the best way to go, keeping Essential Energy separate to that. I cannot speculate on the future any more or any less than anyone else in this room, but my very strong observation is, and this point was made at the time, even if you wanted to move on leasing 100 per cent of the assets the debt market would not be able to facilitate that. That was not the Government's decision. The Government's decision, which has been very clearly outlined, is the right decision in the best interests of delivering the infrastructure needs of every community across this State.

CHAIR: Can you restate what amount of money will go to country areas from leasing?

Mr ANDREW CONSTANCE: What will happen is the proceeds from the transaction will be put into the Government's infrastructure fund, Restart NSW, and 30 per cent of those funds are allocated to the regions. We have been doing that since we came to office. That is why in this year's budget we have reserved a further billion dollars to go into regional New South Wales. By having Infrastructure NSW in place—this is something I want to make very clear to everybody, including this Committee—we must ensure that any infrastructure project that is invested in achieves a benefit-cost ratio of one plus. The reason we have that discipline is to make sure that we are investing in productive assets. I, as Treasurer, will not allow infrastructure investment to go ahead unless it meets that requirement, and that is the requirement under the legislation governing Infrastructure NSW.

CHAIR: Would that regional allocation include Broken Hill, which is suffering an economic downturn?

Mr ANDREW CONSTANCE: As long as the infrastructure project that has been earmarked stacks up in a benefit-cost ratio sense, absolutely, it would not matter which community. But beyond that we also have other means to support regional communities, namely, the rest of the budget. We have asset management plans of respective agencies that can deliver those outcomes. We have run a very successful program with Royalties for the Regions, again recognising those communities that have the mining sector within them and making sure that the right infrastructure development is in place. If there are specific needs for Broken Hill beyond the infrastructure fund then there are available means to support those communities that are struggling.

The Hon. GREG DONNELLY: Treasurer, I want to ask a few questions about the Department of Premier and Cabinet's memorandum M2014-07, which relates to the publication of ministerial diaries effective from 1 July this year. Have you appointed someone in your office to take charge of maintaining the appropriate records?

Mr ANDREW CONSTANCE: I have an incredible assistant, a very experienced assistant.

The Hon. GREG DONNELLY: Can I just take that as a yes?

Mr ANDREW CONSTANCE: No, I am going to answer the question. I also have my chief of staff. We will adhere to the requirements of the Premier's memorandum willingly and happily. Government Ministers are happy to have their diaries published because we have nothing to hide. I am intrigued by the fact that the shadow Cabinet has resolved not to publish its diaries. I would be interested to see some of the meetings that are held by the Labor Party, particularly in the lead-up to the election. I call on you to do exactly the same.

The Hon. GREG DONNELLY: What steps have you taken to ensure, pursuant to the requirements of the memorandum, that ministerial staff obtain the consent of meeting attendees to the summary information about the meeting that is being disclosed?

Mr ANDREW CONSTANCE: We will adhere to the requirements.

The Hon. GREG DONNELLY: That is it?

Mr ANDREW CONSTANCE: We will adhere to the requirements.

The Hon. GREG DONNELLY: Have you?

Mr ANDREW CONSTANCE: At this stage we have not even completed the reporting period with the first set of ministerial diaries, but I can assure you that we will be adhering to the requirements. I have nothing to hide.

The Hon. ADAM SEARLE: Earlier you took me to task for throwing figures about. I refer to an advertisement in the *Sun-Herald* on 17 August—

The Hon. CATHERINE CUSACK: It is about getting all your figures wrong.

The Hon. ADAM SEARLE: —where your Government is bandying about a figure of \$20 billion to be yielded from the lease. That is just a speculative figure, is it not?

Mr ANDREW CONSTANCE: It is an initial estimate. But as I made clear, I will not be doing or saying anything that could affect the potential transaction. We have made clear that we are outlining a vision for this State to meet the infrastructure needs of the State. Those infrastructure needs are being opposed by the Labor Party. You oppose WestConnex, the second harbour crossing and investment in regional New South Wales.

The Hon. GREG DONNELLY: Who came up with the \$20 billion in the advertisement?

Mr ANDREW CONSTANCE: As I said, it is an original estimate. We will do the necessary scoping work over the next few months and take to the community in March a plan for the State of which I am proud. I am proud of our Premier, who is showing strong leadership in this regard. It is chalk and cheese between what is being offered by John Robertson's Labor—

The Hon. ADAM SEARLE: Does the \$20 billion estimate include \$2 billion from the Commonwealth asset recycling fund?

Mr ANDREW CONSTANCE: I am glad you have asked about that.

The Hon. ADAM SEARLE: But that is not actually law, is it?

Mr ANDREW CONSTANCE: What annoys me is that the Labor Party is opposing Commonwealth incentive payments for infrastructure in New South Wales. You should hang your heads in shame.

The Hon. CATHERINE CUSACK: What a disgrace.

The Hon. ADAM SEARLE: But you are factoring in as proceeds something that is not law.

The Hon. CATHERINE CUSACK: What are you doing about that?

Mr ANDREW CONSTANCE: You are opposing—

The Hon. ADAM SEARLE: You are making an estimate based on something that is not law and is not likely to be law.

The Hon. CATHERINE CUSACK: Stand up for New South Wales.

Mr ANDREW CONSTANCE: You and your Labor mates in Canberra are opposing incentive payments to New South Wales for infrastructure.

The Hon. ADAM SEARLE: Point of order—

Mr ANDREW CONSTANCE: It is outrageous what the Labor Party is doing in this regard.

The Hon. ADAM SEARLE: What is outrageous is that you are asking the community to write to you about how the \$20 billion should be spent but at least 10 per cent of that is just not real, does not exist.

Mr ANDREW CONSTANCE: Again you fail to understand the ability of the Federal Treasurer to appropriate those moneys without legislation in the Senate.

The Hon. ADAM SEARLE: Have you got an undertaking that those moneys will be forthcoming?

Mr ANDREW CONSTANCE: Absolutely. Joe Hockey can appropriate the money without legislation in the Senate. Again, you have demonstrated a naivety. I again call on you and your party—

The Hon. ADAM SEARLE: Is it not also the case that you can only access the Commonwealth money if you actually spend—

Mr ANDREW CONSTANCE: —to support the transaction and the incentive payment.

CHAIR: Order! Can the Treasurer just finalise his answer?

The Hon. ADAM SEARLE: I do not know. Can he?

Mr ANDREW CONSTANCE: Why are you opposed to the incentive payment from the Commonwealth to the States?

The Hon. ADAM SEARLE: I am just exploring the fact that you are trying to bank money that you do not have.

Mr ANDREW CONSTANCE: For starters, we are seeking a mandate to achieve it.

The Hon. ADAM SEARLE: As I understand the proposal, you have to expend the moneys before you can receive them from the Commonwealth.

Mr ANDREW CONSTANCE: You have clearly demonstrated this morning that you do not understand the process. We are conducting the necessary scoping work to work out the appropriate structure of the lease arrangements. At the same time we are undertaking the necessary revision of the State infrastructure strategy. We have a clear plan to congestion bust in Sydney in the interests of the community. In this year's budget we have record infrastructure spending across our forward estimates to build the largest road and rail projects in the nation's history. That is all happening at once. Work is underway. Terrific Ministers are bringing discipline to these projects. You are opposed to everything that we are doing. I would be interested to hear what your plan would be come March to meet the infrastructure requirements of the State. I think you need to explain to the community why you are opposed to a means to fund the infrastructure of the future.

The Hon. ADAM SEARLE: We are exploring your commitments in your budget.

Mr DAVID SHOEBRIDGE: This Treasurer does shine brightly compared to Joe Hockey. You would have to at least give him credit for that.

The Hon. ADAM SEARLE: I am not so sure about that. This \$20 billion is also made up of interest, is it not? You are planning on banking proceeds from the lease, so you are not planning on expending the moneys in the foreseeable future, are you?

Mr ANDREW CONSTANCE: Again you are clearly demonstrating a naivety in relation to how the Restart fund works. We have put the proceeds thus far from the desalination plant, which Labor well and truly mucked up—a desalination plant that is likely not to operate for years and we did not need. We have had to

refinance that. We put those proceeds into Restart. We have undertaken the port transactions, which you opposed. Again, those transactions are investing in links such as the Princes Highway through to revitalising Newcastle through to WestConnex. You opposed that. We have had to put the discipline in place in relation to that Restart fund to ensure that any unexpected tax windfalls go straight into that infrastructure fund. If Labor had invested in infrastructure with its windfall tax gains the State would be much stronger than it is currently. At the same time you are now claiming that we should not be generating interest off the back of the proceeds that were put into the Restart fund. So I am very confused—

The Hon. GREG DONNELLY: You are easily confused.

Mr ANDREW CONSTANCE: —this morning about your approach on matters economic.

The Hon. ADAM SEARLE: No, I am simply trying to explore where you say the \$20 billion is coming from.

Mr ANDREW CONSTANCE: Again, it is a combination of incentive payments from the Commonwealth, interest and proceeds from the transaction.

The Hon. ADAM SEARLE: So you have already estimated the proceeds of \$13 billion net.

The Hon. CATHERINE CUSACK: Your party is trying to rip \$2 billion out of it.

CHAIR: Order! Let the Treasurer answer the questions.

The Hon. ADAM SEARLE: You mentioned the port transaction. In 2010 a levy was put on 20 foot equivalent units that pass through Port Botany to build a truck marshalling yard. Even though that has been long since built, that charge on shipping containers is still in place. Over the period of the lease that you have just entered into with the port, that throughput charge alone, at the current rate, would yield about \$5 billion over the 99 years but there is no restriction on the port operator from lifting that charge to whatever they want, either on that charge or any other charge. Is that correct?

Mr ANDREW CONSTANCE: Can you explain to me why the Labor Party was prepared to use taxpayer subsidies—

The Hon. ADAM SEARLE: Treasurer, I ask the questions.

Mr ANDREW CONSTANCE: —in office for port charges when it should have been investing in schools, roads and hospitals?

Mr DAVID SHOEBRIDGE: Point of order: For the seemly conduct of this business, could the Treasurer not ask questions of the Committee but, indeed, answer the questions? Otherwise it becomes a rabble. Again, the Treasurer is posing questions of the Deputy Leader of the Opposition instead of answering his questions.

The Hon. CATHERINE CUSACK: To the point of order—

CHAIR: Order! It is the Treasurer's way of answering the question.

The Hon. CATHERINE CUSACK: I make a submission on that point of order. The Deputy Leader of the Opposition is interjecting continuously while the Treasurer is trying to answer his questions; and the Treasurer, being provoked by those interjections, is responding.

The Hon. GREG PEARCE: If The Greens want to take up Labor's time, that is your business, but you should have a discussion among yourselves because it is silly.

CHAIR: Order! The Deputy Leader of the Opposition will ask a question.

The Hon. ADAM SEARLE: Perhaps I could ask Mr Gaetjens as the Treasurer seems to be incapable of answering. The port operator can impose any charge that it likes on its customers, and that charge cannot be

blocked or amended by the Treasurer or by the Independent Pricing and Regulatory Tribunal [IPART]. Is that correct? They can charge what they like, whatever the market will bear?

Mr GAETJENS: I do not think that is correct. I think the mechanism is a light-handed regulation and if it does go beyond I think IPART can come in.

The Hon. ADAM SEARLE: I think the port operator—

CHAIR: Order! Mr Gaetjens is answering the question. Let him finish.

Mr SPENCER: There is a light-handed system of price regulation across all the ports, which provides for price monitoring or price surveillance where the price increases must be notified to the portfolio Minister.

The Hon. ADAM SEARLE: So it has to be notified but the portfolio Minister cannot refuse a charge, cannot lower a proposed charge and cannot block a proposed charge. Is that correct?

Mr SPENCER: That is correct. There is the ability for the Premier to refer pricing to the Independent Pricing and Regulatory Tribunal [IPART].

The Hon. ADAM SEARLE: But IPART cannot then block that proposed charge or any proposed increase. Is that correct?

Mr SPENCER: I would have to take that on notice. I am not sure about the powers of IPART in that regard.

The Hon. ADAM SEARLE: Under division 6A of the Act that was passed and proposed by the Government there is no power in IPART or the Government to control any port charges, is there?

Mr ANDREW CONSTANCE: I think it has just been outlined that there is a light-handed regulatory regime.

The Hon. ADAM SEARLE: By light handed you mean no regulation—giving notification only.

Mr ANDREW CONSTANCE: I put in context the way Labor abused taxpayer moneys to subsidise these charges in the past when that money should have been spent on hospitals, schools and roads.

CHAIR: Treasurer, do you want to take that question on notice to allow for further investigation?

Mr ANDREW CONSTANCE: I would be happy to.

The Hon. ADAM SEARLE: Again in relation to the port, after the lease was entered into I believe there was a new planning instrument created for the port site which removed height restrictions and provided for a diversification of uses.

Mr ANDREW CONSTANCE: Are you talking about the port State environmental planning policy [SEPP]?

The Hon. ADAM SEARLE: Yes, the port SEPP. Was the intention to create that port SEPP, and its terms, communicated to bidders and potential bidders for that lease before the lease was entered into?

Mr ANDREW CONSTANCE: I was not Treasurer at the time. We will take the question on notice.

The Hon. ADAM SEARLE: Perhaps Mr Gaetjens could answer that question. He was there for that.

Mr ANDREW CONSTANCE: It sounds like a question for the Minister for Planning to me.

Mr GAETJENS: I will take that on notice.

The Hon. ADAM SEARLE: In relation to the lease proposed for Newcastle port, are you proposing to create a port SEPP there as well?

Mr ANDREW CONSTANCE: As I understand it, the port SEPP applies across all three ports. Again, these are questions that should be directed to the Minister for Planning.

The Hon. ADAM SEARLE: Treasurer, you oversight the whole of the budget and all these matters.

Mr ANDREW CONSTANCE: If the Hon. Adam Searle wants to talk about the port of Newcastle transaction then we can. What a wonderful outcome. We have a consortium involving China Merchants Group and Hastings Funds Management, which has nine million Australian superannuants as part of its fund, investing in a port and giving confidence to the Hunter region for decades to come. The Government is able to take the proceeds from that port transaction to revitalise Newcastle, which was left in the doldrums after Labor's mismanagement. We have an enormous outcome—

The Hon. GREG DONNELLY: Your boys have done a pretty good job up there, have they not?

Mr ANDREW CONSTANCE: The Hon. Greg Donnelly is opposed to the missing link in the Newcastle inner-city bypass. He is opposed to transport improvements. He is opposed to the \$1 billion that has gone into the Hunter, an important economic region for this State. I invite everyone to look at Labor's record in the Hunter over many years where they neglected that region and neglected the infrastructure requirements of tens of thousands of people.

The Hon. ADAM SEARLE: I ask that this next question be taken on notice either by you, Treasurer, or by Mr Gaetjens. Did any of the bidders for any of the ports know about any proposed land-use changes for any of the three ports? I am happy for you to take that on notice to make sure there is no misunderstanding about what I am asking. Are you happy to do that?

Mr ANDREW CONSTANCE: Yes.

The Hon. ADAM SEARLE: I would like to ask a question about the Restart NSW fund report for the year ended 30 June 2013. At page 6 there is a line item for "stamp duty paid for the sale of the New South Wales ports" of \$215 million. Did the port lessee pay for that stamp duty? Is that what that entry is? Or was it paid for by the State? I am asking who paid the stamp duty.

Mr SPENCER: There is an all-up price paid for the port and there is an allocation between purchase price and stamp duty.

The Hon. ADAM SEARLE: Mr Spencer, could you explain the difference on that page 6? It says that the stamp duty paid for the sale of the port is \$215 million but then above it says the "transfer of stamp and mortgage duty from the Crown entity" is \$223.5 million. So there is a small difference. Can you explain that?

Mr SPENCER: I will have to take that question on notice.

The Hon. ADAM SEARLE: Also on that page it lists an amount of \$4 million for section 9 (2) payments made to regional and rural areas. Can you provide, and I am happy for you to take this on notice, a breakdown of how that \$4 million is to be expended or was expended?

Mr ANDREW CONSTANCE: Sure.

The Hon. GREG PEARCE: Has the Hon. Adam Searle run out of questions?

The Hon. ADAM SEARLE: No, I am just consulting with my colleagues.

The Hon. MELINDA PAVEY: Five seconds are remaining for Opposition questions.

CHAIR: Order! The time for Opposition questions has expired. I call Mr David Shoebridge.

The Hon. ADAM SEARLE: I will put my remaining questions on notice.

Mr DAVID SHOEBRIDGE: Treasurer, why is there a clause in the Newcastle port leasing documents prohibiting wind turbines?

Mr ANDREW CONSTANCE: I am happy to take that on notice.

Mr DAVID SHOEBRIDGE: Treasurer, do you stand by the bizarre statement by your spokesperson when he said that the wind farm clause—

The Hon. GREG PEARCE: Point of order: That question is argumentative. The member should rephrase it.

Mr DAVID SHOEBRIDGE: I will start again. Treasurer, do you stand by the statement by your spokesperson as follows:

The wind farm clause has been included in lease given the location of coal stockpiles at the Port of Newcastle. It was not appropriate to allow wind farms adjacent to the stockpiles because of the potential to create coal dust issues.

Treasurer, do you stand by that statement by your spokesperson?

Mr ANDREW CONSTANCE: The Greens are very sensitive in relation to this point. I think the advice given to us by the Treasury at the time was that the notional concept of putting a wind generator almost on top of a coal stockpile was something of concern. You guys have had your fun with it, and you have had your fun with it on Twitter; and that is the end of the story as far as I am concerned.

Mr DAVID SHOEBRIDGE: Treasurer, do you stand by the statement from your own spokesperson? This is a simple question.

Mr ANDREW CONSTANCE: You have had your fun with it.

Mr DAVID SHOEBRIDGE: Treasurer, do you understand that wind turbines do not generate wind? That is a most basic concept. Do you understand that?

Mr ANDREW CONSTANCE: In terms of wind turbines—

The Hon. GREG DONNELLY: Treasurer, you have not got a clue.

Mr ANDREW CONSTANCE: If you are going to sit here and ask me whether wind turbines—

Mr DAVID SHOEBRIDGE: I am asking you about a statement from your spokesperson that seemed bizarre, to say the least. I am simply asking whether you disown that statement.

Mr ANDREW CONSTANCE: I think he had a bit of fun at your expense in relation to The Greens—

Mr DAVID SHOEBRIDGE: He was having fun at the expense of rationality, reason and science.

Mr ANDREW CONSTANCE: Wind blows through to a turbine and generates electricity, and no doubt there is air movement associated around a wind turbine. That is the point I would make.

Mr DAVID SHOEBRIDGE: Treasurer, are you adopting the voodoo science of your spokesperson that wind turbines generate wind and will disturb coal stockpiles? Are you adopting that voodoo science from your spokesperson?

Mr ANDREW CONSTANCE: One observation I would make is that the advice given at the time was that obviously if you put a generator literally on top of a coal stockpile you might have an effect. The point is that wind travels through and generates electricity off the back off a generator and away you go. If you want to get into the studies of air movement around wind turbines I suggest you direct your questions to the Minister for the Environment.

Mr DAVID SHOEBRIDGE: Treasurer, can you provide on notice who gave you that advice and the substance of the advice that you have just spoken about?

Mr ANDREW CONSTANCE: Mr Shoebridge, if you are going to start to go around pillorying individual bureaucrats who provide advice on these things that is your business.

Mr DAVID SHOEBRIDGE: Treasurer, this is your spokesperson—they are speaking on your behalf. Do you disavow that statement?

Mr ANDREW CONSTANCE: You have taken exception and run your Twitter campaign. The Greens are all upset. My question to you is: Do you support putting a wind turbine on top of a coal stockpile?

Mr DAVID SHOEBRIDGE: We would definitely support leaving the wind turbine at the port of Newcastle and, if it was appropriate on wind studies, expanding it there if at all possible—

Mr ANDREW CONSTANCE: Are you talking about a wind turbine or a wind farm? I just want to get that clear?

Mr DAVID SHOEBRIDGE: I can say that a wind turbine or a wind farm would be perfectly compatible with the port of Newcastle.

Mr ANDREW CONSTANCE: So you think there is no air flow movement around wind turbines? Is that what you are saying?

Mr DAVID SHOEBRIDGE: I do not believe that the turbines generate wind to move coal dust around Newcastle, unlike your rather bizarre spokesperson and his voodoo science approach to wind—which this Government has as a general rule.

The Hon. GREG PEARCE: What does this have to do with budget estimates? Have you got no questions on the budget?

Mr DAVID SHOEBRIDGE: Treasurer, can I ask you about the forecast revenue for royalties for thermal coal and coal revenue generally. I think you said earlier that the revenue for this financial year had fallen by—

Mr ANDREW CONSTANCE: I corrected my statement and made it clear that was for the 2013-14 financial year.

Mr DAVID SHOEBRIDGE: What is the estimated future thermal coal price that has been relied upon for Treasury's future projections? Is it \$US90 a tonne?

Mr ANDREW CONSTANCE: We can get you specifics around that.

Mr DAVID SHOEBRIDGE: The Treasury papers suggest that the latest royalty forecast is based on a depreciation of the Australian dollar—

Mr ANDREW CONSTANCE: It is \$90 per tonne, as outlined on page 6-28 of Budget Paper No. 2.

Mr DAVID SHOEBRIDGE: Do you understand that the Federal Treasury forecasts put the medium- and long-term forecast for thermal coal at or below \$AU80 a tonne? Have you been following those forecasts?

Mr ANDREW CONSTANCE: I do not sit and follow the Commonwealth forecasting around coal by the day, but we have a projection there. If you are saying that—

Mr DAVID SHOEBRIDGE: I am saying it is based upon a fanciful figure and, in fact, the spot price for thermal coal at the moment is closer to \$US75 a tonne and the ongoing projections going forward are closer to \$US75 a tonne. I was wondering how that impacts upon your future projections.

Mr ANDREW CONSTANCE: The latest royalties forecast is based on a depreciation of the Australian dollar, a slight increase in thermal coal prices at an average of \$US90 a tonne and growth in coal export volumes by 3.1 per cent on an average annual basis over the forward estimates. That is the decision of Treasury that has been made.

Mr DAVID SHOEBRIDGE: May I ask through you to Treasury what is it doing in terms of reviewing that forecast given that at the moment it seems to bear no relationship to reality with both the current and forecasted price of thermal coal?

Mr GAETJENS: We will re-examine our forecasts leading up to the half-yearly review. It would not surprise me at all if there is a different methodology between our forecast and the term to which it applies and the forecast taken by Federal Treasury, if in fact it is a forecast rather than a technical assumption. We will take that on notice but I suspect you are maybe not comparing apples with apples.

Mr DAVID SHOEBRIDGE: Could I ask you to take on notice the review of those forecasts for 2014-15 through to 2017-18, given the current status of thermal coal and the spot price being greatly below the \$US90 a tonne in your estimates?

Mr GAETJENS: We can do that.

Mr DAVID SHOEBRIDGE: Could you provide on notice any revised estimates for those forward years?

Mr GAETJENS: We will revise our estimates at the half-year review time, if necessary.

Mr DAVID SHOEBRIDGE: Treasurer, there was toing and froing between you and Mr Searle about the issue of lost revenue from the long-term leasing of electricity distribution assets.

Mr ANDREW CONSTANCE: I think that assumption is wrong.

Mr DAVID SHOEBRIDGE: I wanted to cut through that and ask: Has Treasury estimated the loss of income if those distributions assets are leased out and, if so, could you provide those figures on notice?

Mr ANDREW CONSTANCE: We are doing a scoping study with very good reason. Part of that looks at the structure of the lease arrangements moving forward. We have a retention value put in place with very good reason. There is no loss of income. We are out to better the fiscal position of the Government. We have sought to do that over three years with enormous discipline and it is why we are working through this scoping study.

Mr DAVID SHOEBRIDGE: I understand the retention value is effectively a capitalisation of lost future income. The question is about the lost future income. Could you provide that on notice?

Mr ANDREW CONSTANCE: There is no answer to be given in relation to the future loss of income. Let us be clear on that. That is a scare campaign being run by the Labor Party in relation to the transaction with good reason: They want to maintain the union rorts that exist and the union power base that exists within the electricity networks.

CHAIR: Order! Your time has expired, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: Perhaps you could also provide on notice what these so-called union rorts are.

Mr ANDREW CONSTANCE: I am happy to. I am happy to start talking about cars being driven to the Northern Territory for three months with petrol cards in tow.

Mr DAVID SHOEBRIDGE: And the cost on power prices. Please do.

CHAIR: Treasurer, there has been some discussion about the ongoing success of the First Home Owner Grant and there have been reports of a drop in applications. They seem to have lost their attraction.

Mr ANDREW CONSTANCE: A drop in applications for First Home Owner Grants?

CHAIR: Is that correct? Is the scheme viable? It was meant to stimulate the building industry. Is it doing that?

Mr ANDREW CONSTANCE: We are seeing enormous success in terms of housing approvals and dwelling completions in New South Wales off the back of the work that has been done. We have managed the budget to invest particularly in housing. That is why we have the Housing Acceleration Fund and the Building the State Housing Package. Incorporated into that is the First Home Owner Grants. We have restricted them to new dwellings very deliberately because we want to see construction and we do not want to see any impact in terms of inflationary pressures on housing. That is why we have provided these concessions. They have particularly been taken up in south-west and north-west Sydney, where we are seeing a lot of young families entering the housing market for the first time. I am very happy to provide you with the suburb-by-suburb breakdown in that regard because 16 of the top 20 areas in terms of take-up for the First Home Owner Grants are in Western Sydney.

CHAIR: Is it a fact that there has been a decrease in applications? Could you provide on notice a comparison of the previous years and whether there has been a decline?

Mr ANDREW CONSTANCE: Yes, I am happy to give you a breakdown. But the observation I make is we took a very deliberate decision to make sure that the First Home Owner Grants applied to new dwellings because of the inflationary impact that the grants were having across the board on all housing.

CHAIR: Is there another area of new home grants as distinct from the First Home Owner Grants?

Mr ANDREW CONSTANCE: There is the New Home Grants Program. One of the decisions that we took was to restrict the access of that grant to foreign investors. I took that decision as part of the budget. The \$5,000 New Home Grant was introduced from 1 July 2012 as part of our Building the State housing package after an extended period of low residential construction activity. It just was not a focus of the last Government; it has been a focus of this Government. It is why we have seen housing approvals in the past 12 months exceed 50,000. I think back in 2009—correct me if I am wrong—that figure was closer to 16,000 under Labor. We now have housing approvals at a 10-year high. We have worked hard to release land to boost supply and create downward pressure as part of an effort to start to try to address the sting when it comes to housing affordability.

We still have a long way to go in that regard. I am not going to pretend that we do not. The bottom line is that as a Government we are critically dependent on stamp duty revenues given the current taxation arrangements in this State. We are dependent on a thriving property sector. It is why we have geared our infrastructure investments into these areas through the Housing Acceleration Fund. It is why we have very proudly, as part of the budget, earmarked moneys out of Restart to go towards a Housing Acceleration Fund for south-west Sydney. We want to invest in those local roads and local infrastructure projects to drive housing development given the importance of housing sector to the State economy.

CHAIR: You mentioned the Restart program. What are the some of the other major projects under that program?

Mr ANDREW CONSTANCE: Very proudly, in this year's budget we put in place the reservation funding for a number of key projects around the State. One of those is a \$400 million allocation towards the light rail project in Parramatta. Vital funding of \$3.8 billion from Restart has already been put towards projects, such as \$1.8 billion for WestConnex, \$400 million for NorthConnex, \$403 million for the Pacific Highway, \$278 million for Western Sydney roads to support Sydney's second airport, \$170 million for the Princes Highway and \$130 million for road pinch points in Sydney's growth centres.

From a regional perspective, we are also prioritising projects such as Bridges for the Bush, which is designed to unlock, specifically, freight pinch points on regional roads and highways. We have made Restart reservations in this budget. Those projects are contingent on making sure that the economic benefits stack up. As part of those reservations, that is why we have allocated moneys towards light rail in Parramatta. It is why we have allocated moneys towards vital water infrastructure projects for the regions, roads projects for the regions and regional tourism infrastructure as well.

This would not have happened if we had not seen the agreement particularly from the crossbench in the upper House to the Government's agenda around the Restart fund, its establishment and the way in which we have allocated the moneys to it. I have to say that I think this has been an enormous success of Mike Baird's in establishing the fund, having the discipline to put windfall tax gains into the fund, and making sure that the economic rigour exists around the fund. The community gets it. We touched on the Newcastle and the Hunter

community. They were incredibly accepting of us recycling capital from one infrastructure asset into another infrastructure project in the interests of their community.

We have seen \$100 million allocated in the Illawarra off the back of the Port Kembla transaction. Very constructively, we as a Government went out to the local community to seek their input into vital infrastructure projects. That process has been managed incredibly well. The Hon. Greg Pearce, who was the Minister at the time, started that process. We have been an engaging, consultative Government in regard to recycling capital. It is why with confidence I can say that the process around the 49 per cent lease of electricity distribution assets is the right way to go.

CHAIR: Thank you, Treasurer. That brings to a conclusion the estimates inquiry into the Treasury. We will adjourn for 15 minutes and reassemble at 11.15 a.m. to cover the portfolio of Industrial Relations.

(The witnesses withdrew)

(Short adjournment)

PHILIP GAETJENS, Secretary, Treasury,

VICKI TELFER, Executive Director, New South Wales Industrial Relations, on former oath:

CHAIR: We will recommence our hearing to examine Industrial Relations.

The Hon. ADAM SEARLE: Minister, I think last year the budget for the Office of Industrial Relations was around \$8.9 million. Can you tell the Committee what the budget is for the current financial year?

Mr ANDREW CONSTANCE: The Treasury cluster budget allocation for New South Wales Industrial Relations for 2014-15 is \$10.3 million. The vast majority of budgeted funds is allocated to salaries and employee-related expenses for 64 full-time equivalent positions. New South Wales Industrial Relations is there to provide the necessary strategic policy advice to the Government in relation to public sector wages and conditions and our participation as a partner in the Federal Fair Work regime. Beyond that, New South Wales Industrial Relations provides the delivery of vital service-based education compliance and enforcement activities.

The Hon. ADAM SEARLE: Thank you for that. I refer to education and information to employees and employers. I think Ms Telfer indicated last year that notwithstanding the ending of the contract with the Fair Work Ombudsman, the Office of Industrial Relations [OIR] would continue to provide information in connection with private sector industrial relations matters and conditions. Can you confirm that is the case for the year just gone as well as it being the intention for the year ahead?

Mr ANDREW CONSTANCE: Yes, sure. I think I can assist in that regard. New South Wales Industrial Relations provided information to 1,889 people at 171 educational workshops, including 109 workshops attended by 1,215 people in regional New South Wales at Albury, Yass, Narrabri, Dubbo, Griffith, Grafton, Taree, Tamworth, Wagga Wagga, Orange and Merimbula. These workshops covered an array of issues for payroll, dealing with workplace bullying and workplace policies. Further to that, at the same time New South Wales Industrial Relations also responded to 17,170 telephone inquiries, 689 email inquiries, and developed and presented 36 live and interactive webinars and video presentations to 611 participants and presented additional prerecorded online webinars that were viewed by a further 3,868 participants.

The Hon. ADAM SEARLE: In relation to all those statistics that you have just given, do you have a breakdown as between those inquiries being public sector versus private sector?

Mr ANDREW CONSTANCE: I am unsure of that.

The Hon. ADAM SEARLE: I am happy for you to take it on notice. It is not a trick question.

Mr ANDREW CONSTANCE: Sure.

Ms TELFER: I might be able to provide some information. We have not been breaking down those inquiries in the last financial year, so we are not able to provide that information, but I have in fact now asked my director of compliance to start giving me some more granular information. I am hoping that by the end of this calendar year I will be able to give some more detailed information, but it has not been information that we have ever taken down.

The Hon. ADAM SEARLE: I am sorry if you have already provided this, but can you provide the level of enforcement? You mentioned a number for enforcement proceedings. If not, I am happy for you to take that on notice.

Mr ANDREW CONSTANCE: We might need to take it on notice.

Ms TELFER: I know we have done at least four prosecutions in the taxi industry in the last financial year. Two of those matters are on appeal at the moment and not yet concluded. So to me, as an old-fashioned— as a regulator—

The Hon. ADAM SEARLE: A modern regulator I think you described yourself as last time.

Ms TELFER: Not as an old-fashioned regulator.

The Hon. ADAM SEARLE: No, I said a modern regulator.

Ms TELFER: A modern regulator, that is right. I always think that prosecution should be the last resort. Obviously, you have that in your arsenal of tools to use but we would much rather make sure that employers know what they need to do and comply with the law. We also do other enforcement activity and in the last financial year we recovered lost long service leave and annual holiday leave pay to the tune of almost \$400,000. In the first six weeks of this financial year we have recovered close to \$35,000 in long service leave and annual holiday pay. So there is a range of tools that we use.

Going back to the taxi industry, because we were having to do so many investigations in the taxi industry we started a taxi industry education campaign and we have been working with stakeholders—the unions and the Taxi Industry Council and other stakeholders. We have provided information via webinars and we have also gone out to the large areas, such as Sydney Airport, and handed out information there to taxi drivers. We have had that information translated into various community languages. So that is just one example. We take a broad-brush approach to making sure that we get good compliance with the laws that are in place in New South Wales.

The Hon. ADAM SEARLE: In relation to all those, what I will call compliance and enforcement functions, are you able to take on notice to provide a detailed report—you mentioned the taxi industry but what other industries? I assume it is mainly in the public sector, as opposed to the private sector. Leaving aside the taxi industry, can you give a full run-down on your activities?

Mr ANDREW CONSTANCE: Since 1 July 2013 the Compliance Unit has finalised 203 investigations.

The Hon. ADAM SEARLE: If there is any other information you find, you can take that on notice. I note you have done presentations at a number of locations throughout New South Wales.

Ms TELFER: Not me but my staff, yes.

The Hon. ADAM SEARLE: I meant the generic "you"—although I would not rule out the possibility that you might do so in person. But do you plan to do so in the current financial year as well, to keep doing this as a regular feature given that you no longer have a regional presence through offices?

Ms TELFER: Yes, we have our proactive compliance activities planned to the end of this calendar year. I know that the Compliance Branch is having a look at its calendar and where they need to go in the next calendar year. They are doing a review at the moment about what activities we get a lot of inquiries about. It is one of the reasons I have asked for more granular information so that we can, in fact, work out what the inquiries are about, so we can provide information to fill those gaps. We are also having a look at locations—which locations we can best deliver information to on a geographic basis throughout New South Wales. This last financial year we delivered programs throughout the length and breadth of metropolitan Sydney and country New South Wales, regional New South Wales. We have got the budget and we are intending to use that budget, and in fact it may not be the same locations. They may be different locations, depending on need.

Mr ANDREW CONSTANCE: I add, and it is important to the Committee also, that the New South Wales Industrial Relations Aboriginal and Torres Strait Islander [ATSI] Unit also provides strong support and information for employees and employers. During the year that unit attended 40 Aboriginal and Torres Strait Islander community events, so we are also obviously targeting the Aboriginal community in that regard as well.

The Hon. ADAM SEARLE: Ms Telfer mentioned the "small but effective unit", as she described it. How many people worked in that unit in the last year and how many propose to work in it in the coming year?

Ms TELFER: The unit is quite small and has been for some years. It comprises two people and that will continue for the future.

The Hon. ADAM SEARLE: Is most of that activity on the road visiting communities or is it responding to inquiries? Can you give us the flavour?

Ms TELFER: It is a mixture. The two people who work in the unit have been doing that work for some years and have got very good networks and so they get a lot of inquiries over the phone. They do go out to community organisations as well. They also do a number of activities so, for example, there is a radio station that they provide information through; they provide articles for, I think, the *Courier Mail* or the *National Indigenous Times*. They have a regular column there so they do, I think, really terrific work based on their level of knowledge and also the fact that they have built up networks over the last few years.

The Hon. ADAM SEARLE: What are the most common problems that your agencies are coming across in those Indigenous communities?

Ms TELFER: One thing—and I do not think this is unusual in an industrial relations sense—is that community organisations everywhere often have turnover of their committees of management and many of these committees of management are volunteer committees of management employing people. It is hard for those volunteers to understand what their responsibilities are. So there is a general gap in information that people need to have. But also sometimes employees do not know what they are entitled to. I would be happy to provide further information to the Committee. I will ask the staff in the ATSI unit to provide me with that extra information.

The Hon. ADAM SEARLE: In particular, I would be interested to know whether it is mainly employer advice to, as you say, committees of management of voluntary organisations.

Mr ANDREW CONSTANCE: We can provide a separate briefing for you, if that suits.

The Hon. ADAM SEARLE: I would be interested in that. Minister, can you advise when the 2013 Annual Report of the Industrial Relations Commission will be provided to the Parliament?

Ms TELFER: We will need to get back to you.

The Hon. ADAM SEARLE: Has it been provided to your office and, if it has, can you—

Mr ANDREW CONSTANCE: Yes, I will take that on notice.

The Hon. ADAM SEARLE: A couple of years ago the former Minister, Mr Baird, acknowledged that there was a significant backlog of work in the Industrial Relations Commission. I think at that time, in 2012, it was over 1,000 matters and there was an overdue need for appointments—he, I think advisedly, used the plural. I think the Government then took the step of advertising or seeking expressions of interest. Certainly it was the case that the headhunter who was charged with the task of sorting the expressions of interest was informing people that the Government then had in contemplation three or four appointments to the Industrial Relations Commission. I understand there was a selection process. The point is that only one person was appointed. The following year the backlog had reduced to 733, but the size of the tribunal keeps shrinking. Do you plan to make more appointments and, if so, over what period of time?

Mr ANDREW CONSTANCE: Obviously the referral of powers to the Commonwealth and what have you has seen a reduction in the workload of the commission. It cannot be denied and obviously one wants to ensure that the commission is resourced adequately. We are currently examining options in that regard. I have had a meeting with Walton J and it is on my microscope at the moment and I will be making a decision in relation to that. I think we have to recognise that ultimately, with the decline in the workload, there has been a requisite decline in the resources available. But we are looking at it at the present time.

The Hon. ADAM SEARLE: Just on that, although you are right that the jurisdiction has contracted due to retirements, the actual size of the tribunal has contracted faster. There is a very significant backlog of work. As I said, the last published annual report was 733. I think there might have been five or six full-time equivalent tribunal members. That is a significant workload for a tribunal member at that time. Earlier this year five of the judges retired. I understand the issue of the court is that that work has very severely diminished due to the Government and the Parliament taking its jurisdiction away, but those judges were also members of the commission and they were available if needed to do arbitral work. They are no longer there. The backlog for the tribunal must now be quite considerable. What reservations do you have about making further appointments, Minister?

Mr ANDREW CONSTANCE: We have also seen the transfer of workplace health and safety matters to the District Court.

The Hon. ADAM SEARLE: That deals with the court; I am talking about the tribunal.

Mr ANDREW CONSTANCE: To just run through it, the current members of the commission are as follows: the judicial members are Michael Walton as President, and Roger Boland as the former President—

The Hon. ADAM SEARLE: He is only on a 12-month appointment.

Mr ANDREW CONSTANCE: Commissioners are Rodney Harrison, John Stanton, Inaam Tabbaa and Peter Newall. I make no secret of the fact that I have met with the President. He has expressed concern about resources and we are considering it.

The Hon. ADAM SEARLE: You do not dispute, do you, that the tribunal has a backlog and needs more resources to do its job in a timely and effective manner?

Mr ANDREW CONSTANCE: As I said, I have to be guided by the President in that regard and that is why I met with him. I took that responsibility, and I take this responsibility very seriously to ensure the resources are adequate to meet the needs of the commission. As I said, I prefer at this stage to leave it as I am assessing it, and that is exactly what I am going to do.

The Hon. ADAM SEARLE: I have been getting feedback from stakeholders, not only unions but public sector managers, who are concerned about the time it is taking to have their matters dealt with in the Industrial Relations Commission. That goes from 130 dispute notifications to conciliations and arbitral hearings. There is a lot of concern in the industrial relations community, including by managers, about the inability to have matters dealt with in a timely way.

Mr ANDREW CONSTANCE: I understand that the two key stakeholders raising concern are local government and the United Services Union, in particular. As I indicated, I am treating this matter very seriously. Again, I have only been the Minister for a short period of time. I have met with the President and those concerns have been raised. Further information is being presented and I will work through with the executive director in relation to the resources.

The Hon. ADAM SEARLE: Can you advise the Committee about the time period for delays in having 130 dispute notifications put before the tribunal?

Mr ANDREW CONSTANCE: I am happy to provide that information on notice.

The Hon. ADAM SEARLE: Can you also provide information to the Committee about how long it is taking to have matters conciliated in the Industrial Relations Commission [IRC]?

Mr ANDREW CONSTANCE: I am happy to provide that information.

The Hon. ADAM SEARLE: Can you provide that same information in relation to the time it is taking to have full arbitrations set down, including particularly in relation to termination matters?

Mr ANDREW CONSTANCE: Yes.

The Hon. ADAM SEARLE: Also that same information for the time it is taking for decisions to be handed down?

Mr ANDREW CONSTANCE: Yes.

The Hon. ADAM SEARLE: And also in relation to the setting down, the hearing and the delivering of judgments?

Mr ANDREW CONSTANCE: Yes. If you want to provide those questions on notice we are happy to respond. I want to see, obviously, the commission resourced adequately based on its requirements and I expect full openness and transparency around the performance of the IRC.

The Hon. ADAM SEARLE: I am not being critical of the previous President but previous annual reports from the Industrial Relations Commission did not always have all of that information clearly set out. You have taken on notice my request to have that information provided. Is that information, do you think, able to be put into annual reports on a continuing basis?

Mr ANDREW CONSTANCE: I am happy to provide you with a briefing through New South Wales Industrial Relations in relation to it. I do not have a problem with the disclosure of any commission or any agency of government in terms of its performance. That is what we should be about.

CHAIR: Order! Mr David Shoebridge.

Mr DAVID SHOEBRIDGE: Thank you, Mr Chair. In terms of the Industrial Relations Commission, there is an ongoing growing concern that the lack of appointments to it indicates a lack of ongoing commitment to it on behalf of your Government. Can you confirm on the record that there is a long-term commitment to the independent Industrial Relations Commission?

Mr ANDREW CONSTANCE: As I have just indicated I want to ensure the resources adequately meet the functions of the commission based on its present-day jurisdictional requirements. That is the bottom line. I do not want to see stakeholders frustrated due to waiting periods, and the President has expressed those concerns to me, having met with him. Having only been in the portfolio for a short period of time I am happy to consider that, and as I indicated, it is under consideration at this point in time.

Mr DAVID SHOEBRIDGE: My question was not really to resourcing, it was predicated on the fact there are concerns about a lack of resourcing maybe as indicating a lack of ongoing commitment to the maintenance of the IRC as a separate and independent tribunal. I am asking about that second aspect.

Mr ANDREW CONSTANCE: The workload requirements for the commission have changed, obviously as a result of Fair Work and, of course, also the transfer of workplace health and safety matters to the District Court. So there has been a change there reflective of the Government's agenda and my role as Minister is to make sure that the resources adequately meet the needs and requirements of the commission, and that is what I intend on doing as the new Minister.

Mr DAVID SHOEBRIDGE: I am asking you about a commitment to the institution, the maintenance of it as an independent and separate institution. Is part of your thoughts about resourcing at the moment whether or not you will be retaining it as an institution or rolling it up into another body?

Mr ANDREW CONSTANCE: Again, the IRC has a number of important functions to play. We recognise that work. It has to be adequately resourced to be able to do so. The President has expressed concern. It has potential retirements in the near future in terms of commissioners and what have you, so we will work through the processes around that.

Mr DAVID SHOEBRIDGE: Treasurer, we are fencing here. I am just asking you about a commitment to the institution—

Mr ANDREW CONSTANCE: If you are asking me about my deep, philosophically held view on the Industrial Relations Commission—

Mr DAVID SHOEBRIDGE: —to maintaining a separate and independent umpire in the form of the IRC. Are you committed to that as an institution?

Mr ANDREW CONSTANCE: Again, the Government's position has been made very clear in relation to the IRC. Since coming to office there have been some significant changes in the jurisdictional operations of the IRC. It still currently exists. It exists under laws which, I dare say, would never pass the New South Wales Legislative Council and we are at this point.

Mr DAVID SHOEBRIDGE: Do I take it from that if you could get laws through the Legislative Council to abolish the IRC that would be your goal?

Mr ANDREW CONSTANCE: You should not speculate. You are speculating.

Mr DAVID SHOEBRIDGE: I am just taking your answer and it seems to me that your answer suggested that the reason the IRC is still there is because you cannot get laws abolishing the IRC through the Legislative Council. Is that what I am to take from your answer?

The Hon. GREG PEARCE: I could not do it, anyway.

Mr DAVID SHOEBRIDGE: I note the interjection from the Hon. Greg Pearce.

The Hon. ADAM SEARLE: That was within your own Government.

Mr DAVID SHOEBRIDGE: This is not the chance for all your mea culpas, Mr Pearce.

Mr ANDREW CONSTANCE: The observation I make is we have remained committed to the Industrial Relations Commission [IRC]. We did not seek to fold it into the NSW Civil and Administrative Tribunal [NCAT] through legislation. I am going to make sure it is adequately resourced to perform its important duties and work with the president.

Mr DAVID SHOEBRIDGE: Do I take it that the rider to your resourcing statement is until you get the numbers in Parliament to abolish it?

The Hon. GREG PEARCE: You are trying to put words into his mouth.

Mr ANDREW CONSTANCE: You are asking me to speculate. Quite frankly, I am not going to do so. The current Government policy is to support the IRC. We did not fold it into NCAT. You have a Minister before you indicating that he has met with the president to discuss resourcing. I am treating that issue very seriously. In due course I will be indicating a position publicly.

Mr DAVID SHOEBRIDGE: Can you give an indication for a time frame for that decision? March 26?

The Hon. CATHERINE CUSACK: Material for The Greens' scare campaign.

Mr ANDREW CONSTANCE: I am not going to indicate a time frame at this moment. As I said, I am assessing it. I have just taken on the portfolio responsibilities during a busy budget sitting period and I look forward to having a fantastic working relationship with the president of the IRC. I think anyone who has seen my performance as a Minister will know that I treat my roles very seriously and, in this regard, I am treating it as seriously as any other role that I perform.

Mr DAVID SHOEBRIDGE: Treasurer, in terms of the Government's wages policy, the carrot that is offered to public sector workers is that they can receive more than the cap. I am not quite sure whether or not you describe it as a 2.5 per cent cap or a 2.27 per cent cap. Which public sector agencies have successfully negotiated wage outcomes above the cap on the basis of efficiencies?

Mr ANDREW CONSTANCE: There are about 35,000 employees who have received increases of more than 2.5 per cent, subject to achieving specific savings. That is the discipline that we have brought to this to make sure that the savings are received before we obviously increase wages. If only the former Government had greater respect for valuable taxpayer resources this State would be far stronger. I am happy to give you the information.

The employees include more than 4,000 bus drivers who received a 3.25 per cent increase from 1 January 2013 and more than 5,700 employees of Ausgrid received a 2.7 per cent increase on 18 December 2012. More than 16,000 police officers received increases in remuneration and other conditions of employment, totalling 3 per cent from 1 July 2014. We have introduced a new teachers in schools award. A raft of awards have been negotiated successfully through appropriate engagement of respective Ministers and their agencies with those public sector unions and, at the same time, the Premier and I have met with Unions NSW with an open door policy to discuss those.

Recently, as Minister for Finance, I was engaged in a process to negotiate conditions for the NSW Police Force, which I am happy to report to this Committee was a very successful negotiation. At the

same time, I recognise that there are many members of the New South Wales public service who do an incredible job but at the same time recognise the importance of a Government that is able to direct valuable taxpayer resources to its core service responsibilities to the community, and the public sector unions play their part. I was very pleased to work alongside the Police Association of NSW in reaching a terrific outcome for their membership.

Mr DAVID SHOEBRIDGE: In terms of the 2.7 per cent deal in relation to Ausgrid and its workers, did you or your Government seek to attack so-called union rorts in the course of that—

Mr ANDREW CONSTANCE: I am glad you have asked me this question—

Mr DAVID SHOEBRIDGE: —or is that simply hyperbole?

Mr ANDREW CONSTANCE: Historic arrangements were reached, particularly during John Robertson's time as an organiser of the Electrical Trades Union [ETU], which led to some very generous outcomes as a result of union negotiations with the government of the day, which I find unacceptable on behalf of electricity consumers in this State. We are all aware of some horrendous stories of individuals unable to pay their electricity bills and I learned of very generous negotiated arrangements between the ETU and the government of the day that have had an effect on electricity prices. I do not accept someone taking—

Mr DAVID SHOEBRIDGE: Which entitlements are you trying to take off public sector workers in that regard?

Mr ANDREW CONSTANCE: I do not find it acceptable that someone is able to take a government car and a petrol card to the Northern Territory to go fishing. That is the type of stuff that gets up the nose of the community. If you are happy to defend it, go right ahead. That is just unacceptable. We make no secret of the fact that we want to see change in this regard.

Mr DAVID SHOEBRIDGE: Have you got any modelling that shows the cost impact of these so-called union rorts on the pricing of electricity in New South Wales, Treasurer, or are these assertions that you make for a political purpose?

Mr ANDREW CONSTANCE: I do not know. You can survey people on the street to find out their view on some of the arrangements in terms of—

Mr DAVID SHOEBRIDGE: Is that how you set your policies?

Mr ANDREW CONSTANCE: Well, if you think that 27 per cent or 26 per cent superannuation for some of these workers is an acceptable level—

Mr DAVID SHOEBRIDGE: But you are about to sack them all.

Mr ANDREW CONSTANCE: —given the view of The Greens, it is without doubt that enough is enough. I am a friend of the electricity consumer in this State. There is no doubt that the campaign being waged by John Robertson and the ETU is designed to maintain their power base in the face of a sensible decision to fund infrastructure in this State, and, quite frankly, I refer you to the comments of Vince Graham in the *Australian* newspaper earlier this week.

The Hon. ADAM SEARLE: I think we are aware of that.

Mr ANDREW CONSTANCE: I am sure you are, which again identifies—

Mr DAVID SHOEBRIDGE: A loss-making flag master for capitalism.

Mr ANDREW CONSTANCE: —the challenges. Labor expenses associated with these networks have been identified. We have indicated very clearly that we will see enterprise bargaining agreements undertaken and associated with these businesses over the course of the next 12 months. That is an appropriate forum for negotiations to commence but, quite frankly, I make no apologies for identifying what I regard to be union rorts in the electricity industry in this State and for fighting hard for consumers.

CHAIR: Thank you, Treasurer. It is now time for my segment. Following up that discussion, the Government has had a policy to try to maintain the level of a 2.5 per cent increase, but you appear to be flexible in negotiations with individual classifications, as you have indicated with the police and others. Is that still the Government policy?

Mr ANDREW CONSTANCE: The wages policy is governed by the legislation of the Parliament. In terms of wages policy, as a result of being able to generate employee-related savings, some employees have had the ability to go above the 2.5 per cent. The observation I make is that when this Government came to office it had to make some tough decisions in relation to savings measures across government to ensure that we lived within our means across the forward estimates. We maintain and continue that discipline. Since July 2011, more than 255,000 public sector employees have received 2.5 per cent increases. That includes 76,000 public servants, 60,000 public teachers, 50,000 health employees, 41,000 public system health nurses and midwives, 10,900 TAFE teachers and related staff, 5,000 Roads and Maritime Services staff, 3,500 Fire and Rescue retained firefighting staff and, as I indicated before, 35,000 employees have received increases of more than 2.5 per cent by achieving employee-related cost savings.

CHAIR: In answer to an earlier question about the number of industrial relations inquiries and other matters directed to the office that has been set up to take those inquiries, you said there is no record of how many inquiries are public and how many are private. I would imagine the majority would be private because public servants would normally go to the Public Service Association or their respective unions, would they not?

Ms TELFER: I think that would be correct. What we generally find is that those in the public sector who are concerned, given that there is such an established system, would go via their employer in the first instance to get matters resolved. We do get some inquiries and we deal with those matters. One of the ways we do that is by raising any areas of complaint directly with the departments. But we do find there are quite a small number, so it would be primarily in the private sector. We also do get a number of inquiries and complaints in local government. We are running a pilot program at the moment—and I have to say it is at cost because it was at the request of the Local Government Association. It is a seminar to employers in the local government area. We ran one I think two or three weeks ago in Narrabri and there was another one either this week or early next week in Tamworth. We are piloting that to see if it starts to fill some of the needs of people in local government.

CHAIR: Treasurer, at the Federal level there is currently a debate about penalty rates and how to reduce them or remove them to provide jobs for young people and others. Do you have any view on that issue? Has there been any progress in your department in that regard?

Mr ANDREW CONSTANCE: I will let Ms Telfer handle the question in terms of progress within the department. We note the recent Fair Work Commission decision in relation to reduction in penalty rates on Sundays for some casual staff in the restaurant industry. We want to ensure that we align with the aspirations of our Federal colleagues in having productive and co-operative workplaces and what have you, but at the same time we want to ensure that we have a productive economy and that we open up opportunities, particularly for young people to work on weekends. We want to balance that out with a reflection in terms of community consumer demand. Certainly from the Government's perspective we are also very conscious of some of the views held by some crossbench members in particular about the importance of protecting and maintaining family life as well. Ultimately, we have to see the governance of this done federally and nationally. All sorts of balances need to be factored into any decisions around penalty rates.

CHAIR: Treasurer, as you know, when Mr Baird was Treasurer he was actively trying to make changes to the public holiday situation. Do you have any similar plans? If so, do you have a timetable?

Mr ANDREW CONSTANCE: As I have said, I have only just come into this role. There are no plans at the present time. There are 11 named public holidays in the Public Holidays Act 2010. As Minister for Industrial Relations I have the ability to make additional public holidays confined to regions, which are known as local public holidays. Again, it is typically done at the request of local councils to promote attendance at cultural and sporting events—I note typically in National Party seats it seems to be horseracing events. In response to that question yesterday I think the Premier indicated no, but identified Boxing Day. At this stage there is no determination of Government in this regard.

CHAIR: So there will be no changes before the election?

Mr DAVID SHOEBRIDGE: Boxing Day is between now and the election.

Mr ANDREW CONSTANCE: I do not envisage legislation before the Parliament to change the Act between now and the end of the year. I can assure the Chair that anything the Government looks at in this area, it will engage very closely with the Christian Democratic Party.

CHAIR: There has been a debate with WorkCover having two roles: education and prosecution. Is there any tension in the industrial relations area as to why you have the combined role?

Ms TELFER: Not that I am aware of. The wages policy is set by the Government. It is in legislation and we administer that. NSW Industrial Relations staff are generally on the relevant public sector award, which covers a multitude of departments and agencies, and that is governed by the wages policy set in the regulation.

CHAIR: Order! That concludes the hearing into the Industrial Relations portfolio. I thank the Treasurer and his staff for their assistance and remind you and them that they have 21 days to answer any questions taken on notice.

(The witnesses withdrew)

The Committee proceed to deliberate.
