

GENERAL PURPOSE STANDING COMMITTEE No. 1

Monday 17 November 2008

Examination of proposed expenditure for the portfolio area

FINANCE, INFRASTRUCTURE, REGULATORY REFORM

The Committee met at 9.15 a.m.

MEMBERS

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

The Hon. K. F. Griffin
Dr J. Kaye
The Hon. M. R. Mason-Cox

The Hon. G. S. Pearce
The Hon. P. G. Sharpe
The Hon. I. W. West

PRESENT

NSW Treasury
Mr M Ronsisvalle, *Deputy Secretary*
Mr M. Schur, *Deputy Secretary of Infrastructure Management*

Better Regulation Office
Ms J. Anderson, *Acting Assistant Director*

Motor Accidents Authority
Ms C. Donnelly, *Acting General Manager*

WorkCover NSW
Mr J. Blackwell, *Chief Executive Officer*

State Property Authority
Ms A. Skewes, *Chief Executive Officer*

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: We are waiting for Mr Ronsisvalle but we will commence the hearing. I declare this hearing for the inquiry into the budget estimates 2008-09 open to the public. I thank those witnesses who have returned for the supplementary hearing. Today the Committee will examine the proposed expenditure for the portfolios of Finance, Infrastructure and Regulatory Reform. Before we commence I will make some comments about procedural matters.

In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door. Any messages from the attendees in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. I remind witnesses that they are free to pass notes and refer directly to their advisers while at the table.

The Committee has agreed to the following format for the hearings: 20 minutes is allocated to the Opposition and 20 minutes to the crossbench, divided between Dr Kaye and me. The Government is foregoing questions at this stage. The Committee has resolved that answers to questions on notice must be provided within 21 days, or as otherwise determined by the Committee. Transcripts of this hearing will be available on the website from tomorrow morning.

JON BLACKWELL, Chief Executive Officer, WorkCover NSW, and

ANNE SKEWES, Chief Executive Officer, State Property Authority, on former oath:

JANE ANDERSON, Acting Assistant Director, Better Regulation Office, Department of Premier and Cabinet,

MARK RONSISVALLE, Deputy Secretary, NSW Treasury, and

MICHAEL SCHUR, Deputy Secretary of Infrastructure Management, NSW Treasury, sworn and examined:

CARMEL MARY DONNELLY, Acting General Manager, Motor Accidents Authority, affirmed and examined:

CHAIR: I declare the proposed expenditure for the portfolio of Finance, Infrastructure and Regulatory Reform open for examination.

The Hon. GREG PEARCE: I was going to ask Mr Ronsisvalle some questions.

CHAIR: He is on his way. Could you hold questions for him until he gets here?

The Hon. GREG PEARCE: I will start with Ms Skewes. The mini-budget anticipates considerable extra land sales. Have you got a view on how much will be involved in the next four years?

Ms SKEWES: I expect you are referring to the land sales that were detailed for various agencies?

The Hon. GREG PEARCE: The additional ones.

Ms SKEWES: The State Property Authority has not got any particular views about those land sales at the moment. We have started a very preliminary consultation with a number of those agencies about their anticipated forward sales program. We hope that, where appropriate and where the agencies required it, we would be engaged to facilitate those sales programs. But apart from the detail in the mini-budget I have no other specific information about those sales.

The Hon. GREG PEARCE: So you have not given any opinion as to the likelihood of realising the amounts that have been put in the mini-budget?

Ms SKEWES: I really have not been in a position to look at the detail of that and, as I said, we have just started the process with those agencies in a very preliminary manner in the last couple of days.

The Hon. GREG PEARCE: Have you looked at the Department of Education and TAFE portfolio?

Ms SKEWES: The State Property Authority has had a general review of the generic assets in the Department of Education property portfolio. They are principally assets associated with office accommodation—so how that agency and where that agency has its office accommodation facilities. As a result of that, we have considered with the agency what their broad plans are for future planning of accommodation needs. But, effectively, that is really the extent of what we have looked at—how they are providing accommodation for their employees and generally where that is provided.

The Hon. GREG PEARCE: Have you given them any indication as to the likelihood of realising particular amounts of money on particular properties?

Ms SKEWES: We have as part of that suggested that if there were surplus properties they could realise, we effectively have not done any commercial market assessment of those properties. But we have taken indicative values that the agency has put forward and suggested that if the agency wanted to relocate staff it might have in accommodation that is either not suitable or they could better rationalise their service delivery, there might be returns that could come out of those reviews. But they are very much dependent on what the agency is wanting to do. When you talk about relocating staff from office accommodation there is inevitably a cost involved. The agency needs to understand what sort of costs are involved in those relocations and whether they meet their broad service delivery priorities.

The Hon. GREG PEARCE: So you have not given any specific advice on the amount that is likely to be realised?

Ms SKEWES: Not in terms of those mini-budget figures, no. We have not got into any of that detail at this stage.

The Hon. MATTHEW MASON-COX: As you would be aware, on 26 September 2008 the Minister put out a press release, and confirmed the information to a committee hearing, that the WorkCover surplus was \$625 million. Can you tell us what the current surplus is and what it is projected to be at the end of the year?

Mr BLACKWELL: That question is difficult to answer for a couple of reasons. Our surplus is made up of two components. First is the fund, the WorkCover investment fund or workers compensation investment fund, which are our assets. Then there are our liabilities, which are determined by actuarial analysis. We do a valuation every six months. The next valuation is due in December. Between valuations it is extremely difficult to tell whether we will have a surplus or whether we have a line ball or whatever. The December valuation will give us an indication of where we are and that will be released, usually, in about late February, early March. So we do not tend to analyse where we are in terms of our surplus or deficit or the financial position of the scheme between those times.

The Hon. MATTHEW MASON-COX: So the \$625 million quoted by the Minister comes from the valuation from June, does it?

Mr BLACKWELL: That is right, yes.

The Hon. MATTHEW MASON-COX: Do you have any idea of where that is going at the moment? Do you have a feel for what the likely position will be in December?

Mr BLACKWELL: That is very hard to say because, as I say, there are a number of components to the valuation. One component is the estimate of our liabilities going forward, and those change, as well as the value of our investment fund. So it is difficult to say because I do not have an analysis of where our liabilities are or where our assets are. As for the assets situation, as you are aware, the markets are quite volatile at the moment. We reduced our exposure to equities some time ago. At present about 60 per cent to 65 per cent of our fund is invested in inflation-linked bonds. We took a decision some time ago when the fund went back into surplus to try to take risk off the table in terms of our investments, and that is what we did. In the 2007-08 year the return on investment was flat—zero return—which to my mind is a good performance, compared with some superannuation funds, for example, which may be off somewhere between 10 per cent and 20 per cent. The performance of the fund has been excellent, and I think that is because the right decisions were taken at the right time to try to ensure that the investments were as protected as they could be.

The Hon. MATTHEW MASON-COX: Given that you have 60 per cent to 65 per cent in fixed interest, you are not expecting that surplus to go into a deficit in December at all?

Mr BLACKWELL: Not at this stage.

The Hon. MATTHEW MASON-COX: Do you think there will be any impact on business premiums and payments to workers as a result of the fall in the surplus?

Mr BLACKWELL: That is a difficult question to answer because at the end of the day that is a policy question, which a Cabinet decision.

The Hon. GREG PEARCE: To a Treasury official, what is the current plan for the State's electricity assets?

Mr SCHUR: This is not something I can provide you with.

The Hon. GREG PEARCE: You cannot tell us what is the current plan?

Mr SCHUR: No, I can. I can tell you in general terms. I am not involved in the day-to-day activities in relation to that.

The Hon. GREG PEARCE: Who is involved in the day-to-day activities?

Mr SCHUR: Kevin Cosgriff and John Pierce would be involved day to day in dealing with the electricity strategy but in general terms you would have seen from the announcements around the mini-budget and the announcement by the Premier that the strategy is to sell the retail assets to make available for sale to the private sector the sites for potential generation sites and to provide to the private sector the rights to trade and the generation capacity provided by the public generators.

The Hon. GREG PEARCE: Whose proposal was that? Where did that proposal originate?

Mr SCHUR: I cannot answer that.

The Hon. GREG PEARCE: Can you answer that Mr Ronsisvalle?

Mr RONSISVALLE: No.

The Hon. GREG PEARCE: You cannot tell us? No idea?

Mr RONSISVALLE: Neither Michael or myself have actually been involved in the electricity transactions.

The Hon. GREG PEARCE: Is Mr Pierce still on Treasury payroll?

Mr RONSISVALLE: Yes.

The Hon. GREG PEARCE: Will he be here tomorrow?

Mr RONSISVALLE: Yes, that is my understanding.

The Hon. GREG PEARCE: Did Mr Fraser or Mr McFarlane sign off on the mini-budget?

Mr RONSISVALLE: It is my understanding they reviewed various sections of the mini-budget but I am not aware of any formal sign off of the mini-budget, no.

The Hon. GREG PEARCE: Were either of you responsible for the preparation of the mini-budget?

Mr RONSISVALLE: In an overall sense, I suppose, I have had some responsibility for the document, yes.

The Hon. GREG PEARCE: You have had some responsibility?

Mr RONISISVALLE: I suppose—I mean ultimately it is the secretary of the department as well as Treasury have responsibility for the document, but in terms of preparation of the document I suppose I played the lead role.

The Hon. GREG PEARCE: You played the lead role?

Mr RONISISVALLE: Yes.

The Hon. GREG PEARCE: Will you outline the current position in relation to underlying expenses and the trend?

Mr RONISISVALLE: For a number of years underlying expenses have been increasing faster than long-term trend in revenues. This has resulted in the budget position worsening over that period of time and the mini-budget was about trying to realign the difference between the growth in expenses and revenues such that the budget result would improve over the forward distance period.

The Hon. GREG PEARCE: The mini-budget refers to an increase of, I think it is, an average of \$2 billion in expenses each year going forward. Would you expand on that for the committee?

Mr RONISISVALLE: All budgets are based on a number of assumptions. The assumptions that have been built into the mini-budget have taken a more conservative view of the likely risks that the budget is going to be exposed to over the next four years.

The Hon. GREG PEARCE: That is very general. I want to know about the expenses and the suggestion that there will be a blow-out of \$2 billion a year on average over the next four years. Would you explain that? How did you get to that figure?

Mr RONISISVALLE: Firstly, the mini-budget did incorporate some additional expenditures, things like additional expenditures on buses, car parks, and environmental things. There were also allowances for potential risks associated with the budget position. Those need to be factored into the—

The Hon. GREG PEARCE: What are those potential risks?

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

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

Mr RONISISVALLE: That is a potential risk, yes.

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

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

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

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

Mr RONISISVALLE: There are some outcomes that are above in terms of—

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

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

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

Mr RONISISVALLE: Yes.

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

Mr RONISISVALLE: There are risks that all budgets are exposed to. The fact there has been—

The Hon. GREG PEARCE: I want to know the risks that the New South Wales budget is exposed to.

Mr RONISISVALLE: I am saying the fact that the budget aggregates have actually changed since they were published in June is a demonstration of the fact that all budgets make assumptions about future revenues and expenditures which sometimes change with changing circumstances.

The Hon. GREG PEARCE: What are the changes between the June budget and the mini-budget in terms of expenses other than a few buses?

Mr RONISISVALLE: There are pressures in the health sector.

The Hon. GREG PEARCE: Will you explain what that is?

Mr RONISISVALLE: I do not personally have responsibility for the Health portfolio but it actually went over budget last financial year and there are pressures in that area. We need to pull that back, but there are pressures in that area which need to be considered when putting together budget estimates.

The Hon. GREG PEARCE: What were those pressures? What numbers did you consider?

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

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

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

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

Mr RONISISVALLE: Yes.

The Hon. GREG PEARCE: In relation to infrastructure, have you been looking at new models for funding infrastructure?

Mr SCHUR: You are always looking at new models for funding infrastructure. The State has a fairly established tradition of private public partnership [PPPs]. We will continue to look at the PPP model as an option, bearing in mind there is no magic bullet. They do not change the fundamental, underline issue of infrastructure, and in the case of infrastructure that does not have any third-party revenue attached to it, which is the case for social infrastructure, at the end of the day those obligations, those liabilities, remain on the State's balance sheets.

The Hon. GREG PEARCE: Have you looked at tax increment financing?

Mr SCHUR: Not to my knowledge. Can you elaborate what you mean by that?

The Hon. GREG PEARCE: No, it is all right. Have you looked at any proposal to purchase single-deck train carriages in recent times?

Mr SCHUR: No.

The Hon. GREG PEARCE: What is your current view in relation to infrastructure levies? Have you reviewed the infrastructure levies in recent times?

Mr SCHUR: I have previously.

The Hon. GREG PEARCE: When was that?

Mr SCHUR: There was an announcement in November of last year where we made some reforms to the levy, particularly by stripping out some components of the levy which we felt were more appropriately funded out of the tax base with regard to the costs of schools and hospitals, which we felt were driven more by population growth rather than by the specific location of the development. So, in the growth centres, for example, the State infrastructure contribution went down from \$33,000 per lot, on average, to \$23,000 dollars per lot, a 30 per cent or so saving. At the same time, we looked at local government levies and put some limits on what local governments could include in their section 94 levies.

The Hon. GREG PEARCE: Have you reviewed how much has been raised with these levies and what expenditure has occurred?

Mr SCHUR: In the growth centres, no revenue has been raised to date.

The Hon. MATTHEW MASON-COX: If I could ask a question in relation to the unfunded superannuation liabilities. The mini-budget notes that is the most significant balance sheet change, and increases the total liabilities to around \$7 billion. There is also an expense item of \$300 million to \$400 million per annum due to the significant reduction in those assets. Do you think that is enough to account for such a massive increase in the value of the unfunded superannuation? How did you come to that figure?

Mr RONSISVALLE: The calculation of superannuation liabilities, the expense, is governed by an accounting standard and that is the outcome of the accounting standard. The reduction in the value of assets for superannuation means the expense is higher than it would otherwise have been, and it is a mathematical calculation.

The Hon. MATTHEW MASON-COX: So, that expense item is an income-type item discharging the obligations of the fund rather than a capital item to replace capital that has been lost?

Mr RONSISVALLE: That is right. In essence, the calculation of the superannuation line item that appears in the budget is a combination of a number of things. It starts with the gross value of the liability. You apply an interest rate to that liability to get one part of the expense. You then look at the amount of assets that back the fund and assume an investment return on those assets, and that is a reduction against the expense. You then add to that current year's service which adds to the liability for that year. So, it is a combination of about three or four line items that go to make that one line item that appears in the budget. So, it is a net line item rather than a gross line item.

The Hon. MATTHEW MASON-COX: So, given the significant \$7 billion increase in unfunded superannuation liabilities, are we on track to meet the 2030 fully funding of superannuation liabilities?

Mr RONSISVALLE: Obviously with the loss of superannuation assets in the past 12 months, we periodically review the amount of cash contributions we need to give to the fund to ensure we make the 2030 target. The next time we are intending to review the cash contributions is when we get the triennial review, which is in 2009, so that is when we will see whether at that point we need to change the cash contributions. As you appreciate, investment markets are quite volatile and we do not change our cash contributions on a daily basis. It is something we do periodically.

Dr JOHN KAYE: My first question is to Mr Schur. Thank you for coming today, you will be an asset to this Committee. Let us go back in history a bit about the north-west rail link. The original proposal was to extend the existing heavy rail network to service the far north-west of Sydney, is that correct?

Mr SCHUR: Yes, to my knowledge. I have only been here for two years. I am not fully abreast of the very long history associated with this.

Dr JOHN KAYE: In 2006, when you first came, is it not correct that that was the active proposal, for providing mass transit to the north-west?

Mr SCHUR: Yes.

Dr JOHN KAYE: Roughly speaking, what was the cost of doing that?

Mr SCHUR: I believe it was \$8 billion.

Mr RONSISVALLE: Sorry, from where to where were you referring to?

Dr JOHN KAYE: The total project of extending the existing heavy rail network to provide—it was substantially less than that, was it not?

Mr SCHUR: Yes, it was \$4 billion. I am including the CBD Metro as well.

Dr JOHN KAYE: At some stage suddenly we lost a proposal and it was replaced with a metro rail proposal?

Mr SCHUR: Yes.

Dr JOHN KAYE: Can you tell us exactly when the metro proposal, as far as official government policy, replaced the proposal to extend the existing heavy rail network?

Mr SCHUR: I cannot give you a specific date but I would say over the second six months of last year these two options were being considered in parallel. At the time, for technical reasons, it became obvious to transport planners, particularly in the Ministry, that the metro was the preferred option. I am not a rail expert, but I believe the main reason was to do with the fact that the heavy rail routes triggered the need for a second harbour crossing.

Dr JOHN KAYE: At that point we then go to a metro rail as a preferred option, costing what, \$14 billion?

Mr SCHUR: I think it was \$12 billion.

Dr JOHN KAYE: Then we fast forward to the period of the mini-budget, at which point the \$12 billion project is seen as too expensive, is that correct? It is outside of the affordability range of the budget because of all the things that drove the mini-budget?

Mr SCHUR: I think in relation to the things that had happened leading up to the mini-budget in relation to the failure of the electricity reforms, in relation to some blowout in costs, in relation to some deterioration of our revenue base, I would not think it is fair to characterise it as that specific project became unaffordable, but our capital program as a whole became unaffordable.

Dr JOHN KAYE: Your capital program, the State's capital program, as a whole became unaffordable, including the metro rail link to the north-west?

Mr SCHUR: Yes, because was inside the infrastructure—

Dr JOHN KAYE: We go from a \$14 billion dollars heavy rail project to a \$12 billion metro rail project and then to nothing at all because the \$12 billion project is too expensive, is that a correct characterisation?

Mr RONSISVALLE: If I may add a bit of context. It was not just a \$4 billion project to the north-west. The construction of that railway line, as was said, would have triggered the need to build a second harbour crossing, which is a very expensive project. In its role Treasury points out, let's say, the amount the Government can afford to spend on projects in aggregate and the Government then makes the choice as to which projects it proceeds with.

Dr JOHN KAYE: What was the total cost of the heavy rail project to the north-west?

Mr RONSISVALLE: It was \$4 billion just for the north-west part and I think it was about \$8 billion for the harbour crossing.

Dr JOHN KAYE: For another harbour crossing?

Mr RONSISVALLE: Yes.

Dr JOHN KAYE: If we had gone ahead with the metro we would not have needed another harbour crossing.

Mr RONSISVALLE: The choices have been made within the transport portfolio. Treasury's role is to provide an indication of how much can be afforded and it is the Minister for Transport and the transport portfolio area that then decide how they can best deliver Sydney's transport needs within that funding envelope.

Dr JOHN KAYE: You would accept that that is not the common perception of what is going on; you would accept that the perception is that the North West Metro Link was put up as a straw man in order to destroy the north-west rail, and that was done by Treasury?

Mr RONSISVALLE: The North West Metro was not a proposal put forward by Treasury.

Dr JOHN KAYE: Did Treasury oppose the North West Metro when it was put up?

Mr RONSISVALLE: Treasury puts forward the amount of funds available for projects and, if the Government is committing to beyond that level of funding, Treasury points out the fact that we have committed to greater than the amount of funds that we believe is prudent. The Government then makes a choice whether to adopt that advice, or modify or go ahead with projects.

Dr JOHN KAYE: Other than cost factors, Treasury is completely agnostic with respect to modes of transport? There is no bias in Treasury towards roads; there is no bias in Treasury towards bus over rail, other than the matter of cost?

Mr SCHUR: Dr Kaye, individuals may have personal views on things, but at the end of the day it is not our role to second-guess the transport Ministry and the Government in relation to its policy preferences. Yes, there may be personal views. They do not get confused in discussions.

Dr JOHN KAYE: Mr Schur, would it be fair to say that the dominant personal views held within Treasury are opposed to heavy rail?

Mr SCHUR: I could not say.

Mr RONSISVALLE: There is what I perceive to be a misconception of Treasury's role in relative projects. As Michael said, our role is to say, "This is how much money we can afford to spend", and it is the Government's decision—the Minister for Transport—as to which projects the Government proceeds with.

Dr JOHN KAYE: Let's talk about the projects that the Government could not afford. What were the criteria used to decide which projects did not go ahead and which projects could go ahead in the formation of the mini-budget? For example, the north-west rail link in one form or another was axed and Tillegra dam was not axed.

Mr RONSISVALLE: The Minister for Transport brought forward a package that he felt was in the best interests of transport and that fitted within a prudent level of funding also.

Dr JOHN KAYE: But the Minister for Water brought forward a project to build Tillegra dam for \$406 million?

Mr RONSISVALLE: Yes.

Dr JOHN KAYE: What criteria allowed that to go ahead? Was it just that it was smaller?

The Hon. PENNY SHARPE: Point of order: The questions are fine, but they are questions of policy about what the Government has decided. The officials here are not able to answer those questions because it is not up to them to make those decisions.

Dr JOHN KAYE: I take your point. In respect of the advice that you gave to the Treasurer and in respect of the advice you gave in the preparation of the mini-budget, was there advice that suggested that Tillegra dam be axed?

Mr RONSISVALLE: I think the decision on Tillegra dam was made pre the mini-budget.

Dr JOHN KAYE: So there was no advice given that Tillegra dam should be axed?

Mr RONSISVALLE: Tillegra dam does not fall within my area of responsibility, so I really cannot comment as to the nature of the advice.

Dr JOHN KAYE: Whose area of responsibility does it fall within?

Mr RONSISVALLE: There is another Treasury executive, Steve Brady, who actually looks after the water agencies.

Dr JOHN KAYE: We might come back to that later if we have time. Moving on to the national review of the model of occupational health and safety laws, we know that the first report came out in October 2008. Am I correct in saying that the report does not support a reverse onus of proof on employers?

Mr BLACKWELL: That is correct.

Dr JOHN KAYE: Since we are heading towards that, have you provided advice to the Government or has the Government told you whether New South Wales has a position in respect of that issue?

Mr BLACKWELL: We have had some discussions in relation to defining what has come out of the review. That review was only tabled in the last few weeks at the Workplace Relations Ministers Council [WRMC] meeting. The Government is, as I understand it, taking it on notice and looking at that report at the moment.

Dr JOHN KAYE: And it has asked you to comment on that?

Mr BLACKWELL: No, not at this stage.

Dr JOHN KAYE: So there is no request for WorkCover to comment on what would be a substantial change in occupational health and safety laws?

Mr BLACKWELL: No, we have not been asked for specific views in relation to that.

Dr JOHN KAYE: Do you have specific views in relation to that?

Mr BLACKWELL: This is a policy issue, which is being driven at a national level, and that is something which, as a policy issue, the Government needs to look at its views on.

CHAIR: Mr Ronsisvalle, in one of your earlier answers you mentioned the second harbour crossing. Could you clarify the budget estimate of what that would cost, whether it was a bridge or a tunnel, or how was it calculated?

Mr RONSISVALLE: It would have been a tunnel and because of the nature of RailCorp's rolling stock it would have been a fairly deep tunnel under the harbour to allow for the gradients which the RailCorp rolling stock can actually negotiate. I cannot recall where the tunnel started. It would have gone under the city and come out somewhere around the Central-Redfern area. My recollection is around \$8 billion as the capital cost of that project.

CHAIR: Even though it is not going ahead now, do you see that that may be a necessary project at some future date because of the population increase and so on?

Mr RONSISVALLE: The best means of meeting the transport needs of Sydney going forward will depend on what happens with the Sydney Link metro and certainly the construction of another tunnel—a rail crossing under the harbour—at some point in the future is probably likely, but whether that is a heavy rail tunnel or metro tunnel, which is obviously a much cheaper form of tunnelling and much shorter tunnelling, is something that the Government and future governments will need to determine.

CHAIR: Ms Skewes, the mini-budget paper talks about business assets transactions and states that these measures are in addition to the transfer of electricity retail businesses generation development sites. Are you involved with generation development sites? Could you explain what that means?

Ms SKEWES: No, the State Property Authority has had no involvement in that particular proposal.

CHAIR: Who would be involved in that? Which department?

Ms SKEWES: I cannot give you any advice about that. State Property is not involved in that particular proposal. I have had no information about that. I cannot refer you on because I do not know who is involved.

CHAIR: But that would be State property, though, would it not? By the way it reads these development sites are owned by the Government.

Ms SKEWES: I am sorry, I cannot enlighten you at all on that. I actually have no details about what the Government might be proposing to do and how it might be proposing to execute those sales.

CHAIR: I am not so much asking you what they propose to do; I am just trying to clarify the actual sites. They should be under the property portfolio. It sounds as if these sites are owned by the Government and are potential power stations. Does anybody else in the Treasury know just exactly what that means?

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

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

Mr SCHUR: Yes.

CHAIR: And the sites must exist.

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

CHAIR: Do you know where the sites are specifically?

Mr SCHUR: I do not know.

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

Mr SCHUR: Yes.

CHAIR: The mini-budget talks about the businesses under consideration for sale including NSW Lotteries. That is another asset. Are you involved in that at all, from the point of view that NSW Lotteries has an office headquarters, a building? Are they discussing the sale of the building and the commercial operation or just the commercial rights to conduct the lotteries? How would that function?

Ms SKEWES: Mr Chairman, I am sorry I cannot help you with that matter either. That would be a matter for NSW Lotteries. The State Property Authority has no involvement in that particular activity at this time.

CHAIR: In the sale of NSW Lotteries obviously there would be the business aspect and what I would say is a very valuable office block at Railway Square. So it is not on your property list?

Ms SKEWES: No, it is not. It is a property owned by NSW Lotteries, I would imagine, but the State Property Authority does not have any role in the ownership of that particular property at this time.

CHAIR: In the mini-budget there was an increase in the cost of green slips. I was wondering, Ms Donnelly, whether you have any explanation as to why that was done. Was it done because of any insurance question or was it just simply revenue raising?

Ms DONNELLY: I would not characterise it as either of those explanations. As the Treasurer announced, the reform aims to provide hospital and ambulance cover for people who are at fault. I will just give you a bit of background. The green slip scheme has historically only covered people who could identify an at-fault driver that they would then make a claim against. Of course the at-fault drivers themselves are unable to identify someone to claim against but if they are injured they still require hospital and ambulance care. That has historically not been covered by the compulsory third party [CTP] scheme in New South Wales. Of course, they are not refused treatment. Someone has to pay for that care and quite frequently it is paid for by the public hospital system. That is not the case in other jurisdictions. There are a number of jurisdictions, including Victoria, where all people who are injured in motor vehicle accidents are covered for their injuries by the CTP scheme.

In New South Wales over recent years there have been a number of changes progressively in incremental steps to close the gaps, so that currently we have what might be characterised as a hybrid scheme in that the hospital treatment and ambulance costs for children under 16 are covered by the CTP scheme. That reform was brought in a couple of years ago. Also, the Committee might be aware that for people who are so severely injured that they will require lifetime care and support, for instance spinal cord injuries and very severe brain injuries, the lifetime care and support scheme effectively operates on a no-fault basis and covers them. This announcement in the mini-budget extends the coverage to those people in the middle over 16 not catastrophically injured that previously were not covered in New South Wales.

CHAIR: Thank you. Mr Ronsisvalle, can you explain the comment in the budget papers on page 6.1 where it says that transferring assets to the private sector improves the total State sector's net financial liabilities and is a key measure used by the rating agencies to assess the State's creditworthiness? You would have thought that having an asset was a plus, not a minus—that it is not a liability. It sounds from that wording that if you sell all your assets it improves your credit rating. Can you explain that process?

Mr RONISISVALLE: In the context of the sale of a business you get net proceeds and any debt that that business has is paid off out of the proceeds, firstly, and then, secondly, the net proceeds can be used to pay down the State's debt or set aside funds for superannuation liabilities. That reduces the liability side of the State's balance sheet and the credit rating agencies see that conversion of the value of that business into a reduction in the State's liabilities as a positive.

CHAIR: That is assuming that that particular asset has a debt.

Mr RONISISVALLE: Even if the asset did not have a debt—for example, I suspect NSW Lotteries does not have debt, or has insignificant debt on its balance sheet—the net proceeds from the sale of that asset could be used to pay down other State debt, which the credit rating agencies would see as a favourable improvement to the State's balance sheet.

CHAIR: Thank you.

The Hon. GREG PEARCE: Mr Schur, going back to the growth centres and the developer levies, when the Treasury did its review last November was any modelling undertaken to establish what an appropriate amount of levy would be to provide necessary infrastructure for those growth centres?

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

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

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

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

Mr SCHUR: Yes.

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

Mr SCHUR: Yes.

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

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

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

Mr SCHUR: I was responsible for coordinating it.

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

Mr SCHUR: Yes.

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

Mr SCHUR: Sure.

The Hon. GREG PEARCE: What was the result of that modelling, in general terms? It led you to the conclusion that the levies should be reduced by 25 per cent roughly?

Mr SCHUR: Yes. Well, the levies were likely to be reduced in two ways: State levies were going to be reduced by \$10,000 per lot, as I have mentioned, and the assessment was that in general local government levies would be reduced by between 30 and 40 per cent, based on the new framework which is now embedded in the legislation, around what councils could include in the calculation of the section 94 levies.

The Hon. GREG PEARCE: Earlier you mentioned that Mr Pierce and another officer were responsible for electricity. What is the other officer's name?

Mr SCHUR: Kevin Cosgriff.

The Hon. GREG PEARCE: Is he here today?

Mr SCHUR: No.

The Hon. GREG PEARCE: Could you make sure he comes along tomorrow?

Mr SCHUR: Yes.

The Hon. GREG PEARCE: Mr Ronsisvalle, could you take me through the increase in expenses in the mini-budget? When I look at page 4.6 I see that there is a total of about \$7 billion additional expenses over the forward estimates period. That is correct, is it not?

Mr RONSISVALLE: Yes.

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

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

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

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

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

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

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

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

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

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

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

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

The Hon. GREG PEARCE: Ms Skewes, with regard to the amalgamation of the Office of Strategic Lands and the State Property Authority, was that a recommendation from you, or what is the impact of that?

Ms SKEWES: The planning Minister announced that the property activities of the Office of Strategic Lands would merge with the State Property Authority. I am sorry, I missed the second part of the question.

The Hon. GREG PEARCE: Did you recommend it?

Ms SKEWES: The State Property Authority, no. It was originated by the Minister for Planning, as I understand it, in a broader review of her planning portfolio.

The Hon. GREG PEARCE: Were you consulted?

Ms SKEWES: In terms of that policy decision, no.

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

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

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

Ms ANDERSON: Acting assistant director.

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

Ms ANDERSON: I am happy to do that.

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

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

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

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

The Hon. GREG PEARCE: Sure. That is very sensible.

The Hon. MATTHEW MASON-COX: Ms Anderson, I will put it to you a specific example. You would be aware of the amendments to the Motor Dealers Act which the Government was promoting as reducing the number of forms motor dealers have to fill in from 19 to 13—which is a wonderful achievement we are told. Did your office have a role in championing this reduction in the number of forms?

Ms ANDERSON: No, we did not. The office has been in existence for well over a year now, but the first annual report we put out, in which we publicised that reform—we are reporting on whole-of-government red tape reform activities. Some of those we have an involvement in; others are just business-as-usual red tape reforms that are undertaken by all government agencies. That reform was one of those which we reported on but we did not have a close role in pushing forward.

The Hon. MATTHEW MASON-COX: Do you consider it adequate that they still have to fill in 13 forms, as opposed to 19?

Ms ANDERSON: I guess 13 is an improvement on 19. But I am not across the detail of the reasons for all of those forms.

The Hon. MATTHEW MASON-COX: Is that something that your office could be proactive in developing an understanding about why they still have to fill in 13 forms, and perhaps looking at efficiencies that could be made in those areas so we could reduce the red tape?

Ms ANDERSON: Yes. At the moment we are not looking at that particular issue. There are so many red tape issues to look at, we are trying to prioritise that in those issues that we know are big issues because industry is telling us they are big issues. So that is not one that has been raised with us—

The Hon. MATTHEW MASON-COX: It is not one of the big ones. What are the top three red tape issues that your office is pursuing at the moment?

Ms ANDERSON: We do not have a top three red tape issues that our office is performing. At the moment we are undertaking two particular reviews into areas which we think are having a big burden on industry. One involves a review of plumbing and drainage regulation and another involves a review of 11 licences—trades that are licensed only in New South Wales or only in one other jurisdiction. At the moment those two areas are high priority. We are looking at the red tape burden on industry of a number of other areas but until we seek approval from the Government on ways to go forward I cannot say what are those areas.

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

Ms ANDERSON: Yes.

The Hon. GREG PEARCE: Ms Skewes, earlier I asked you whether you were consulted about the merger of offices. Was it your understanding that my question related to the merger prior to it occurring? Have you been consulted since the announcement of the merger, and what form has that consultation taken?

Mr SKEWES: I guess your question is: Have we been consulted since the announcement last week?

The Hon. GREG PEARCE: Correct.

Ms SKEWES: I have not had any specific details about the proposed merger of the Office of Strategic Lands to the State Property Authority. I am hoping to seek that information and to obtain some clarity. I expect to receive further information in the coming weeks.

The Hon. GREG PEARCE: Have you been asked to prepare a report or a discussion paper on your views of that merger?

Ms SKEWES: No.

The Hon. GREG PEARCE: Have you consulted the Minister?

Ms SKEWES: No. I have no information or any details. I am keen to obtain those details, but no specifics have come forward and I expect that to occur over the coming weeks.

The Hon. GREG PEARCE: Mr Schur, I refer to the most recent projections for population growth. Have you undertaken any work to establish what will be the implications for New South Wales of the provision of infrastructure and what will be the cost of that provision?

Mr SCHUR: No, not at this time. We would do so as part of the update to the State Infrastructure Strategy.

The Hon. GREG PEARCE: When is the next update of the State Infrastructure Strategy?

Mr SCHUR: Over the next few weeks we will simply update it in relation to the mini-budget decisions. There will be a full update of the infrastructure strategy in about June next year.

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

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

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

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

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

Mr SCHUR: Yes.

Dr JOHN KAYE: Mr Blackwell, are you aware of the occupational health and safety comparative performance monitoring report that came out in August 2008?

Mr BLACKWELL: Yes, I am.

Dr JOHN KAYE: I imagine that you would be aware that the number of legal proceedings commenced in New South Wales, as reported, fell from 459 in 2005-06 to 213 in 2006-07. Effectively, the number of legal proceedings commenced in New South Wales halved over that period. How do you explain that?

Mr BLACKWELL: There was spike, or peak, in relation to prosecutions in the year prior to that. However, from a WorkCover perspective we have taken a fresh view in relation to prosecution and to the way in which we do business. We have certainly looked at providing more advice and guidance to business. We are concentrating our prosecution action in cases where we would have no alternative. Therefore, there has been some drop off in relation to the number of prosecutions. This closely borders the national scene in the sense of making us more aligned, if you like, with prosecution action across Australia.

Dr JOHN KAYE: Do you have a prosecution strategy? For example, are you pursuing cases specifically to get court rulings in areas such as bullying where there is an absence of clarity, if you like, about the role of WorkCover and the law relating to it? Do you have a strategy? Do you go to the courts to obtain decisions that your inspectors can then use?

Mr BLACKWELL: Not as such. We look at public interest in relation to prosecutions and we have certainly prosecuted in the past when bullying has occurred. We have a prosecutions policy, which is on our website, which covers a number of issues when we decide to make a prosecution. It covers the damage, the injuries, or the potential fatalities that have occurred and public policy type issues relating to whether we need to take something to court to illustrate that it is unacceptable. We would therefore prosecute in some of those public interest type cases.

Dr JOHN KAYE: When was the decision made to change your approach to legal proceedings? Could you give us a date?

Mr BLACKWELL: No, I could not give you a precise date. Two or three years ago we certainly looked at the way in which we did business. When you are a regulator you have to do business in a manner that achieves what you want to achieve. We want to achieve safe workplaces in New South Wales. Two or three years ago we had no Business Advisory Group, we did not run business workshops, and we did not have safety rebates for a whole range of areas that we now have. In my view and in the view of the Government we needed to provide more assistance to business to comply with occupational health and safety rules and regulations. That is what we have done. We have not changed our prosecution policy—that policy is unchanged—but we are taking a more broad approach to our role to achieve what we want to achieve, which is safe workplaces.

Dr JOHN KAYE: I wish to ask you about the number of field active inspectors. According to this report in 2006-07 there were 313. Do you have about the same number now?

Mr BLACKWELL: Yes.

Dr JOHN KAYE: How many inspectors form part of WorkCover's administrative stream or inspectorate?

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

Dr JOHN KAYE: How many field-active inspectors are in the field on any given day?

Mr BLACKWELL: Inspectors have a number of roles. They may not be in the field on a given day because they may be writing reports or they may be seeking additional information, et cetera. Inspectors perform a whole range of activities but their prime activity is to visit workplaces. The majority of their time is spent doing that.

Dr JOHN KAYE: Mr Ronsisvalle, I refer to your earlier answer to a question from the Chair about rating agencies, the sale of assets reducing debt and, therefore, improving the likelihood that rating agencies will not downgrade the State's triple-A credit rating—just paraphrasing your answer to that question. Does that mean that the rating agencies look at gross total liabilities as against net total liabilities, or the net of all assets held?

Mr RONSISVALLE: The rating agency assesses the State's ability to repay debt in certain circumstances. It examines the State's finances and what happened in certain scenarios to establish whether the State will have some difficulty in repaying its debt. In terms of physical assets—to the extent those physical assets could be sold—they may take those into account. In essence, they are looking at the liabilities side of the balance sheet and, let us say, the financial assets that you actually have to offset those liabilities. So the State's cash balances and investments that we hold are perceived by the rating agencies as favourable, in terms of its calculations. They tend to look at the net debt of the State after you take into account the financial assets and the other liabilities on the State's balance sheet.

Dr JOHN KAYE: What you are saying is that the value that they place on the assets held by, for example, the electricity industry or the lotteries, or whoever else is on the chopping block for sale, would be the value that can be realised from those assets in a financially stressed situation? Is that what you are saying?

Mr RONSISVALLE: In essence, what rating agencies do is look at scenarios such as freezing of financial markets and those sort of things, and see if the State is in a position to meet its obligations to bond holders. In essence, they focus mainly on the liabilities side of the balance sheet but they take into account the financial assets. They are less concerned with the physical assets that the State actually holds.

Dr JOHN KAYE: Less concerned with?

Mr RONSISVALLE: Yes.

Dr JOHN KAYE: Do you want to quantify what they mean by "less concerned"? Do they markdown the value of them?

Mr RONSISVALLE: They would take into account the fact that the State does have some physical assets that could be sold. The fact that Standard and Poors actually put us on negative outlook when the electricity transaction did not proceed in the way it was originally envisaged, meant that they were taking into account the State's ability to realise the value of those assets.

Dr JOHN KAYE: Is not the logical conclusion to what you are saying exactly what Reverend the Hon. Fred Nile implied? You would end up selling all assets, because every public undertaking has some debt and lots of assets, the asset value would be marked down because of the stressed nature of the testing; the liabilities would be exaggerated because of the stressed nature of the testing? It seems to me that inevitably—you can correct me on this—following the triple-A scenario means we are going to sell off everything?

Mr RONSISVALLE: I do not think that is correct. The rating agencies expect that a triple-A rated State has a certain level of liabilities from the perspective and—

Dr JOHN KAYE: What determines that acceptable level of liabilities? It is the capacity of the State to pay them back, is it not?

Mr RONSISVALLE: Yes, it is.

Dr JOHN KAYE: Which, in large measure, refers to (a) our tax base and (b) what generates income for the State, is that correct?

Mr RONSISVALLE: That is right. The rating agencies have a different view. When John Pierce was here last he talked about the relative rating that they placed on tax revenue versus, let us say, the trading enterprises revenue sources. They certainly see tax revenue as a secure stream of revenue for the State rather than they see revenue associated with water charges and electricity charges.

Dr JOHN KAYE: In that respect they would be totally incorrect, would they not? Because the Treasurer himself said in his speech that one of the driving factors of the mini-budget was a collapse in revenue from property transfer taxes?

Mr RONSISVALLE: I think the issue as far as the rating agencies are concerned is the State's ability to adjust those revenues. When revenues are specifically related as a user charge, effectively a change in those

revenues is more difficult than changing a tax rate which has somewhat of discretion as far as the State is concerned.

CHAIR: I understood that the main purpose of the mini-budget was to protect the triple-A credit rating?

Mr RONSISVALLE: Yes.

CHAIR: In spite of the mini-budget, Standard and Poors have treated the State with what they call, triple-A negative. How do we get rid of the negative? You have tried the mini-budget and that has not had the impact that you assumed?

Mr RONSISVALLE: Sorry, Chair, the Treasury always expected that removal of the negative outlook was not going to be something that would happen straight away after the mini-budget. The rating agencies are waiting to see the delivery of the measures that are actually contained within the mini-budget. Some of those are controversial and they need to be implemented, from the rating agencies perspectives, to see if the State's finances actually improve. Just putting out a document does not say what eventually occurs.

CHAIR: What sort of timetable would you envisage? Would you have to implement the electricity program and a whole lot of other things before you see any change?

Mr RONSISVALLE: My understanding is that the rating agencies will be looking very closely at the State's budget in the middle of next year to see the position of the State's finances after the mini budget measures have been introduced. What happens between now and budget time next year could well impact on the triple-A credit rating.

CHAIR: So you anticipate that negative—

Mr RONSISVALLE: Will stay.

CHAIR: Will remain until June of next year?

Mr RONSISVALLE: My guess is that would be the earliest that it would potentially be lifted.

CHAIR: And it may not be lifted then?

Mr RONSISVALLE: Yes. The State's finances as you can see—it has been pointed out in the Budget Papers for a number of years—the budget results have worsened for a number of years and it will take a number of years for that to be turned around. Simply a promise of improved financial results is not something the rating agencies are prepared to sell to the people who use their ratings to make decisions. They want to see something in reality rather than just promises.

The Hon. MATTHEW MASON-COX: So it could get worse.

CHAIR: If you anticipate the negative will stay there until next June, it is possible that even the triple-A rating itself could be downgraded if it does not succeed in coming back up?

Mr RONSISVALLE: I think the mini-budget, if implemented, puts us well towards the path of retaining triple-A. I cannot foresee what might necessarily happen between now and June, and what might happen over the coming years as far as what happens in the economy more generally.

CHAIR: Just to clarify another aspect of the mini-budget, it talks about Infrastructure Australia priorities and says:

The NSW Government has submitted the following priority projects to Infrastructure Australia, seeking substantial funding from the Commonwealth Government's Building Australia Fund:

- . M4 extension
- . M5 expansion
- . West Metro
- . Northern Sydney freight rail line.

It further states that it will not proceed before 2012 unless you receive that Commonwealth funding. What is the timetable for the Commonwealth funding? I do not mean to physically get it in your hand but the timetable of decisions to be made by the Commonwealth? Is it going to take them three months, six months, 12 months before you know?

Mr SCHUR: We will probably know back from the Federal Government indicatively by the end of this year but for certain by March of next year. It is not certain exactly how much of the \$20 billion fund the Federal Government will make available—none of that has been determined. It is not certain at this stage how much of the fund will be allocated to New South Wales as opposed to any of the other States. We certainly do not know. We have provided our submission tirelessly. The Federal Government now has that document. We have complied with all the requirements in terms of the detail business analysis and underlying data to support the individual projects as well as the story around the project. We are in dialogue with the Federal Government now in terms of providing them with additional information as they request it.

CHAIR: The list that New South Wales has put in is very impressive; they are major projects. Each State has put in similar requests for major projects?

Mr SCHUR: Correct.

CHAIR: It is virtually a bidding war between the States, but they are not going to divide it equally and say each State gets so many buildings?

Mr SCHUR: Again, I would not want to second-guess what they do, but the Federal Government has made it clear that they will determine a priority list on the basis of genuine assessment of projects of national significance. That will mean, as far as they are concerned, not allocating funds to the States on some pro-rata basis, but doing it on the basis of projects that generally have a national impact. We believe that puts New South Wales in a good position vis-a-vis our submission.

CHAIR: One of the concerns would be that we already do not get our fair share of the GST; we would not want New South Wales subsidising the other States for their projects?

Mr SCHUR: Absolutely.

CHAIR: Another issue I noted in the Mini-Budget in chapters 4 and 5 were royalties for coal. Has there been any negative reaction from the coal industry? I would not expect that there would have been? Was there any discussion with the coal industry or did that come out of the blue?

Mr RONSISVALLE: Neither Michael nor myself were involved in the decision on royalties.

Dr JOHN KAYE: Who is?

Mr RONSISVALLE: Obviously Minister Macdonald and the Treasurer are the appropriate people to be asking that question.

CHAIR: That will be followed up at the next hearing. That brings us to the conclusion. You are quite clear in regard to the other witnesses you mentioned? You will confirm that Kevin Cosgriff will attend? We will send a letter to request his attendance.

Mr SCHUR: We can speak with him.

CHAIR: You confirm that he will attend, but we will confirm it in writing?

Mr RONSISVALLE: Yes.

Dr JOHN KAYE: Could I ask that Mr Stephen Brady also be in attendance tomorrow in respect of Tillegra Dam, is that acceptable to you?

Mr RONSISVALLE: Yes. I am assuming they are available for this.

CHAIR: You will advise him?

Mr RONSISVALLE: Yes.

CHAIR: However, we will send a letter confirming that request.

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

Mr RONSISVALLE: I will see what we can do.

CHAIR: For the information of those two who will be involved, we will commence tomorrow at 10.00 a.m. I assume there will be a reduction in that hearing time tomorrow for the Treasury. Thank you for your attendance.

(The witnesses withdrew)

The Committee proceeded to deliberate.
