

PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE

Wednesday, 6 September 2017

Examination of proposed expenditure for the portfolio area

TREASURY, AND INDUSTRIAL RELATIONS

CORRECTED PROOF

The Committee met at 9.00 a.m.

MEMBERS

Reverend the Hon. Fred Nile (Chair)

Mr J. Field

The Hon. S. Farlow

The Hon. T. Khan

The Hon. D. Mookhey

The Hon. Dr P. Phelps

The Hon. Peter Primrose

The Hon. Adam Searle

PRESENT

The Hon. D. Perrottet, *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**

The CHAIR: Welcome to the public hearing for the inquiry into the budget estimates 2017-18. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of this land. I also pay respect to elders, past and present, of the Eora nation, and extend our respects to other Aborigines present. I welcome Treasurer Perrottet and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolios of Treasury and Industrial Relations.

Today's hearing is open to the public and is being broadcast live by the Parliament's website. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I also remind media representatives that they must take responsibility for what they publish about the Committee's proceedings. The guidelines for the broadcast of proceedings are available from the secretariat.

There may be some questions that a witness could answer if only they had more time, or with certain documents to hand. In these circumstances, witnesses are advised that they can take a question on notice and provide an answer within 21 days. Any messages from advisers or members of staff seated in the public gallery should be delivered through the Committee secretariat. Treasurer, I remind you and the officers accompanying you that you are free to pass notes and to refer directly to your advisers seated at the table behind you.

Transcripts of this hearing will be available on the web from tomorrow morning. Finally, I ask everyone please to turn their mobile phones to silent 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 office as a member of Parliament.

MICHAEL PRATT, Secretary, Treasury, sworn and examined

CARALEE McLIESH, Deputy Secretary, Fiscal and Economic Group, Treasury, sworn and examined

PHIL GARDNER, Deputy Secretary, Commercial, Treasury, affirmed and examined

SIMONE CONSTANT, Deputy Secretary, Financial Risk Management and Transformation, Treasury, sworn and examined

VIVEK BHATIA, Chief Executive Officer, icare, affirmed and examined

The CHAIR: I declare the proposed expenditure for the portfolios of Treasury and Industrial Relations open for examination. Questioning on the Treasury portfolio will be conducted from 9.00 a.m. until 11.00 a.m. Questioning on the Industrial Relations portfolio will be conducted from 11.00 a.m. until 11.40 a.m. As there is now no provision for a Minister to make an opening statement before the Committee commences questioning, we will begin with questions from the Opposition.

The Hon. ADAM SEARLE: Treasurer, you said in March this year that the Fire and Emergency Services Levy reform was "one of the most significant pieces of tax reform in New South Wales for generations". You also said, "A significant amount of work has gone into making sure we have the best tax system possible." Do you remember saying those words?

Mr DOMINIC PERROTTET: They sound familiar.

The Hon. ADAM SEARLE: Hauntingly familiar.

Mr DOMINIC PERROTTET: No, just familiar.

The Hon. ADAM SEARLE: Do you still think that is best the description of those reforms?

Mr DOMINIC PERROTTET: I think we would agree on the principle that a levy on insurance premiums paid only by those who take out insurance policies to pay for the important work undertaken by our emergencies services personnel is not the most efficient nor the fairest system. It is an accident of history. I think the Labor Party, and even The Greens, may agree on that principle. As you know, the fire and emergency levy reforms were deferred.

The Hon. ADAM SEARLE: No, they were scrapped.

Mr DOMINIC PERROTTET: It is a deferral of the Fire and Emergency Services Levy.

The Hon. ADAM SEARLE: The Parliament repealed the legislation. That is not a deferral.

Mr DOMINIC PERROTTET: We remain committed, as I am sure you are—in fact, we are on a unity ticket—

The Hon. ADAM SEARLE: Do not bring me into your mess; this is all yours.

Mr DOMINIC PERROTTET: No.

The Hon. ADAM SEARLE: You are right; you must share it with the Premier.

The Hon. TREVOR KHAN: Are you going let the Treasurer answer the question or are you going to have a chat?

The Hon. ADAM SEARLE: I think the Treasurer can look after himself.

The CHAIR: Let the Treasurer answer the question.

Mr DOMINIC PERROTTET: As you are aware, we deferred the levy, and as part of that we returned to collecting the levy on insurance premiums. We still take the view that collecting the levy on insurance premiums is not the most efficient process, nor is it fair. As the data came through as part of this process, the lived experience did not match the policy intent. I am very proud to be a member of a government that has embarked upon a number of reforms. The reality is that an active government constantly making decisions in the best interests of the people of New South Wales will not always get it right. I have said that we did not get it right on this occasion. However, we will continue to embark on reform and to make decisions in the best interests of the people of New South Wales.

The Hon. ADAM SEARLE: You described the reform as in some ways very simple, and you certainly did not rush into it. Your Government put out its first discussion paper in 2012, and three years later the then Treasurer announced the levy. In the following June you appointed the monitor, and in April you legislated. Suddenly in May you announced that it would be scrapped.

Mr DOMINIC PERROTTET: Deferred.

The Hon. ADAM SEARLE: The Parliament then repealed the legislation. In fact, in June this year you had to introduce legislation to bring back the former scheme. That is not a deferral; it is a complete capitulation. There was no "lived experience" because your policy was never implemented. Can you tell the Committee how you got it so wrong? What did you get wrong? What caused you to scrap the policy?

Mr DOMINIC PERROTTET: In relation to its being "simple", it is a simple concept.

The Hon. ADAM SEARLE: But you got it wrong.

Mr DOMINIC PERROTTET: I have said that. We cannot hide the fact that we could have had a better result. However, we got the big things right, and that is why we are in a strong financial position. It is great to appear as Treasurer at the budget estimates hearings having a \$4.5 billion budget surplus and a budget that is the envy of the western world. That is despite the fact that the Labor Party has opposed every government reform measure. Your reference to the "lived experience"—

The Hon. ADAM SEARLE: They were your words just a moment ago.

Mr DOMINIC PERROTTET: Okay, in relation to your reference to my use of the words "lived experience" and the reform not being implemented, that certainly came to light because one of the key tenets of this Government is being open and transparent. It is something that we pride ourselves on. As part of this reform process we advertised and ran a campaign to inform the public of this change. As part of the campaign we set up an online calculator that gave business owners, people in the industry and home owners the opportunity to inform themselves of what the change would be. It became clear to me as Treasurer and to the Government that the outcome based on the data that was coming through fell outside the intention of the Government's objectives with this policy.

The Hon. ADAM SEARLE: That raises the question I asked a moment ago. You did not rush into this reform; your Government took five years to design and craft it. You had all the firepower of the New South Wales Treasury to assist you.

Mr DOMINIC PERROTTET: A world-class Treasury.

The Hon. ADAM SEARLE: I acknowledge that you say that. Yet it was completely wrong. You say that the modelling was completely wrong compared with the lived experience.

Mr DOMINIC PERROTTET: No.

The Hon. ADAM SEARLE: How did it get so wrong?

Mr DOMINIC PERROTTET: Throughout this process it was a challenge to get 100 per cent of the data. We were transitioning from a system where the levy is based on insurance policies to a system where it is based on land value. In circumstances where we were unable to get a clear 100 per cent sample—and I take the point that it is the case in any reform that you make assumptions based on the data that you receive—the outline position in fluctuations for the industrial and commercial side was outside the scope of what we had believed it would be.

Sure, as you say, this is not a policy we rushed into. This policy took some time to prepare. The model is a model, but the data that came out of it as we approached the implementation date of 1 July this year was outside of what the Government and I were comfortable with. As a result of that, we decided to hit the pause button. I believe that was the right decision to make. Sometimes in government you do not get everything right and you have to make the right decision based on the situation in front of you. Based on the data that I received, the Government formed the view that we should defer the implementation of the Fire and Emergency Services Levy.

The Hon. ADAM SEARLE: You inherited this project from the former Treasurer. Would you have embraced this model yourself if you had brought it forward?

Mr DOMINIC PERROTTET: The Government remains completely behind the principle of—

The Hon. ADAM SEARLE: I meant the legislation.

Mr DOMINIC PERROTTET: I introduced the enabling legislation as Treasurer sometime around March or April.

The Hon. ADAM SEARLE: April.

Mr DOMINIC PERROTTET: I introduced the legislation. It is my legislation as Treasurer of New South Wales. Following the introduction of the legislation and as data came through it became clear to the Government and to me that the outcome was not what we had intended at the outset.

The Hon. ADAM SEARLE: You say that the outcome was not what you had intended and the lived experience was falling outside of expectations. Was that because people were contacting the Government because they were going to have to pay too much or a lot more than they had paid previously?

Mr DOMINIC PERROTTET: We received a range of correspondence during that time, particularly at the time that the Fire and Emergency Services Levy calculator went online. I think the calculator was a positive step and it was the right move for the Government to implement it. If we had not done that, we would not—I think that was the mechanism which provided the information that led to the Government's decision to defer the legislation. My office received a range of correspondence. Members of Parliament raised concerns with me based on their constituents. It always gives me faith in the political system that constituents can raise issues with their local member and their local member can take those concerns to the Minister. I heard those concerns, considered the situation for some time to work through those issues, and reached the conclusion that the Government should defer the levy at this time.

The Hon. ADAM SEARLE: We are debating about whether you have scrapped it or whether you have deferred it, and you keep using the word "deferral". When is it deferred until, exactly?

Mr DOMINIC PERROTTET: The Fire and Emergency Services Levy is—to use the words of the great former Prime Minister Tony Abbott—"dead, buried and cremated."

The Hon. ADAM SEARLE: So not deferred?

Mr DOMINIC PERROTTET: The principle, which I believe we are on a unity ticket on—and, as I said, I think The Greens are on it as well—

The Hon. TREVOR KHAN: That is a worry.

Mr DOMINIC PERROTTET: —which concerns me—is what is deferred is moving away from a system where the levy is calculated based on insurance premiums. The Government and I do not believe it is fair that the only people who pay for the important work that our emergency services personnel do are those who take out insurance. I would like to see a system where everybody makes a contribution and the tax burden across New South Wales is reduced. That is what this Government has a strong reputation in doing.

The Hon. ADAM SEARLE: To be clear, are you still working on a model of changing the fire and emergency service arrangements?

Mr DOMINIC PERROTTET: What I am working on at the moment is ensuring that the implementation and continuation of the Emergency Services Levy [ESL] paid on premiums is continued and that we have a smooth transition as we continue at that point of collection.

The Hon. ADAM SEARLE: Do you mean back to the future? The system that was in place beforehand?

Mr DOMINIC PERROTTET: We will continue the current arrangement.

The Hon. ADAM SEARLE: Yes. There is not much to do there. That arrangement is back in place.

Mr DOMINIC PERROTTET: I have been working with the insurance companies and meeting with them because they are a key stakeholder in this reform. I have been focused on ensuring that there is a smooth continuation of the current system.

The Hon. ADAM SEARLE: So after six years we are back where we started from? Is that what you are saying?

Mr DOMINIC PERROTTET: You mean that we are collecting the levy based on insurance premiums?

The Hon. ADAM SEARLE: Yes.

Mr DOMINIC PERROTTET: Yes, we are.

The Hon. ADAM SEARLE: I am glad we have that cleared up. You mentioned the insurance industry. They have said that this venture of yours has cost them tens of millions of dollars.

Mr DOMINIC PERROTTET: The reform process?

The Hon. ADAM SEARLE: The reform process, the new legislation and then scrapping it and going back to the old scheme. They say the chopping and changing has cost them tens of millions of dollars. Have they indicated to you how they are going to recoup those losses? Will they recoup them from their customers, who will then be paying more?

Mr DOMINIC PERROTTET: I have had constructive discussions with the insurance companies and the Insurance Council. Some of those were tough conversations, as you could imagine in circumstances where you have been working on a reform process and they have been working towards that as well.

The Hon. ADAM SEARLE: I can imagine.

Mr DOMINIC PERROTTET: I want to thank them because I think they have worked closely with the Government in what would have been a difficult situation for them in relation to continuing the collection of the ESL. I have met with the Insurance Council of Australia a number of times and I will continue to meet with the insurance companies. It is not for me to direct the insurance companies to do one thing or another. They are in the private sector. They are in a competitive environment and they will continue to collect the Emergency Services Levy [ESL]. We have said that no person should be worse off as a result of the continuation of the ESL. That is our position.

The Hon. ADAM SEARLE: You are using some pretty tricky language there, Treasurer. You created this big change. You caused the insurance industry to incur costs by switching twice to a new scheme and then back, and you are saying that no-one should have to pay more as a result of this. But these are commercial players. They have incurred costs as a result of your Government's actions. How can you guarantee that they will not pass those costs on to households and business customers who will then be paying more as a result of your Government's bungling?

Mr DOMINIC PERROTTET: As a result of the deferral of the Fire and Emergency Services Levy—

The Hon. ADAM SEARLE: You mean the scrapping of the levy. I think you would agree that that legislation is dead and buried, correct?

Mr DOMINIC PERROTTET: Yes.

The Hon. ADAM SEARLE: The FESL has been scrapped. It has not been deferred.

Mr DOMINIC PERROTTET: The FESL in its known form is now dead, buried and cremated.

The Hon. ADAM SEARLE: So we have moved from the known knowns to the unknown knowns. Is that what you are saying?

Mr DOMINIC PERROTTET: I have been completely consistent in my position that we are completely committed to the principle of moving away from a levy on insurance. Therefore the costs incurred by the insurance companies is not in vain.

The Hon. ADAM SEARLE: That is a ridiculous proposition, Treasurer.

Mr DOMINIC PERROTTET: How?

The Hon. ADAM SEARLE: The scheme you got them to expend money switching to has been scrapped. Whatever you might do in the future could look entirely different and would require more work on the—

Mr DOMINIC PERROTTET: That is a hypothetical.

The Hon. ADAM SEARLE: You are right. Will you introduce a new scheme before March 2019 or is the embracing of this principle of yours on the never-never?

Mr DOMINIC PERROTTET: Mr Searle, I am trying to answer the questions as well as I can here.

The Hon. ADAM SEARLE: You are struggling, Treasurer.

The Hon. SCOTT FARLOW: That is when he can decipher a question from what you are saying.

Mr DOMINIC PERROTTET: We remain completely committed to moving away from a levy on insurance companies. We have said that we will not pursue the current system in place, or the proposal in place that came through as part of that.

The Hon. ADAM SEARLE: But you will not guarantee that the insurance companies will not pass on the costs that they have incurred to their customers, the households and businesses.

Mr DOMINIC PERROTTET: I have had some very constructive discussions with the insurance companies. The experience to date, based on preliminary figures that I have seen from the insurance companies, is that the lived experience of what premium holders were paying before is in line with what they are paying now. So feel free to ask the insurance companies specific questions. As part of this, I would say that the Government's commitment is that no policyholder should be worse off. I have continued the role of the insurance monitor, Allan Fels, through this process. I do not have the date for the period of time.

Ms McLIESH: That is mid-2020.

Mr DOMINIC PERROTTET: I believe that that is a reasonable period of time to make sure that the monitor will continue to play an important role. He is doing good work in ensuring that policyholders are not worse off as a result of the Government's deferral of this reform.

The Hon. ADAM SEARLE: It is very courageous of you to keep using the word "deferral" in the face of the evidence. In relation to Professor Fels, the main purpose of the monitor was to oversee the transition to the new Fire and Emergency Services Levy.

Mr DOMINIC PERROTTET: That is correct.

The Hon. ADAM SEARLE: You have agreed that that legislation and that model has been scrapped; it is dead and buried?

Mr DOMINIC PERROTTET: Yes.

The Hon. ADAM SEARLE: So why are you continuing to engage Professor Fels and David Cousins in their monitoring roles? What exactly are they monitoring? Are they just monitoring to make sure that no-one pays more as a result of your Government's disastrous policy? Is their job to sweep up after you?

Mr DOMINIC PERROTTET: I reject the proposition of "disastrous policy". The principle behind the reform remains completely valid. As I said, the Government is committed to that. The insurance monitor has done some significant work for the Government over a period of time in relation to the protection of consumers in a range of areas. My experience with Professor Fels has generally been very positive. I certainly made the decision—particularly in the early stages, when we went down this path of deferring—that it made sense to continue his engagement for the protection of consumers. Obviously ours is a government that wants to make sure that consumers across New South Wales are given as much protection as possible. I decided to continue his engagement with the New South Wales Government at this time.

Mr JUSTIN FIELD: Good morning, Treasurer.

Mr DOMINIC PERROTTET: Good morning, Mr Field; how are you?

Mr JUSTIN FIELD: This is our first meeting in this forum.

Mr DOMINIC PERROTTET: I have not met you before.

Mr JUSTIN FIELD: Another area where, no doubt, we will be on a unity ticket is the Government's response to climate change. Has Treasury done any modelling on the potential impacts to future New South Wales budgets from the increasing impacts of climate change?

Mr DOMINIC PERROTTET: The Treasury takes in a range of considerations in respect of outside events. I might get Ms McLiesh to make some further comments in respect of the types of considerations that are taken into account. If you want to be in a position to protect against potential unforeseen events—the premise of your question is the perspective you have on climate change and events that may transpire as a result of that.

Mr JUSTIN FIELD: You say "may" transpire. We have some pretty big global events that are transpiring right now. Some have happened here. It is not off in the never-never; these are pretty current.

Mr DOMINIC PERROTTET: The best thing that a treasury, a treasurer or a government can do is to make sure that we are in a strong financial position to protect against unforeseen events. When I look around the country at the moment, I compare the budget positions of other States with that of New South Wales. This State has a \$4.5 billion surplus. Having a surplus and being in a strong financial position is the best way that governments can protect against unforeseen events. Before I pass to Ms McLiesh, I want to say that your Labor friends at the end of the table here will talk about these principles and climate change all the time but will never be in a financial position to do anything about it.

Mr JUSTIN FIELD: With all respect, Treasurer, \$4.5 billion does not go far with respect to the sorts of impacts that are being forecast. The biggest reports on climate change are primarily economic reports. They

talk about the economic risks. Has any modelling been done? This question was asked of the Treasurer, now Premier, last year. It was clear that no modelling had been done. Have you still done no modelling on the impact on the State budget of climate change?

Mr DOMINIC PERROTTET: I am trying to answer the question the best I can because of the respect that I have for this Committee, so just let me speak.

The Hon. TREVOR KHAN: Don't be angry, Mr Field, it is not you.

Mr JUSTIN FIELD: There is no anger. I am just putting the facts on the table.

Mr DOMINIC PERROTTET: I will use the example of Warragamba Dam and the risk of floods downstream to the people in the Hawkesbury-Nepean. Would you say that a potential major flooding event would be connected to climate change?

Mr JUSTIN FIELD: Absolutely.

Mr DOMINIC PERROTTET: If you take that as the premise, it would be the case that after years of promises from the previous Labor Government about raising the Warragamba Dam wall, the reality is that that Government was never in a position financially to make the investment to protect the lives of the families in the Hawkesbury-Nepean area. As a result of the strong financial position of this Government and as a result of the strong discipline behind the scenes, this Government is now in a position—after decades of neglect—to pursue that project.

Mr JUSTIN FIELD: Excuse me, Minister. Is that coming from the Climate Change Fund?

Mr DOMINIC PERROTTET: Yes, some of—

Mr JUSTIN FIELD: That is a levy on customers. That does not have anything to do with the Government's financial position.

Mr DOMINIC PERROTTET: No. Some of the contributions in the preliminary stages has, but unfortunately the Climate Change Fund will never have a balance that will pay for the substantial infrastructure investment that will be involved in raising the Warragamba Dam wall by 14 metres. Before I pass to Ms McLiesh, I would also make the point that there will be a position in relation to external factors that we model as part of the budget, but what we do here on our side of politics is we live in the real world where we actually need to solve problems for the families across the State. You can have your strong ideological views in relation to various policies, such as being wedded to renewable energy targets that actually put up the cost of energy bills for people across this State, but this Government is completely committed to the provision of reliable energy and of reducing power prices across New South Wales. I am not going to accept—

Mr JUSTIN FIELD: Minister, while we are talking about real-world events, the Premier was in Lismore—

Mr DOMINIC PERROTTET: No, I am not going to accept—

Mr JUSTIN FIELD: This goes to the point.

Mr DOMINIC PERROTTET: No, I am answering.

Mr JUSTIN FIELD: The Premier was in Lismore early this year—

Mr DOMINIC PERROTTET: Mr Field, I have not finished my answer.

Mr JUSTIN FIELD: —and she said those events are more likely—

Mr DOMINIC PERROTTET: I have not finished answering the question.

The Hon. TREVOR KHAN: Point of order—

Mr DOMINIC PERROTTET: I have not finished answering the question.

Mr JUSTIN FIELD: You are not really answering the question.

Mr DOMINIC PERROTTET: Well, I am getting there.

Mr JUSTIN FIELD: You are talking about other policies from the past.

The CHAIR: Let the Minister finish off his sentence.

The Hon. ADAM SEARLE: It is a long and winding road, Treasurer.

Mr DOMINIC PERROTTET: I am getting there and then I am going to pass to Ms McLiesh.

The Hon. SCOTT FARLOW: Don't get excited.

The Hon. ADAM SEARLE: Oh, come on!

Mr JUSTIN FIELD: Its budget estimates. What are we going to do if we do not get excited about it?

Mr DOMINIC PERROTTET: The point is you cannot just take the moral high ground with your ideological views in relation to climate change policies as though your position puts the budget in a better position. No. It is a more tangible approach that we take which puts the budget in a very strong position to protect against environmental issues or other issues that may come up down the track. The point I was making in relation to Warragamba was that it is a great example, on your version of events, that a serious flooding of the Hawkesbury-Nepean area would be connected to climate change. By putting ourselves in a strong financial position, we are able to actually do something about it—unlike your allies at the end of the table. Ms McLiesh, can you provide some information, please?

Ms McLIESH: Certainly, Treasurer. Treasury works with agencies in the development of policies in terms of understanding the various costs, benefits, risks and outcomes from those policies. We have been supporting the Office of Environment and Heritage [OEH] and other agencies in understanding the draft Climate Change Fund Strategic Plan that the Government had released and that sets out actions for measures under the Climate Change Fund.

Mr JUSTIN FIELD: Ms McLiesh, I am well aware of that fund. I guess I was going to fundamental risk management of government. Understanding the potential costs and impacts on the State's budget, that is one fund that has been established using the levy to provide certain responses—mitigation but mostly adaptations. I understand that, but I take it from the Minister's response that there is no forward-thinking risk management as to impacts on the budget from the impacts of climate change on our State. I am happy to move on from there.

The Hon. TREVOR KHAN: Was that Dr Mehreen Faruqi?

Mr JUSTIN FIELD: No. What are you talking about?

The Hon. SCOTT FARLOW: He is doing a Faruqi.

Mr JUSTIN FIELD: Earlier this year the Government spent \$262 million to purchase something from Shenhua. What do you understand the Government purchased from Shenhua for \$262 million, given that it will be able to mine exactly the mine plan it had already lodged?

Mr DOMINIC PERROTTET: That is not the case.

Mr JUSTIN FIELD: It is the case; it is exactly what it lodged. What exactly did the Government buy back? Do you think it was value for money for the taxpayers of New South Wales?

Mr DOMINIC PERROTTET: I do. I do, so let us start with the history behind this.

Mr JUSTIN FIELD: Oh no, we do not need a history lesson.

Mr DOMINIC PERROTTET: I will be brief.

Mr JUSTIN FIELD: I think most people at this table are all over it.

The Hon. SCOTT FARLOW: The Treasurer has a big focus on history.

Mr DOMINIC PERROTTET: For the public to understand the situation around Shenhua, I think it is very important that we understand where it came from. Under the previous Government there was a Minister then by the name of Ian Macdonald. I think you might be familiar with him.

The Hon. TREVOR KHAN: "Macca".

Mr DOMINIC PERROTTET: "Macca", yes. He approved exploration licences—

The Hon. ADAM SEARLE: Yes, and Chris Hartcher renewed them.

The Hon. PETER PRIMROSE: I remember him.

Mr DOMINIC PERROTTET: —in the Liverpool Plains for both the Shenhua Watermark coal projects. The New South Wales Government has been cleaning up Mr Macdonald's mess to restore agricultural land back to the community and protect underground water sources.

Mr JUSTIN FIELD: That is a contested position, but okay.

Mr DOMINIC PERROTTET: Okay. That is the Government's position.

Mr JUSTIN FIELD: I am sure.

Mr DOMINIC PERROTTET: What do you contest about this?

Mr JUSTIN FIELD: Shenhua is going to be able to do exactly the mining it proposed to do and the Government not only has approved that but also has given them \$262 million—

Mr DOMINIC PERROTTET: No. That is incorrect.

Mr JUSTIN FIELD: —for areas of land that they were not intending to mine. I am wondering what the taxpayers of New South Wales got for their \$262 million.

Mr DOMINIC PERROTTET: Yes. Okay, I will finish. I just wanted to clarify that. In 2008 Shenhua purchased the exploration licence from the then Labor Government for \$300 million. The Government agreed to buy back 51.4 per cent of Shenhua Watermark's mining exploration licences for \$262 million.

Mr JUSTIN FIELD: How was that arrived at?

Mr DOMINIC PERROTTET: Two hundred and sixty-two million dollars is 51.4 per cent of the original amount received from Shenhua in 2008 adjusted to present value.

Mr JUSTIN FIELD: Based on what rate of interest?

Mr DOMINIC PERROTTET: Present value takes into account the weighted average cost of capital and the Government's cost to borrow those funds.

Mr JUSTIN FIELD: At what rate of interest?

Mr DOMINIC PERROTTET: This is appropriate because the Government has had the use of those funds since 2008.

Mr JUSTIN FIELD: At what rate of interest?

Mr DOMINIC PERROTTET: In relation to why the Government did not exercise its option to revoke the licence, we looked at every legal option we had, but revoking the licence under the eight-year use-it-or-lose-it provision would have exposed the Government to significant legal risks. The condition allows cancellation of the licence only if there are no reasonable excuses for not commencing the mine development or that the failure was related to circumstances beyond its control. The company had attempted to commence mining during this time but the reason it had not been able to is because it was stopped. Shenhua has been subjected to unprecedented Government reviews both at a State and Federal level and legal challenges. This prevented the usual development process being completed within the anticipated time frame.

Our buyback decision not only protects the farming future on the Liverpool Plains but also means that the local community will be able to benefit from the jobs—hundreds of jobs—that will be created and the millions of dollars in investment that the project can provide.

The CHAIR: I have one or two questions.

Mr DOMINIC PERROTTET: Yes.

The CHAIR: The first one is related to GST distribution.

Mr DOMINIC PERROTTET: Yes.

The CHAIR: There has been a lot of media discussion about the unfair distribution of GST as to how it affects New South Wales.

Mr DOMINIC PERROTTET: Yes.

The CHAIR: Why do you think we are not receiving our fair share?

Mr DOMINIC PERROTTET: That is a great question.

The Hon. SCOTT FARLOW: Indeed.

Mr DOMINIC PERROTTET: It is the first question today that I can say is on point. Chair, we have made a submission to the Productivity Commission, but for a significant period of time now New South Wales has not been receiving its fair share, in our view, from the GST distribution. We have always held the position that we should be moving towards a per capita basis. We certainly accept our role as a wealthier State with greater opportunities and resources than smaller States, such as Tasmania, and Territories, such as the Northern Territory.

Territory. We believe that there should be State support and that we should provide assistance to those States who do not have the opportunities that we have. Having said that, we are currently in a position that is well outside where it should be.

If we had moved to a per capita basis we would be receiving more than \$14 billion over the forward estimates than we currently are receiving now. Over the next four years we will be making a contribution to Queensland of more than \$6 billion for support there. I mean, we are not talking about Tasmania here: We are talking about the Queenslanders for whom we are making that contribution. This is a State, like most Labor States, that is not embarking on reform. It actually has a specific policy to not asset recycle. Its public service is growing at a greater rate than population growth. The taxpayers of New South Wales have to write out a cheque to cover States like Queensland. Obviously, Western Australia is quite unhappy about the current distribution as well. It has made some strong submissions and we have made some submissions. Would you like me to touch on reform or prospects for reform?

The CHAIR: I think there is an urgent need for reform, but I know it would be difficult because all the States are supposed to agree on changing the formula. They will be very reluctant to do that because they are getting a great benefit from New South Wales. How could it be reformed?

Mr DOMINIC PERROTTET: It is certainly a challenge but one on which the States need to come together. In our submission to the commission, we have recommended the introduction of a States' body that would oversee and have some involvement in the determination by the Commonwealth Grants Commission. I met with the grants commission recently and at the moment you are pretty much told, "This is what you are getting". There is no real ability for the States to have any engagement, and you have the Federal Treasurer saying that he is not able to make substantial changes.

I accept that is a challenge, but there are perverse incentives involved at the moment in the way that the calculations are made, based on disadvantage. If you take South Australia, it may have a deemed disadvantage in the provision of health services. Based on receipts from the donor States, South Australia is not compelled to spend those funds in the health space. There is no doubt that there is substantial need for change. I would also like to see incentives for States to embark on reform. We have seen a number of avenues at a Federal level, such as the Asset Recycling Initiative, which we have signed up to and we have received more than \$2 billion in funds, which we can invest in future infrastructure.

Then I looked at other States, such as the Labor Queensland Government, which does not embark on any reform and does not make better use of what it has, and its economy is going poorly. The taxpayers of New South Wales, run by the great Liberal-Nationals Government, have to subsidise these inefficient States. The perverse incentives that are in place need to change. We will constantly prosecute the case to the Federal Government and work closely with the other States in doing so. Last week I met with the Treasurer of the Victorian Labor Government, Tim Pallas, and we discussed the GST. The new Labor Treasurer of Western Australia, Ben Wyatt, is an intelligent man, surprisingly from the other side of politics—

The Hon. ADAM SEARLE: Don't be cheap, Treasurer. It does not suit you.

Mr DOMINIC PERROTTET: He has made a very strong, articulate case for reform of the GST formula, so I think there is momentum building. But it needs to go in the right way and bring other States, particularly the recipient States, on the journey.

The CHAIR: There could be a danger or perhaps even a trap if the Labor States are enthusiastic about making changes. They certainly would not want changes that disadvantage them, and they would be quite happy to take a bigger slice from New South Wales.

Mr DOMINIC PERROTTET: That is the case but having said that, Western Australia is a Labor State—

The Hon. DANIEL MOOKHEY: It has only been a Labor State for two months.

Mr DOMINIC PERROTTET: Yes, but the Labor Treasurer of Western Australia is making an articulate case to change the GST formula. I think that is a positive announcement. Victoria is also a Labor State. As Treasurer of a Liberal-Nationals government, I accept that we are the leaders and we are leading the way. There can be challenges in leading the way because sometimes it can be tough being a leader, but other States follow.

The Hon. Dr PETER PHELPS: A vanguardist.

Mr DOMINIC PERROTTET: Yes, but we accept in New South Wales the great role that we play in the economic success of this great country. The other States follow our policies. Chair, you might recall the

recent concession for Land and Property Information. We were opposed in that transaction, and very quickly after that the Victorian Labor Government came on board. We provide cover and we accept the role that we play in the economic success of this nation. We will continue to do that regardless of whether we are dealing with a Labor government or a Liberal government. We will continue to lead in economic reform for the betterment of this great country.

The CHAIR: Is there any way you can force GST reform so that New South Wales is treated fairly on a per capita basis? Could you do it with Federal legislation?

Mr DOMINIC PERROTTET: Any change would need to be made with the Commonwealth Government and the other States. As you rightly say, it is very difficult to have reform in circumstances where some States are donor States and other States are recipient States and expect the recipient States to substantially embark on a reform that would disadvantage them. That is only natural. To date, there has not been a coalition of State treasurers coming together to provide advice to the commission on how we could have a better system. There would be areas even within the ambit of recipient States which believe there should be reform.

The review that is being undertaken by the Commonwealth's Productivity Commission at the moment we have supported. Other States have made submissions. It is a good start to potentially getting change in the formula of the GST. That is a positive thing for the people of this State and positive for the country. We want competitive federalism in this country and we want States to be able to stand on their own two feet. I know my colleague the Hon. Dr Peter Phelps will disagree with this, but we will always have a role to support inefficient States that do not have the opportunity that New South Wales has. Having said that, the system at the moment subsidises poor performance and does not reward performing States.

The CHAIR: New South Wales is paying the wages of Queensland public servants.

Mr DOMINIC PERROTTET: Absolutely. As I said before, Queensland's population is growing at a slower rate than its public service. That means that the taxpayers of New South Wales continue to pay the bill for the Queensland public service. Queensland is a Labor State with a specific policy position against asset recycling and making better use of what it has. I am very proud that New South Wales protects itself from external events, despite the fact that we are not getting support from the GST. We will prosecute the case, but we will not rely on that. We will continue to do the right thing by the people of New South Wales.

The Hon. DANIEL MOOKHEY: I start by resuming discussion about the leadership you provided in the emergency services levy. Was it designed by the economic forecasting group of Treasury?

Mr DOMINIC PERROTTET: Was what designed?

The Hon. DANIEL MOOKHEY: The failed model.

Mr DOMINIC PERROTTET: The Fire and Emergency Services Levy model—

The Hon. DANIEL MOOKHEY: Was the preparation work—the design, the modelling, the creation, the projection—undertaken by the Economic Forecasting and Revenue Analysis group of Treasury?

Mr DOMINIC PERROTTET: We had a team within Treasury that worked on the model. To clarify it—and I appreciate that you were not here for the strong cross-examination by your colleague the Hon. Adam Searle earlier—

The Hon. DANIEL MOOKHEY: Two for the price of one this morning, Treasurer.

Mr DOMINIC PERROTTET: I was quite excited to see you come in.

The Hon. ADAM SEARLE: Don't be cheap, Treasurer.

Mr DOMINIC PERROTTET: It was quite a relief.

The Hon. DANIEL MOOKHEY: I have to say I am excited to be here. I am particularly excited because you are about to tell me—

Mr DOMINIC PERROTTET: I would not want to be anywhere else.

The Hon. DANIEL MOOKHEY: —about the work that was undertaken by the Economic Forecasting and Revenue Analysis group of Treasury. It is not a complicated question.

Mr DOMINIC PERROTTET: No, but I just want to set the scene that I raised earlier for where I think the issues arose in relation to the Fire and Emergency Services Levy. The issue is more related to the lack of data that we were able to obtain—

The Hon. DANIEL MOOKHEY: You said there was a team of people working on this in Treasury—

Mr DOMINIC PERROTTET: —more particularly from the insurance companies, where we were unable to get that data from—

The Hon. DANIEL MOOKHEY: —a team of people working together on Treasury—

The Hon. TREVOR KHAN: Point of order—

The CHAIR: Order! Members will not speak over the Minister while he is answering a question.

The Hon. DANIEL MOOKHEY: He had answered the question.

Mr DOMINIC PERROTTET: I have not finished.

The CHAIR: Let him conclude the answer.

Mr DOMINIC PERROTTET: Where we were unable to get the data from insurance companies, a complete dataset. That can be challenging to achieve, but when that information came through and when I saw the lived experience of what the levy would result in, the Government came to the view that we should defer it.

The Hon. DANIEL MOOKHEY: You said there was a team of people working on it in Treasury. How big was the team?

Mr DOMINIC PERROTTET: I will get you that information. There were 24 members of the team at its peak, including Treasury staff and contractors. As Mr Searle pointed out, the reform had taken some time. So there were obviously different numbers working on the reform at different times.

The Hon. DANIEL MOOKHEY: When was the peak?

Mr DOMINIC PERROTTET: In May 2017.

The Hon. DANIEL MOOKHEY: In May 2017 there were 24 people working on it. Were they a part of the tax reform office of the Economic Forecasting and Revenue Analysis Division?

Mr DOMINIC PERROTTET: Some would have been and there would also have been contractors.

The Hon. DANIEL MOOKHEY: How long was the peak, and in general how long were Treasury staff working on this?

Mr DOMINIC PERROTTET: I would expect that Treasury staff were working on this reform for the period of time since the Government's announcement that we would pursue a reform of the system where a levy was calculated on insurance premiums. I might ask Dr McLiesh to provide some further information.

Ms McLIESH: Treasury has worked on the reform since its inception—

The Hon. DANIEL MOOKHEY: When was that?

Ms McLIESH: When there were consultations on the proposition—

The Hon. DANIEL MOOKHEY: Was that 2013-ish?

Ms McLIESH: Correct, and from the Government's decision in 2015 to embark on the reform we expanded the team.

The Hon. DANIEL MOOKHEY: Who was the project director?

Ms McLIESH: I was the accountable person within Treasury reporting to the Secretary and I had a team reporting to me.

The Hon. DANIEL MOOKHEY: How many staff hours were there and what was the cost of that?

Ms McLIESH: As the Treasurer said, we had a total of 24 staff at the peak, comprising nine staff and 15 contractors. In total, staffing costs were about \$2.7 million. That was disbursed over 2015-16 and 2016-17.

The Hon. DANIEL MOOKHEY: When you say you had 15 contractors, where were they from? Were they sole contractors or from a consulting firm?

Ms McLIESH: There was a mix.

The Hon. DANIEL MOOKHEY: Was there a main contractor you were working with—McKinsey, Boston Consulting Group, anyone like that?

Ms McLIESH: No, none of the major consulting firms.

The Hon. DANIEL MOOKHEY: Did Treasury ever commission market research into the Fire and Emergency Services Levy?

Ms McLIESH: Yes, Treasury did commission market research into the levy to understand the community reactions to the policy.

Mr DOMINIC PERROTTET: I will add to that. I raised earlier that I think one of the important aspects of this Government is that we have a very strong, open and transparent government, as you would be aware, and as part of this process we ran significant market research and also provided public information and an online calculator to members of the public so they could determine what the change would mean to them, whether they had a commercial, industrial business or a residential property.

The Hon. DANIEL MOOKHEY: When was the market research commissioned and when was it completed?

Ms McLIESH: There was some baseline market research that was carried out in September and October 2016—

The Hon. DANIEL MOOKHEY: In what form: a survey, a focus group, a Facebook poll?

Ms McLIESH: There were both surveys and focus groups—surveys of about 2,000 residents and a range of focus groups in different locations in New South Wales.

The Hon. DANIEL MOOKHEY: How much did it cost?

Ms McLIESH: We will take that on notice.

The Hon. DANIEL MOOKHEY: I am reading your annual report. Was it the work undertaken by SenateSHJ?

Mr DOMINIC PERROTTET: I have the figure for the market research—\$240,000.

The Hon. DANIEL MOOKHEY: Who provided it? What was the agency or the names of the people?

Mr DOMINIC PERROTTET: Would you be happy for us to take that on notice?

The Hon. DANIEL MOOKHEY: Yes. What were the results? Did it say that people would have a favourable reception of this proposal?

Ms McLIESH: A range of issues were covered in the market research. Overall there was support for the concept of the reform and the principle of moving from an insurance-based levy towards a property-based levy—

The Hon. DANIEL MOOKHEY: Did you gauge attitudes to this specific proposal and not to—

Mr DOMINIC PERROTTET: Hold on, Dr McLiesh is trying to finish a sentence. We are happy to provide evidence but if we are going to get asked questions here today—

The Hon. DANIEL MOOKHEY: Sorry, but I thought she had finished.

Mr DOMINIC PERROTTET: Mr Mookhey, we respect the role of the Committee, but please show respect to the Treasury officials. I am not concerned about myself but please provide respect to Treasury officials when they are trying to answer the questions to the best of their ability.

The Hon. DANIEL MOOKHEY: Sure. Ms McLiesh?

Ms McLIESH: Overall there was support for reform and for the principles of moving from the insurance-based levy to the property-based levy. There was particular interest in ensuring stable and sufficient funding for emergency services agencies and support for reforms that would guarantee that funding to the agencies would continue unchanged.

The Hon. DANIEL MOOKHEY: Treasurer, did you see the polling? Did the Premier see the polling?

Mr DOMINIC PERROTTET: We have always committed to the principle of this reform. When you engage with people on a range of questions, there is no doubt that we would say—and you would agree, as I think your party agrees with the principle that it is unfair and certainly not efficient for—

The Hon. DANIEL MOOKHEY: Yes, but that is not what I asked. I asked, Did you see the polling and did the Premier see the polling?

Mr DOMINIC PERROTTET: —a levy to be included on an insurance policy, so—

The Hon. DANIEL MOOKHEY: Was the decision to proceed taken because the polling told you it would be favourable?

The Hon. TREVOR KHAN: Point of order: The Minister had not finished answering the question. The Hon. Daniel Mookhey is becoming excitable in this budget estimates hearing.

Mr JUSTIN FIELD: I was angry; the Hon. Daniel Mookhey is excitable; the Hon. Trevor Khan is bored.

The Hon. TREVOR KHAN: The Treasurer is entitled to finish answering the question before the Hon. Daniel Mookhey gets carried away.

Mr DOMINIC PERROTTET: We make decisions in this Government based not on the politics but on what is in the best interest of the people of New South Wales—

The Hon. ADAM SEARLE: After you have polled.

Mr DOMINIC PERROTTET: No, and that is what we do every single time. There is no doubt that it was a challenging position when the information data came through to the Government in respect of the policy because what we set out to achieve, the objectives of the reform, was not met by the lived experience. So when—

The Hon. DANIEL MOOKHEY: Treasurer, are you seriously telling us with a straight face that you paid \$240,000 for a poll and did not read it?

Mr DOMINIC PERROTTET: —that information came through, the Government received that feedback and I considered it. The right decision in the best interests of the people of this State was to defer the Fire and Emergency Services Levy [FESL], and that is what we did.

The Hon. ADAM SEARLE: How was it that other organisations were able to work out the flaws in your Government's model for the FESL and it took your Treasury and Government much longer to catch up?

Mr DOMINIC PERROTTET: Obviously in the time leading into the implementation date of 1 July the Valuer General conducted the valuations of land values on the unimproved land across New South Wales. We then set out an information campaign in relation to the introduction of the Fire and Emergency Services Levy, which I believed at the time was quite important given the nature of the change, by setting up the calculator that allowed people to put in their information in respect of their current circumstances. As a result of that approach, that is where the feedback from the State came from. Once that feedback came through, the Government made the decision to defer the levy. You have a model.

The Hon. ADAM SEARLE: Scrapped, I think we agreed you scrapped it.

Mr DOMINIC PERROTTET: The model is the model. The data is based on the information that goes into that model. When there was not a perfect set of data we made assumptions of what we believed would result. As I have said numerous times, the lived experience that came through that process was not in line with what we expected to achieve. That is the reason—and to Mr Mookhey's point—that is the sole reason we deferred the emergency services levy.

The Hon. ADAM SEARLE: Has local government asked your Government to pay them money to compensate for the costs they have incurred for your botched scheme?

Ms McLIESH: Local government have been compensated for all of the implementation costs associated with the reform.

The Hon. ADAM SEARLE: How much?

Ms McLIESH: This is part of the overall implementation arrangements for the reform. In terms of the overall payments made to local government—

The Hon. ADAM SEARLE: I am happy for you to take that on notice.

Ms McLIESH: I will take that and come back very shortly.

The Hon. ADAM SEARLE: And to provide us with figures by local council area if you can?

Mr DOMINIC PERROTTET: Yes, we will get that. We will take that on notice.

The Hon. ADAM SEARLE: Treasurer, a Transport for NSW document received by the Opposition dated April this year gave an estimated total cost for the Sydney Gateway project as being between \$1 billion to \$1.8 billion but in your budget infrastructure statement handed down two months later you gave the estimated total cost at only \$800 million. Can you explain the billion-dollar discrepancy please?

Mr DOMINIC PERROTTET: Which document is this?

The Hon. ADAM SEARLE: A Transport for NSW cluster report dated April, which we obtained. You may recall it was reported widely in the media that the Sydney Gateway project had blown out to \$1.8 billion.

The Hon. TREVOR KHAN: Is that right? It is not what was reported.

The Hon. ADAM SEARLE: It was. But your budget infrastructure statement says it is only \$800 million. Can you explain the difference between them?

Mr DOMINIC PERROTTET: Absolutely. What I found quite frustrating as Treasurer over the last period of time, and obviously taking a keen interest in the media reporting in relation to a number of these documents which seem to be floating around, which I think is quite unfortunate for all—

The Hon. ADAM SEARLE: Mainly for you.

Mr DOMINIC PERROTTET: —is that there seems to be a misconception in respect of what a reservation is, as opposed to a final business case and a final costing of the project.

The Hon. ADAM SEARLE: You accept \$1.8 billion is the true figure?

Mr DOMINIC PERROTTET: No, I do not. We have set as part of the WestConnex budget, which is at \$16.8 billion, an \$800 million reservation because that project is obviously connected to and very related to the WestConnex project—an \$800 million reservation. Any strong financial manager who has a significant pipeline of infrastructure projects will set aside a reservation in advance. Another project I read recently that has been raised is the Circular Quay wharf. As the portfolio Minister at the time, my recollection is about \$200 million was set aside for the redevelopment of the Circular Quay wharf, which will be a fantastic project when it comes online.

The Hon. ADAM SEARLE: I think that one was estimated to be a total of \$455 million. It has now blown out to \$1.2 billion.

Mr DOMINIC PERROTTET: This obviously shows the fact that on your side—

The Hon. ADAM SEARLE: That your Government cannot manage.

Mr DOMINIC PERROTTET: I accept that the Labor Party never built any infrastructure in New South Wales.

The Hon. ADAM SEARLE: That is not true, Treasurer. You know that is not true.

Mr DOMINIC PERROTTET: I remember reading in 2011 the review into the Labor Party's performance at that election, which obviously did not go so well.

The Hon. ADAM SEARLE: Point of order: The Minister has been completely unresponsive to the question. We are not talking about 2011, we are talking about the 2017-18 budget and these projects in particular.

Mr DOMINIC PERROTTET: I accept the point of order, and I will move back as quickly as I can. It is relevant, Mr Chair, to the point that when Labor is talking about the so-called blowouts, they are not blowouts at all because—

The Hon. ADAM SEARLE: Except that they are.

The Hon. TREVOR KHAN: Point of order—

Mr DOMINIC PERROTTET: Because they are reservations that we set aside funding for. You cannot sit there at the outset of a project and say we are going to build these new wharves or a major motorway or a new rail infrastructure and overnight have a determination of what the final cost is. That is not how good infrastructure works. This is not a game of SimCity, where with the press of a button a hospital is built and one wakes up the next morning and there it is. A substantial process of construction of infrastructure is undertaken. There are planning phases, business cases, investment decisions and it comes to the Cabinet Standing Committee on Expenditure Review—ERC. What good government does is set aside provisions to fund those

projects into the future. What we have done—specifically to the question, Mr Searle—with Sydney Gateway is make a reservation of \$800 million for that project, which I believe is due to be constructed in six years time, in 2023.

The Hon. ADAM SEARLE: Treasurer, I think you are talking about different things. Reservations are one thing—and I do understand the reservations process—but when you are undertaking any project it is not a blank cheque; it is not like we will spend any amount of money on this project. Governments usually say the project will cost this amount of dollars. Looking at WestConnex, for example, your Government said the project in total would cost \$10 billion. That was not a reservation; that was a total estimated cost. It is now accepted it is about \$18 billion. That has blown out.

Mr DOMINIC PERROTTET: Sixteen point eight billion dollars.

The Hon. ADAM SEARLE: Sixteen point eight billion dollars, \$17 billion. It will be \$17 billion before you are finished.

Mr DOMINIC PERROTTET: I would say there have been substantial changes to the scope of that project. We can have a definition of blowouts. I am going to build a Rozelle metro, for example, and I spend, let us say—I do not say this is the total cost of the project—half a billion dollars, and then not build it. I would probably say that is a blowout.

The Hon. DANIEL MOOKHEY: What is the Treasury's current estimated total cost of the Sydney Gateway?

Mr DOMINIC PERROTTET: We have set aside a reservation.

The Hon. DANIEL MOOKHEY: No, you are confusing terms now. You have explained to us in great detail the reservation process. I am not asking about that.

Mr DOMINIC PERROTTET: You understand that now?

The Hon. DANIEL MOOKHEY: I am asking what is the estimated total cost?

Mr DOMINIC PERROTTET: We are too early in the process to be in a position to have a final cost of that project. What we have done—

The Hon. DANIEL MOOKHEY: Can you therefore rule out—

The Hon. TREVOR KHAN: Point of order—

The CHAIR: Let the Minister answer the question.

Mr DOMINIC PERROTTET: What we have done from Treasury's perspective is set aside a reservation to contribute to that project. The questions in relation to the actual work around the Sydney Gateway are questions that the Minister for Transport and Infrastructure, as part of the Roads portfolio, will put together over time as we move through the process of that project. I want to end by saying that this is a government that has the biggest infrastructure agenda—\$72.7 billion of infrastructure to be spent over the next four years. We have never seen more infrastructure being built in the history of this State.

We inherited a \$35 billion infrastructure backlog. I am incredibly proud of the work that we have done in that space. By establishing Infrastructure NSW, by putting quality assurance frameworks in place we are making sure that our infrastructure projects across New South Wales are delivered on time and on budget. I put this into context: a \$73 billion infrastructure agenda, a \$4.5 billion surplus—and I really respect Michael Egan, the former Labor Treasurer, who also delivered surpluses—but what he did not do was deliver the infrastructure.

The Hon. ADAM SEARLE: Fifteen out of 16 years worth.

Mr DOMINIC PERROTTET: He did deliver surpluses, and I have respected that. But he did it at the expense of the strong infrastructure agenda that this Government is outlining today. We will always stand by the processes that we have in place for infrastructure across Sydney and greater New South Wales. Finally, all the advice that I have received as Treasurer is that our projects are on time and, importantly, on budget.

Mr JUSTIN FIELD: I have a specific question. How much money has been allocated for the Government's E10 Fuel for Thought advertising campaign? You might have to delve into some background papers to get that information.

The Hon. Dr PETER PHELPS: I am not saying anything.

Mr DOMINIC PERROTTET: Do you want the Hon. Dr Peter Phelps to comment?

Mr JUSTIN FIELD: No. I am happy for the staff to look for that information and to provide it later in the session.

Mr DOMINIC PERROTTET: We will have a look. However, it might be more appropriate to ask that question of the portfolio Minister. If we can access the information we will provide it. However, we may speak to the Minister for Innovation and Better Regulation because it would fall within his portfolio.

Mr JUSTIN FIELD: Will you rule out using New South Wales taxpayers' money to support any arrangement to keep the Liddell coal-fired power station running longer than AGL's planned closure in 2022?

Mr DOMINIC PERROTTET: This is a matter for the Commonwealth Government. We are awaiting the Australian Energy Market Operator's report. Coal is an important part of this State's energy mix. I was fortunate to hear the Hon. Adam Searle on the radio when I was driving to work this morning. He made the point—which the Government supports—that a range of energy sources should be considered in New South Wales. This Government's focus is on ensuring there is downward pressure on energy prices across the State, particularly for families and those in Western Sydney. We are not ideologically wedded to one energy source or another. There is no doubt that renewable energy will play an important role and that it will be a significant component of our energy mix. However, it is important that we have a mix of energy sources.

Mr JUSTIN FIELD: I appreciate that the Commonwealth Government has made announcements, but no arrangement has been specified. In fact, there is uncertainty about the Prime Minister's announcement. My question was specific: As the Treasurer of New South Wales, will you rule out spending taxpayers' money to support any arrangement designed to keep the Liddell coal-fired power station open beyond AGL's 2022 timetable?

Mr DOMINIC PERROTTET: This is a matter for the Commonwealth Government. We will review the report when it is finalised.

Mr JUSTIN FIELD: It is approved in New South Wales and it is in this State. It was once a New South Wales Government asset. My question was directed to you as the Treasurer of New South Wales.

Mr DOMINIC PERROTTET: And I will answer it in a manner that I believe is most appropriate. The question is more pertinent to the Commonwealth Government. This Government is committed to providing reliable energy sources across the State. It is strong ideological positions wedded to one energy source over another that results in a lack of energy security and increasing energy prices for families across New South Wales. I look forward to seeing the report, and once we have seen it we will have more to say.

Mr JUSTIN FIELD: So you will not rule it out. What justification do you have for ignoring the advice of the Audit Office of New South Wales to introduce follow-the-dollar legislation in New South Wales?

Mr DOMINIC PERROTTET: That is not a matter for my portfolio.

Mr JUSTIN FIELD: To be fair, \$3 billion or more in public money is being spent on outsourcing services in New South Wales, and that figure is expected to increase. This relates to financial accountability and how that money is allocated and spent, and how the Government ensures that it is being used appropriately. I believe New South Wales is different from most other States in Australia that are moving to introduce enabling legislation. Surely you would want the highest level of accountability with regard to public expenditure?

The Hon. TREVOR KHAN: Point of order: This is a budget estimates hearing dealing with the Treasurer's portfolio responsibilities. This issue probably falls within the Premier's portfolio.

Mr DOMINIC PERROTTET: I think it is the Premier's or Minister Kean's responsibility.

The Hon. TREVOR KHAN: That someone might or might not have an opinion does not bring it within the realm of this Committee.

The Hon. ADAM SEARLE: To the point of order—

The Hon. TREVOR KHAN: Of course you would jump, but I have not finished. This matter plainly falls outside the Treasurer's direct responsibilities and it should be ruled out of order.

The Hon. ADAM SEARLE: To the point of order: Unlike other Ministers, the Treasurer is the architect and custodian of the entire budget. Surely there would be very few areas of the budget—

Mr DOMINIC PERROTTET: Does that mean you can ask me anything?

The Hon. ADAM SEARLE: Pretty much. If it is above your pay grade, please say so. Mr Field is entitled to ask the question. If the Treasurer does not know the answer, he can take it on notice or say that he does not know.

The CHAIR: It is up to the Treasurer to determine whether it is within his portfolio responsibilities.

Mr DOMINIC PERROTTET: My understanding is that this is the responsibility of either the Premier or the Minister for Innovation and Better Regulation, and that they are looking at it at the moment. I will take the question on notice and I or the relevant Minister will provide a detailed response.

The Hon. TREVOR KHAN: He is fairer than I would have been.

Mr JUSTIN FIELD: Treasurer, I appreciate your taking that question on notice, and I will take it up with the Premier tomorrow. Has Treasury done any form of risk assessment of the potential misuse or ineffective use of that more than \$3 billion in public money being spent on outsourced services? Is there an accepted, an acceptable or an anticipated level of misuse or inefficient use of that money? Have you done a risk assessment?

Mr DOMINIC PERROTTET: This Government has an incredibly strong record of ensuring that it uses taxpayers' money as effectively and efficiently as possible, and that it has the best possible service delivery. If you look at the more substantive issue of the services, expenditure and outcomes focused on in New South Wales, particularly with regard to the health, education and transport space, you will see that we have achieved great outcomes. We manage money very well and we are focused on delivering services and ensuring accountability while expending taxpayers' funds. I am more than happy to take that question on notice. What you will see in response is evidence of the strong discipline and the rigour that this Government exercises in the use of taxpayers' money.

Mr JUSTIN FIELD: I now refer to one of your pet issues. When you became Treasurer you identified intergenerational inequality as a significant issue, and particularly housing affordability.

Mr DOMINIC PERROTTET: I read your article.

Mr JUSTIN FIELD: If you intend to represent our generation—I think we are in the same generation—

The Hon. TREVOR KHAN: What do you mean by "same generation"?

The Hon. Dr PETER PHELPS: In dog years perhaps.

The CHAIR: Members will allow the Treasurer to finish his answer.

Mr DOMINIC PERROTTET: I thought we were on common ground there.

Mr JUSTIN FIELD: I agree. I have some questions about how you followed through on those priorities. A stamp duty reduction for house purchases of less than \$650,000 was one of the budget announcements. Where in Sydney can anyone buy a house worth \$650,000 or less?

Mr DOMINIC PERROTTET: As you know, housing affordability is a key issue for our generation. We have been talking about unity tickets today, and I think you and I are on the same ticket on this issue.

Mr JUSTIN FIELD: We are probably fortunate enough to own houses.

Mr DOMINIC PERROTTET: That is why I am proud to be a member of a government that is in a strong budget position that enables it to provide greater support not only to young people but also to first home buyers generally to enter the housing market. According to Australian Bureau of Statistics [ABS] data, in December 2016 the average dwelling price in New South Wales was \$864,000 and the average apartment price in New South Wales was \$700,000. You are right that we provided complete stamp duty exemptions up to \$650,000, but we also provided concessions up to \$800,000. We know that this package may not get you your dream home but it will assist you in getting access into your first home. That is what we are committed to achieving. As part of that package, we also abolished the duty on lenders mortgage insurance, which is an inefficient and poor tax. We are completely committed to doing what we can. I think in your article you disagreed with me in respect of supply. Is that right?

Mr JUSTIN FIELD: Yes.

Mr DOMINIC PERROTTET: In everything there are demand side measures and supply side measures. On the demand side, I think we have the balance right. We will continue to monitor that, but we believe that this generous package can only be provided because of the strong financial position of the State as a

result of us managing our money well. As part of that package, we also gave strong support for supply. A lot of land had not been released for a significant period of time. The more land you can release—we have seen completions over the last 12 months hit record highs. Projected housing construction in New South Wales over the next 12 months will exceed 70,000. That figure is a record in construction in New South Wales.

As part of that growth, you must connect new housing with infrastructure, so we have set up a \$1.6 billion infrastructure fund to support that growth in housing. The Greater Sydney Commission is doing fantastic work in creating three separate cities around Sydney, Parramatta and the new airport. We want to make sure that as development occurs and Sydney grows it grows well and the commensurate infrastructure to support that housing is in place. We have made a commitment that New South Wales will be the best place to live, to work, to run a business and to raise a family. This budget delivered on that.

Mr JUSTIN FIELD: We will come back to housing affordability in a second.

The CHAIR: Regarding the housing situation, why did you extend the First Home Buyers Grant to existing homes where previously it only applied to new homes? What were the advantages of that policy?

Mr DOMINIC PERROTTET: The Government wanted to provide greater choice. In our experience, not all first home buyers have the capacity to purchase a new home. Increasing the opportunities available to them gives them greater flexibility and greater choice in choosing where they would like to live. The feedback we have received since the budget announcement is that that extension to the stock of existing homes has been incredibly well received. We have not received the first datasets regarding the uptake of that. But on consideration prior to the budget process and I think as the first announcement of the budget process, we believe that increasing the opportunities available for first-time buyers gives them not only greater opportunity in choosing whether to purchase a new or existing home but also greater flexibility in where they would like to live. That was a key aspect of the decision to expand that criteria.

The CHAIR: Following on the earlier comments about your policies with social and affordable housing, what other innovative approaches is the Government taking to increase housing stock?

Mr DOMINIC PERROTTET: From the Government's perspective, there is a range of housing. We need to focus on an end-to-end approach to this space and we are always looking at innovative ways to provide access to housing for people across the spectrum. We recently established the Social and Affordable Housing Fund [SAHF] through which we are leveraging the private sector to address the problem of social and affordable housing in New South Wales. We put \$1 billion into an initial fund to invest in social and affordable housing. As part of this budget or just prior to this budget, we announced that we would be embarking on the second round of this fund. The fund allows us to target opportunities for new partnerships with non-government organisations, private developers and investors, coming together to deliver outcomes for social housing tenants. The SAHF works by providing an income stream for investors while providing a wraparound service for tenants. It is an important part of the Government's approach to social housing.

Recently we made an announcement regarding "build to rent". This is another avenue which the private sector is interested in. We recently established a government working group chaired by Brett Newman from Property NSW which will work with the Government to find out if there are any opportunities for us to establish a "build to rent" sector in this State. We also have instigated an industry working group—which I think met for the first time on Monday—to look at current potential restrictions in the provision of this type of housing, where the private sector could deliver long-term rental accommodation. From the Government end, we will look at areas such as the taxation, regulation and central planning reform required to establish such a sector.

The other aspect has been the decision to dispose of current social housing stock and invest in new stock. For example, the Millers Point property sales enable the Government to make a greater investment in social housing across the State and provide those 60,000 vulnerable people on the waiting list with housing. As Treasurer, part of my core responsibility is to make sure we have the finances available to assist people, whatever their state or position in life. We want to provide support for those vulnerable people who do not have access to social housing so that they may obtain it. That is why I become frustrated when I see opposition to, for example, the sale of the Sirius building. That sale will provide opportunities for vulnerable people across New South Wales to gain access to social housing. We have a sense of inner-city elites putting their own ideological views ahead of the protection and support of vulnerable people across New South Wales. These are the decisions that the Government has made. There is no doubt that these decisions can easily play out in the political sphere.

The Hon. ADAM SEARLE: Or in the courts. The court said you did not do it lawfully.

Mr DOMINIC PERROTTET: Or the courts.

The Hon. ADAM SEARLE: A small detail.

Mr DOMINIC PERROTTET: We have lodged a notice of intention to appeal. In any event, Mr Searle, and regardless of what your position is, we are making these decisions because while we are in a strong financial position in New South Wales we have an obligation to provide support for the most vulnerable people in our society. We are completely committed to that. The innovations we look at, whether it is the social housing affordability fund, the decision to recycle assets to provide better support for people, or looking at areas such as "build to rent", we are completely committed to providing opportunities for people across the State.

The CHAIR: I have had discussions with the residents of the Millers Point accommodation and I have learnt that one of the things that upsets them about being forced to move is that they have created a village situation where they all know each other and live in a community. The Government is saying, "You have to move; we will put you way out somewhere in an outer suburb", breaking up that community. Has any thought been given as to whether the affordable housing could be relocated—I know it would be difficult—within the vicinity of where they are currently living?

Mr DOMINIC PERROTTET: That would be an operational matter that I would expect would be considered by the Minister for Family and Community Services and the Department of Family and Community Services. I can say, from a Treasury perspective—and I was previously in Finance, where I had oversight of the property portfolio across the State—that those are delicate matters. They are very sensitively looked at as part of the process. The decision to recycle those assets and build more homes for vulnerable people is one that the Government is completely committed to. There is no doubt that families who are living in social housing have preferences. Those concerns are taken on board by the operational team within the Department of Family and Community Services.

My experience as the finance Minister, was that Property NSW worked very closely with the Department of Family and Community Services as part of that process. That was a really important part of making sure that we have a smooth transition. You are completely correct: There are sensitivities towards people who are trying to access social housing and there are sensitivities towards people who, as a result of the policy, would need to move from one location to another.

The CHAIR: Do you think your Government is doing enough in the area of infrastructure with the investments that you have currently? Is that a cut-off point or do you feel there should be further expansion?

Mr DOMINIC PERROTTET: We are building more infrastructure, I believe, than anywhere else in the world. Other states—not just in Australia but around the world—are looking to New South Wales and following our approach. The infrastructure we are building is based on the asset recycling approach that has, in my view, turned around the fate of the State. I note that in the most recent budget in the United States, that country has taken on board our asset recycling approach and said that it wants to pursue that more. Something that concerns me, as the Treasurer of the State, is that all budgets are under pressure. Here and around the world we are seeing declining revenues. We have an obligation to maintain our expense growth, which we have enshrined in law, as you would be aware.

That leads us to make sure that we are making better use of what we have so that we can build the infrastructure that the State needs. The \$72.7 billion expenditure on infrastructure over the next four years is obviously a substantial amount. It is not just the roads and rail. These are not just physical structures. We are not building them for the sake of it. These are a means to allow families, wherever they live—whether it is regional New South Wales or metropolitan New South Wales—to have access to the best health care, the best schools and the best transport options so that they can get home faster. That is what we are committed to doing in New South Wales, but we are not resting on our laurels. The journey for this Government has only just begun. We are continuing the rollout of infrastructure over the coming years.

The Hon. ADAM SEARLE: Treasurer, your Government has privatised more than \$50 billion of public assets over the last six years.

The Hon. Dr PETER PHELPS: Government assets.

The Hon. ADAM SEARLE: Government assets. Yesterday I think the finance Minister said the Government held \$142 billion in public assets. That means you have privatised something like 26 per cent of total government holdings. Is that about right? If that is not right, what do you say the figure is? I am happy for you to take that on notice.

Mr DOMINIC PERROTTET: I can take the figure on notice but I am not going to accept the proposition or the direction of the question on notice because I note the net worth of the State in the budget papers. There seems to be some issue that is raised in respect of the amount of assets that have been divested,

but that is only one side of the story, because as part of asset recycling we are investing in future infrastructure. Obviously I have favourite parts of the budget that may not get taken up. For me, the fact that this will be the first State, over the forward estimates, to have a net worth of a quarter of a trillion dollars is quite significant.

I refer members of the Labor Party—I know the shadow Treasurer will be particularly interested in this—to Budget Paper No. 1 on 7-9. Chart 7.6 shows the annual average growth in general government sector net worth in mainland States in 2016 to 2021. New South Wales is substantially ahead. If you look at that growth you will see that it is well above 8 per cent. To their credit, our Labor counterparts in Victoria are followers; they are at 4 per cent growth. In comparison to other States we are pioneering asset recycling, and the wealth and net worth of this State continues to grow.

The Hon. ADAM SEARLE: Treasurer, are you concerned that recurrent expenditure commitments are very reliant on stamp duty income? As the property market cools, how do you intend to make up for lost revenue?

Mr DOMINIC PERROTTET: That is a very good question; thank you for it. There is no doubt that as Treasurer of the State I strongly monitor our sources of revenue. In particular, we need to make sure that we live within our means. We have enshrined in law the Fiscal Responsibility Act, where we need to maintain a triple-A credit rating, have our expense growth below long-term revenue growth, at 5.6 per cent—it is at 5 per cent in the current budget—and we meet our long-term unfunded superannuation liabilities by 2030. In respect of stamp duty, the residential stamp duty component of total revenues is around 9 per cent, at \$7 billion. We would see that the record number of approvals over the last 12 months will now translate into record numbers of buildings constructed. As I said, we expect that we will hit a record of over—

The Hon. ADAM SEARLE: If the stamp duty drops would you consider a switch to land tax? How are you going to make up for any shortfalls if stamp duty dips?

Mr DOMINIC PERROTTET: Firstly, that is a hypothetical. Secondly, we would see stamp duty being a strong component of our revenue base. We will not see it increasing at the same rate. We do not project that. Ms McLiesh may make some further comments, but we would not see it increasing at the rates that we have seen in most recent times. Whilst that is the case, we still see stamp duty making a strong contribution to our revenues. Importantly though, whilst it is not insignificant, it sits at 9 per cent. What would concern me more is the GST component in the sense that we would really want reform there to protect that base going forward. Ms McLiesh may wish to make some wider comments in relation to projections on stamp duty, particularly residential stamp duty.

Ms McLIESH: Certainly, Treasurer. It is absolutely the case that the property market has been growing at very high levels for a number of years now, and that has been reflected in stamp duty growth. Over the last year residential stamp duties are estimated to grow by 9.6 per cent in the 2017-18 budget. We are expecting stamp duty growth to moderate across the budget and forward estimates period. Residential stamp duties are forecast to grow at 5.4 per cent on average across the budget and forward estimates period. That is reflecting some slowdowns in the real property market but it is still at robust levels. We are expecting to see more of the impact of tightening lending standards and macro prudential policies at the Commonwealth level as well as an expectation of interest rate rises, albeit off very low levels. Nonetheless we are expecting the market to still grow at more moderate levels supported by a very strong supply pipeline from Government and supported by government policies as well as strong population growth and interest rates at relatively low levels.

The Hon. ADAM SEARLE: Treasurer, what further privatisations or sales of public assets do you have planned over the next 19 months?

Mr DOMINIC PERROTTET: The two projects to which I can refer in answer to your question would be the WestConnex transaction. We have made a decision to sell 51 per cent of the Sydney Motorway Corporation [SMC], which will assist in funding stage three of the WestConnex project. The other one of which you would be aware is the Snowy Hydro decision to sell up.

The Hon. ADAM SEARLE: The nationalisation of Snowy Hydro?

Mr DOMINIC PERROTTET: The nationalisation of the Snowy 2.0 pursuit. I understand that the Labor Opposition is supporting that transaction.

The Hon. ADAM SEARLE: Snowy Hydro?

Mr DOMINIC PERROTTET: Snowy Hydro, yes. As Treasurer I have been working very closely with the Victorian Government; in fact I met with Tim Pallas last week specifically in relation to that. We have a common interest in making sure that whatever decision is made, if we were to sell—and we have not

committed to selling—in negotiations we will not be making a decision in respect of that sale unless it is in the interest of the State. The Victorian Government shares that perspective.

The Hon. ADAM SEARLE: The finance Minister said there was more than a billion dollars in further property sales planned. Do you agree? You do not disagree with that? That is about right? Is that the total list of privatisations you have prepared for the next 19 months?

Mr DOMINIC PERROTTET: Sorry, I am talking more transactions.

The Hon. ADAM SEARLE: That is okay.

Mr DOMINIC PERROTTET: Did you want to expand that definition?

The Hon. ADAM SEARLE: A total figure. I am happy for you to take it on notice to give us a total Government picture.

Mr DOMINIC PERROTTET: Like assets?

The Hon. ADAM SEARLE: Yes, total assets.

Mr DOMINIC PERROTTET: Like, for example, an old fire station would count as an asset sale?

The Hon. ADAM SEARLE: If you were going to sell it, yes. I am happy for you to take that on notice.

Mr DOMINIC PERROTTET: I will take that on notice and I will liaise with the finance Minister. Once again, Mr Searle, I see this as a key and important point about the Government's asset recycling scheme. I think it is unfair that the Labor Party focuses on the sale but not the investment. We are seeing the net worth. I remember that Michael Daly, who is the former shadow Treasurer, came out to Windsor and made an announcement that we were selling the fire station but did not actually inform the public that we had built a new state-of-the-art fire station just down the road.

The Hon. Dr PETER PHELPS: I am shocked. How could he forget that?

Mr DOMINIC PERROTTET: What I would ask is that we do not politicise this and focus just on the sale. Let us focus on the investment and the infrastructure scheme that we are able to embark on as a result of the Government's approach. Mr Searle, I draw your attention, the Committee's attention and the public's attention back to the net worth of this State, which is growing at a much greater rate than any other State in the nation. In the next four years we will have a net worth of close to a quarter of a trillion dollars, which is something of which we are very proud.

The Hon. ADAM SEARLE: With the sale of the electricity companies, and I think also with SMC, your Government is retaining a so-called golden share or a golden vote over certain issues like dividend payments and capital structures and stuff like that. Is that correct, that you did retain it for the sale of electricity companies and that you are proposing to do so for SMC?

Mr DOMINIC PERROTTET: I am not going to go into commercial-in-confidence negotiations in relation to the SMC WestConnex transaction. In respect of the electricity distribution networks we leased 100 per cent of Transgrid, but the shareholding in both Ausgrid and Endeavour enables the State to share in the dividends that come from those businesses. In relation to SMC, those matters are commercial-in-confidence, but it would be the case that we would share in the uplift by maintaining a 49 per cent shareholding of the SMC.

The Hon. ADAM SEARLE: Over the last couple of years I have asked questions of the Treasurer about the cost of the challenge to the Australian Energy Regulator [AER] determination, led by Ausgrid, Endeavour and Essential Energy. As at last year it was \$2.3 million. Now that those proceedings are finalised, could you provide the total cost of the challenge to the AER determination?

Mr DOMINIC PERROTTET: Are you happy if I take that on notice?

The Hon. ADAM SEARLE: I am happy for you to take that on notice. When you provide a global figure, can you also break that down to barrister or legal firms, consultancies—all the constituent amounts that you have?

Mr DOMINIC PERROTTET: In relation to the AER?

The Hon. ADAM SEARLE: The AER challenge.

Mr DOMINIC PERROTTET: Yes.

The Hon. ADAM SEARLE: I am happy for you to take this on notice as well, but can you also inform the Committee of the total transaction costs for the sale—or, as you would put it, the long-term lease—of Transgrid, Ausgrid and Endeavour—in other words, the total transaction costs?

Mr DOMINIC PERROTTET: Yes. I can give them to you now.

The Hon. ADAM SEARLE: Can you also break that down to strategic and financial advice, legal advice, public relations [PR], advertising, probity services—all the constituent parts that make up the total figure?

Mr DOMINIC PERROTTET: I might pass to the Secretary because I think he would have the breakdown of costs.

The Hon. ADAM SEARLE: Again, if you do not have them to hand, I am happy to take that on notice.

Mr GARDNER: The actual breakdown of costs to the individual adviser level is published on the Crown accounts and that is a final audited number, so I would refer you to those.

The Hon. ADAM SEARLE: I mean no disrespect but sometimes when I have been referred to websites or documents, when you go to the source document the figures are not there. If you are going to refer me to something else, make sure it is there.

Mr DOMINIC PERROTTET: I would not want to do that, Mr Searle.

The Hon. ADAM SEARLE: No, of course you wouldn't.

Mr DOMINIC PERROTTET: I would want to give you the most accurate information.

The Hon. ADAM SEARLE: No. We have had this discussion in the Committee.

The Hon. TREVOR KHAN: You might have been looking in the wrong spot.

The Hon. SCOTT FARLOW: You must improve your googling.

Mr DOMINIC PERROTTET: Mr Primrose knows all too well, in relation to property assets and transparency in relation to those sales from my time in Finance, that we take that very seriously.

The Hon. PETER PRIMROSE: Yes, I accept that but the problem is, as Mr Searle has indicated, often those figures are not there when you actually go to the site.

The Hon. ADAM SEARLE: If not, we will come back to you.

Mr DOMINIC PERROTTET: We might be taking some time to find those.

The Hon. SCOTT FARLOW: Take your time. It is not like we are doing anything else.

The Hon. ADAM SEARLE: I can move on to the next question. I have another question, through you Treasurer—

Mr DOMINIC PERROTTET: That is fine.

The Hon. ADAM SEARLE: —to Mr Bhatia, whom I asked to come along. One of the roles of iCare is to act as the workers compensation insurer. By the end of the year something like six and a half thousand injured persons will be exiting the workers compensation system. Is that understanding correct?

Mr DOMINIC PERROTTET: Are you happy if I answer that?

The Hon. ADAM SEARLE: Of course. When you answer that, if that figure is correct, could you indicate what will happen to those six and a half thousand people; how many are going to the National Disability Insurance Scheme [NDIS]; how many are going to dispute settlement procedure [DSP]; and what will happen to the balance of people?

Mr DOMINIC PERROTTET: Yes. I will provide an overview and then I will pass for specific detail to Mr Bhatia. But obviously as part of the Coalition's 2012 workers compensation reforms, those who had a whole person impairment of less than 20 per cent would be transitioned out of the workers compensation scheme.

The Hon. ADAM SEARLE: Or, as we would like to say, cut off.

Mr DOMINIC PERROTTET: I would use the term "transitioned out"—

The Hon. ADAM SEARLE: I know you would.

Mr DOMINIC PERROTTET: —after five years. It is important to note, though, of the injured workers who have a whole person impairment of less than 10 per cent still receive medical benefits for two years, and those injured workers who have a whole person impairment above that to 20 per cent would receive medical benefits for an additional five years. Before I ask Mr Bhatia to contribute further detail, because I think this is a very important line of questioning—

The Hon. ADAM SEARLE: Including the numbers of people.

Mr DOMINIC PERROTTET: I can provide the numbers of people now. The State Insurance Regulatory Authority [SIRA], which now falls within the purview of the Minister for Finance, Services and Property, estimates that 4,500 workers will exit the scheme between September 2017 and June 2018. This includes the Insurance and Care NSW—icare—Nominal Insurer, the icare Treasury Managed Fund [TMF], and self- and specialised insurers. In addition, this includes the pre-October 2012 injured workers, as well as those injured immediately after.

Three thousand four hundred workers with the icare Nominal Insurer will have payments ceased between October 2017 and June 2018. Two hundred and ninety workers with icare TMF will have their weekly compensation payments end between October 2017 and June 2018. The balance of those workers are with the self- and specialised insurers outside of government. When we made some changes to the scheme post election 2015, as you would be aware, we extended benefits to injured workers who may have a whole person impairment at any stage, but to, say, under 20 per cent, to provide prosthetics for life and hearing aids for life.

The Hon. ADAM SEARLE: I think initially you did that by regulation and followed it up with legislation.

Mr DOMINIC PERROTTET: Right. As well, we increased medical benefits for life for those who have a whole person impairment of 21 per cent. Importantly, as part of that reform we established icare. What struck me when I was in the Finance portfolio was that we have a range of clinical discussions and debate around entitlements versus premiums. It was of significant concern to me when I met with a range of injured workers, including many with the Injured Workers Support Network, that we do not necessarily agree all the time. However, what came through from those discussions was that we need to provide greater service and support for injured workers. Under the previous scheme that support did not exist. I ask the chief executive officer to talk about icare, because there is no doubt that we are coming close to the end of the five-year period—

The Hon. ADAM SEARLE: October.

Mr DOMINIC PERROTTET: —and I know from my time in Finance until today, icare has run significant programs to provide support for injured workers. I think it is important for Mr Bhatia to provide that information.

Mr BHATIA: As you know, we are talking about a number of people who are individuals with individual circumstances. There are people who are 42 and there are people who are 55, some living in regional areas and others in metro areas. They have very different circumstances, and how we support them through this transition is obviously a critical need. You are also aware that we act within the legislative framework. Our role is to make sure that we can transition these individuals and provide them with whatever support is necessary. As a result, we have put together an advisory assisted framework, where we are staffed by allied health professionals and by psychologists. To date, we have had more than 600 people we have spoken with on a regular basis, trying to transition them and finding support networks within the community, which are of extreme significance.

As you know, when individuals stay on the scheme for a long period, there is a social isolation element and a community isolation element. There is also a lack of self-confidence, which stops them from going back to doing activities that are either vocational or work related. The plan of the Advisory Assistance Service [AAS] is to help them through that process, including through partnerships with UnitingCare and Vinnies. We have put in experienced case managers for community transition for those individuals. I like to say that we have had conversations with 600 people, but I would like that to be conversations with 2,000 people because that is the number of people impacted.

We are trying to gain trust, because these individuals have had an issue with trust of systems within the previous organisations. We are working hard to make sure that we are an organisation that is human centred and focused on the individual requirements of these people and their carers. We are trying to help them through the situation as best as we can. We are also making sure that these individuals are connected to the other community

support systems, whether they be Centrelink on disability systems, and other vocational courses where we can help them through transition processes.

Mr DOMINIC PERROTTET: We have those figures, if you would like me to briefly provide them.

The Hon. ADAM SEARLE: I am happy to put that on notice because I do not want to take up any of Mr Field's time.

Mr JUSTIN FIELD: Treasurer, I made a point in the last session about stamp duty discounts and the abolition of stamp duty for first home buyers under certain levels. How much in stamp duty savings has been realised since the discount arrangements started on 1 July? How many purchasers have had stamp duty totally waived, and how much in discounts has been provided for purchases of homes between \$650,000 and \$800,000?

Mr DOMINIC PERROTTET: We are not currently in a position to provide that information, because there is a three-month lag between purchasing a home and the payment of stamp duty. Given that we are currently in early September, we would expect the first datasets for the take-up of all aspects of the First Home Owner Grant to come in sometime in late September or early October.

Mr JUSTIN FIELD: I assume you would have made assumptions about the amount of money that will be forgone in the discount arrangement. I am happy for you to take that question on notice.

Mr DOMINIC PERROTTET: Yes, we can provide that information. As part of the budget process there is an allocation for the exemptions that we provided. I can provide that to you and the specific detail. The total amount we expect is \$1.1 billion and the total for tax cuts, for the benefit of the Committee, is \$1.5 billion in this budget, because a good Liberal-Nationals government should reduce tax, not increase it. This Government has a proud track record of that.

Mr JUSTIN FIELD: Minister, has anyone on your team found the Government's allocation for the E10 Fuel for Thought advertising campaign line item? Has anyone tracked it down?

Mr DOMINIC PERROTTET: We are still working on tracking down that important piece of information, but when we have it we will provide it to you.

Mr JUSTIN FIELD: I will put it on notice. Ms McLiesh said that, despite your supply efforts, stamp duty growth is anticipated and market growth, although slower, is anticipated. With wages stagnant and energy prices rising, would you agree that housing affordability is only going to go backwards in this State?

Mr DOMINIC PERROTTET: We believe that, whilst housing affordability is a challenge for many, we need to look at ways in which we can assist young people—or people at any stage of life—to obtain access to the housing market. For many, that will be home ownership, which is an ideal.

Mr JUSTIN FIELD: Affordability is an equation that links in the cost of housing and the capacity of people to pay. One is going up and the other is stagnant, at best, and going down in some instances. That means housing affordability is getting worse.

Mr DOMINIC PERROTTET: You talk about costs of living, and that is why I get disappointed with policies that come out of The Greens, for example, which do very little except to boost the cost of living and energy prices across the State.

Mr JUSTIN FIELD: You can find modelling that would totally reject that.

Mr DOMINIC PERROTTET: That is one of the frustrations that I have with some policies.

Mr JUSTIN FIELD: You are the Treasurer, and you made this a big issue—

The Hon. Dr PETER PHELPS: And a very good Treasurer he is.

Mr DOMINIC PERROTTET: Yes, every issue is a big issue to me because—

Mr JUSTIN FIELD: —but all the points suggest affordability is going the wrong way.

Mr DOMINIC PERROTTET: That is why we are taking significant steps in a range of areas, both on the demand side by providing stamp duty exemptions for both new and existing homes up to \$650,000, concessions up to \$800,000, abolishing the duty on lenders mortgage insurance, and on the supply side by working with the Greater Sydney Commission. We know that Sydney is growing and, importantly, as the three cities grow, people need to have access to housing. Let me put this in context: We have a record amount of housing construction in New South Wales right now, and over the next 12 months more homes will be built than ever before in New South Wales. I also think it is important to note that we can focus on Sydney but let us not

forget regional New South Wales. For many years our regions have stagnated, but this Government is breathing life into regional New South Wales. At one point this year—

Mr JUSTIN FIELD: There is 28 per cent youth unemployment on the South Coast, Minister. Life is a struggle.

Mr DOMINIC PERROTTET: Our youth unemployment rate is the lowest in the nation—

Mr JUSTIN FIELD: Not in the Shoalhaven.

Mr DOMINIC PERROTTET: We have set up a number of programs in the Shoalhaven, which I am happy to go to. What I will say is that our housing affordability package also provides great assistance to regional New South Wales. I am also very proud of the infrastructure investment part of that growth in regional New South Wales. One of the great aspects of the budget has been that I can travel around the State, go into regional New South Wales and see the quality infrastructure that we are implementing there. We went to Tweed, where they were asking for a \$50 million upgrade for their hospital. Because of the strong financial position that we are in, we were able to provide the Tweed with a half a billion dollars for a new hospital. We see new hospitals in Wagga and Lismore coming online.

Regional New South Wales is growing incredibly well right now. You are right that housing affordability is a challenge, but I believe the measures we are putting in place on both the demand and supply sides will make housing accessible here in Sydney and in regional New South Wales. I also point out something you would be interested in, which is that there is a number of families across New South Wales who may also be looking at rental options. That is why we have recently instigated this work and this working group on build-to-rent. I want to look at more innovative ways in which we can provide different types of housing to assist as many people as possible to have access to housing across New South Wales.

The CHAIR: I have a general question: You have just unveiled statues of Sir James Martin. What contribution did he make to New South Wales?

Mr DOMINIC PERROTTET: That project has been ongoing for some time. I thank John and Patricia Azarias, who have been behind the establishment of that project.

The Hon. Dr PETER PHELPS: And many other philanthropic endeavours in this State.

Mr DOMINIC PERROTTET: As well as many others, yes. At a time when members on the other side of politics are talking about tearing down statues that tell a great story of our country's history, I take the view that we should be putting more of them up. The story of Sir James Martin has rarely been told. He came out in the early 1800s. He came from a very humble Irish background. His father moved to Parramatta because he could not find work in Sydney.

James Martin worked for Governor Richmond as a stablehand. He wanted the best access to education so every day he walked from Parramatta to Sydney, or hitched a ride, to get that education. He went on to become the Attorney General, the Premier on three different occasions and the Chief Justice of the Supreme Court. He is the only person in our history to have held all three of those positions. Importantly, given his focus on education, he was the architect of public education here in New South Wales because he saw many kids on the street who were not given access to quality education. He had a strong passion for quality education.

It is important that, when there are people wanting to change or not acknowledge the strength of our past, we provide greater examples to inspire for people. We can look back on history and see that it is people like Sir James Martin who demonstrate how lucky we are to live in the country we do today with the opportunities that we have, and how, regardless of where we have come from, of disadvantage or of background, we can achieve many great things in this country. Sir James Martin is an inspiration to our country. We should always remember those who have gone before us and achieved great things rather than trying to wipe people from the pages of our great Australian history. That is why it is important that we have depicted Sir James Martin as a 12-year-old boy with book in hand and determination in his eyes in the statues at Parramatta and, hopefully, Martin Place.

The CHAIR: Thank you, Minister. We will now move on to the portfolio of Industrial Relations.

(The witnesses withdrew)

VICKI TELFER, Executive Director, Industrial Relations, Treasury, affirmed and examined

VIVEK BHATIA, Chief Executive Officer, icare, on former affirmation

MICHAEL PRATT, Secretary, Treasury, on former oath

The CHAIR: Thank you for joining us for the hearing into the portfolio of Industrial Relations.

The Hon. ADAM SEARLE: Minister, does your Government have plans to provide new and better protections for young workers in the wake of the wage theft scandal in and around Wollongong?

Mr DOMINIC PERROTTET: I would have thought one of the more significant issues in terms of wage theft was the union movement contracting out the entitlements of Sunday workers at the expense of those who work during the week. I have read a very concerning report—

The Hon. ADAM SEARLE: Treasurer, my question was about protecting young workers in the Illawarra and the wage theft scandal there. Does your Government have plans to provide new and better protections for young workers: yes or no?

Mr DOMINIC PERROTTET: The best protection and the best support we can provide to young people across this State is a job—

The Hon. ADAM SEARLE: Only if they are paid properly.

Mr DOMINIC PERROTTET: What was that?

The Hon. ADAM SEARLE: Only if they are paid properly.

Mr DOMINIC PERROTTET: I would also look at the support that we provide the public service here in New South Wales. When I look around other States that are not in as strong a financial position and that have stagnant wage growth, particularly in the private sector, I see that we are providing greater support to public servants across New South Wales, allowing wage increases of up to 2.5 per cent and more than 2.5 per cent in circumstances where savings are found. From my perspective as Treasurer, I have a strong focus on the budget and a strong focus on the economy. The decisions that we make today have a significant impact on employment opportunities. We have the lowest unemployment rate in the country, at 5 per cent, which is almost a whole percentage point below the rest of the country. We have created close to 400,000 jobs since 2011—

The Hon. ADAM SEARLE: Treasurer, you are not answering the question.

Mr DOMINIC PERROTTET: —and we certainly want to provide protections for young workers. The best we can do for young people across the State is to find opportunities. Opportunities for jobs come from economic growth. I make the point that we are not only leading the way on economic growth right now in New South Wales but also half a percentage point of that economic growth comes directly from the pipeline of the public infrastructure that we are building. I look at the jobs growth coming out of projects like WestConnex: There are 10,000 jobs from the WestConnex project. I am very proud of our Government's job record. The concern that I have when it comes to wage theft—and I have spoken about this in question time particularly—there are many young workers out there on a Sunday and the Shop Distributive and Allied Employees Association [SDA] is trading away their wages, and they are worse off. You have Bill Shorten, the alternate Prime Minister—

The Hon. ADAM SEARLE: The Fair Work Act specifically leaves child labour protection laws to the States. Given the extensively documented exploitation of young workers in the Illawarra, why will you not act on this issue? It is totally within the New South Wales Government's capacity to do so. What do you have against protecting young workers?

Mr DOMINIC PERROTTET: Nothing.

The Hon. ADAM SEARLE: Will you do something about it?

Mr DOMINIC PERROTTET: I want to help young workers. That is why I am bemused when I see some of the goings on in respect of the SDA and what they are doing to vulnerable young workers in places like McDonald's and KFC. The alternate prime minister is making claims about penalty rates when unionised staff are worse off. That concerns me. I want to answer the question.

The Hon. ADAM SEARLE: What are you doing to protect young workers?

Mr DOMINIC PERROTTET: I do want to answer the question. I might pass to Ms Telfer if there is anything further to say in respect of—

Mr DAVID SHOEBRIDGE: Wage theft for young workers in the Illawarra.

Ms TELFER: Nothing specific from New South Wales. I think it is important to remind the Committee that at the end of 2009—it took effect in 2010—New South Wales referred its industrial relations powers to the Federal Government, and that includes all private sector workplaces. I note—

The Hon. ADAM SEARLE: Except that child labour laws are left to the States, Ms Telfer, you know that.

Ms TELFER: I understand that. But the primary responsibility is with the Fair Work Act. I do note that in the Federal Parliament this week there were discussions about vulnerable workers' legislation.

Mr DOMINIC PERROTTET: Which Labor supported.

Ms TELFER: Which has been a matter of—

The Hon. ADAM SEARLE: Franchise workers, yes.

Mr DOMINIC PERROTTET: Franchise workers.

Ms TELFER: —great debate. That is about franchises. I think that is very important and I understand most jurisdictions are supporting the work around the vulnerable workers bill, because that will give additional powers to the Fair Work Ombudsman to investigate and bring matters to the appropriate conclusion.

The Hon. ADAM SEARLE: My question was, What is New South Wales doing to protect young workers? I do not mean providing a cheer squad for whatever the Commonwealth might be doing.

Ms TELFER: I obviously cannot talk from a policy perspective. But I can talk about the matters that we—

The Hon. ADAM SEARLE: You can be to the point about whether or not the New South Wales Government is doing anything.

The Hon. TREVOR KHAN: Point of order—

The Hon. ADAM SEARLE: To the point of order: Ms Telfer is being non-responsive.

The Hon. TREVOR KHAN: I have taken a point of order.

The Hon. SCOTT FARLOW: The point of order had not been made.

The Hon. ADAM SEARLE: The witness is not being responsive to the question.

Mr DOMINIC PERROTTET: Is there a point of order?

The Hon. TREVOR KHAN: I had taken the point of order. Ms Telfer is entitled to answer the question. She is being generally relevant and you should allow her to answer rather than being rude and interrupting her all the time. It is quite unnecessary.

The Hon. ADAM SEARLE: Mr Chair, if only the witness would answer the question.

Mr DOMINIC PERROTTET: Ms Telfer is answering the question. I provided a very detailed response that was clearly on point. Ms Telfer is going into further information.

Mr DAVID SHOEBRIDGE: That is debatable.

Mr DOMINIC PERROTTET: We only have a short period of time to talk about the industrial relations component, which is a key component of my portfolio of responsibilities.

The CHAIR: We will move on to Ms Telfer's answer being relevant to New South Wales.

Ms TELFER: I will keep my answer brief and to the point.

Mr DOMINIC PERROTTET: No, you should make it.

Ms TELFER: As the Committee would be aware, we have a team of inspectors in the NSW Industrial Relations. We are particularly focused in that unit about providing information and advice to employers and to employees but making sure that employers can in fact undertake their rights and responsibilities. We also have an Aboriginal education unit and they are out with that community making sure that people in that community know their rights and responsibilities. But our focus has been about making sure that we can get employers to

undertake their rights and responsibilities so that they do succeed and do not fail. We provide a range of advice to Government on a range of different matters. It is not my place to provide commentary on policy decisions. I can provide advice about what we do in the NSW Industrial Relations.

The Hon. ADAM SEARLE: Given that leave, of course, is a work entitlement, will you commit to expanding domestic violence leave for public sector workers from five days to 10 days paid leave, and if not, why will you not do so?

Mr DOMINIC PERROTTET: That is unfortunately becoming more of a relevant issue in both New South Wales and around Australia today. From my understanding, the current arrangements provide in the public service for domestic violence leave in circumstances once personal or sick leave has been exhausted. I understand that the Minister for Family and Community Services is looking into this. There have been discussions at the Council of Australian Governments [COAG]. From the State's perspective, we would strongly support initiatives that enable and support victims of domestic violence to continue to participate in the workforce. The directive from Treasury specifically on this point is important. The provisions that agencies should apply are that sick leave, family and community service leave, sick leave to care for a family member—also referred to as personal and carers leave—may be used by staff members experiencing domestic violence. Employees can get access to that. They are not entitled to take leave prior to that point.

The Hon. ADAM SEARLE: Will you increase it? It is five days now, will you increase it to 10 days?

Mr DAVID SHOEBRIDGE: We have all read the circular.

Mr DOMINIC PERROTTET: You have all read the circular?

The Hon. ADAM SEARLE: We have. I have a copy here.

Mr DOMINIC PERROTTET: Domestic violence is something that the New South Wales Government takes very seriously. We are always looking at new opportunities where we can provide greater support. It is not for me at budget estimates to make new policy decisions on behalf of the Government. That is an area that the Government has taken a key interest in. We provided expanded support for victims of domestic violence in this year's budget. We understand that governments around the country should have a can-do attitude and should look at doing more to provide support for people experiencing domestic violence. We will continue to look at ways in which we can do that. That does not exclude areas in industrial relations. There is no position to change the current policy to date. We will always look at avenues where we can find greater support.

The Hon. ADAM SEARLE: What about the private and non-government sectors? The Fair Work Act expressly provides that leave for victims of crime—which of course includes domestic violence—is left to the States to deal with. Are you going to provide domestic violence leave for those in the private sector?

Mr DOMINIC PERROTTET: Once again, I would refer to the approach in my previous answer.

The Hon. ADAM SEARLE: Which is no.

Mr DOMINIC PERROTTET: No, which is to inform the Committee that the Government takes the issue of domestic violence very seriously. We provided more funding in this year's budget for support of those who experienced domestic violence. We have a specific Minister for domestic violence who is a strong advocate for greater support. We want to make sure that we are providing programs that assist and not impede people who find themselves in these grave circumstances and are not able to continue to work. They should not be discriminated against in continuing their work during what could be a period of transition out of home or needing some time from work. We are open to looking at a range of opportunities.

The Hon. ADAM SEARLE: Including extending those rights to the private sector?

Mr DOMINIC PERROTTET: If there is a provision within the State we would always look at ways in which we can provide greater assistance. We are providing a range of programs and there is obviously a whole suite of measures in this area. There is not a panacea to stopping the scourge of domestic violence and there never will be. We will always look at ways in which we can assist. I believe within this circular, at the very least at a public sector level, we are providing that support because there is access to leave in those circumstances. That Treasury provides this directive and instruction across Government is an indication of the seriousness with which we take the matter.

The Hon. ADAM SEARLE: The Queensland Parliament is on track to legislate to regulate labour hire companies as a result of a parliamentary inquiry. There has also been an extensive inquiry in Victoria about regulating labour hire firms to provide better protection for workers. Will you legislate to regulate labour hire firms in New South Wales, or will you at least examine the issue?

Mr DOMINIC PERROTTET: I examine all aspects of my portfolio.

The Hon. ADAM SEARLE: I have not had much luck with you so far.

Mr DOMINIC PERROTTET: Really? As I said, I thoroughly examine all aspects of my portfolio. If there are opportunities to provide greater support to workers across New South Wales, we will do so. This Government has a track record of not only protecting workers but also delivering more jobs across the State. We have a range of programs and initiatives that do that regardless of the stage of the work cycle.

The Hon. ADAM SEARLE: There has been a great deal of commentary about the need to protect people working under so-called "non-standard" work arrangements—that is, so-called "gig" workers. What plans do you have to ensure that people engaging in work of that type who are not employees and who fall outside other regulatory support models have access to things like minimum standards of engagement and minimum rates of pay?

Mr DOMINIC PERROTTET: The best thing we can do from a New South Wales Government perspective is to provide positive conditions for employment across the State and to grow business and opportunities. That is exactly what we have done. More than 400,000 jobs have been created since 2011 and close to 200,000 jobs have been created since 2015. There are more people in work in New South Wales than ever before and our unemployment rate is the lowest in the nation. That is achieved by providing support for people in those roles regardless of where they are.

Ms TELFER: As some members of the Committee know, this issue has been at the forefront for industrial relations practitioners over the past couple of years. In fact, it has been discussed at Industrial Relations Society of New South Wales conferences. It would be fair to say that this is an issue for those of us interested in the policy and regulation of employment or employment-like arrangements. We want to find the right set of arrangements that will suit the changing types of work. It would also be fair to say that none of us has found the right levers or the right set of arrangements.

The New South Wales Government and State bureaucrats are talking to our counterparts across Australia, and particularly to the Commonwealth Government. I had a meeting with Commonwealth officials about six to eight weeks ago to discuss this very matter. We discussed how we might be able to predict what models might emerge which should be discussed further and on which we should provide advice to government. There is no answer at this point. However, it is true to say that regulators around the country are examining the issue. We must ensure that we have the right balance of regulation versus ensuring that people are not prevented from entering into new forms of employment. Rather than imposing unnecessary red tape, we should ensure that we introduce the right regulatory models so that people who might otherwise be vulnerable have the protection they need. I am sorry that I do not have the answer yet, but we are working on it with our counterparts in other States.

The Hon. ADAM SEARLE: Last year the former Minister in answer to supplementary questions said:

NSW Government agencies are developing initiatives to implement the NSW Government's policy that 100 per cent of public service jobs will be flexible by 2019 on the basis of 'if not, why not'.

Will you provide the Committee with a report on how the Government is progressing with the implementation of this policy?

Mr DAVID SHOEBRIDGE: And if not, why not?

The Hon. ADAM SEARLE: I would like tangible examples of changes that have occurred in the past 12 months, in particular.

Mr DOMINIC PERROTTET: To ensure that we provide the Committee with the most detailed progress report possible, I will take that question on notice. However, I assume that significant progress would have occurred because the innovation in our public sector is probably world leading. I expect to provide evidence of a strong result.

Mr DAVID SHOEBRIDGE: And if not, tell us why not.

Mr DOMINIC PERROTTET: With pleasure.

The Hon. ADAM SEARLE: Are all the members of the Industrial Relations Commission of New South Wales performing all of their statutory duties, including dealing with industrial disputes? I am happy for you to take that question on notice.

Mr DOMINIC PERROTTET: I will.

The Hon. ADAM SEARLE: Will the commission remain at 47 Bridge Street, or does the Government still have plans to move it the Administrative Decisions Tribunal building or even to the Fair Work Commission building?

Mr DOMINIC PERROTTET: That is an interesting question because the commission is in the building into which the Leader of the Opposition has said he would like to move his ministry in the incredibly unlikely event that at some time in the future we have a Labor government.

The Hon. ADAM SEARLE: There is a lot of space in that building.

Mr DAVID SHOEBRIDGE: He simply wants to be near the Governor.

Mr DOMINIC PERROTTET: Henry Parkes' office in that building is exceptional and it should be preserved.

The Hon. Dr PETER PHELPS: Hear! Hear!

Mr DOMINIC PERROTTET: The office is as it was in Henry Parkes' time. There is a picture on the mantel of Henry Parkes sitting at his desk in that office, and it is as it was when the picture was taken.

Mr DAVID SHOEBRIDGE: The divorce courts are also beautiful.

Mr DOMINIC PERROTTET: The entire building is beautiful. The Government has made a commitment to ensure that the Industrial Relations Commission operates as well as it can. No decision has been made about the commission's relocation. I have met with the newly appointed chief commissioner and he raised this issue specifically. A decision has not been made, but if the commission were to move it would be to a suitable location at which it would be able to carry out its functions and duties.

The Hon. ADAM SEARLE: So it will not move to the Administrative Decisions Tribunal building?

Mr DOMINIC PERROTTET: Mr Foley's decision will not play any part in my consideration of that issue.

The Hon. ADAM SEARLE: I did not ask that.

Mr DAVID SHOEBRIDGE: Do you acknowledge that there is a problem with the domestic violence leave policy? If a person is the subject of domestic violence, they must first exhaust their sick leave, their carer's leave and any other personal leave before they can access domestic violence leave. Do you not agree that there is a problem in principle if a person who has been the subject of domestic violence must first access their carer's leave before accessing domestic violence leave?

Mr DOMINIC PERROTTET: I accept that that is something we should examine, and it is something on which I should seek advice. This issue was raised with me recently. As I have said, as Treasurer, I will look at any opportunity to fund domestic violence initiatives. These issues should be raised, and I will discuss them with the Minister for Family and Community Services. She has raised concerns about a range of her portfolio areas in which she would like extra support, given the increasing incidence of domestic violence. The budget did float further support, and if we can do other things to assist we will.

Mr DAVID SHOEBRIDGE: Will you commit to being open to meeting with key stakeholders such as the Women's Legal Service NSW and other advocacy groups within the next few months if they approach your office to discuss this issue?

Mr DOMINIC PERROTTET: If anyone approaches my office with a genuine issue—which this is—of course I will meet with them.

Mr DAVID SHOEBRIDGE: How many industrial relations inspectors are employed by the New South Wales Government and where are they located?

Ms TELFER: The industrial relations inspectors are located at 52 Martin Place. We are part of Treasury. At present, we have 23 people in our compliance unit. About eight of those are involved in proactive education. Some of those people also have the authority to be an inspector. I am also an inspector. The number of inspectors is around 18 or 19 in total. They are all at 52 Martin Place because we are a part of Treasury.

Mr DAVID SHOEBRIDGE: Will you take on notice how many occasions those inspectors have been in the Illawarra region and the Newcastle-Hunter region over the past 12 months?

Ms TELFER: Yes. I will take that question on notice.

Mr DAVID SHOEBRIDGE: Quite serious concerns were raised in another committee, which was looking at dust disease issues in New South Wales, about the rise of silicosis and the fact that a series of workers— some as young as in their early forties and late thirties—are being struck down with silicosis, which in many cases is sadly a terminal disease. These workers are acquiring silicosis through work in the manufactured stone industry. They are finishing off commercial stone products, building kitchen benches and the like. What, if anything, is your Government doing to get a handle on this returned industrial disease? What will you commit to doing going forward? I know that Mr Bhatia may have looked at this as well.

Mr DOMINIC PERROTTET: I will speak briefly and pass to Mr Bhatia if he has any further comments. Silicosis is covered by the dust diseases scheme and is compensated if it is attributed to workplace exposure to silica dust while working in New South Wales and if it has caused a disability. The Dust Diseases Care scheme covers silicosis, irrespective of whether an individual was exposed to silica during a well-known hazardous task such as rock drilling, rock construction or whether they were exposed through the manufacture and installation of engineered stone countertops, which was less known in Australia until recently.

Physicians diagnosing possible causes of silicosis attributed to work-based exposures—including those stemming from exposures to engineered stone—are encouraged to notify and refer their patients to icare to help promote awareness and timely access to any potential care and support available under the scheme. I will now pass to Mr Bhatia to talk about the work that has happened within that scheme and the support that they are providing to people who are suffering silicosis.

Mr BHATIA: Silicosis and black lung are compensable diseases as listed in schedule 1 to the Dust Diseases Act. We hear quite a bit in the media about the rise of that disease.

Mr DAVID SHOEBRIDGE: We have had a series of thoracic surgeons come in and tell us that, in their experience, it is coming back and there are a series of cases coming into their offices.

Mr BHATIA: The challenge at the moment is that when we look at reported diseases or cases we still have the same number over the last five years. There has been no spike as yet.

Mr DOMINIC PERROTTET: The numbers we have in front of us are that there were nine cases in 2015-16, nine in 2014-15, nine in 2013-14, 10 in 2012-13 and nine in 2011-12. Those are the official figures, but given that the—

Mr DAVID SHOEBRIDGE: This was testimony of only a matter of weeks ago from thoracic surgeons saying they had noticed an uptick. Have you reached out to thoracic surgeons and said, "Contact us. We want to update our database"?

Mr BHATIA: Absolutely.

Mr DAVID SHOEBRIDGE: Have you done that?

Mr BHATIA: We are reaching out to all surgeons in practice, because they are very knowledgeable. They look at these kinds of things and know the Dust Diseases Act very well. We are reaching out proactively and saying that if there is any spike, please let us know. As part of the change of the optimal care program, we now take applications over the phone, we are reducing applications from 14 pages to two pages and we are making applications easier to access because we understand the sensitivity of the situation. One of the key elements we are waiting to understand is whether there is a lag between what they are saying to us and us being able to see those cases being registered for compensation.

Mr DAVID SHOEBRIDGE: Minister, we do not want to wait until you confirm that there is a spike in a series of workers who have been struck down by this terminal illness. Will the Industrial Relations Inspectorate take some steps to look at workplace practices? Thoracic surgeons told us that their patients were saying that very dusty work environments—

The Hon. TREVOR KHAN: No. You cannot misquote the evidence.

Mr DAVID SHOEBRIDGE: —are the likely cause of silicosis. And the concern is the smaller manufacturers who do not have appropriate dust suppression in their workplaces.

Mr DOMINIC PERROTTET: I am happy to look at this issue and I agree with the principle of what you are saying in the sense that we can provide you with figures. But if there is other information showing that this is on the rise, that is something we want to be pre-emptive about rather than reactive.

Mr DAVID SHOEBRIDGE: Correct. Yes.

Mr DOMINIC PERROTTET: I am happy to look at that issue and note any issues in relation to the safety of workplaces. I do not accept the proposition you have pointed out regarding anecdotal evidence on the safety of workplaces because I do not have that evidence in front of me, but that would be a matter for SafeWork as well, which would fall within the ambit of either Minister Dominello or Minister Kean.

The Hon. TREVOR KHAN: Mr Shoebridge knows that recommendations were made by the Committee.

Mr DAVID SHOEBRIDGE: I am sure that there is cooperation between your two agencies.

Mr DOMINIC PERROTTET: We are a very cooperative Government.

Mr DAVID SHOEBRIDGE: More than 4,400 workers will be terminated from their workers compensation benefits under section 39 of the Workers Compensation Act by the end of this year. Our data shows that on average they will be 54 years of age and will have been on workers compensation for at least 13 years. What is their future and what are you doing to ensure that we do not have a surge of mental health concerns? I have heard reports of potential suicide concerns and references to Lifeline. What are you doing?

Mr BHATIA: I did answer a similar question to Mr Searle just before you arrived, but I want to make sure that I address this issue properly because these are very sensitive issues. There are about 3,500 in the nominal insurer between October and June next year. We have established an advisory and assistance—

Mr DAVID SHOEBRIDGE: The State Insurance Regulatory Authority has estimated 4,437 people by the end of this year.

Mr BHATIA: I think they have sent another letter to notify the Committee that it was actually to June next year, and the question was not understood appropriately. But from our statistics, it is about 3,900 across the Treasury Managed Fund as well as the nominal insurer. That is between October and June next year. I think the Treasurer has also addressed that with the Committee.

Mr DOMINIC PERROTTET: That is confirmed until June next year. The figures that must have been provided previously were incorrect.

Mr BHATIA: From our perspective, the most important thing is to make sure that we have offered a support service to each and every individual. They have very different individual circumstances. As you have said, quite a few of them have been on the scheme for an average of 13 years. Their average age is the early fifties. We are looking to support the ones from regional areas differently to the ones from metropolitan areas. We have an established relationship with Vinnies and the Uniting Church to be able to offer specialised case management programs to those individuals and ensure that they can be connected to community foundation groups.

The advisory service that we have put in place so far has connections with about 600 people in that cohort. That is being manned by allied health professionals and psychologists because this is a very sensitive issue for each of those individuals. As we have seen, they are accustomed to a level of income that will not continue after the transition. So we are connecting them to Centrelink and disability payments but we are also looking after any vocational elements through which we can support them. The challenge for these individuals is isolation from the community. We need to make sure not only that they can be connected into vocational elements of the community and get support but that their carers and family members are connected as well, because this has a huge impact not only on the individual but also on their community and family members.

Mr DAVID SHOEBRIDGE: Would the best answer not be to access some of the \$1.8 billion surplus and maintain their benefits? The scheme is \$1.8 billion in surplus.

Mr DOMINIC PERROTTET: The scheme currently has a surplus of about \$1.9 billion.

Mr DAVID SHOEBRIDGE: It is \$1.89 billion.

Mr DOMINIC PERROTTET: Sorry, \$1.89 billion. To my understanding, that is a funding ratio of around 114 per cent. I will accept and take the advice from icare in terms of what they see as the requisite funding target. The advice I have received in that space is somewhere between 120 per cent to 140 per cent, which is in line with Australian Prudential Regulation Authority [APRA] guidelines. **We are very proud of the work that we have done, particularly in respect of icare. You will not want me to go on a long journey in relation to the previous history of the Workers Compensation Scheme and the financial position that we were in, but we have turned the scheme around from a \$4 billion deficit to being in surplus. Whilst I accept the sensitivities of the issue at hand, we are in surplus so that we can now provide the care and support for those people who are currently in the scheme.**

Mr DAVID SHOEBRIDGE: That is the point; they are all being terminated and turned off.

The CHAIR: Your time has expired, Mr David Shoebridge.

Mr DOMINIC PERROTTET: I would like to finish in order to give the best context for the answer. The understanding that I have, based on the advice that I have received, is that the funding in the scheme and the provision that we have is only there for the support of those people who are currently within the scheme, not those who will come into it in the future. I think it is very important that we have the scheme in surplus so that we can provide the best support for those in it.

I know that we will disagree about the extent of those who should be included within the scheme, but by being in a position of surplus we can now provide better support for those people who are seriously injured in the workplace. Importantly, I believe the establishment of icare will assist those workers who are transitioning from the scheme in the coming six months. This is not something that has happened overnight. It is a change that was made in 2012 when there was not the financial support to assist those who were seriously injured in the workplace.

During my time in the Finance portfolio, when I had greater coverage and oversight of the regulatory space in this area, one of the key areas that came up when I met with workers was the service, care and support they were given whilst they were recovering and returning to work. The programs that Mr Bhatia and the icare board have been able to establish during that time—and the extra support for injured workers—has been a very positive step forward. Unlike the past, when we debated entitlements versus premiums, we are now in a position where the political debates of the past have been overtaken by addressing the real issues that are affecting those in the scheme—and that is care and support. Over the course of this transition, for the injured workers in that section 39 cohort, a significant program has been put in place to assist them.

Mr DAVID SHOEBRIDGE: It is a future of poverty. That is their future.

The CHAIR: Mr Shoebridge, your time has expired. I have a minute for one brief question. You had an inquiry into the Boxing Day regulations. As a result of that review are any changes contemplated?

Mr DAVID SHOEBRIDGE: Are any changes contemplated to that anti-Christmas legislation?

The CHAIR: We are dealing with Boxing Day.

Mr DOMINIC PERROTTET: I would call it pro-Boxing Day legislation.

Mr DAVID SHOEBRIDGE: It is an attack on Santa and an attack on Christmas.

The Hon. Dr PETER PHELPS: We are all pro boxing, here.

Mr DOMINIC PERROTTET: We know that Mr Shoebridge is a strong supporter of Christmas—

Mr DAVID SHOEBRIDGE: And a strong supporter of Santa, and I want it on the record for my kids.

Mr DOMINIC PERROTTET: —but now his kids will be happy because he will now be given the opportunity on Boxing Day, in the suburb of his choice, to—

Mr DAVID SHOEBRIDGE: I will have the opportunity to spend some time with my family and all the other retail workers—no, they will be working.

Mr DOMINIC PERROTTET: Importantly, we provide choice in respect of keeping the Boxing Day trading opportunity available. I think it is important to raise, as part of the review, that there is still choice. Penalties are in place for employers who urge or commit employees to work on Boxing Day against their will.

The Hon. ADAM SEARLE: So you are going to legislate to make this change permanent.

Mr DOMINIC PERROTTET: There are fines in place. Yes, we will be legislating to make the changes in the trial that we have just embarked on permanent. We believe in providing choice in society. We are living in a twenty-first century world. I understand that there are segments of the Labor Party which are still caught up in an archaic environment—

Mr DAVID SHOEBRIDGE: Where they like public holidays.

The Hon. ADAM SEARLE: We just like family and personal time.

Mr DOMINIC PERROTTET: As the progressive party in this place, the Liberal Party is moving—

The Hon. TREVOR KHAN: The National Party misses out again.

Mr DOMINIC PERROTTET: Sorry, I will add the National Party. We are moving from the past. In all seriousness, we have maintained and will enshrine in law penalties for those who force employees to work. Importantly, people are not forced to shop. They are not forced to open. If people would like to spend time on Boxing Day watching the cricket or would like to spend time with family they are entitled to do so. If people would like to work or to open their businesses in suburbs across greater New South Wales then they will be able to under the changes that we will be making.

The CHAIR: I thank the Treasurer and his staff for coming before the Committee today. We appreciate the help you have given us through your answers to our questions.

(The witnesses withdrew)

The committee proceeded to deliberate.