

PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE

Examination of proposed expenditure for the portfolio area

TREASURY

CORRECTED

At Jubilee Room, Parliament House, Sydney, on Thursday, 29 August 2019

The Committee met at 9:30

PRESENT

Ms Tara Moriarty (Chair)

Ms Abigail Boyd
The Hon. Mark Latham
The Hon. Shayne Mallard
The Hon. Taylor Martin
The Hon. Daniel Mookhey
The Hon. Adam Searle
The Hon. Walt Secord
Mr David Shoebridge
The Hon. Natalie Ward

The Hon. Dominic Perrottet, *Treasurer*

The CHAIR: Welcome to the public hearing for the Inquiry into Budget Estimates 2019-2020. Before I commence I acknowledge the Gadigal people, who are traditional custodians of this land. I also pay respects to the Elders past and present of the Eora nation and extend that respect to other Aboriginals present. I welcome the Treasurer and accompanying Treasury officials. Today the Committee will examine the proposed expenditure for the portfolio of Treasury. These hearings are webcast, so we are all live on the Parliament's website. They are also open to the public. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the gallery should not be the primary focus of filming or photography. I remind media representatives that you must take responsibility for what you publish about the Committee's proceedings. Guidelines for the broadcast of proceedings are available from the secretariat.

All witnesses in budget estimates have the right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. There is provision for questions on notice. There may be some questions that a witness could only answer if they had more time or with certain documents to hand. In those circumstances witnesses are advised that they can take a question on notice and provide the answer with 21 days. If there are messages that need to be delivered to people participating in the hearings, any messages from advisers or members' staff seated in the public gallery should be delivered through the Committee secretariat. Treasurer, you and the officers accompanying you are free to pass information between each other during the course of the hearing and refer directly to advisers behind you.

Transcripts of the hearing will be available on the web from tomorrow morning. I remind everybody to switch 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, you do not need to be sworn because you have already sworn your oath of office as a member of Parliament.

JOANN WILKIE, Deputy Secretary, Economic Strategy and Productivity, NSW Treasury, affirmed and examined

SAN MIDHA, Deputy Secretary, Policy and Budget, NSW Treasury, affirmed and examined

MICHAEL PRATT, Secretary, NSW Treasury, sworn and examined

KIM CURTAIN, Interim Deputy Secretary, Trade, Tourism, Investment and Precincts, NSW Treasury, affirmed and examined

PHILIP GARDNER, Deputy Secretary, Commercial, Commissioning and Procurement, NSW Treasury, affirmed and examined

JOHN NAGLE, Chief Executive Officer and Managing Director, icare, sworn and examined

The CHAIR: I declare the proposed expenditure for the portfolio of Treasury open for examination. This session will go from now until 11.30 and all witnesses, including the Treasurer, will be questioned in this morning's session. After the lunchbreak we will continue questioning government witnesses, but the Treasurer will not be questioned this afternoon or in any evening sessions. There is no provision for opening statements. We will begin with the questions, starting with the Opposition.

The Hon. WALT SECORD: I open up with a very easy one, almost a Dorothy Dixier. What compelled you or prompted you to become involved in an exchange with the Lord Mayor of Sydney involving the placing of a statue at Martin Place?

The Hon. SHAYNE MALLARD: Point of order: That is totally outside the terms of reference.

The Hon. WALT SECORD: He wants to answer it.

Mr DOMINIC PERROTTET: This is a great question and in the spirit of bipartisanship to kick off budget estimates I must say as Treasurer I really like this new format. I am looking forward to the day. I congratulate the shadow Treasurer on supporting both the planning Minister and myself in our endeavour to have this statue of Sir James Martin placed in Martin Place. I think it is important that James Martin's story is told. He was the first person to be the Premier of New South Wales three times. He held the position of Attorney General and was a Supreme Court Justice. I think it is very important. The story of a young boy from a poor background, who grew up in western Sydney and travelled each day to the city for an education, is a story of hope and really tells a great narrative of the opportunities that we have in this country.

We live in the best country in the world and rather than talking down our past, we should talk it up. I think James Martin represents that and to have that statue placed in the city will be a great thing for our city and State. Many people walking up and down Martin Place now know that story. Importantly, he was also the person who pioneered public education in this State. He set up the mint. The placement of that statue at the top of Martin Place I think will be a great thing not just for Sydneysiders but for our country.

The Hon. WALT SECORD: What happened? I understand that the Lord Mayor opposed it until yesterday afternoon.

Mr DOMINIC PERROTTET: I had written previously to the Lord Mayor requesting that the statue be placed in Martin Place. I understand the City of Sydney has an arts council—that is probably how we get the cloud arch and milk crates and the like in the city. Obviously having a statue did not suit the aesthetics of the post-modern City of Sydney arts council, so recently, with your support as well as the shadow Minister, the planning Minister and I wrote formally again to the Lord Mayor inviting her to overrule the post-modern arts council at the City of Sydney Council. She wrote yesterday, after an article published in the great newspaper *The Sydney Morning Herald*, by Helen Pitt. Now she has agreed to the Government and the Opposition's bipartisan request to have the statue built. I think this is a great thing. When we see jurisdictions around the world tearing down statues, we in Sydney are putting statues up of the great people who have set up our democratic country and the great opportunities that we have in our State. Can we continue this conversation? I am more than happy to spend two hours on it.

The Hon. WALT SECORD: I just want to say that when there are times to be bipartisan and to work with the Government, we stand ready to do so.

Mr DOMINIC PERROTTET: Okay, so let's dance.

The Hon. WALT SECORD: But there will be occasions when we will differ. For example, the announcement this morning. What is the basis for the announcement this morning in *The Australian Financial*

Review of the New South Wales Government looking at the sale of the softwood plantation business of Forestry Corporation?

Mr DOMINIC PERROTTET: As Treasurer, I see it as my role in running the fiscal strategy of the State to look at opportunities in which we can provide the best services and the best outcomes for taxpayers. It is important that we look at each of the government-run businesses on a case-by-case basis. There is a clear distinction with Forestry Corporation in relation to both the softwood and the hardwood business. I note that many other States have privatised their forestry businesses, including Queensland, Victoria and others. And so what I announced this morning was not a pursuit of privatisation but rather the establishment of engaging advisers and kicking off a scoping study.

The Hon. WALT SECORD: What will this scoping study entail? What is a scoping study?

Mr DOMINIC PERROTTET: The scoping study will look at the business, will look at the opportunities and will provide advice to the Government, which will be worked through Treasury. I will pass to Mr Gardner in a second to provide some further detail in relation to that. The study will look at whether or not the business is better off being run in private hands. It will look at jobs, it will look at the distinction between the operation and the land, it will look at the business in its entirety and it will look at the division between the hard woods and the soft woods, because the soft wood business is obviously more profitable than the hard wood business. Then it will provide advice to the Government on what the best outcome for that business is going forward. In due course I will consider that advice, make a determination and, at a relevant point, put a recommendation to Cabinet.

The Hon. WALT SECORD: I have two quick questions. Where does the \$1 billion figure come from and what is the timetable for the scoping study?

Mr DOMINIC PERROTTET: I have not put a figure on it. The \$1 billion that was mentioned is not a figure I would want to put on this. We are only in the preliminary stages. At this stage we are just pursuing a scoping study. I do not want to pre-empt any outcome on the financial side. In terms of timing, we would expect that to come back some time towards the end of the year. Mr Gardner, do you want to give some further insight on the scoping study?

Mr GARDNER: I do not think there is a lot I can add beyond what the Treasurer said, apart from the fact that we will methodically go through all the outcomes, opportunities and risks. As the Treasurer said, there are specific matters regarding the separation of the business if the Government were to make a decision to proceed with some sort of transaction. That obviously has to be given deep consideration. We will look at other equivalent transactions in other jurisdictions to identify any risks or issues that arose out of those transactions that we could learn a lesson from to strengthen the protections and support the outcomes the State is looking to put in place as a result of that process.

The Hon. DANIEL MOOKHEY: I ask a supplementary question. Will the study identify potential buyers and the number of potential buyers that could be expected to participate in any process of sale or lease of Forestry or the softwood plantations?

Mr GARDNER: All of the scoping studies I have been involved with have had a section that looked at the market, including the nature of buyers and the number of potential bidders for an asset.

The Hon. DANIEL MOOKHEY: Will the study also identify previous transactions from which Treasury could derive a valuation?

Mr GARDNER: The scoping study will look at a range of different ways in which—

The Hon. DANIEL MOOKHEY: Has Treasury already prepared any valuation of the Forestry Corporation plantations that are the subject of the scoping study and are you using the scoping study to validate Treasury's own valuations?

Mr GARDNER: We have a valuation that is in the accounts.

The Hon. DANIEL MOOKHEY: But has Treasury already undertaken or prepared a model that would provide advice to the Treasurer as to precisely what Treasury currently expects it will fetch in a market sale process, and are you using the scoping study to validate that model?

Mr GARDNER: No. One of the parts of the scoping study is to do the work to determine the potential value of a transaction if the Government was to go ahead.

The Hon. WALT SECORD: In your answer you used the word "risks". What would that be referring to in a scoping study?

Mr GARDNER: In any particular transactions there are a number of risks that you would focus on. In this particular instance with the Forestry Corporation those risks would be around ensuring we preserve the Government's policy around forestry. If maintaining a vibrant and rich forestry environment is the key risk, with the privatisation you would want to ensure the outcomes are being preserved in the transaction.

Mr DOMINIC PERROTTET: That makes sense only in these circumstances, where it would be proper and prudent for Treasury to provide to Government advice on ensuring that the business itself would be better run, including the environmental aspects of the business. It would also need to look at what the conditions of the market are today and if there is enough competition and interest in the market to provide a better return for the taxpayers of New South Wales while at the same time preserving and, I would say, enhancing the operation of the business. Once that information is provided from the advisers through the scoping study and Treasury to me I will make a determination and advise the Government on which way to proceed.

The Hon. WALT SECORD: In the Treasury analysis of the scoping study, will job guarantees be considered a risk to the value of the organisation?

Mr DOMINIC PERROTTET: That is not a risk. That is an issue that the Deputy Premier has already made comment on this morning. In previous transactions, if we got to that point—for example with the electricity distribution transactions—job guarantees were provided as part of that. But I do not want us to get ahead of ourselves here. We are not at that point. We are at the point of a scoping study, which will provide advice to Government. I would expect that advice some time before the end of this year. At that point obviously job guarantees would form part of that. We want to make sure that regional jobs in New South Wales remain strong. If you look at the business, particularly the softwood business, there are a number of regional jobs in that space. There are a number of areas—for example, Bathurst, Wagga and Albury—where those jobs exist. I am very proud of the fact that if you look at jobs in regional New South Wales under this Government we are seeing more jobs being created in regional New South Wales than in every other region combined. The unemployment rate in regional New South Wales is 5 per cent at the moment. I would like to make this point—

The Hon. WALT SECORD: Not in Coffs Harbour.

Mr DOMINIC PERROTTET: But if you look at the situation right now in regional New South Wales across the board, particularly in these drought circumstances, we are seeing regional jobs grow at record rates. A lot of that jobs growth has come on the back of our public investment in infrastructure, which has been driven by our asset recycling initiatives. The asset recycling approach, which was opposed—

The Hon. WALT SECORD: Can we go back to the scoping study?

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: Who is carrying out the scoping study? Is it Treasury or is it being outsourced?

Mr DOMINIC PERROTTET: Today we announced that we will be appointing an adviser. Once that advisor is appointed Treasury will formulate a scoping study market selling process on those assets. Treasury will work through that. I expect that Treasury will present the findings of the scoping study to Government if not late this year then by quarter one next year. At that point the Government will decide whether to retain the business or commence a market process.

The Hon. WALT SECORD: Are there any other similar scoping studies underway?

Mr DOMINIC PERROTTET: No. When we embark on a scoping study it is a matter for the public.

The Hon. WALT SECORD: You mentioned advisers. I understand that the Government has embarked on a social impact investment proposal involving Aboriginal economic development and homelessness projects. How advanced is that?

Mr GARDNER: I can talk to that. The social impact investment strategy regarding Aboriginal economic development is still in a co-design phase.

The Hon. WALT SECORD: What does "co-design phase" mean?

Mr GARDNER: We are working with the stakeholders and potential parties who we would be partnering with to deliver that bond around designing the best ways to deliver that program.

The Hon. WALT SECORD: How does a social impact bond work?

Mr GARDNER: The social impact bond is an arrangement in place for a defined period of time where we will look to establish particular outcomes that we are trying to achieve. In the case of the Aboriginal economic

development program, which is supporting Aboriginal businesses that provide business to the Aboriginal communities and support them, we will look for particular businesses that we can pave particular outcomes for. Jobs creation specifically for Indigenous people might be an example of that. So it is a layering of payments related to particular outcomes on a service delivery.

The Hon. WALT SECORD: I understand that there is an expert advisory group that advises it?

Mr GARDNER: That is correct.

The Hon. WALT SECORD: What do they do?

Mr GARDNER: They provide insight that comes from their particular vantage points in their particular fields of expertise, whether it is philanthropy or social impact investing in other jurisdictions—the Council of Social Service. So they just provide a range of different insight that can help.

The Hon. WALT SECORD: Who would be on this expert advisory panel?

Mr GARDNER: From the top of my head I do not have all the names. But Trevor Danos is the chair of the expert advisory group. It is all listed on our website. Patrick McClure, Joan McQuilty, Stephen Fitzgerald, Richard Brandweiner—

The Hon. WALT SECORD: Warren Mundine?

Mr GARDNER: Warren Mundine.

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

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

Mr DOMINIC PERROTTET: We appointed Warren Mundine in the budget two years ago to advise on the specific social impact investment for Aboriginal economic development.

The Hon. WALT SECORD: Two years ago?

Mr DOMINIC PERROTTET: It was not this year's budget; it was last year's budget.

The Hon. WALT SECORD: When do you expect their deliberations to result in a report or a decision? What will happen?

Mr GARDNER: On the Aboriginal economic development social impact board? I do not have specific dates but we can come back on notice.

The Hon. DANIEL MOOKHEY: Mr Gardner, are members of that committee required to make conflict of interest disclosures?

Mr GARDNER: They would have to.

The Hon. DANIEL MOOKHEY: That is a continuing obligation for their period of service?

Mr GARDNER: They would be required to notify. Every meeting that is chaired we do have a request for updated conflicts, any further conflicts to be declared.

The Hon. DANIEL MOOKHEY: Has Mr Mundine made any declarations?

Mr GARDNER: I have not been in any meetings where Mr Mundine has attended.

The Hon. DANIEL MOOKHEY: How many meetings has Mr Mundine attended?

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

The Hon. DANIEL MOOKHEY: How often does it meet?

Mr GARDNER: We have been meeting on a quarterly basis.

The Hon. DANIEL MOOKHEY: So every three months for the last two years?

Mr GARDNER: I have only been involved with the Office of Social Impact Investment for the last six months.

The Hon. DANIEL MOOKHEY: Is it a paid position?

The Hon. NATALIE WARD: You have already asked that.

Mr DOMINIC PERROTTET: We will take that on notice.

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Did Mr Mundine at any point in his disclosure that he made to the Australian Electoral Commission when he was a candidate for the seat of Gilmore disclose that he may or may not have been in receipt of remuneration from the New South Wales Crown?

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

The Hon. WALT SECORD: Mr Treasurer, are you familiar with something called the *Weekly Economic & Financial Market Wrap*?

Mr DOMINIC PERROTTET: Sounds interesting.

The Hon. WALT SECORD: It is produced by NSW Treasury. I think it meets every Friday or every Monday; it is one of those. Are you familiar with it?

The Hon. NATALIE WARD: You need to get a life, Walt.

The Hon. DANIEL MOOKHEY: Do you read it?

Mr DOMINIC PERROTTET: I read a lot. Point me to the interesting economic data.

The Hon. WALT SECORD: It is a weekly document. Are the bureaucrats with you familiar with it? Who is responsible for the production of it?

Ms WILKIE: Yes, I am familiar with it. It is produced weekly by the Chief Economist, who sits in part of my group.

The Hon. WALT SECORD: What day does it come out?

Ms WILKIE: Mondays.

The Hon. WALT SECORD: Who vets the content and materials? Who puts the material in the weekly update?

Ms WILKIE: It is the product of the Chief Economist and therefore the product of the Treasury department. It is vetted by the Chief Economist, Stephen Walters.

The Hon. WALT SECORD: Who determines what appears in it and the content?

Ms WILKIE: The Chief Economist does. He determines what is put in it on a weekly basis but the structure of the document is predetermined to a certain extent.

The Hon. WALT SECORD: Are you careful not to have political contents or observations?

Mr DOMINIC PERROTTET: We can dumb it down for you.

Ms WILKIE: These sorts of publications are typical of the sort of publication that any economic or financial institution might publish. They tend to have, as this one does, a chart of the week which refers to—

The Hon. WALT SECORD: Are you comfortable when they make comments about the American president and the impact on the economy?

Ms WILKIE: To the extent that the comments that a president of a nation the size of the United States makes and the impact that that would then have on economic outcomes—stability of markets or those sorts of things—then that is a relevant matter to be included in a document of this nature.

The Hon. WALT SECORD: Do you sign off on things? Like, if they make comments about President Trump making attacks on China and things like that?

The Hon. NATALIE WARD: Do you want to give an example? It seems like you are referring to something.

Mr DOMINIC PERROTTET: Why not let the Treasury Secretary respond to this?

Mr PRATT: I would make the observation that if you look at the employment of a chief economist, be it in the private sector or public sector, it is very important that a chief economist has the freedom to comment on the economy and not be influenced by other parties. Otherwise, why have that person in the role? The Chief Economist is, as you would expect, extremely competent. He has that freedom and the Treasurer has given him that freedom to make comments. I encourage that because that is the purpose of the role.

Mr DOMINIC PERROTTET: I think that is important because one of the areas with Treasury is we have had over a period of time here in New South Wales a strong focus on the financials and the budget position.

If you look at the machinery of government changes that we have made following the election—the successful election of the Coalition Government—that we have taken—

The Hon. WALT SECORD: We are talking about a Treasury official making a comment about China being a currency manipulator.

Mr DOMINIC PERROTTET: I think it is important that there is freedom given to the Chief Economist. I appointed the Chief Economist last year as well as a productivity commissioner and my view is they should be free to make comment and they should not be confined by political observations because political observations and political decisions by leaders around the world impact on the economy.

Ms ABIGAIL BOYD: Sorry to interrupt you, Treasurer—

Mr DOMINIC PERROTTET: I will finish my sentence, Ms Boyd. At times I might disagree with the Chief Economist. Is that a bad thing? I think given somebody in that role, they should have the freedom to comment and provide their insights into the global economy and the impacts that that could have on the New South Wales economy.

Ms ABIGAIL BOYD: Good morning to you all and thank you for attending and answering these questions. I am going to start easy as well, but it is not quite a dixer. Looking at the non-quantifiable contingent liabilities arising from the energy asset sales in the last six-odd years, I am particularly interested in the liabilities that the State is still responsible for in relation to Eraring and Vales Point power stations, as well as Liddell. Before I ask the question I want to make sure that we understand the difference between ongoing remediation and the rehabilitation required at the end of the life of these power stations. My understanding is that under the transaction documents we have seen the State is liable both for remediation of pre-sale contamination as well as the clean-up of all of those sites once they are closed. Have you made any attempts to quantify those liabilities?

Mr DOMINIC PERROTTET: I will pass to Mr Gardner. But, at the outset, in terms of the remediation of those sites, as part of the Vales Point transaction there is \$10 million that the owners of the site are liable.

Ms ABIGAIL BOYD: That is for decommissioning. That is not for rehabilitation.

Mr DOMINIC PERROTTET: Yes, but there is also a corporate guarantee in place as well.

Ms ABIGAIL BOYD: That is \$20-odd million.

Mr GARDNER: Those power stations were all built and owned and operated by the State for several decades. The State always had demolition, decommissioning and remediation obligations as it relates to each of those sites. So no new risks in any way were created as a result of any of the transactions that the State undertook back in 2014, 2015, 2016. The question you asked specifically about the cost of the remediation and are they reflected in the budget, that is actually a budget accounting question.

Ms ABIGAIL BOYD: I am aware of that. I am aware of the rules around non-quantifiable contingent liabilities. In 1996 the Victorian Government sold Hazelwood Power Station. They sold it with all of the liabilities for remediation and rehabilitation. They are now up to I think \$1.4 billion in rehabilitation costs. Given that you know that eventually at closure the State will be liable for the rehabilitation of those sites and we are looking at billions of dollars, has there been an attempt to even make a conservative estimate so that when we are looking at things like \$800 million worth of surplus we are also thinking about these future billions of dollars of liabilities that are coming up down the track?

Mr GARDNER: I am not aware of any specific efforts to quantify that for a couple of reasons. One is that the degree of remediation that would be required will be determined at the time the power station comes back. It depends very much on the purpose for which that site might be used. If someone were to come in and put, say, a renewable energy power station on that site then the degree of remediation might be substantially different to if someone was to come to turn it into parklands or residential property. So there is that—

Ms ABIGAIL BOYD: At the moment we have these ash dams. These are hundreds of hectares of unlined pits that have toxic ash and, we now know, asbestos in there as well and a bunch of other things. That is clear from the sale documents. In other countries they are required to actually take that stuff out and put it into lined pits so that we do not have groundwater leaching. I appreciate that 20 years ago we might not have been as aware that the groundwater quality and also the quality of the nearby Lake Macquarie is at risk. Now we are. We know that even if we were to put solar panels on the top we would still need to spend a significant amount of money rehabilitating that land. Have any efforts been made to quantify that so that we are planning for the closure of these power stations?

Mr GARDNER: Again, I am unaware of any specific efforts to quantify the cost of that but I would also direct you to the environment Minister and the Environment Protection Authority [EPA] because they are the responsible entity for licensing the power stations and for the operating conditions of those ash dams.

Mr DOMINIC PERROTTET: To Mr Gardner's point, we can identify those questions to the environment Minister but, importantly, whilst there would be costs associated with remediation and rehabilitation this is a sector that is crucial to providing the energy needs for people right across the State. But The Greens—

Ms ABIGAIL BOYD: Sure, but if you have got the drinking water of the entire Central Coast and Lake Macquarie areas being threatened that is going to be a lot more costly than any temporary increase in—

Mr DOMINIC PERROTTET: There absolutely needs to be a balance in ensuring the energy needs are balanced with the environmental response. At the same time, as a government we need to be making sure that, whether it is coal or gas, that the energy needs for people right across this State and around the country are met. We saw at the last Federal election what the quiet Australians said when it came to—

Ms ABIGAIL BOYD: Right. But this isn't about coal.

Mr DOMINIC PERROTTET: —when it came to coal and when it came to the preservation of that industry. Yesterday the Leader of the Opposition was out in the Hunter. I welcome—

Ms ABIGAIL BOYD: All right, I think we are getting on to coal. I am talking about contingent liabilities.

Mr DOMINIC PERROTTET: I do not know when the last Labor leader attended the Hunter Valley and attended—

Ms ABIGAIL BOYD: We're not talking about Labor. We are talking about the health of—

Mr DOMINIC PERROTTET: —and is now supporting the coal industry. Maybe it's Joel Fitzgibbon—

The Hon. NATALIE WARD: It was Latham! He was the last one there.

The Hon. MARK LATHAM: It was me.

Mr DOMINIC PERROTTET: It was you? There you go. There you go.

Ms ABIGAIL BOYD: Okay.

The Hon. MARK LATHAM: I'm still doing it.

Ms ABIGAIL BOYD: If we could just press on with actually quantifying—

Mr DOMINIC PERROTTET: It is amazing what an election can do for people to see the light. I look at Joel Fitzgibbon, "the Gibbon" up there, 20 per cent swing against him—

Ms ABIGAIL BOYD: Treasurer, is it your view that these coal-fired power stations should be allowed to pollute and create hectares of toxic ash that is going to leach into the groundwater and threaten the quality of Lake Macquarie and that they should not have to pay for that?

The Hon. NATALIE WARD: Aren't these Environment questions?

Mr DOMINIC PERROTTET: No, I believe that there is obviously a responsibility on the owner, on the State when it comes to remediation. As Mr Gardner said, when it comes to Vales Point we were the owners of that station for many years.

Ms ABIGAIL BOYD: How come the Victorian Government was able to sell its assets with the liabilities also going with the sale whereas New South Wales chose not to?

The Hon. NATALIE WARD: Point of order: With respect, the Treasurer is not here to answer questions about the Victorian—

Ms ABIGAIL BOYD: I think he is perfectly capable of answering the question.

The Hon. NATALIE WARD: Well, it is outside the terms of reference.

Ms ABIGAIL BOYD: It is not outside the terms of reference.

The Hon. NATALIE WARD: He is not the Treasurer of Victoria.

The CHAIR: He is answering the question. There is no point of order.

Ms ABIGAIL BOYD: Could you answer the question, Treasurer?

The CHAIR: Order! Can we let the Treasurer continue the answer?

The Hon. NATALIE WARD: It is not within the terms of reference for the NSW Treasury.

The Hon. WALT SECORD: The Treasurer can look after himself.

Ms ABIGAIL BOYD: The question is around why the sale of the assets by the Government was done in a particular way that is not following other States.

Mr DOMINIC PERROTTET: We are going back to a previous transaction—

The CHAIR: The question is in order. Can we let the Treasurer answer, please?

Mr DOMINIC PERROTTET: I am happy to take that on notice. What I would say is that this issue fundamentally goes to the importance of the State's role and company's role in the remediation following the closure of a certain asset. Obviously it is important that either during operation or post operation environmental concerns are dealt with in a way but at the same time not to the extent that it jeopardises the importance of the coal industry. It is these industries that ensure our energy security now and into the future.

Ms ABIGAIL BOYD: If we accept that assertion, could we quantify—

Mr DOMINIC PERROTTET: Ms Boyd, let's get to the point: The point is that you want to close down—

Ms ABIGAIL BOYD: Could we quantify how much of a subsidy you are giving—

Mr DOMINIC PERROTTET: —your party wants to close down coal—

Ms ABIGAIL BOYD: —to the coal-fired power stations by failing to get the coal-fired power operators to clean up the mess of this and instead to have this massive liability that the people of New South Wales will be responsible for in decades to come?

Mr GARDNER: The operators are responsible for any remediation of any contamination that occurs during the operating period. As I said, the State—

Ms ABIGAIL BOYD: New contamination.

Mr GARDNER: New contamination—and the State is liable for contamination that it caused. To put it succinctly, it should clean up its own mess.

Mr DOMINIC PERROTTET: That makes eminent sense.

Ms ABIGAIL BOYD: So in the case of the Eraring Power Station, do you have a clear idea as to how much contamination the State is liable for versus the new operator?

Mr GARDNER: There would have been a baseline study done at the time of the transaction which set a baseline in terms of assessing what the contamination from that point on—

Ms ABIGAIL BOYD: Was that baseline study done?

Mr GARDNER: I was not involved in that transaction. I would have to take that one on notice.

Ms ABIGAIL BOYD: The documents state that the—

Mr DOMINIC PERROTTET: Do you want me to take that on notice?

Ms ABIGAIL BOYD: Yes, please, that would be great. The documents state that the State is liable for remediation to minimum legal standards. Do you see that there is any conflict of interest in having a liability to be determined by whatever the regulation of the Government of the day is? For example, if we were to adopt best practice regulation for the remediation of these ash dams in the same way as countries like America have done—who have suffered the consequences of not remediating their ash dams—if we were to adopt that best practice standard, then that would mean that the State is going to be liable for more down the track than it is now. Do you think that puts any kind of—

Mr DOMINIC PERROTTET: I am not an expert in ash dams or the regulatory arrangements around remediation of sites. As the Treasurer of the State my job is to ensure that we have a strong economy going forward. I am a supporter of the coal industry because I know the importance of that industry—

Ms ABIGAIL BOYD: This is not about the coal industry. This is about the State's liabilities that it has failed to quantify when we can estimate even on a conservative bases that there are billions of dollars in clean-up fees to pay in the future, yet we are crowing about an \$800 million surplus.

Mr DOMINIC PERROTTET: I am not crowing about anything.

The Hon. DANIEL MOOKHEY: Misleading the House.

Mr DOMINIC PERROTTET: No, I am not crowing about anything.

The Hon. NATALIE WARD: He is not in the House.

Mr DOMINIC PERROTTET: What I am saying is that it is important this State has base-load power and it is important that we continue to invest in these areas. I am accepting—

Ms ABIGAIL BOYD: And so that is why you are subsidising the coal-fired power stations by not getting them to pay for the pollution that they are making?

Mr DOMINIC PERROTTET: I miss Justin Field. Look—

The Hon. NATALIE WARD: We all do.

The Hon. WALT SECORD: We don't.

Mr DOMINIC PERROTTET: He was very respectful. There is no doubt that the State has an obligation for the time in which it owned and operated the power station and now the owners are liable for any costs in remediation works during its time.

Ms ABIGAIL BOYD: For the additional, not for the—

Mr DOMINIC PERROTTET: The issue is that you would much prefer to be focused on inefficient energy generation which might have less of a remediation cost but will not have the power to actually sustain our energy needs now and into the future.

The Hon. MARK LATHAM: Treasurer, if I can draw your attention to *Budget Paper No. 1*, page 2-11, the list of the economic outlook. I congratulate you and your Treasury team on the high quality of the budget papers that were produced this year.

Mr DOMINIC PERROTTET: Thank you, in a very short time too. We had an option after the election of delaying the budget but we went straight into it.

The Hon. MARK LATHAM: Well done.

Mr DOMINIC PERROTTET: Thank you.

The Hon. MARK LATHAM: You did not spend a lot of space here on risks to the economic outlook, only half a page. If the Treasury now was to be updating those particular risks to the economic outlook in New South Wales what extra factors would you add to the list—

The Hon. NATALIE WARD: The chief economist was trying to do it in the newsletter.

The Hon. MARK LATHAM: —here which was the United States-China relationship, the housing market, real wages, growth and also the drought? Is there any new risk in the last two months?

The Hon. SHAYNE MALLARD: That's how it's done, Walt.

Mr DOMINIC PERROTTET: I would say probably the issue I would raise immediately is obviously the trade war is something that would potentially have impacts on New South Wales down the track. That is one of the reasons why we employed a chief economist, to provide these great updates on a weekly basis, but also to provide an insight into Treasury. We are releasing an economic blueprint later this year which will look at what are the challenges facing the New South Wales economy and where are the areas that we should be investing in down the track. One of the strong exports in New South Wales is obviously our education exports, and China is an important trade partner in that respect, and the tourism off the back of that. There are ways in which I think the New South Wales economy should be continuing to diversify, and so that is a risk that is occurring.

You mentioned one of the other risks has been the softening in the property market, which obviously has a fiscal impact on our stamp duty. We have written down over \$10 billion in stamp duty. That has had an impact on the budget but, given our strong fiscal management here, we are still solidly in surplus. Whilst we are seeing a softening in the construction area, on the property side, that is being supported by the public sector in infrastructure. Around 60 per cent of engineering work currently undertaken in New South Wales is commissioned by the public sector, and 75 per cent of that is undertaken by the private sector. When we took the poles and wires to the election in 2015, which was opposed by Labor, economic growth was around 3.3 per cent at the time. People were saying that that is not going to assist your economic growth. But what we have seen is as the economy has

softened, not just in New South Wales but nationally, it has been that public investment in infrastructure that has picked up the slack and it is adding about half a percentage point to economic growth each year.

As that softened, infrastructure investment is not a tap you can just turn on, you have to have unlocked that capital and had that work occurring in the pipeline. Whilst we are seeing that softening—I think we are up 2.25 per cent now—economic growth will return to trend over the next four years. I think given that public investment remains strong, construction remains strong—during the budget I met many workers on some of our infrastructure projects who used to be working in property construction and are now working on our transport projects. That is a good sign in showing that our economy is diverse. It is robust. It is not like States like Western Australia that are solely focused on the mining sector. We have a broad-based economy and I am very confident that we will continue to surge ahead.

The Hon. MARK LATHAM: What weight in terms of economic risk would you give to the Australian Energy Market Operator [AEMO] report last Thursday pointing out that New South Wales runs the risk of blackouts after the closure of Liddell Power Station?

Mr DOMINIC PERROTTET: I think that is a concern and that is why I was very pleased to see that Liddell has decided to extend its term. I think that is not going to be a panacea of itself, and that is why it is one of the biggest challenges we will find, not just now but for decades to come. It is a complete travesty, given the natural resources that Australia has, that we are at such a high risk when it comes to energy and we have some of the highest energy prices in the world. That is a travesty of public policy and it demonstrates how ideology on both extremes has resulted in a circumstance where we are in a position where it may be the case based on those reports that we are significantly at risk. I understand that the Independent Planning Commission [IPC] is currently looking at Narrabri and that project there, but I want to thank AGL for extending its operation of Liddell. There is significant risk and we need to make sure that there is certainty in the market. That is why—I know some have different views—the New South Wales Government disagreed with the Federal Government and we supported the National Energy Guarantee.

We believed that whilst it might not be at either end of the political spectrum a pure outcome, it provides certainty for the private sector to invest, and that is one of the biggest challenges right now. Who is going to invest in coal, here or anywhere else, in circumstances where there is no public policy guarantee about what the future is? When you are asking the private sector to invest significant up-front capital costs with a return they will get in the back end it can make it very difficult for them to make such investment decisions. This is something that, not just here in New South Wales, we need a national approach with both sides of politics working together in a bipartisan way to ensure energy security into the future. If that means there are coal-fired power stations, which, to Ms Boyd's point, need remediation, then so be it. What is most important as a Western society, and advanced Western economy, is that we have energy security. It is one of your basic obligations as a government and I am happy that Liddell is being extended. I am happy that the IPC is looking at the Narrabri Gas Project. These are projects that, whilst there are challenges—and I note Ms Boyd's point about environmental challenges—we need to get the balance right and fundamentally make sure that we have energy security now and into the future.

The Hon. MARK LATHAM: In terms of the investment you mentioned, what sort of manufacturing companies or any decent retail and service company would be investing in New South Wales now if there is no guarantee that the lights will stay on in the medium term, as per the AEMO report?

Mr DOMINIC PERROTTET: You are 100 per cent right. If we do not have that certainty they are not going to invest. The private sector will only invest when there is certainty in public policy. I think from a Council of Australian Governments perspective—Treasury is obviously the most important COAG forum, with the Council of Financial Regulators, but just behind us is the energy area and I know that Minister Kean is working very closely with Minister Taylor. There is a lot of expansion going on right across the board. I know that Aldi is a business that is looking to expand its operations right across Australia.

The Hon. MARK LATHAM: Only in plastic bags.

Mr DOMINIC PERROTTET: The point that you are making is completely correct. That is that governments have a need for the private sector to invest in the State and nationally they need to have confidence about what the public policy settings are going to be now and into the future. If we do not have those settings, then the investment will not—

The Hon. MARK LATHAM: It is a grave concern, but I am trying to get to what is the Government doing to meet the AEMO call for an increase in dispatchable base load power. Nuclear is banned, coal is being phased out, the gas peaking plants do not seem to have the private investment that the energy Minister was projecting and hydro in New South Wales is limited because we are a dry, flat land mass.

The Hon. NATALIE WARD: Didn't we just announce a new connector?

The Hon. MARK LATHAM: Is there not a duty of care by the Government to point out—

Mr DOMINIC PERROTTET: There is, and—

The Hon. MARK LATHAM: —where this power is coming from into the future to keep the lights on?

Mr DOMINIC PERROTTET: Yes, and as at August 2019 New South Wales has a pipeline of \$27.5 billion of large-scale energy projects that will provide around 20,500 megawatts of power. In comparison, Liddell's coal power station capacity is 1,680 megawatts. You raise nuclear as an option. I know the Deputy Premier has spoken about that. But even if we work through that, that is a long-term solution, not a short-term solution. The problem with governments a lot of the time is that they only make decisions once the problem has occurred. When it comes to energy, we see the problem now and we cannot wait to act to make the decisions.

When Kevin Rudd came out with his Renewable Energy Target he said it would cost families \$1 per year. How did that go? That is what happens when you put ideology ahead of actually securing the base load power. I have no problem at all from my personal perspective in us transitioning to renewables. In fact, we have had great budget announcements when it comes to solar panels and the like. In fact, ours was much better than the Labor approach, which did not include batteries. We are investing in solar in renewable energies but at the same time we need to continue to invest in the short-term in gas. The Narrabri project is before the IPC and hopefully there will be a positive result there—

The Hon. DANIEL MOOKHEY: Treasurer—

The Hon. NATALIE WARD: Let him finish his sentence.

Mr DOMINIC PERROTTET: I spent some time after yours, and Ms Boyd missed out on some environmental questions because I continued to deal with—

Ms ABIGAIL BOYD: Health questions.

Mr DOMINIC PERROTTET: Ok, health questions—very good.

The Hon. MARK LATHAM: The buzzer is for the end of my questions, not the end of the Treasurer's answer. Yes?

The CHAIR: Yes, that is correct.

Mr DOMINIC PERROTTET: I am lost now.

The Hon. MARK LATHAM: You were making a very good point on how you are ramping up dispatchable power.

The CHAIR: No. You do not get a supplementary question.

Mr DOMINIC PERROTTET: On nuclear, I think the Federal Government should be looking at it.

The Hon. MARK LATHAM: Do you support it?

Mr DOMINIC PERROTTET: Yes, I do.

The CHAIR: If you have finished your answer, Treasurer, we will go back to the Opposition.

Mr DOMINIC PERROTTET: I am not an expert in nuclear energy but what I would say is that it is something that the Government needs to be looking at and not just putting it off the table for ideological reasons from the past. I think when it comes to gas we need to continue to explore that but we need to move quickly and I have complete faith in Minister Kean in working very closely with Minister Taylor to ensure that we secure our energy now and into the future.

The Hon. DANIEL MOOKHEY: Treasurer, has Treasury provided you with a forecast final cost for the CBD light rail?

Mr DOMINIC PERROTTET: Just before I get to that, in relation to a previous question on Warren Mundine, the advice I have received is that the position he took for the social impact investment on Aboriginal economic development was not a paid position.

The Hon. DANIEL MOOKHEY: Excellent.

The Hon. MARK LATHAM: So he has not ruled out losing the seat.

The Hon. DANIEL MOOKHEY: Has Treasury provided you with its forecast final cost for the CBD light rail?

Mr DOMINIC PERROTTET: What?

The Hon. DANIEL MOOKHEY: A third time? Third time's a charm, Treasurer. Has Treasury provided you with its forecast final cost for the CBD light rail?

Mr DOMINIC PERROTTET: I am sorry. I just got the joke. It was a bit delayed.

The Hon. DANIEL MOOKHEY: Shall we give it a fourth attempt? Let's give it a fourth attempt. Has Treasury provided you with a forecast final cost for the CBD light rail?

The Hon. SHAYNE MALLARD: Why do you hate light rail?

The Hon. NATALIE WARD: Yes.

Mr DOMINIC PERROTTET: No. On the light rail, a great project.

The Hon. NATALIE WARD: Yes. Love it. Great project.

Mr DOMINIC PERROTTET: Did you see Minister Constance yesterday with the Premier?

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: Treasurer, thank you.

Mr DOMINIC PERROTTET: The cameras were out.

The Hon. NATALIE WARD: Fantastic. It was great. It was brilliant.

The Hon. DANIEL MOOKHEY: Has Treasury provided you—

The CHAIR: Order! Sorry, Treasurer. The Committee will come to order. Government members have voluntarily forfeited their right to ask questions in this session.

Mr DOMINIC PERROTTET: Oh, yes.

The Hon. DANIEL MOOKHEY: Can you just confirm Treasury has not provided you—

The CHAIR: I ask them to be silent.

The Hon. NATALIE WARD: No. We do not have to be silent, actually.

The CHAIR: But you do not get to commentate from the sidelines.

The Hon. NATALIE WARD: We are entitled to speak.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: Treasurer, you just said that Treasury has not provided you—

Mr DOMINIC PERROTTET: No, no.

The Hon. DANIEL MOOKHEY: —with a forecast final cost for the CBD light rail.

Mr DOMINIC PERROTTET: I am sorry. It is very hard to hear.

The Hon. DANIEL MOOKHEY: Why has Treasury not provided you with the forecast final cost for the CBD light rail?

Mr DOMINIC PERROTTET: I did not say that.

The Hon. DANIEL MOOKHEY: You said no.

Mr DOMINIC PERROTTET: I am sorry, no. I missed the question because there was a bit of—

The Hon. DANIEL MOOKHEY: Oh, the fourth time I asked you. Let me ask you for the sixth time.

Mr DOMINIC PERROTTET: Okay.

The Hon. DANIEL MOOKHEY: Has Treasury provided you with a forecast final cost for the CBD light rail?

Mr DOMINIC PERROTTET: So light rail, a great project—

The Hon. NATALIE WARD: A great project.

Mr DOMINIC PERROTTET: —which we saw yesterday, the transport Minister and the Premier. The overall indications of the cost of that project will be around \$3 billion. We have not put a final figure on that and that will obviously be released once—

The Hon. DANIEL MOOKHEY: Treasurer, can I just confirm—

Mr DOMINIC PERROTTET: No, Mr Mookhey—

The Hon. DANIEL MOOKHEY: No, no, I am sorry, Treasurer. It is my questions, Mr Perrottet.

The Hon. NATALIE WARD: Let him finish.

Mr DOMINIC PERROTTET: Mr Mookhey—

The Hon. DANIEL MOOKHEY: Treasurer, you just said that the expectation—

Mr DOMINIC PERROTTET: I know you get excited at these hearings.

The Hon. DANIEL MOOKHEY: When were you advised by Treasury that the cost of the CBD light rail is likely to be \$3 billion?

Mr DOMINIC PERROTTET: The original cost, the original estimate as you know—

The Hon. DANIEL MOOKHEY: It was \$1.5 billion?

Mr DOMINIC PERROTTET: No. The previous publicly announced figure was \$2.1 billion and the settlement cost to the State, as you would be aware—I am sure you followed that intently—was \$576 million. The final estimated total cost will not be determined and finalised until the project is completed. Now, in terms of those dates, the first portion of the light rail to Randwick in the city's east will be completed by December; \$129 million has been held back until construction deadlines are met.

The Hon. DANIEL MOOKHEY: Yes, but Treasurer, this is not my question. My question is: You just said that you expect the cost to the CBD light rail to be \$3 billion.

Mr DOMINIC PERROTTET: Around.

The Hon. DANIEL MOOKHEY: Around \$3 billion. When were you provided that advice by Treasury that that is what the cost is likely to be?

Mr DOMINIC PERROTTET: The settlement, the amount of the settlement, was \$576 million.

The Hon. DANIEL MOOKHEY: Yes.

The Hon. SHAYNE MALLARD: Two point one.

The Hon. NATALIE WARD: There was a whole inquiry into this, Daniel.

Mr DOMINIC PERROTTET: Given the previous estimated total cost publicly was \$2.1 billion it is—

The Hon. DANIEL MOOKHEY: Perhaps I can help you, Treasurer. Treasurer, in the budget papers—

The Hon. NATALIE WARD: Daniel, let him answer the question.

The Hon. DANIEL MOOKHEY: —the cost of the light rail is listed as \$2.4 billion. That is information that you provided to the Parliament through the budget papers in June. You are now telling us you did not provide in the budget papers the final cost—

The Hon. NATALIE WARD: That is not what he is saying at all.

The Hon. DANIEL MOOKHEY: —of the CBD light rail.

The Hon. NATALIE WARD: That is not what he is saying.

The CHAIR: Order! There will be no commentary from the sidelines, please.

The Hon. DANIEL MOOKHEY: You have now told us it is close to \$3 billion. You are the first Government figure to confirm that that is the likely cost.

Mr DOMINIC PERROTTET: No, I am not.

The Hon. DANIEL MOOKHEY: My question to you is quite straightforward.

Mr DOMINIC PERROTTET: No, I am not.

The Hon. DANIEL MOOKHEY: When did Treasury provide you with the advice that it is likely to be \$3 billion?

Mr DOMINIC PERROTTET: No, I said—Mr Mookhey, you are putting words in my mouth, as you tend to do every budget estimates.

The Hon. DANIEL MOOKHEY: You would not expect anything less.

Mr DOMINIC PERROTTET: I enjoy—

The Hon. DANIEL MOOKHEY: It is a really straightforward question, Treasurer.

Mr DOMINIC PERROTTET: I enjoy our exchanges.

The Hon. DANIEL MOOKHEY: It does not require much more.

The Hon. TAYLOR MARTIN: He is trying to answer it.

The Hon. DANIEL MOOKHEY: When were you provided the advice by Treasury?

Mr DOMINIC PERROTTET: The figures that I am referring to in respect of what the estimated cost of the light rail project would be to the State are based on the previous estimated cost of \$2.1 billion and the additional amount of \$576 million that the State incurred as part of the settlement of that dispute. The final cost of the project will not be determined now. It will be determined on the completion of the project. I am saying to you that it is my expectation that it would be around the \$3 billion and you can see why I would suggest that to be the case in circumstances where the previous estimated cost was \$2.1 billion—

The Hon. DANIEL MOOKHEY: But you can confirm—

Mr DOMINIC PERROTTET: —and the settlement

The Hon. DANIEL MOOKHEY: —it is going to be double—

Mr DOMINIC PERROTTET: —and the settlement amount was \$576 million.

The Hon. DANIEL MOOKHEY: —the original announced cost—

Mr DOMINIC PERROTTET: These are public—

The Hon. DANIEL MOOKHEY: —by the then transport Minister.

The Hon. TAYLOR MARTIN: Point of order: The Treasurer is trying to answer the question.

The Hon. DANIEL MOOKHEY: You have just confirmed—

The Hon. NATALIE WARD: There is a point of order, Daniel.

The Hon. TAYLOR MARTIN: He is not being given the opportunity to get to the end of his answer as he is going through the figures.

The Hon. DANIEL MOOKHEY: But it is twice.

The CHAIR: But I think he is answering and there is a flow of questions. There is no point of order.

The Hon. DANIEL MOOKHEY: It is twice. If the transport Minister says, "We're getting the CBD light rail for \$1.5 billion" and it is coming in at \$3 billion, it is double.

Mr DOMINIC PERROTTET: Mr Mookhey, I think you might have got—I think you might have made a mistake here. This might be slightly embarrassing.

The Hon. DANIEL MOOKHEY: No, no. You have not provided the cost.

Mr DOMINIC PERROTTET: No, not—

The Hon. DANIEL MOOKHEY: Moving on—

Mr DOMINIC PERROTTET: Let us not move on.

The Hon. DANIEL MOOKHEY: Has the Treasury provided you—

Mr DOMINIC PERROTTET: Hold on, hold on.

The Hon. NATALIE WARD: I would like to hear the answer.

The Hon. DANIEL MOOKHEY: No, no. Treasurer, you are a witness here.

Mr DOMINIC PERROTTET: No, no, no. Come back.

The Hon. NATALIE WARD: I would like to hear it.

The Hon. DANIEL MOOKHEY: We went through this last year. You are a witness here. Has Treasury provided you with an estimated total cost or a forecast final cost—

The Hon. NATALIE WARD: You do not want the answer.

The Hon. DANIEL MOOKHEY: —for the western Metro.

Mr DOMINIC PERROTTET: You have said \$2.4 billion. That is Parramatta light rail stage one.

The Hon. DANIEL MOOKHEY: No. You are looking at the wrong sheet.

Mr DOMINIC PERROTTET: I thought we were talking about—sorry, what light rail are we talking about?

The Hon. DANIEL MOOKHEY: You are looking at the wrong sheet. Treasurer, you are embarrassing yourself.

Mr DOMINIC PERROTTET: I know we are building a lot of light rail.

The Hon. DANIEL MOOKHEY: You are embarrassing yourself here. You need to check *Infrastructure Statement 2019-20, Budget Paper No. 2*. But anyway, let's move on. Has Treasury provided you with an estimated total cost or forecast final cost for the western Metro?

Mr DOMINIC PERROTTET: Metro West?

The Hon. DANIEL MOOKHEY: Yes, estimated total cost. What is the estimated total cost?

Mr DOMINIC PERROTTET: Well, we are obviously working through that. We are at a preliminary stage in relation to the Metro West project. We have allocated or set aside \$6.4 billion for that project and obviously it is in its preliminary stages and we are working through that process. I did note, which is interesting because—

The Hon. DANIEL MOOKHEY: Thank you, Treasurer.

Mr DOMINIC PERROTTET: —in the election campaign, Mr Mookhey, you said—

The Hon. DANIEL MOOKHEY: But, Treasurer, I did not say anything about that. But can I ask has—

Mr DOMINIC PERROTTET: —Labor's position on Metro West—

The Hon. DANIEL MOOKHEY: Has a final business case for the Sydney Metro West project been completed?

Mr DOMINIC PERROTTET: What was that?

The Hon. DANIEL MOOKHEY: Has a final business case for Metro West been completed?

Mr DOMINIC PERROTTET: I will give you the update on Metro West in a moment but I will make this point.

The Hon. DANIEL MOOKHEY: No, no, no, not in a moment. Has it been completed?

The Hon. NATALIE WARD: Let him answer.

Mr DOMINIC PERROTTET: No, I will make this point in relation to the Metro West, in the election campaign the Labor Party announced that they would be expediting and bringing forward the Metro West project ahead of what the Coalition Government could build that project.

The Hon. DANIEL MOOKHEY: Treasurer, if you do not want to answer the question that is fine. The transport Minister helpfully tweeted about 18 months ago that he thought that the cost would be \$16 billion.

Mr DOMINIC PERROTTET: Okay.

The Hon. DANIEL MOOKHEY: Has the Treasury provided you any advice that would say that the cost is going to be higher than \$16 billion?

Mr DOMINIC PERROTTET: No, we are in the preliminary stages of the Metro West project. We have committed to making sure that that project is completed in mid-2020, unlike the Labor Party who ran at the election and said that they would expedite that project without allocating a dollar—

The Hon. DANIEL MOOKHEY: Treasurer, you just told us you allocated \$6.4 billion, was it, or \$6.6 billion? What was it you said?

Mr DOMINIC PERROTTET: Over \$6 billion.

The Hon. DANIEL MOOKHEY: Over \$6 billion. In the budget papers \$3 billion—

Mr DOMINIC PERROTTET: Unlike Labor, who did not put a dollar—

The Hon. DANIEL MOOKHEY: —has been reserved for the project in Restart NSW.

Mr DOMINIC PERROTTET: Yes. We will get you the breakdown.

The Hon. DANIEL MOOKHEY: Where is the balance of the \$3.4 billion coming from that is not listed?

Mr DOMINIC PERROTTET: We will get you the breakdown and whilst we do I will make the point that—

The Hon. DANIEL MOOKHEY: No, no. You do not get the opportunity to make editorial comment while you are getting the thing.

The Hon. NATALIE WARD: He is answering the question. He is entitled to answer the question, actually.

Mr DOMINIC PERROTTET: I am trying to get you the information you want.

The Hon. DANIEL MOOKHEY: The question is pretty straightforward.

Mr DOMINIC PERROTTET: There is \$3 billion Restart.

The Hon. DANIEL MOOKHEY: Yes. Where is the balance coming from?

Mr DOMINIC PERROTTET: And \$3 billion in cash.

The Hon. DANIEL MOOKHEY: Three billion in cash? Sourced from which department?

Mr DOMINIC PERROTTET: Transport.

Mr MIDHA: It is also sourced from the Transport budget.

The Hon. DANIEL MOOKHEY: That is in the Transport capital budget?

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: That is correct.

The Hon. NATALIE WARD: It pays for transport.

The Hon. DANIEL MOOKHEY: Do you require the Federal Government to contribute to Metro West for the project to be viable?

Mr DOMINIC PERROTTET: No, but in terms of editorialising—

The Hon. DANIEL MOOKHEY: Was that a no, Treasurer?

Mr DOMINIC PERROTTET: I will take this opportunity—no. We have always said here in New South Wales that we are happy to stand on our own two feet when it comes to infrastructure investment in this State. Having said that, I always—in fact, even as recently in my discussions with the Federal Treasurer, Josh Frydenberg—I have asked them to make greater contributions to nation- and to State-building infrastructure. When you have a Federal Minister in Minister Tudge—I like to call him Councillor Tudge—who is more focused on building car parks and roundabouts, they should stick to their knitting. Building and investing in nation-building projects and making contributions to the States, like New South Wales, the number one—

The Hon. MARK LATHAM: Point of order: In the Legislative Council our President has a pattern of insisting there is a question asked and an answer given in full, without all of this talking. I am finding it very hard to follow, given the dialogue all of the talking. We are a very dignified Chamber, unlike the ruffians in the other place. Can we stick to those practices that we normally have in the Legislative Council—a question and an answer and then we move on?

Mr DOMINIC PERROTTET: Mr Mookhey is a Legislative Assembly man at heart.

The CHAIR: It is not a point of order. I hear what Mr Latham is saying. The Treasurer is engaging in this dialogue so that is why I am letting it go. But I understand.

The Hon. MARK LATHAM: I know but it is very hard to follow, that is all I am saying.

The CHAIR: Treasurer, if you can answer the question directly.

Mr DOMINIC PERROTTET: To the Chair, Mr Mookhey can choose his questions but he cannot choose my answers.

The CHAIR: I have ruled on the point of order and made some commentary. Mr Mookhey will continue with questions.

The Hon. NATALIE WARD: We are asking you to chair it in a civilised way, that is all.

The Hon. DANIEL MOOKHEY: Can you guarantee that the New South Wales Government can build the Metro West without a Commonwealth contribution?

Mr DOMINIC PERROTTET: I can guarantee you that the New South Wales Government, regardless of any Federal contribution, is completely committed to building Metro West. What I would say is that as Treasurer of the State I am completely committed to get our fair share of infrastructure investment from the Federal Government. New South Wales has not got its fair share for too long because as a percentage of population on a per capita basis New South Wales has one of the lowest shares of infrastructure contributions from the Federal Government. I would assume that is the case because we have an infrastructure program of \$93 billion over the next four years. Other States, like the lazy Queenslanders up north, who do not recycle their assets, who do not—

The Hon. DANIEL MOOKHEY: I think you have strayed well beyond the question, so I am going to move on.

Mr DOMINIC PERROTTET: I am entitled to finish.

The Hon. TAYLOR MARTIN: Point of order: The Treasurer is entitled to answer his question in full.

Mr DOMINIC PERROTTET: It is very disrespectful.

The Hon. DANIEL MOOKHEY: He is required to be responsive. That is actually the precedent, Mr Taylor, as you know from last year, as does the Treasurer.

Mr DOMINIC PERROTTET: I am just going to finish my sentence. I think it is important. The important point to make for our State is that simply because we are a reforming government, because we are making better use of our assets and building that infrastructure, the Federal Government should make a contribution. To your point on whether the project is viable without Federal funding, I am saying we are happy to build and invest in that project because it is important for the people of our State, particularly with the growth in western Sydney, but that should not come at the expense of the Federal Government investing in that project as well.

The Hon. DANIEL MOOKHEY: Did you have to privatise any more assets in order to build the Metro West? Does your business case contemplate any further additions to the Restart NSW Fund in order to build the Metro West?

Mr DOMINIC PERROTTET: No.

The Hon. DANIEL MOOKHEY: Therefore, can you guarantee that no asset will be privatised in order to pay for Metro West?

Mr DOMINIC PERROTTET: This is what I find interesting about Labor's financial approach to issues. On the one hand you seem to play hypothetical—

The Hon. DANIEL MOOKHEY: Treasurer, you have to be responsive to the question. Try being directly responsive. We have new rules now, you have to be directly relevant.

Mr DOMINIC PERROTTET: I am trying my best.

The Hon. DANIEL MOOKHEY: The question that I have asked you is: Can you guarantee that no asset will be privatised to pay for Metro West?

The Hon. NATALIE WARD: Let him finish. That is a new question.

Mr DOMINIC PERROTTET: When it comes to Labor's approach to financial management—and this is directed to the point, Mr Mookhey—you have an issue and you have raised issues on hypotheticals around privatisations of assets, asset recycling, to fund infrastructure. The Labor approach is that we should not recycle assets to build infrastructure. At the same time you take the view that even though we have a negative net debt position at the moment, the debt position in the fourth year, which is \$38 billion—which, just for context, as a

percentage of gross State product [GSP] is half the rate of the other major States, while putting in twice the infrastructure—

The Hon. DANIEL MOOKHEY: Now you are well and truly straying. Treasurer, I am just going to move on. Has Treasury provided you with advice about when it anticipates that the \$3 billion reservation for Metro West will become a commitment for the purposes of the Restart NSW Fund Act?

Mr DOMINIC PERROTTET: We are working through that project.

The Hon. DANIEL MOOKHEY: Is the reason why Treasury has not provided you advice as to when it intends to move it from a reservation to a commitment stage—which means that the money can actually be used and the project can be built—is because the project currently has no start date?

Mr DOMINIC PERROTTET: That is incorrect. We are completely—

The Hon. DANIEL MOOKHEY: So what is the start date?

Mr DOMINIC PERROTTET: We are completely committed to the Metro West project. We expect that project to be completed in the mid-2020s. As we said in the election campaign, it remains one of our major infrastructure priorities. Unlike the Opposition, at the election we allocated over \$6 billion towards that project, which demonstrates our complete commitment to it.

The Hon. DANIEL MOOKHEY: Has Treasury advised you that the cost of the western metro project is going to be above \$20 billion?

Mr DOMINIC PERROTTET: You are jumping at numbers.

The Hon. DANIEL MOOKHEY: No, I am not. I am asking you a pretty direct question.

Mr DOMINIC PERROTTET: You are because we are in the early stages. It is quite preliminary and we are completely committed to building this project. But I just want to take your point. I find it frustrating when it comes to the questions that Labor puts to the financing of infrastructure projects because you seem to be opposed to debt, you seem to be opposed to assets—

The Hon. DANIEL MOOKHEY: Treasurer, you might have forgotten the question, so let me tell you again. Has Treasury provided you with any advice that says that the cost of the Metro West project is going to be above \$20 billion?

The Hon. NATALIE WARD: He has started to answer that question.

Mr DOMINIC PERROTTET: What I am saying to you is that this is a substantial project, we are in the preliminary stages, this project will be open in the mid-2020s and, as I have said, we will be able to fund this project, whether or not we have a contribution from the Federal Government. But what I would like to say to the Labor Opposition is that you need to be constructive when it comes to your questions. If you want to come here and ask questions about the fiscal strategy of the New South Wales Government in funding infrastructure projects, then at least come with an approach where you are open to either further asset recycling or to increasing debt, because you cannot have it both ways.

You cannot sit there and say, "You have a debt position of \$38 billion in the fourth year and we think that is too much," and on the other hand say, "We want you to rule out further asset recycling", because money does not grow on trees. There is no Aldi bag at the end of the rainbow that I can just reach into to fund infrastructure projects. We need to fund our projects in a financial and responsible way. Metro West is at the top of the list of our infrastructure investments, and it will be completed with or without the assistance of the Federal Government, whilst I implore them to it—I am more than open to their assistance.

The Hon. WALT SECORD: Treasurer, I would like to switch to Education. During the State budget—

Mr DOMINIC PERROTTET: Education?

The Hon. WALT SECORD: Education. Public education, a passion of mine, a strong belief that it is a leveller in an unfair society. I would not be here if it was not for public education.

Mr DOMINIC PERROTTET: I agree.

The Hon. WALT SECORD: In the budget you announced that—

Mr DOMINIC PERROTTET: Am I answering questions on behalf of all of my Ministers?

The Hon. WALT SECORD: You are the Treasurer.

Mr DOMINIC PERROTTET: This is great, because I am happy to let them all go home.

The CHAIR: Order! Treasurer, just listen to the question first, thank you.

The Hon. WALT SECORD: In your Budget Speech you said funding of Education would be linked to "concrete outcomes", which I support.

The Hon. NATALIE WARD: What page of the budget?

The Hon. WALT SECORD: The Budget Speech.

Mr DOMINIC PERROTTET: Did you like the speech?

The Hon. WALT SECORD: It was pretty good. On the concrete outcomes, what work is Treasury doing to determine what are those concrete outcomes and what work is occurring in that area?

Mr DOMINIC PERROTTET: Mr Secord, I have read your maiden speech, so I know the importance that you place on public education. I am proud to be a part of the Government, as Treasurer of the Government, that has record investments, and it is important in that space. We are one of the few jurisdictions that have signed up to the education arrangements. We have increased the recurrent expenditure in Education by over \$6 billion as a result of signing up to the national education reforms. But what a travesty it would be if we had a significant increase in investment yet, as we saw with the NAPLAN results that came out this week, there are no improvements in educational outcomes for our kids.

The Hon. WALT SECORD: Absolutely. We have slipped from in 1999 equal second in the world to thirteenth on comparable OECD nations.

Mr DOMINIC PERROTTET: Absolutely. And if we continue to do the same thing the same old way and throw more and more money at education—

The Hon. WALT SECORD: You are getting to the core of my question. What is Treasury proposing on outcomes? What are you proposing?

Mr DOMINIC PERROTTET: If you go to the *Budget Paper No. 3* you will see in the Education cluster there are overarching State outcomes in education:

Educational foundations for success ...

Providing a high standard of education for children and young people through the State's public school system ...

Best start in life for young children ...

... delivery of accessible and high-quality early ... education ...

Equipping teachers with the best skills for educating our young people—

That is focused particularly on improving teacher quality, and—

Skilled and employable workforce ...

I want to make this point because I was disappointed with *The Sydney Morning Herald* in their—

The Hon. DANIEL MOOKHEY: Cancel your subscription.

Mr DOMINIC PERROTTET: I mean I love *The Sydney Morning Herald*, particularly the great journalist Matt Wade, who has joined us this morning. Their interpretation of outcome-based budgeting was that if schools were not achieving certain outcomes they would receive less funding. That is not the case. We have enshrined in law by signing up to the National Education Agreement that this money is there. So what Treasury is doing—and I am more than happy to take further questions on this on notice and provide this information because I think it is very important that we are going through with the education secretary Mark Scott line by line the investments and the distribution of those funds to the education department.

Why are we doing that? Because we should not be scared of realising where those investments might not be attaining certain outcomes. And if those outcomes, like better results when it comes to numeracy and literacy, are not being met then the education secretary and the department should be diverting those resources to other areas where those outcomes will be attained, whether that is in looking at different ways in which we can improve teacher quality, and there are options in that space, school sizes. There is a whole range of areas that I am sure the education Minister—mind you, I am happy to take the questions—will look at. But governments in the main get too concerned about funding not going in the right areas and then saying the size of success is measured because we are putting all this money into it.

No, success is not measured in the size of the spend; success is measured in the outcome. And when it comes to the education area, we have locked into those funds. So I want to see our kids in New South Wales have the best start to life, have the best numeracy, the best literacy, get the best educational outcomes, and make sure

that the funding that we are allocating—which, to my friends in *The Sydney Morning Herald*, is enshrined in law and locked in—is delivering better educational outcomes for our kids. Treasury is working very closely—and it is not just a one-off piece of work; it is a continuing body of work that Treasury will work on going forward. And I am sure, in the interests of time, Ms Boyd would like me to move to her.

Ms ABIGAIL BOYD: Thank you. I am going to take us back to coal-fired power stations. Again this is not about energy; it is about the budget, for Ms Ward's benefit.

The Hon. NATALIE WARD: I have no issue with that at all as long as it is New South Wales.

Mr DOMINIC PERROTTET: What budget paper are you on?

Ms ABIGAIL BOYD: We are in *Budget Paper No. 1* and we are still looking at these contingent liabilities. Were you surprised when AGL announced that Liddell was going to close?

Mr DOMINIC PERROTTET: Was I surprised when they announced that Liddell—

Ms ABIGAIL BOYD: As in the scheduled closure was 2022. Were we expecting that scheduled closure to happen when the budget was developed?

The Hon. NATALIE WARD: I think that is a question for the energy Minister, with respect.

Ms ABIGAIL BOYD: It is relevant to the budget.

The Hon. NATALIE WARD: I think you need to tie it to the budget though.

Ms ABIGAIL BOYD: I will then.

The CHAIR: Thank you for the commentary but can we deal with the question, please?

The Hon. NATALIE WARD: I am entitled to speak, Chair.

Ms ABIGAIL BOYD: What I am trying to get at is that knowing that hundreds of millions of dollars, the State will be liable for it, the closure of Liddell, if we knew it was going to close in 2022 why was there no provision made in the budget for 2022 and the following years to show the expense or at least a conservative estimate of the expense that the Government would have to make?

Mr DOMINIC PERROTTET: I am happy to take it on notice but I make the point that obviously I am pleased that Liddell has been extended. In terms of liability, are you talking about remediation again?

Ms ABIGAIL BOYD: I am talking about the rehabilitation costs, and again based on the Hazelwood experience we know it is hundreds of millions of dollars even on a very conservative basis, which again would make the budget look substantially worse if we knew that the State had to pay for that in 2022.

Mr GARDNER: With Liddell the State is liable again for the pre-existing contamination. I am not at all familiar or an expert in the area of remediation of power stations so this is a question for which the degree of certainty and the knowledge of the specific asset is obviously quite an important consideration. The State will have to undertake whatever remediation is determined and required at that time, depending on the purpose and the need of that. It is essentially a budget accounting question, which again is not my area of expertise.

Ms ABIGAIL BOYD: So the benefit of delaying that hundreds of millions of dollars liability down the track was not a factor in asking or perhaps in discussions with AGL about extending the contract?

Mr DOMINIC PERROTTET: Not at all. This is well overridden by the importance of energy security for the State of New South Wales. And that is fundamental. Are there liabilities off the back of rehabilitation and remediation of the State? Yes. But what is most important from our State's perspective right now, the biggest challenge of our time, is our energy security. That is the biggest challenge of our time and we will work with industry and the energy Minister will be working with his counterparts to ensure—whether it is coal, gas or, well into the future, nuclear—that these issues are on the table and we are making sure that as a State and as a country we have security of our energy now and into the future. Renewables, as you would be pleased—and I understand you used to work for a fossil fuels law firm—

Ms ABIGAIL BOYD: No, that was a misreporting, unfortunately.

Mr DOMINIC PERROTTET: Oh, was that Mr Buckingham?

Ms ABIGAIL BOYD: Yes. That was Mr Buckingham's attempt at a smear.

Mr DOMINIC PERROTTET: Okay, well then. Mr Buckingham lives on—it is good—and not in this place.

Ms ABIGAIL BOYD: Can I just ask about transitions?

Mr DOMINIC PERROTTET: AGL has allocated, from my understanding, and I will take this on notice, around \$900 million for the remediation of that site. But I can check that for you.

Ms ABIGAIL BOYD: If you could take that on notice, that would be great.

Mr DOMINIC PERROTTET: I will take that on notice.

Ms ABIGAIL BOYD: Can I just ask you about the transition to renewable energy?

Mr DOMINIC PERROTTET: Yes.

Ms ABIGAIL BOYD: You may know it is The Greens policy not to close everything down and leave us without energy. We do have a plan for transition over a period of time.

Mr DOMINIC PERROTTET: What is The Greens position on coal?

Ms ABIGAIL BOYD: We are phasing it out. That is what we would do. We would phase it out by 2030 and move to renewable energies. Our modelling shows that that is—

Mr DOMINIC PERROTTET: What is the capacity to secure—

The CHAIR: The questions are not about The Greens policy, Minister. Nice try.

Mr DOMINIC PERROTTET: That would be a great budget estimates.

The Hon. NATALIE WARD: Questions in reverse, awesome, a new approach.

Ms ABIGAIL BOYD: My question to you, our policy is very clear that in transition planning it is very important we do not leave workers and communities behind and we have to work with communities to make sure that alternative industries and jobs and upskilling opportunities are provided. Is that something that the Treasury has been looking at when it is thinking about the viability of towns around coalmining and coal-fired power stations?

Mr DOMINIC PERROTTET: Sorry, can you just clarify the question?

Ms ABIGAIL BOYD: The question is whether you have been working with communities and workers in areas that will be impacted by the inevitable transition to renewable energy to ensure that the viability of towns and workers is retained.

Mr DOMINIC PERROTTET: I get pretty uncomfortable sometimes with people from the cities in elite circles dictating to regional communities, particularly ones that have survived and lived off the coal industry and those jobs for many decades. Families have been involved in—

Ms ABIGAIL BOYD: That is right. So transition plans ordinarily use community representatives, union reps, local councils—

Mr DOMINIC PERROTTET: At the moment we are completely focused on having a viable coal industry here in New South Wales and I get—

Ms ABIGAIL BOYD: So there is not planning with those communities?

Mr DOMINIC PERROTTET: At the same time we are investing in renewable energy and I am sure the Minister for Energy and Environment in his budget estimates would be very open to discussing his plans in that space.

Ms ABIGAIL BOYD: Investment in renewable energy is great. I guess what I am talking about is doing that in a just way and in a way that makes sure that people are not left behind. We have seen different ways of doing renewable energy transitions in different States of Australia and different countries overseas. There are good ways to do it and there are bad ways to do it. From my—

Mr DOMINIC PERROTTET: But you have suggested previously that we should urgently move to 100 per cent renewable energy.

Ms ABIGAIL BOYD: The year 2030 has been our policy for a very long time.

Mr DOMINIC PERROTTET: That is 11 years away.

Ms ABIGAIL BOYD: That is right.

Mr DOMINIC PERROTTET: That is not very far away.

Ms ABIGAIL BOYD: That reflects the urgency of the situation we are in.

Mr DOMINIC PERROTTET: Does that include—

Ms ABIGAIL BOYD: You are asking the questions? Can we move—

Mr DOMINIC PERROTTET: The point is that we want our regional communities to thrive. At the moment we are investing in renewable energy. I implore you to ask the energy Minister, who I assume is tuning in for this riveting discussion this morning, about his plans for a transition to renewable energy. We had some great announcements in the election campaign in that space. But I would say that we want to talk up the coal industry as well. It is important not just for those towns but also for our economic growth and the royalties it provides that help fund our teachers, nurses and police officers.

Ms ABIGAIL BOYD: I would rather plan a transition that ensures that we have a viable economy going forward, given the fact that we just cannot rely on coal anymore—

Mr DOMINIC PERROTTET: If we are talking about a viable economy, shutting down the coal industry is a sure-fire way of—

Ms ABIGAIL BOYD: I think we are moving into an ideological debate. Can I take you back to Eraring Power Station? You may know that Myuna Bay Sport and Recreation Centre was closed quite suddenly at the beginning of this year because of fears that the ash dam from Eraring might breach and that if the dam was to fail a whole bunch of toxic sludge would come down into the recreation centre. Was Treasury asked about that before the closure occurred?

Mr DOMINIC PERROTTET: I am unsure.

Mr MIDHA: Not to my knowledge.

Ms ABIGAIL BOYD: Are you aware that under the Eraring sales documents that any remediation or any potential remediation—something the Government might be liable for—requires Origin Energy to inform Treasury at the same time as it informs the EPA?

Mr GARDNER: I am confident that Origin Energy did comply with its reporting requirements to both environmental agencies and Treasury.

Ms ABIGAIL BOYD: So it would have notified Treasury?

Mr GARDNER: Yes.

Ms ABIGAIL BOYD: Does Treasury take an interest in managing that risk, given its liability if the ash dam was to break and that sludge was to come down? Is it involved with Origin in managing that risk?

Mr GARDNER: I would need to take on notice the specifics of the risks of an event of that nature. But certainly the relevant licensing agency would be the appropriate place to direct that question.

Ms ABIGAIL BOYD: If you could take that on notice it would be much appreciated. Are you aware that between the recreation centre and the ash dam—where the toxic sludge would be flowing down—there are properties and a main road and that they were not shut down?

Mr DOMINIC PERROTTET: No, I am not, but I am happy to take the question on notice and put in context.

Ms ABIGAIL BOYD: Thank you. I am asking if there is a liability for the State—and we understand from sales documents that there is in such an event—why the community has not been told they are in the flow path for that toxic ash coming through their backyards or onto the roads?

The Hon. NATALIE WARD: We are letting these question run but this is not really within the Treasurer's—

Ms ABIGAIL BOYD: It is about provisioning.

The Hon. NATALIE WARD: It is the remediation cost, yes.

Mr DOMINIC PERROTTET: I will take these questions on notice. I am not completely across the detail of those issues, particularly those relating to the EPA. That is a matter for the environment Minister. In terms of provisioning, I am happy to take those questions on notice to make sure those issues are being looked at. I urge you to attend the estimates hearing for the environment Minister and ask him those questions. In the meantime, if there are components of the questions that relate to the Treasury portfolio, I will take those questions on notice.

The Hon. MARK LATHAM: I want to go back to *Budget Paper No. 1*, page 2-11, "Risks to the economic outlook". In your earlier answer about the energy sector you said that part of the Government's strategy is to invest heavily in renewables—solar and wind power. Why is the Government doing that if wind and solar are intermittent power sources that do not meet the AEMO requests for dispatchables?

Mr DOMINIC PERROTTET: Did I say that?

The Hon. MARK LATHAM: Yes, you said that you were investing heavily in this area.

Mr DOMINIC PERROTTET: I think it is important that the Government invests in a range of areas and does not choose one energy source over another. It is important, Mr Latham, that we have a diverse investment in energy, and renewables—Ms Boyd will be very happy to hear—are a significant part of that. But at the same time we need to realise that the sun will not always shine and the wind will not always blow. We need to ask what investment we need to make to ensure our energy security into the future. I am sure Minister Kean would support my comments 100 per cent. I raised those investments before in relation to the \$27.5 billion for large-scale energy projects. I am very confident. It is understood that the Narrabri Gas Project could supply up to half of the gas needs of New South Wales. Once again, that is before the Independent Planning Commission and it is an independent process. But the balance needs to be made between the environmental concerns and the issues there. We need to work through those properly.

At the same time it is projects like Narrabri that will ensure that our gas supply is secured now and into the future. If you look at some of those other areas, our Emerging Energy Program is unlocking the energy potential of New South Wales by providing \$75 million in co-funding for new large-scale electricity and storage projects for cheap, reliable, on-demand energy. When it comes to nuclear, nuclear is currently not permitted—as you know—in State and Commonwealth legislation. That has been the case for some time. But I think we should revisit that issue. The other day in question time when the Labor Party was once again running its hypothetical scare campaign on privatisation I said that progress is never made when you take things off the table. To secure our energy needs into the future we should put ideology to one side. We realise that it is important to invest in renewable energy and we have done that with our solar panel scheme—which we announced during the election campaign—to give people no interest loans to invest in solar. By having the batteries associated with that, the scheme will ease pressure on the grid.

At the same time we need to continue to invest in coal and gas, not just now but into the future. I know there are concerns around Snowy Hydro and the expansion work of the Federal Government and I know certain commentators think that that is not going to be a sustainable project, but we think it is. That is why we entered into that transaction with the Federal Government. When then Prime Minister Turnbull and then Treasurer Morrison approached us, we secured \$4.2 billion to invest in regional New South Wales. At the same time that provided the Commonwealth Government with an opportunity to expand that project. I think it is important that we have a mix of investment, whether it is in renewables or in traditional sources.

The Hon. MARK LATHAM: I am sure you were very happy to offload Snowy Hydro. Well done for the deal that you struck! Earlier you mentioned the importance of coal royalties in the New South Wales budget—more than \$2 billion per annum—and questioned where that money would come from if coal was to close down to keep our schools and hospitals open. Does Treasury agree with the recent *BP Energy Outlook* projection that coal exports out of Australia are not doomed and that whilst there is a reduction in Chinese and OECD consumption of coal, that is offset almost equally by an increase in coal consumption in India and ASEAN nations that are powering up and industrialising their economies?

Is that Treasury's outlook, as opposed to the letter that was sent by three Independents to the Premier on 28 February that stated, "A recent New South Wales Government report acknowledges the need for this State to transition away from coal-fired power"? As this trend spreads into more and more countries there are major implications for our coal exports and royalties and the communities that rely on them. Currently there is a lower House committee, chaired by the member for Sydney—who else?—that is looking at implementing this strategy of phasing out coal and the damage it would cause in royalties to the New South Wales budget. What is your medium- and long-term projections for coal royalties?

Mr DOMINIC PERROTTET: I can get Treasury's advice on the long-term projections. In the short term we see royalties remaining steady. You say \$2 billion—that is 2018-19. That stays pretty solid out to 2022-23. But I would not see any substantial change—and I think that is in New South Wales. But I also think if you look at Western Australia you will see their resources industry, I think, coming back online. That is a positive thing, so we do not have to continue to subsidise them with GST. I think that, yes, there are great opportunities now and into the future for the continuation and export of coal. This is where I, as Treasurer, get frustrated with the demonising of coal here in New South Wales by certain sectors of the centre—or more left-wing parties—when, as you say, off the back of this are royalties and funds which support our teachers, our nurses, our police

officers. Not only do they provide a great source of energy security into the future but those industries provide a great source of revenue to keep our State strong.

That is why in the lead-up to the budget I travelled with the Deputy Premier, which was incredibly exciting, out to regional and remote communities. It was very good to see firsthand our good friends and Coalition partners in The Nationals party—our strong Coalition partners—that you go to towns like Cobar and you see the importance of the mining industry on those communities. It is not just for the jobs there but also it keeps the communities alive and the towns alive. So that was very clear. Coal remains an important part of our energy mix not just, as I said, for energy security but also going further for the revenues that it provides our State for the essential services we provide.

The Hon. MARK LATHAM: Further on Ms Boyd's point about economic transition and employment in the Hunter Valley, has the Treasury looked at the dimension of the task to try and provide replacement jobs if coal was to be phased out? There are 75,000 jobs in the Hunter relying on coal: 14,000 directly, 61,000 indirectly. There was the report attached to this three independents letter from the University of Western Sydney that said the best forecast they had for replacement jobs over a 30-year period would be just 6,000, and the Government's own upper Hunter diversification strategy talks about 5,300 new jobs over the next 20 years. So you are talking about job deficits of the order of 69,000 jobs in the Hunter if coal was to be phased out. Has Treasury got any speculation, forecast or knowledge about the dimension of industry and job replacement that would be required? In this State and in this country we have been lucky to avoid rust-bucket regions like in the United States, where de-industrialisation and closure of an entire region leads to economic and social disaster. How could we possibly provide 69,000 extra replacement jobs in the Hunter if coal was to close down?

Mr DOMINIC PERROTTET: Well, The Greens will not have an answer for you. But what I would say is if that work is not being done I would very much like it to be done, Mr Latham, and I would take that on notice. Whether it is the coal industry or other industries, I think we are certainly transitioning to a time where there is going to be, with the rise of artificial intelligence, the importance of reskilling. The States and the Federal Government have an important role in modelling and looking at those opportunities for retraining going forward. I think the days where, if you go back to a generation, people not just stayed in the same industry but stayed working for the same company are long gone. We will now not just have people moving within an industry but to different industries. The State, through our education system, whether it is through TAFE and reskilling programs, we will need to ensure that we provide opportunities as industries transition for those skill sets to be retained and moved into other areas. I think that is something the Treasury should look at and I am happy to take that on notice and do some further work.

The Hon. MARK LATHAM: So you will do some modelling and report back to us next time we gather. Thank you very much.

Mr DOMINIC PERROTTET: Particularly on—if we were taking an extreme view from certain segments in the Labor Party and The Greens—if we were to shut down the coal industry immediately, what the impact would be on jobs both—

The Hon. WALT SECORD: Not this guy.

Mr DOMINIC PERROTTET: Not you guys. But I want to set up a Parliamentary Friends of Coal and Labor. I know Paul Scully is interested and who else? Clayton Barr. Ryan Park is interested. But they should be interested. I want the Hon. Penny Sharpe; I want Jo Haylen. I want them to co-chair this committee because the Labor Party cannot be one thing to the people in the city and another thing to the people in the regions. You have got to have a consistent policy. I welcome the Leader of the Opposition, Jodi McKay, attending the Hunter yesterday and attending a coalmine, as did the last former Labor leader to do that. She is following in good footsteps from your previous example, Mr Latham.

The Hon. WALT SECORD: I would like to ask a quick question about drought. *Budget Paper No 1*, page 2-4, there is a reference there which says "an expected recovery from drought". What is the basis of that statement?

Mr DOMINIC PERROTTET: Where are you?

The Hon. WALT SECORD: Page 2-4, *Budget Paper No. 1*.

Mr DOMINIC PERROTTET: I am with you.

The Hon. WALT SECORD: It says "an expected recovery from drought". What is the basis of that statement?

The Hon. NATALIE WARD: Where does it say that? I have got "jobs" and "growth" and "dwelling construction".

Mr DOMINIC PERROTTET: It is here; I remember it.

The Hon. WALT SECORD: Anyway, it is "an expected recovery from drought". What do you base that on?

The Hon. NATALIE WARD: It rained yesterday.

Mr DOMINIC PERROTTET: It is a fair question.

The Hon. DANIEL MOOKHEY: It is a serious question. Can we get an answer?

The Hon. WALT SECORD: I consider myself a person of nominal faith and I pray that the drought will come to an end but I hope that there is more than a prayer.

Mr DOMINIC PERROTTET: I will pass to Ms Wilkie, who sourced that projection. Obviously the State has forecasts and the Treasury has forecasts and makes projections on a range of areas. The State is over 96 per cent in drought. That is why we have invested \$1.8 billion going forward. We have seen exports of agricultural produce expected to reduce by one-fifth over the next 12 months, so there is no doubt we are going through a challenging time not just for farmers but for towns. But there have been forecasts made which are included in this budget paper, but I will pass to Ms Wilkie to make some further comments.

Ms WILKIE: When we are looking at the recovery from drought or the expected time of a drought, we always use the Australian Bureau of Agricultural and Resource Economics and Sciences [ABARES]—we use their climate variation reports and the reports around drought and the expectations. At the time that we were doing the forecast for the budget, we would have been using the most recent ABARES reports to support that statement. I can try to work out exactly which report it was based on, the timing that that we would have used.

The Hon. WALT SECORD: Can you take that on notice?

Ms WILKIE: Yes, I can take that on notice.

Mr DOMINIC PERROTTET: But I would say we have to prepare for the worst-case scenario, for the drought to continue. That is why we have invested \$1.8 billion. If we can do more we will, Mr Secord, because being out in those communities you can see how hard and the challenges they are going through and why we increased the investment in the budget, with the Farm Innovation Fund and some of those measures, because the take-up rates were significant. So they are making a real difference.

The Hon. WALT SECORD: But Treasury is predicating the fact that the drought is going to lift in 2021. What is the modelling or what is the plan if, in fact, it continues?

Ms WILKIE: On page 2-12 of the budget papers and the risks to the economic outlook we do note that one of the risks is persistent drought conditions going forward. Again, a forecast of this nature is put together using the conditions and the expected conditions into the future at a particular point in time. In terms of risks, we obviously prepare for those circumstances that might have an upside or that might have a downside. Therefore the forecasts, the economy and therefore the implications for a fiscal and revenue outlook are different in actuality to what we do. That is why we do the risk analysis and the sensitivity analysis in the budget.

Mr DOMINIC PERROTTET: It is still there in the risks. Earlier on the Hon. Mark Latham made a point on those risks. I make the point that next year we will put a few more risks in for him.

The Hon. WALT SECORD: With all due respect, the Hon. Mark Latham is cutting into my time.

The Hon. MARK LATHAM: In the 15 minutes available can we have a pro-rata allocation of time?

Mr DOMINIC PERROTTET: Just quickly, drought conditions are another source of uncertainty and the unpredictability of weather patterns can mean either, on the upside, a quicker than expected recovery or, on the downside, that dry conditions continue to impact on crops and livestock. We cannot make it rain but what we can do is prepare. The only other point I would make in relation to what the Government should be doing is that we are working on going forward through some of the Snowy Hydro investments and on water security going forward. We cannot just wait for the next drought to hit to do something. We actually have to protect our regional and remote communities in advance and that means investing in infrastructure now so that when it does rain and then there is another drought we are in a much better position than we have been to date.

The Hon. ADAM SEARLE: As Treasurer you are one of the shareholding Ministers for Landcom?

Mr DOMINIC PERROTTET: Yes.

The Hon. ADAM SEARLE: In that capacity did you approve the appointment of John Brogden as CEO in 2018?

Mr DOMINIC PERROTTET: I do not approve; I am consulted with.

The Hon. ADAM SEARLE: You are consulted. But you did not raise any objections, did you?

Mr DOMINIC PERROTTET: No.

The Hon. ADAM SEARLE: Okay. You were one of the three Ministers that were consulted. There is a letter to you from the deputy chair of Landcom dated 3 May 2018. You and the other two Ministers responded the same day. That is a pretty quick turnaround. How was that organised?

Mr DOMINIC PERROTTET: What date was that?

The Hon. ADAM SEARLE: On 3 May 2018 you received the letter from the board and you replied the same day. That is pretty quick.

Mr DOMINIC PERROTTET: It is an efficient government, Mr Searle. But to the question, given the changes to UrbanGrowth, there had been—and I think David Pitchford was the previous CEO in that iteration—a vacancy for the position of CEO of Landcom for some time. A recruitment process had taken place and 250 people from the private and public sectors had applied for the role, of which 12 were shortlisted. The committee identified a short list of five candidates and interviewed them. I am advised that the short list included people with public and private sector property infrastructure experience. There was one person with a strong background in professional association advocacy. I was advised at that point that John Brogden was the preferred candidate. The full Landcom board unanimously agreed that he was the best person for the CEO position. The selection of the candidate is a matter for the Landcom board. As a shareholder Minister I am advised and that is what occurred during that appointment.

The Hon. ADAM SEARLE: So as you understand it he was one of the applicants?

Mr DOMINIC PERROTTET: Yes, he was one of the applicants. He was the interim CEO and he had previously been the chair.

The Hon. ADAM SEARLE: Yes. He was the chair and the acting CEO for a period of time.

Mr DOMINIC PERROTTET: Then he stood down from the board and was the acting CEO during that time.

The Hon. ADAM SEARLE: Prior to the letter of 3 May did you receive any other recommendations from the Landcom board?

Mr DOMINIC PERROTTET: For the permanent position?

The Hon. ADAM SEARLE: Yes.

Mr DOMINIC PERROTTET: I do not believe so.

Mr PRATT: Not that I am aware of.

The Hon. ADAM SEARLE: Were there any discussions prior to your receipt of the correspondence on 3 May about Mr Brogden's appointment?

Mr DOMINIC PERROTTET: There were the normal discussions that we would have in relation to any appointment as a shareholding Minister for State-owned corporations.

The Hon. ADAM SEARLE: Did Treasury obtain any advice about the appointment of the former chair to the permanent CEO position?

Mr DOMINIC PERROTTET: I might get Mr Pratt to take that question.

Mr PRATT: We did and the reason we did was that as Mr Brogden was the acting CEO and had previously been the chair I wanted to ensure, quite rightly, that we were not running into issues with any legal position on this. We took advice, but the process was then run, as it should be, by Landcom, which has the authority

to appoint the chair¹. It is important to note that our role was only to make sure that there was a rigorous process. Mr Brogden applied for that role and he went through that process.

The Hon. ADAM SEARLE: And did the advice raise any impediments to the appointment?

Mr PRATT: No.

The Hon. ADAM SEARLE: Treasurer, apart from the letter from the chair what conversations did you have with any other person in government about the appointment?

Mr DOMINIC PERROTTET: I think there was the occasional discussion that occurred with the portfolio Minister at the time, which is completely in line with what would usually occur in circumstances where, as a shareholding Minister, I am due to be consulted by the board as part of the process. I do not make the decision. My job requires me to be consulted on the appointments so that if I deem that there are any substantive reasons as to why I think a candidate for selection is inappropriate I can raise those concerns. In this case I did not see why those concerns would exist.

The Hon. ADAM SEARLE: Just to be clear, as far you and the Treasury were concerned, the recommendation made by the Landcom board was made after a merit-selection process, in which the board found that he was the best candidate. Is that correct?

Mr DOMINIC PERROTTET: The advice that I received at the time from the Landcom board was that they had run a merit-selection process, through which over 250 applications were received and 12 people were shortlisted. I was advised that it was the unanimous position of the board that Mr Brogden would be appointed as the permanent CEO. In those circumstances, as a shareholding Minister, I supported that appointment.

The Hon. ADAM SEARLE: But he was one of the applicants. You are sure of that?

Mr DOMINIC PERROTTET: Sorry?

The Hon. ADAM SEARLE: That he was one of the applicants?

Mr DOMINIC PERROTTET: For the position of the CEO?

The Hon. ADAM SEARLE: Yes.

Mr DOMINIC PERROTTET: Yes, that is what I am advised.

Ms ABIGAIL BOYD: The section of *Budget Paper No. 1* that deals with risks to the economic outlook does not talk about climate change at all. What is the reason for that? Has there been any kind of modelling of the potential impacts on the budget from climate change and increasing climate degradation?

Mr DOMINIC PERROTTET: Climate change is something that the New South Wales Government considers and takes very seriously, particularly in Treasury. Mr Midha is our climate change expert so I will hand this over to him to provide some further information in respect of this.

Ms WILKIE: I will answer this question—we share this area. The risks to the economic outlook section of *Budget Paper No. 1* refers to the projection period, so it is a four-year forecast. We take into account the impacts of climate variation and climate variability in the production of those forecasts to the extent that they are expected to impact on the economy and the economic output over that four-year period. That includes things, as I mentioned before, such as the ABARES forecasts on climate variability. In terms of mentions of climate variability, the drought is mentioned in the outlook risks.

Ms ABIGAIL BOYD: Are you aware of the Financial Stability Board's climate related disclosures recommendations?

Ms WILKIE: Yes, I am aware of those.

Ms ABIGAIL BOYD: Is that something that the Government would consider using as a framework in future budgets?

Mr DOMINIC PERROTTET: I am not aware of them—can you fill me in?

Ms ABIGAIL BOYD: Sure. The Financial Stability Board put out some recommendations in 2017 on climate-related disclosures. Major corporations are now including rather detailed risk disclosures in relation to

¹ In correspondence to the committee received 25 September 2019, the Department requested the word 'chair' be replaced by 'CEO'.

mitigation and adaption risks as well as opportunities and financial costs. They are putting disclosures in about climate action.

Mr MIDHA: Each agency takes the risks into account when they develop their budgets. It is done at an agency level across the different clusters. In totality there is the Climate Change Fund, and \$1.4 billion has been allocated to that fund at the moment. But otherwise we consolidate all the different agencies' numbers, which take into account all the different climate change risks.

Ms ABIGAIL BOYD: Are any provisions made for things such as the impacts of sea-level rise or more frequent severe weather events on the budget?

Mr MIDHA: Not specifically in the four-year forecast. A lot of those climate risks were mentioned in the intergenerational report that came out in 2016. The next one, which is coming out next year, pays much more attention and there is much fuller coverage in that report coming out in 2020.

Ms ABIGAIL BOYD: Just to clarify, from what you are saying there is some consideration given in the background to climate change but nothing explicit in the budget?

Ms WILKIE: As Mr Midha said, the consideration of risks is given at the project or program level. For example, in business cases that clusters develop to support a particular project or program—particularly ones around infrastructure—they need to take into account natural hazard risks, which include the risks of extreme weather events, climate change mitigation issues and those sorts of things.

Ms ABIGAIL BOYD: For example, we know that there are parts of the train tracks on the Central Coast that will go underwater with sea level rise—that will obviously require a massive investment from government. Is that something that is being provisioned for or thought about?

Ms WILKIE: That sort of risk is assessed at the cluster level and from then is fed upward into whole-of-budget risks. As Mr Midha said, it is taken care of at a cluster level and assessed at a cluster level in terms of upgrades to or repairs to infrastructure.

Ms ABIGAIL BOYD: Thank you.

Mr DOMINIC PERROTTET: Are you happy with that climate change approach?

Ms ABIGAIL BOYD: I would prefer to see a much broader statement of risks and opportunities and potential financial costs.

Mr DOMINIC PERROTTET: Constructively, I think what I have taken out of today's proceedings has been that when it comes to economic risks we should expand them a bit more. I am happy to put a chapter in there on The Greens as well in terms of the risk that they pose to the economy going forward—

Ms ABIGAIL BOYD: And the opportunities. That would be wonderful.

Mr DOMINIC PERROTTET: Great.

Ms ABIGAIL BOYD: Will you be co-chairing the Parliamentary Friends of Climate Action with me?

Mr DOMINIC PERROTTET: Do you want me?

Ms ABIGAIL BOYD: Sure! Yes, absolutely.

Mr DOMINIC PERROTTET: It would be a fantastic committee. But you see, I do not try to be all things to all people. I think people know where I stand on these issues.

The Hon. MARK LATHAM: It is great to see that the risks to the economic outlook is the best-read part of *Budget Paper No. 1*. If I can add an extra risk that the Treasurer has placed on the public agenda it is the sluggishness in the planning approval process in New South Wales. I thank you for your intervention on the Ritz-Carlton. However, recently from the planning Minister himself on the *Notice Paper* I received some figures about the average time for planning approvals from these regional panels and the longest times. They were all horrendous, but particularly in southern regional panels—so the south of New South Wales, heavily drought affected, badly in need of jobs and investment. There was a proposal there that took 1,300 days to approve in the south of the State. The average time—

Mr DOMINIC PERROTTET: Was that State or council?

The Hon. MARK LATHAM: This is the Southern Regional Planning Panel. It is a combination of State-appointed experts and local government—mainly local government—but it goes to the heart of—

The Hon. NATALIE WARD: No disrespect, but it has got to be tied to the budget. These are questions for the planning Minister.

The CHAIR: Order! The Hon. Mark Latham has the call. His question is in order.

Mr DOMINIC PERROTTET: I am happy to take anything.

The Hon. MARK LATHAM: The average time was 445 days. What input is Treasury having to get the New South Wales planning system back on the fast track?

Mr DOMINIC PERROTTET: Firstly, I want to commend the great work of the planning Minister, Rob Stokes, for his announcement yesterday in reducing the time for development applications. When it comes to improving productivity in this State, planning is a significant impediment to that. It needs to change. Minister Stokes is completely across this and has already come out with some announcements in relation to reducing that time—that will be a positive thing to get the State moving. Yes, it has to be balanced between local concerns but the planning process in New South Wales needs to be improved.

Recently we appointed Productivity Commissioner Peter Achterstraat. He will soon be releasing a discussion paper in the space on how we can improve productivity across New South Wales and what the impediments are to doing it. What you will see is that planning will form part of that. Planning is part of that process—whether it is building a school, whether it is building a road, whether it is building hospital, whether it is someone having their own private development. If we can improve it and be less rigid and bureaucratic then I think the State's economy will be better off as a result. I am very pleased with the work Minister Stokes is embarking on. I think he has already had a substantial involvement and discussion with the Productivity Commissioner in the direct space that you are referring to.

You are right: In order to improve productivity and continue to drive economic growth we need to improve planning. The impacts of those decisions do not occur straightaway; they occur down the track. Whilst we are in a construction boom right now, that is because previously over the last five years we have had a significant rise in approvals. Despite planning being an issue we have still had significant approvals, but the downstream impact of those approvals slowing will have a significant impact on construction and economic growth downstream. The planning Minister is completely across it and he is going to be driving better outcomes going forward.

The Hon. MARK LATHAM: That is good, because coming in as a State MP the main feedback I get from the business community is that our planning approval system is so much slower than Queensland. They say Queensland is a much better place in which to invest—

Mr DOMINIC PERROTTET: Yes. Recently someone showed me the planning process on the Gold Coast and Brisbane, for example, compared to Sydney—and even if you compare Melbourne. That is because we have this rigid system where we look at floor space ratios against everything else and it is all prescriptive, rather than actually having some flexibility there in getting these processes approved.

The Hon. NATALIE WARD: That is councils. Planning panels are council.

The Hon. MARK LATHAM: So what is the timetable for the Productivity Commissioner bringing out his report? It says in the budget it will be a white paper, but will there be a green paper or discussion paper as you said so business can have input to this? Because they are pulling their hair out about the delays.

Mr DOMINIC PERROTTET: Yes, so the timeline is there will be a discussion paper released shortly. We will then move to a green paper and then a white paper off the back of that work. Importantly, the councils need to get their act together as well. They continue to be more focused on things outside their jurisdiction and ambit rather than actually focusing where they should be—and that is getting development applications through. If they stuck to their knitting a little bit more and did their job we would not actually have the significant slowdown that we are seeing.

On the topic of councils, despite the fact that Clover Moore today and I are very good friends, when it comes to fines they sit there and they cry poor the entire time. During the whole council amalgamation issue where they said that they could support themselves through that process which they opposed, they have now come out and said they cannot cut parking fines when they were the ones that came out in the first place and blamed the State Government and Revenue NSW. When anyone gets a parking fine across the State they sit there and say, "Oh, that's not our fault. That is the New South Wales Government's fault. They are the ones that set the fines". So I listened to the councils. We allowed them to charge less. We reduced our fines. What do you think the councils did? Now they are running a million miles away.

What I would say to the councils is that they should get their act together and actually start processing development applications faster and get infrastructure moving. However, at our end, at the State level Rob Stokes is leading the way. We have already seen in the short period of time since he has been appointed planning Minister that he is completely focused on reducing development application times and working with the Productivity Commissioner. Through this discussion paper I think you will see that planning will play an important role in driving productivity enhancing policies going forward.

The CHAIR: Thank you, Treasurer. We are finished with your questioning. We will adjourn now and return at two o'clock.

(The Treasurer withdrew.)

(Luncheon adjournment)

The CHAIR: The witnesses have already been sworn or affirmed, so we will resume the hearing. We are straight into questions and we will begin with the Opposition.

The Hon. WALT SECORD: I am not sure to whom I should direct this question. Mr Pratt, maybe you could direct it to the appropriate representative. I need to get an update on the Australian Competition and Consumer Commission [ACCC] case involving the Newcastle port. Who would that be?

Mr PRATT: Mr Gardner will deal with that question.

Mr GARDNER: The court proceedings are currently underway with the ACCC proceedings in the Federal Court. With respect to the proceedings, no parties are seeking any court orders or compensation from the State. NSW Ports supports the New South Wales Government in the cross-claim against the Port of Newcastle on the basis that the State is a proper party to the case. As a consequence, the courts joined the State in the proceedings and it was not at the ACCC's behest. Apart from that, obviously anything to do with anything that is in scope for the proceedings in court we would decline to answer today on the basis that it will prejudice the court's proceedings.

The Hon. WALT SECORD: Okay. I understand you are a public servant so I will be careful, but have there been responses or representations from country MPs expressing their concern or their desire to see expansion of the port?

Mr GARDNER: I am not aware of any beyond what has been in the press.

The Hon. WALT SECORD: I will come back to you on this. Thank you very much.

The Hon. ADAM SEARLE: Maybe the head of Treasury could answer whether or not the Treasurer has received representations from country MPs and, if so, from who?

Mr PRATT: Not that I am aware of, no.

The Hon. DANIEL MOOKHEY: I have a follow-up. Mr Gardner, you said the State has cross-claimed?

Mr GARDNER: No. NSW Ports has cross-claimed—

The Hon. NATALIE WARD: Joined on costs.

Mr GARDNER: —and joined the State, which the court accepted.

The Hon. WALT SECORD: I understand that there have been more than 200 questions on notice involving the container depot. What is the volume of the number of ships or containers that come through the Newcastle port?

The Hon. DANIEL MOOKHEY: The twenty-foot equivalent units [TEUs].

The Hon. WALT SECORD: TEUs, yes. That is right.

Mr GARDNER: I will either have to take it on notice or direct it to the transport department.

The Hon. WALT SECORD: Have there been any studies on capacity or expansion? What would be the size of the expansion?

Mr GARDNER: Again, that is a matter that would be within scope for the Federal Court to give consideration to.

The Hon. DANIEL MOOKHEY: Has there been any forecast of TEU growth that Treasury has prepared for the Port of Newcastle?

Mr GARDNER: Again, it sort of fits into that same scope of things that the Federal Court would be wanting to consider. Therefore, we would respectfully decline to answer.

The Hon. ADAM SEARLE: Just on that, unless something is actually legally prejudicial to the State's interests, you are not entitled to withhold information from the Committee if you have it. How would answering that question prejudice the State's position in the litigation?

Mr GARDNER: As to whether or not Treasury had done any modelling?

The Hon. ADAM SEARLE: Yes.

Mr GARDNER: I am not aware of any Treasury modelling.

The Hon. ADAM SEARLE: That is a different answer, then, is it not? You are actually answering the question now. So there is no Treasury modelling that you are aware of.

Mr GARDNER: I am not aware of any Treasury modelling.

The Hon. ADAM SEARLE: Mr Pratt, is that your understanding?

Mr PRATT: That is my understanding also, yes. If that modelling were done, it would be done through Mr Gardner's area.

The Hon. DANIEL MOOKHEY: But NSW Treasury would of course maintain modelling on freight growth in New South Wales, I presume.

Mr PRATT: That responsibility primarily would rest with Transport who would do that model.

The Hon. DANIEL MOOKHEY: It is not as a part of your economic growth forecast and the trade work that you would do? You would not be modelling predicted TEU growth as a function of changing trade volumes? You would not be preparing advices on the extent to which each port will grow as a way in which to accommodate that growth?

Mr PRATT: I am not aware of specific modelling to that extent, no.

The Hon. ADAM SEARLE: Mr Pratt, I asked you a question, I think, in the last round about the appointment of Mr Brogden as the permanent chief executive of Landcom. It is correct, is it not, that you and the Treasurer indicated that prior to the Treasurer signing the letter on 3 May 2018 there had been some discussions prior to that about the appointment. I think you mentioned that you had obtained some legal advice.

Mr PRATT: That is correct.

The Hon. ADAM SEARLE: When did you obtain that legal advice? Was it after the formal consultation letter reached the Treasurer's desk?

Mr PRATT: I would have to check the specific date for you, but at the point I obtained legal advice was at the time when Mr Brogden was the chair of Landcom and was looking to be the acting CEO. At that point I thought it was appropriate to get advice.

The Hon. ADAM SEARLE: So that would have been in 2017.

Mr PRATT: That would have been around late 2017, I would think, yes.

The Hon. ADAM SEARLE: That is when you got the advice. Okay. That was the only occasion on which Treasury obtained advice on that matter?

Mr PRATT: I had advice internally within my department, but external advice, yes; as far as I know, yes.

The Hon. ADAM SEARLE: And that was internal advice from your own internal lawyers?

Mr PRATT: Yes.

The Hon. ADAM SEARLE: You did not source any external advice?

Mr PRATT: The internal lawyer may have done that. I cannot absolutely say that that was, or was not, the case.

The Hon. ADAM SEARLE: Yes. You can take that on notice, if you like.

Mr PRATT: I can.

The Hon. ADAM SEARLE: Good.

Mr PRATT: But, certainly, I did get advice from earlier with that, as I have mentioned, with the appointment to the acting CEO role.

The Hon. ADAM SEARLE: So the advice was about the appropriateness of that arrangement—

Mr PRATT: Yes.

The Hon. ADAM SEARLE: —rather than the appointment, the substantive appointment?

Mr PRATT: Yes.

The Hon. ADAM SEARLE: The person who engaged in the formal consultation on behalf of the board with the three Ministers was Suzanne Jones. She was then the deputy chair. She later became the chair. You are aware that there were allegations of bullying or other conduct against her?

Mr PRATT: Yes I am, yes.

The Hon. ADAM SEARLE: In December 2018. An independent investigator was appointed to investigate those allegations. That is correct?

Mr PRATT: That is correct, yes.

The Hon. ADAM SEARLE: Who was the investigator or firm, do you know?

Mr PRATT: I do not have that detail with me. I can certainly come back to you on that.

The Hon. ADAM SEARLE: That is okay.

Mr PRATT: But that investigator was appointed by Landcom.

The Hon. ADAM SEARLE: Okay. Landcom was the legal entity that engaged the firm. That investigator made a report in March of this year. Are you aware of that?

Mr PRATT: Yes.

The Hon. ADAM SEARLE: You were furnished with a copy of that report?

Mr PRATT: Yes, I was.

The Hon. ADAM SEARLE: You asked that further investigations be undertaken?

Mr PRATT: I did.

The Hon. ADAM SEARLE: What matters did you ask for there to be further investigations into, and why?

Mr PRATT: I think to put it in context, if I may, the investigation was initially led, as it should have been, by Landcom. What then happened was the investigator asked that that person interview the acting chair then and other directors. At that point, from a governance point of view, it was inappropriate that Landcom retain ownership of that report, so I brought that into Treasury and I became the person then that was responsible for the review of that report. I got the first draft of that report, to your point. I was not satisfied with part of that investigation and I did ask for more investigation to be done on a particular complaint within that report.

The Hon. ADAM SEARLE: Are you able to say what that particular complaint was?

Mr PRATT: Unfortunately, I cannot. It is the subject of legal privilege.

The Hon. ADAM SEARLE: You received a further report, which I think is described as an addendum, and that was about, what, May?

Mr PRATT: It would have been around that time, yes.

The Hon. ADAM SEARLE: As Treasury Secretary, you would have been provided with advice on those documents by Vicki Telfer, one of the deputy secretaries in your department. Is that right?

Mr PRATT: That is correct.

The Hon. ADAM SEARLE: The substance of that advice was that Ms Jones should not continue in her role, was it?

Mr PRATT: That was internal advice to me.

The Hon. ADAM SEARLE: Yes.

Mr PRATT: So I obviously had that discussion internally with Ms Telfer and I drew my own conclusions and my own judgement in terms of outcome.

The Hon. ADAM SEARLE: Did you read the investigator's reports?

Mr PRATT: Yes, I did.

The Hon. ADAM SEARLE: Can you tell us whether or not the investigator substantiated most of the complaints, or whether the investigator did not?

Mr PRATT: Unfortunately, I cannot discuss the detail of that report.

The Hon. ADAM SEARLE: But you did not take Ms Telfer's advice, did you?

Mr PRATT: I did take Ms Telfer's advice.

The Hon. ADAM SEARLE: Did you?

Mr PRATT: If you read the full transcript of her brief.

The Hon. ADAM SEARLE: You approved, did you, the return to duties of Ms Jones to Landcorp as the chair?

Mr PRATT: It was not for me to authorise her return to duties.

The Hon. ADAM SEARLE: Whose role was that?

Mr PRATT: My role was to ascertain through the report whether, in fact, there was a case to answer. I found that, in reviewing the report, taking advice and discussion within Treasury, I was satisfied that there was nothing to prevent the full chair at that point from resuming duty. That was my finding.

The Hon. ADAM SEARLE: That was your finding, based on reading both reports?

Mr PRATT: Yes.

The Hon. ADAM SEARLE: And you stand by that?

Mr PRATT: Yes, I do.

The Hon. ADAM SEARLE: Okay. We might have to come back to that one. In the submission by Ms Telfer to you—obviously there is a privileged version and there is a non-privileged version; I am referring to the non-privileged version—there is a number of annexures that are referred to. Annexures D, E, F and G were not produced to the upper House in answer to the call for papers, and in response to inquiries made by the Clerk of the Parliaments to the central agencies—I think the Department of Premier and Cabinet [DPC]—there has been no response as to why Treasury did not produce those documents. Can you tell us why Treasury did not produce those documents?

Mr PRATT: That would be based on our own internal legal advice, so I would have to take further advice on the to answer that question, Mr Searle.

The Hon. ADAM SEARLE: There have been inquiries made by the Parliament. When documents are produced to the House you can claim privilege, and you have done so over a substantial body of documents. But these are documents that have not been produced, at least as far as I can see. What answer do you have as to why you have not produced the documents to the Parliament?

Mr PRATT: I would have to take advice on that.

The Hon. ADAM SEARLE: Can you get the advice this afternoon? We have some time.

Mr PRATT: If that is possible. I will try, yes.

The Hon. ADAM SEARLE: That would be very good.

The Hon. WALT SECORD: Mr Pratt, you have an AM. I would like to find out what is that for. Services to—

Mr PRATT: My background is originally in corporate areas, in banking. I was CEO of a number of banks. That award was given to me for my service to banking. I was president of the banking institute at one stage, and also my service within government. When I joined government I was the Customer Service Commissioner and responsible for Service NSW.

The Hon. WALT SECORD: I understand that. Are you the only senior Treasury official with an AM in New South Wales?

Mr PRATT: I believe so. I would have to check that. Yes, I believe that is the case.

The Hon. WALT SECORD: You are pretty certain? Okay. Because I am going to ask a number of questions about the Parliamentary Budget Office [PBO] and a Government Information (Public Access) Act request, or GIPA, that relates to the Parliamentary Budget Office. It has been heavily, heavily redacted—actually, redacted beyond belief by the Government. However, during the redaction the representations came from a Treasury official with an AM. So I would assume that the inference is that the—

Mr DAVID SHOEBRIDGE: It is good.

The Hon. SHAYNE MALLARD: This is the smoking gun.

The Hon. WALT SECORD: Tell me how submissions from Opposition and from Government to the Parliamentary Budget Office occur. How does the process work?

Mr PRATT: For GIPAs?

The Hon. WALT SECORD: No. For submitting election policies to the Parliamentary Budget Office. I was actually giving you the context. That was giving you a tipping of my cards, telling you where I was going, because you probably know where I am going now.

Mr PRATT: The responsibility is covered by legislation for the Parliamentary Budget Office. The way the process works—and we were very careful to separate both Government and Opposition policy within Treasury, so we managed that separately.

The Hon. WALT SECORD: Would you be involved in examining Opposition submissions to the PBO?

Mr PRATT: I could have been but I did not, unless I got involved specifically at the request of one of the Treasury team who were querying particular policies. I would imagine that you are querying one relating to the stadium, which I did get personally involved in.

The Hon. WALT SECORD: Yes, I am getting there.

Mr PRATT: I am very happy to talk about that.

The Hon. WALT SECORD: Let's not race to that right now; there is a bit of time. So when would this have occurred? Would this have occurred during the regular stage of Government administration, or during the caretaker point?

Mr PRATT: Can I clarify what you are referring to?

The Hon. WALT SECORD: You actually referred to what I am referring to—which is the Opposition stadiums policy.

Mr PRATT: So when would the stadium discussion have occurred?

The Hon. DANIEL MOOKHEY: Before we get to that preliminary, Mr Pratt, you said you would only get involved at the request of a Treasury official. How many requests from Treasury officials for your involvement came for the period that the PBO was in operation for?

Mr PRATT: Very few, Mr Mookhey. I met regularly with a PBO officer, and we usually met weekly. That was to ensure that we had good process between us. I can say, by and large, that process with the PBO actually worked very well.

The Hon. WALT SECORD: I am sure the Treasurer would have that view. So when you were involved in submitting, were you given the opportunity to critique or examine Opposition costings submitted to the PBO?

Mr PRATT: I could have been but I did not. Had I asked—I mean, it was done within Treasury.

The Hon. WALT SECORD: GIPA information shows that, in fact, you actually queried and engaged in email exchanges questioning the Opposition's costings of the \$644 million stadiums policy.

Mr PRATT: On one specific issue I engaged.

The Hon. WALT SECORD: How did you have access to this material? You do not just suddenly have access to this. How did that occur?

Mr PRATT: That occurred through the PBO officer himself, who raised this in my weekly meeting. It was a very complex accounting issue. We had a difference of opinion. That is how it was raised.

The Hon. WALT SECORD: Did you communicate any of this to the Minister's office or ministerial staffing?

Mr PRATT: At the time, no. I would not have. But, certainly, towards the end of the process the Treasurer at one point I think did ask me about—

The Hon. WALT SECORD: It is in the GIPA.

Mr PRATT: Right. Well, I am trying to recollect, to your question. He did ask me had we got the accounting treatment wrong. That is a very legitimate question in terms of the business of government.

The Hon. DANIEL MOOKHEY: Was that after you had that discussion with the PBO officer, or before?

Mr PRATT: The discussion with the PBO officer on this issue went on for a number of weeks. It culminated in the last week before the election, when the PBO officer issued a press release, which was wrong.

The Hon. DANIEL MOOKHEY: How many discussions with—

The Hon. WALT SECORD: Wrong? Who said it was wrong?

Mr PRATT: Treasury is the custodian of accounting policy in government. The PBO chose to ignore that policy and put out a press release that was counter to that.

The Hon. WALT SECORD: We are talking about 19 March and it says here, "Questions raised about it with the department by the Treasurer". Do you think that a week and a half out from a State election the independent Parliamentary Budget Office and you are interfering in Opposition costings, critiquing them and having insider running on them? Do you think that is appropriate?

Mr PRATT: You need to bear in mind we had a responsibility to cost and respond to the PBO.

The Hon. WALT SECORD: I think you have a responsibility to the community to act appropriately.

Mr PRATT: We had a responsibility to respond to Labor policy on the stadium. That was given to us as a—

The Hon. TAYLOR MARTIN: Sorry, I would like to hear the answer. I would really like to hear this answer.

Mr PRATT: As we did with every other policy that was given to us by the PBO, our responsibility was to respond to the policy, which we did. The clear response—

The Hon. WALT SECORD: When the PBO—

Mr PRATT: May I finish, Chair, please? The clear response was that the accounting treatment given by the PBO to this policy was wrong. So what would you have me do? Would you have me ignore that and not give that advice?

The Hon. WALT SECORD: I think it is inappropriate during the caretaker stage. For Treasury officials, there are very clearly spelt-out caretaker protocols about how you conduct yourself. You conduct yourself without fear or favour—without favouring the Government, without favouring the Opposition—and pursue the interests of the New South Wales taxpayers, and do not interfere in the political process.

Mr PRATT: I was not interfering; I was doing my job. If I had come out on the Friday before the election as the Secretary of Treasury and made an announcement publicly that your policy was wrong then I think you could accuse me of that. I did not do that.

The Hon. DANIEL MOOKHEY: Did you inform the Treasurer of your concerns?

Mr PRATT: There would have been, as I indicated, one or two discussions. I did not talk about Labor policy with the Treasurer for reasons that have just been mentioned, clearly.

The Hon. DANIEL MOOKHEY: In the caretaker period how many times did you have conversations with the Treasurer?

Mr PRATT: It would have been only a couple of times. It was not so much to do with Labor policy; it was to do with the accounting treatment and had we missed something. The Treasurer has every right to ask that.

The Hon. WALT SECORD: What date did the Treasurer discuss the Opposition stadiums policy with you?

Mr PRATT: I could not give you that date because it was not a formal discussion.

The Hon. WALT SECORD: What is a formal discussion? You were very careful. You used the word "formal" discussion. What do you mean a "formal discussion"?

Mr PRATT: A formal discussion by having an agenda and a set discussion item on each one.

The Hon. WALT SECORD: So standing at the elevator, "Chappies, the Opposition has introduced a policy. What do you think of it?" There is no agenda there.

Mr PRATT: I would not suggest that was the basis of how we discussed it, no.

The Hon. WALT SECORD: You were very careful in the use of the word "formal". So how was it discussed with the Treasury?

Mr PRATT: It would have been part of a weekly check-in with the Treasurer around how are things going more broadly. The Treasurer likely asked me, "How do you think about this accounting policy?", which he had every right to do.

The Hon. WALT SECORD: Did he give you any instructions?

Mr PRATT: He did not. I was very careful about those lines.

The Hon. WALT SECORD: Did he say, "Michael, go in. Put the boot into this policy?" Did he say, "Use the resources of your office?"

Mr PRATT: He did not give me any instruction.

The Hon. WALT SECORD: Did his staff give you any instructions?

Mr PRATT: No.

The Hon. DANIEL MOOKHEY: Did you maintain contemporaneous records of those interactions?

Mr PRATT: No, because they were not of that nature. It was a question to me around accounting policy. As I said, he has every right to ask me that question.

The CHAIR: We are now going to move on to the crossbench.

Mr DAVID SHOEBRIDGE: Thanks, Chair. It is nice to see you all this afternoon. My questions will probably mainly be directed to you, Mr Nagle. What is the current accumulated deficit in the Home Building Compensation Fund—not the annual deficits but the accumulated deficit?

Mr NAGLE: The accumulated deficit for the scheme is about \$600 million.

Mr DAVID SHOEBRIDGE: You say "about \$600 million". Do you know what the actual accumulated deficit is?

Mr NAGLE: I can look that up for you. It is \$637 million.

Mr DAVID SHOEBRIDGE: Would it be fair to characterise that as a \$637 million subsidy that the taxpayers of New South Wales have made to the construction industry for cheap insurance costs?

Mr NAGLE: I am not sure that I could agree with that. That is effectively an outcome of the risks that were written when the scheme was changed following the market withdrawal in 2009. When icare took over the home builders warranty scheme we repriced the portfolio through 2017-2018 so you actually have two deficits, effectively. You have an older deficit from an older scheme—and that scheme was underpriced at the time—and subsequently we have made some changes to the legislation and to the pricing and that deficit is much smaller and worked out over the next few years.

Mr DAVID SHOEBRIDGE: It is fair to say though, isn't it, that New South Wales taxpayers are still underwriting, effectively, insurance policies for the construction industry for the Home Building Compensation Fund that are below cost? It is still going at a deficit.

Mr NAGLE: The home builders warranty product is still subsidised by the Government, yes, to support construction and home builders.

Mr DAVID SHOEBRIDGE: Is there a directive somewhere that has come from the Treasurer to direct icare to continue to subsidise the construction industry like this?

Mr NAGLE: There is agreement with Treasury through to Cabinet that the Government will continue to subsidise the portfolio while we work to correct it to a net neutral position.

Mr DAVID SHOEBRIDGE: Is it not true that the Treasury had to kick in \$181 million of additional funds the financial year before last, I think, just to keep the scheme afloat?

Mr NAGLE: That would probably be correct. I would have to check the exact number. That would be on the older portfolio.

Mr DAVID SHOEBRIDGE: When is it intended that New South Wales taxpayers are going to stop subsidising the construction industry like this? Is there a time frame for it?

Mr NAGLE: We are working on our regular price increase cycle. The instruction we have is to make sure that the price increases do not cause damage to the construction industry in terms of it is a major employer. It is a major element of confidence into the market for home dollars. So what we are trying to do is work through an extended period where we can get the pricing and the risk right.

Mr DAVID SHOEBRIDGE: Why was the accumulated deficit not disclosed in icare's last published annual report?

Mr NAGLE: Because it is guaranteed by government.

Mr DAVID SHOEBRIDGE: Sorry? So just simply because New South Wales taxpayers have to carry the can you did not disclose the accumulated deficit in your report? That seems unusual.

Mr NAGLE: No, it is not an accumulated deficit per se. The scheme is run at a neutral point. So every year we effectively go to government and say, "This is the result," and we ask for funds. That is the net asset holding policy. Those funds are remitted to us by Treasury. So there is no deficit in the scheme.

Mr DAVID SHOEBRIDGE: But it has run at a \$637 million accumulated deficit since it started.

Mr NAGLE: That is a projection based on what the outcome will be, yes.

Mr DAVID SHOEBRIDGE: Do you not think to give proper line of sight to what is actually happening with that fund there is an obligation on icare to disclose what that accumulated deficit is so you can see that over the last decade there has been more than half a billion dollars kicked in? Do you not think that is appropriate?

Mr NAGLE: I would have to take advice from the accounting side on that. My understanding is the Audit Office has reviewed those accounts and is happy with the way it has been disclosed.

Mr DAVID SHOEBRIDGE: What is the current surplus in the workers compensation fund?

Mr NAGLE: As at 30 June, we are running at 109 per cent.

Mr DAVID SHOEBRIDGE: What does that mean in dollars?

Mr NAGLE: It would be about \$1.4 billion.

The Hon. DANIEL MOOKHEY: That is the 80 per cent probability?

Mr NAGLE: At 80 per cent probability.

Mr DAVID SHOEBRIDGE: And there has been a change under this Government from 75 per cent to 80 per cent, has there not, which has affected the deficit?

Mr NAGLE: Correct.

Mr DAVID SHOEBRIDGE: Do you know what it would be on a 75 per cent adequacy?

Mr NAGLE: About 112 per cent.

Mr DAVID SHOEBRIDGE: What was the surplus the financial year before?

Mr NAGLE: We were running about 111 per cent or 112 per cent at 80 per cent probability.

Mr DAVID SHOEBRIDGE: And what has been the reason for the deterioration?

Mr NAGLE: The major deterioration has occurred in a change in assumption around medical costs. We have been watching medical costs for the last four years. The superimposed inflation on medical procedures is about 10 per cent per annum. The actuary adjustment this year was quite significant. There was a \$750 million adjustment into the scheme for future costs and medical.

Mr DAVID SHOEBRIDGE: Can I ask you about the current estimate of the cost of the implementation and delivery of what I think is called the Guidewire claim system?

Mr NAGLE: Yes.

Mr DAVID SHOEBRIDGE: What has been the cost to date and what is the projected cost for the implementation of Guidewire?

Mr NAGLE: There is a build cost of about \$160 million and then there is the transformation cost of around \$200 million to roll that out across icare and all the scheme agents.

Mr DAVID SHOEBRIDGE: What are we getting for \$360 million—first question—and the second part of it is: Where are the funds coming from?

Mr NAGLE: It is funded through a variety of means across the scheme. Icare is a service provider to a number of schemes. The Guidewire platform is designed to run across all of those schemes as it is built. The initial funding comes from the nominal insurer, which is the original licence costs and build costs, and then as it is rolled out to Insurance for NSW, Lifetime Care or Dust Diseases—

Mr DAVID SHOEBRIDGE: Those various sub-schemes will chip in somewhere.

Mr NAGLE: That is right. So what we are getting is a modern platform that consolidates all of the data, all of the activities of a \$2.7 billion organisation onto one platform.

Mr DAVID SHOEBRIDGE: But on the face of it spending \$160 million for a bespoke program in the insurance industry seems like a courageous decision when there are, a number of people have suggested, a variety of off-the-shelf systems that could have been purchased for substantially less and then adapted for New South Wales. What made icare decide to spend \$160 million on a bespoke system?

Mr NAGLE: Because it is actually cheaper than what was occurring prior. Prior to that decision we had five agents operating their own bespoke systems—

Mr DAVID SHOEBRIDGE: Nobody is suggesting that is good, Mr Nagle. I am talking about if you are transferring to one system—

Mr NAGLE: The cost of that was paid annually to each agent. So it would vary from agent to agent based on the age and activity of their system but it would be up to \$50 million per annum per agent.

Mr DAVID SHOEBRIDGE: I think we are talking at cross-purposes. If you are going to move to a single claims agent, run largely through icare, you need a new system. Why spend \$160 million on a bespoke system rather than get an existing system that has been applied in the insurance industry at another point and adapt that? Did you run a competitive tender? Can you provide us with details about the competitive tender?

Mr NAGLE: Yes, we did a very involved tender in 2015-16. We had a number of parties express interest. It came down to two systems. Just to correct, Guidewire is a standard out-of-the-box system. It is run today by QBE. It is run by Suncorp. It is run in 250 insurance organisations across the world. It is one of the biggest insurance platforms that is used globally. It is a standard system.

Mr DAVID SHOEBRIDGE: So why does it cost \$160 million to purchase?

Mr NAGLE: There is a licensing fee component and then there is actually a build fee. We took probably the courageous decision at the time to actually build it in the cloud so that we would have future scalability as we went forward. In building the Guidewire platform we have put another variety of systems alongside it. We have a complete platform of modern technology. That platform will allow us to operate in the premium field, so the policy and billing platform. Since we went live on that system in 2017 we have done over a million transactions. We have done about \$6 billion worth of premium. We have about 500,000 contacts from customers every year that the system services.

Mr DAVID SHOEBRIDGE: A million transactions? It is either \$160 per transaction, which is for the initial cost, or if you take the whole cost in it is \$360 per transaction. Even just on the capital cost, \$160 per transaction since 2017 seems remarkable.

Mr NAGLE: That is not correct because the \$160 is the full platform policy and billing, and claims. The million transactions were just the policy system. The balance of the system is in the claims system where we have done over 145,000 new claims on that system since we went live with it.

Mr DAVID SHOEBRIDGE: Mr Nagle, I have a small amount of time. Could I just ask you how many workers have now been forced out of the workers compensation system under section 39 because the five-year effluxion has now passed?

Mr NAGLE: I would have to check the exact number. As at the end of December it would have been about 5,000.

The Hon. MARK LATHAM: Mr Pratt, returning to *Budget Paper No. 1*, page 2-11, out of our very useful and extensive discussion about risks to the New South Wales economic outlook, has Treasury revised any of the four forecasts from real estate, final demand, down to the unemployment rate, in recognition that over the

time since the budget was delivered the United States-China trade war dispute has worsened, the drought has obviously worsened and seems more entrenched, and the energy forecasts that we mentioned earlier on are not very optimistic? Has there been any revision of those figures for the 2019-20 financial year?

Mr PRATT: As in a formal revision, no, but we will pick this up. We do a half year budget update, which is in November. We will definitely be reviewing these numbers at this point and then feeding that into the budget over the next four years from that half year. Having said that, we are constantly reviewing what is going on in practice in market on a range of these key issues. I do not want to leave you the impression that it is not in front of us constantly, it is. But we will publish it formally at the half year.

The Hon. MARK LATHAM: What is the outcome of your latest review in that process? Is it on the downside?

Mr PRATT: I would say the risks are on the downside, definitely. I mean, there is some upside, but I think on the downside I am more concerned about consumer spend in this market at the moment more broadly, not just in New South Wales but nationally. Those numbers are very low and that is concerning. However, having said that, if you look at the State of New South Wales and the challenge we have had with property, from Q4-17 in median house prices we have dropped around 15 per cent. In the data that we are now seeing we would be saying that we are starting to think that we have hit bottom and we are starting to see that market turn. If that is the case auction clearance rates, for example, are always a good early signal of that. If you look at the last six to eight weeks they have been up 70 per cent and even 80 per cent some weekends, but turnover is still very low. We do think that we have hit the bottom on that and as that recovers that clearly has benefit in revenue upside for us.

Unemployment has held up well in terms of low numbers and we are currently 4.4 per cent unemployment for the State. We have very high participation rates, around 65 per cent. So while employment has held the way it is, then that is why I am saying to you it is balanced but the risks would be on the downside overall. That is particularly around your comments this morning on US-China trade, which is obviously a global phenomenon.

The Hon. MARK LATHAM: On a second topic, by far the biggest government-led employment generator in New South Wales over the next 20 years is the aerotropolis, the business park surrounding the second Sydney airport in western Sydney. What involvement does Treasury have in the modelling of those employment forecasts and the general structure and prospects of the aerotropolis program?

Mr PRATT: We are very much engaged. Very early days still. We have formed a western airport authority. We are working with the Commonwealth, who have an authority as well, in construction of the airport. Our contribution to this will be a piece called the aerotropolis where we are looking to build out a significant number of jobs in that area. That early day modelling is now starting and we are going on with that now. I do not have numbers I could put to you today, but that work is very important for us.

The Hon. MARK LATHAM: Where did the early days modelling come from, a 200,000 job projection over 20 years, which is three times bigger in half the time as Macquarie Park, which was obviously huge? Where did the 200,000 number come from initially, because it is used on a regular basis by the Government?

Mr PRATT: I would have to check with my team on this, but we have only just taken the authority into Treasury, so I am sorry, I do not have that history. But I can take that on notice if you like.

The Hon. MARK LATHAM: The aerotropolis authority has now moved into Treasury?

Mr PRATT: Has moved into Treasury, yes.

The Hon. MARK LATHAM: Minister Ayres is one of your Ministers now, given his role?

Mr PRATT: He is responsible for that and we could perhaps pick that question up in his session.

The Hon. MARK LATHAM: If you could take that on notice. Is it the intention of Treasury to revise the 200,000 job number and check on its veracity?

Mr PRATT: It is certainly our intention to do a full review of where that development is at. Part of that would be a key piece of analysis on jobs, yes.

The Hon. MARK LATHAM: That would be happening, what, by early next year?

Mr PRATT: I would think so, yes.

The Hon. MARK LATHAM: Will you factor in the fact that the Commonwealth, quite cleverly from their perspective, has kept 100 acres of business park land on the notional airport site, obviously making it harder

for the State to realise the 200,000 aerotropolis jobs outside the airport site? That will be factored into your modelling and the expectation that most businesses moving in will go on the Commonwealth land before they go on the aerotropolis land?

Mr PRATT: It is a really good point that you raise. I met with the CEO of the Commonwealth development this week. That liaison between both authorities is very important that we get that right and that we do not fall over ourselves so that in 10 years' time we are looking at each saying, "Why did we do that?" There is very close liaison. I am getting very much support from the Commonwealth in terms of the development. We will be working through that over the next few months.

The Hon. MARK LATHAM: Is Treasury supporting the public comments of the head of the aerotropolis, Sam Sangster, that the employment generation and overall success of the scheme depends heavily on a fast rail link, also recognising that I think it is more than 80 per cent of the international visitors to Sydney want to come to the city centre, and the fast rail link from Badgerys Creek to the CBD seems to be very important?

Mr PRATT: Certainly the initial focus, as has been announced, as you are aware, is a north-south link. We have not done any work yet on a east-west link. I would think that at some point we will be asked to do work on that, but at this point we have not.

The Hon. MARK LATHAM: Is that forthcoming in the next six months or so?

Mr PRATT: I really cannot answer that at this point.

The Hon. MARK LATHAM: You have just really taken over and are finding your feet with aerotropolis. I am glad to hear that you are in charge of aerotropolis and all the rigour in your modelling and assessments will be brought to the table. Finally, if I could ask you about the productivity green and white papers, because I think the NSW Productivity Commission is one of the best initiatives we have seen and the Government should be congratulated on it. The Treasurer this morning gave us a good outline of expectations regarding the work on planning regulation. Other goals are set at page 2-9 of *Budget Paper No. 1*. What are you hoping to achieve or what is the NSW Productivity Commissioner hoping to achieve in the listing of energy as a recommendation?

Mr PRATT: I might pass that question to Ms Wilkie, who is dealing with that.

Ms WILKIE: The productivity commissioner, when he was appointed, set a number of principles, I guess, for issues that he was going to look at: maintaining high living standards, spreading the benefits of reform for the community, ensuring a strong and resilient economy. He has done a number of consultations since he has taken up that role since May last year, including talking to, say, the Commonwealth productivity commissioner and other people like that. In documents—whether it is the OECD, the Commonwealth Productivity Commission—energy is regularly noted as an area for reform to improve productivity. So as he has gone about his deliberations, in his reports back to the department, the energy continues to be raised in consultations and that is something that he is looking at in the context of the discussion paper and the green and white papers. His role in the department is he is appointed as a public servant but his role, similar to what we were discussing earlier this morning as the Chief Economist, is to provide objective and frank advice to the Treasurer. So he is running that process and will be providing that advice through the discussion paper.

The Hon. MARK LATHAM: And he is completely independent of Treasury?

Ms WILKIE: He is not independent. He is appointed as a public servant, so he is not a statutory officer in the same way that, say, the Commonwealth productivity commissioner is. But in the same way that we have a Chief Economist we have the productivity commissioner, who has been appointed by the Treasurer in the department to explicitly provide him with objective advice on that particular area of expertise. That is what Peter Achterstraat does in his role as productivity commissioner.

The Hon. MARK LATHAM: What access to advice external to Treasury does he have? Or does it just come from within your department?

Ms WILKIE: There is a team within Treasury that provides support to him. He has his own office and then there is also a separate area that does productivity research in the department. The department would support him—for example, if he felt in the course of producing the green paper and white paper that he needed to undertake modelling to support his analysis in those papers, then we would support that. But also in his consultations he is under no restrictions in terms of who he consults with. In that sense he can consult with businesspeople and institutes such as the Grattan Institute, the Commonwealth Productivity Commission, other State jurisdictions, the OECD, the International Monetary Fund. He has consulted with people under all those categories.

Mr PRATT: Mr Latham, I appreciate the time has gone, but could I just add to the question. When we established the Productivity Commission we had a very good look at the models around the country on how to do this, including the Federal Government. Those commissions that are completely set aside in a statutory way are generally producing some very good material on productivity but struggle with implementation. So we have taken a halfway house where we want the input and we want to produce some really good material and opportunities, but the real benefit for us is getting things implemented. That was why we ended up with this model and design.

The Hon. MARK LATHAM: That makes sense. Thank you.

The Hon. NATALIE WARD: Thank you for each of you coming today and the work you have done so far. I am sorry there are not cameras here for the session of each of you. They do not seem to be as interested in the good news stories; I think they are all busy with our former colleague Ernest Wong down at ICAC. Can I take you to *Budget Paper No. 1*, page 1-6. I am interested in a good news story, which is why the cameras are not here: the NSW Generations Fund [NGF]. My understanding is this is really putting some money aside for the future; God forbid Labor should get into government and squander it but we have got some money there. Could you tell me what is the NGF?

The Hon. WALT SECORD: King hit. That is a Bill Shorten zinger.

Mr PRATT: This came out of some research that we did approximately 18 months ago to look at how better to manage debt and particularly intergenerational debt. We looked particularly at Canada, and many of you will know of the Quebec sovereign fund. Quite a lot of our thinking came out of some research we did around that one and in that geography more broadly. We were looking at significant proceeds coming through the WestConnex transaction. We wanted to get debt offset and we wanted to have intergenerational debt clearance in place, and so we established this fund. This fund was seeded with originally \$3 billion coming from Consolidated Funds. It was then topped up with \$7 billion from the sale of WestConnex and we invested that \$10 billion in full around December of last year. The very good news on that is that the return on that has been excellent and we have returned some \$800 million over that period. I would say to you, as you would all appreciate, the markets go up and they also go down but to date this investment has been very good. It is a long-term investment so it will fluctuate, as you would expect. But the sole purpose of this fund is for intergenerational relief in terms of debt and debt offset. The ratings agencies in Moody's and Standard & Poor's give us full debt offset against debt for that fund.

The Hon. NATALIE WARD: So they do take that into account? Okay. Does it exist anywhere else in Australia?

Mr PRATT: No, it does not. We are the only State to have this in place.

The Hon. NATALIE WARD: It is a rainy day fund.

Mr PRATT: You could say that. But importantly, in terms of balance sheet metrics, it is a really important fund to have in place.

The Hon. NATALIE WARD: Please, I am not playing down change or the importance of it. In fact, quite the opposite.

The Hon. MARK LATHAM: There is a Commonwealth Future Fund, though, is there not?

Mr PRATT: Although for a different purpose. But if you look at the strategic asset allocation, both are very long-term funds, so they are not that dissimilar re the Future Fund.

The Hon. NATALIE WARD: Thank you. What are the benefits of it other than it is there in future? Can I say I cannot even run my own household debt this way, so I commend you on doing that. What are the benefits of it and what can it be used for going forward?

Mr PRATT: It is largely in place—the legislation would mean that this fund could only be used for debt clearance and debt offset. That is the sole purpose. But part of the earnings of the fund can be used every year for a community project. We have just gone out with the first tranche of that, where we put projects to the community, who can vote on their choice of what projects are funded within local communities. That is a small component of the interest earnings every year. That is a very unique element; I have not been able to find another sovereign fund with that aspect to it anywhere in the world.

The Hon. NATALIE WARD: Would you agree, Mr Pratt, similar to your work in putting the customer at the centre of what we do, we are actually putting the taxpayer at the centre of what we are doing here and returning some funds to them?

Mr PRATT: I would say if we believe in true democracy, this is citizens voting on where money gets spent. I think it is a good principle. I do not have the final numbers yet on this—it has just closed—but as I understand, there has been an excellent response from citizens to these local projects.

The Hon. SHAYNE MALLARD: Is it able to be raided by any governments of the future—the principal money? Or is it locked up in terms of—would it require legislation?

Mr PRATT: It could only be changed with legislation.

The Hon. SHAYNE MALLARD: Thank you. I am going to talk about our triple-A rating.

The Hon. TAYLOR MARTIN: You are going to ask about it.

The Hon. SHAYNE MALLARD: Yes, thank you.

The Hon. ADAM SEARLE: No, I think the first statement was probably more accurate.

The Hon. SHAYNE MALLARD: It is 101 for the Opposition. Just outline why it is important that we maintain our triple-A rating, if you do not mind. Anyone can answer the question.

Mr PRATT: I will make a couple of comments and then my colleague Mr Midha will probably have some input. Firstly I would say to you that the optics of a triple-A rating for any government is very important. Given that we have debt relationships all around the world, the fact that you are a triple-A paper is very important in terms of getting airtime and getting interest in investment. Clearly the pricing of bonds off the back of that is important. If you have a triple-A rating, you will get a discounted pricing sitting on the back of that paper. That is also very important. But I guess a key aspect for me in that respect and quite unique: We are only one of five sub-sovereigns in the world with a triple-A rating. That is not insignificant and I think that goes to the importance of our fiscal management and the importance of active balance sheet management. Very important we keep that triple-A rating, in my opinion.

The Hon. SHAYNE MALLARD: Sub-sovereign means, sorry?

Mr PRATT: Being a sub-sovereign government.

The Hon. SHAYNE MALLARD: A State government? Yes.

Mr PRATT: Federal Government—we being a sub-sovereign. There are only five like that around the world with a triple-A rating. Victoria is another one.

Mr MIDHA: We are rated by Standard & Poor's [S&P] and Moody's as triple-A; so is Victoria. The Australian Capital Territory is just rated by S&P. As Secretary Pratt said, it does lower our cost of bonds as triple-A and it would have a financial impact if that triple-A dropped by one notch. It would depend upon interest rates at the time but the spread could be anything from 15 or 20 basis points up to 70 basis points—that is quite a significant hit to the budget result. It would be a large number. It also is a measure of fiscal health and a quick way for investors to assess the health of the State, because it takes into account quite a wide-ranging lot of measures—not just debt headroom but also operating surpluses, how quickly infrastructure assets start growing and our revenue growth.

The Hon. SHAYNE MALLARD: They are the factors that the two agencies consider in assessing a triple-A?

Mr MIDHA: Yes, correct.

The Hon. SHAYNE MALLARD: Could you just line them up again for me?

Mr MIDHA: It is the amount of debt and the debt ratio to the revenue of the State. You will have the operating surpluses—more important, the growth of expenses over a period of time—and the opportunity for revenue growth without raising taxes, with or without. Those would be some of the key measures.

The Hon. SHAYNE MALLARD: How often do you engage with the agencies?

Mr MIDHA: We maintain quite a regular relationship with them, in terms of if there are particular announcements in the media they will query the extent of it and the impact on the budget results. But there is an annual review that we do regularly post the budget result. We have just concluded one and we will continue with the next ones. We also refresh it during the half year, post the half year.

The Hon. SHAYNE MALLARD: This touches on the Hon. Mark Latham's pretty good conversation with the Treasurer about the liabilities and clouds on the horizon, potentially. Is there any threat to our triple-A rating in the foreseeable future?

Mr MIDHA: If the Commonwealth is downgraded, that is the biggest thing that is out of our control. If the Commonwealth is downgraded then it will be difficult for us to retain our triple-A rating. As long as we maintain the debt levels at triple-A—so we continue maintaining those measures—then recovery is much quicker. As we spend more on infrastructure it is important to make sure they are well funded, either from asset recycling or within our surpluses. It is important to maintain that trajectory. We took quite a large writedown since 2017 on stamp duty revenues. We are seeing that now recovering a little bit and it is in accordance with our trajectory; however, if that were to be a threat then that will affect our revenues. Any GST changes that are affected by the macroeconomic environment would affect our revenue growth but also then affect one of the key measures on how our debt headroom is calculated.

The Hon. NATALIE WARD: Is that automatic, that if the Commonwealth rating changes that ours automatically is tied to that?

Mr MIDHA: From what we have seen around the world that is pretty much automatic. However, our strength is also taken into account in terms of some recovery time, so it could be delayed.

Mr PRATT: The general rule for the rating agencies is that you cannot have a sub-sovereign rated higher than the parent. That is the general approach.

The Hon. TAYLOR MARTIN: Earlier this morning the Treasurer raised the importance of asset recycling. Mr Pratt, you recently raised intergenerational debt. I would like to ask for a bit more information on why asset recycling is such an important part of the Government's fiscal strategy.

Mr PRATT: I will give you a broad overview and I would like Mr Gardner to comment. He is directly involved from a transaction point of view. It is important to note how we fund a lot of the infrastructure, the \$93 billion program that we have in place and put asset recycling in context. It is actually the lowest level of core funding that we go to for the whole infrastructure projects. Some 36 per cent of that is debt and we talked about that this morning. Some 42 per cent of that is cash. This business of government churns out \$6.5 billion or thereabouts a year in cash. A big part of our funding comes through our operating statement in terms of the infrastructure spend. The lowest percentage is asset recycling, which is 22 per cent. That puts it in some sort of context in terms of how we think about this from a balance-sheet point of view. Mr Gardner, do you want to talk more about asset recycling from your perspective?

Mr GARDNER: Just to make a couple of comments. One of them is that asset recycling is a very good way to bring disciplines of resilience to the balance sheet. We have a lot of property on the balance sheet, so we consider asset recycling to identify those parts of the property portfolio that are not core for government to deliver core services, such as schools or hospitals or the like. Sometimes we are in businesses where there is a lot of risk and a lot of projected cost—the electricity generation industry is a classic example. There are industries that are prone to disruption—so, electricity distribution—or really require upgrading. Asset recycling is a good way to enable reshaping of the balance sheet, de-risking and putting businesses into private-sector hands where they can potentially meet the future needs of the communities we are operating in.

The second level for me is that the WestConnex transaction was quite interesting, in that it was actually recycling within the context of actually delivering that project. It was a very large, complex project where neither the private sector nor the Government could absorb the entire cost of delivering WestConnex. The solution that the government of the day came up with was to progressively build and then sell aspects of that to finance the last part of it. That is an interesting variation on the context. Thirdly, the private sector has a very strong appetite for these types of assets. The proceeds that the State has received from a number of these asset recycling transactions has exceeded the value of the future cash flows from those businesses on the Government's balance sheet. There is a premium, the cream on the top that the Government is then able to deploy into the infrastructure that it wants to build. I make those three points.

The Hon. NATALIE WARD: Can I just ask on that, what is the alternative? Our colleagues have at times raised concerns about asset recycling. If that is not the case, what is the alternative?

Mr PRATT: The alternative is more debt. In terms of balance, I think the Treasurer touched on that this morning. Having said that, there is a significant year-on-year cash contribution to asset recycling and infrastructure projects more broadly. However, if you do not recycle less productive assets then you are faced with putting more debt on the balance sheet.

The Hon. NATALIE WARD: There are no other options.

Mr PRATT: No.

The Hon. TAYLOR MARTIN: What is the overall effect on net assets? Is the State of New South Wales in a better financial position than it otherwise would be without engaging in asset recycling?

Mr PRATT: One of the key metrics that I look at regularly is the net debt position relative to gross State product [GSP], relative to our economy. At the moment our projection for this budget year is only 1.9 per cent. To put that in perspective for you, Victoria is 8 per cent. If you go to the end of the forwards our projection on a percentage of GSP is 5 per cent with \$39 billion of debt; Victoria is 10 per cent. This comes back to the questioning that you have had on triple-A. It is very important that we manage this in this manner. However, as a ratio and percentage of the economy our debt is very low overall.

The Hon. NATALIE WARD: Can I take you back to the NSW Generations Fund? You have mentioned in the paper that it is guided by the NGF board. Can you tell me who is on the board?

Mr PRATT: The chair of that board is Glenn Stevens, former Reserve Bank Governor. There are two other independent directors: one is the chair of State Super; and the other is a director on the icare board who has a very social-type background, so she brings a set of skills particularly around the community project aspect that is very important. The two non-independent directors are myself and Tim Reardon, the head of Premier and Cabinet.

The Hon. NATALIE WARD: Thank you. I think that is all I had on that aspect.

The Hon. SHAYNE MALLARD: While we are on boards, what is the Board of Treasurers?

Mr PRATT: The Board of Treasurers is a group coming together on roughly a four- or five-monthly basis that the Treasurer here commenced some 18 months ago. The intention of that board was to bring together Treasurers who all have State challenges—in many ways, the same challenges that they are dealing with—to look at how best they could operate with the Commonwealth.

The Hon. SHAYNE MALLARD: So it is State Treasurers, not estate treasurers.

Mr PRATT: State Treasurers. That meeting is held with State Treasurers and with State Secretaries of Treasury but without the Commonwealth in the room.

The Hon. NATALIE WARD: Or the council.

The Hon. SHAYNE MALLARD: I would like to be a fly on the wall there. Has it made a difference to our relationship with Canberra?

Mr PRATT: I would say to you that the best indicator of that would be to point to the last 12 months and there have been as a result of that forum, not just solely but a large part of that forum, all States have benefited from negotiations with the Commonwealth on the Gonski agreement and on the back of that a major win on horizontal fiscal equalisation [HFE] or GST distribution where the Commonwealth has underpinned that with a guarantee. Had we not had the Board of Treasurers I think that would have been most unlikely.

The interesting part of that outcome is that Western Australia [WA] was a party to that, clearly, as a State. They were a big beneficiary from the proposed changes of the Commonwealth, yet they went along with the overall decision base of that board in terms of the outcome. My observation: I think it has been a very effective body. We are about to start a Federal Financial Relations Review, which we announced in the budget. Part of that will be picking up this structure and looking at how we can better operate with the Commonwealth. As you would be well aware, there are far too many partnership agreements, yet they are not negotiated in a way that is efficient and effective. We still have ongoing issues with HFE distribution.

The Hon. DANIEL MOOKHEY: Could you explain HFE for Hansard?

Mr PRATT: I am sorry?

The Hon. TAYLOR MARTIN: For the benefit of Hansard.

Mr PRATT: I am sorry, horizontal fiscal equalisation.

The Hon. NATALIE WARD: Everyone knows that!

The Hon. SHAYNE MALLARD: I do that in the gym!

The Hon. DANIEL MOOKHEY: It is for Hansard. Let's be serious about this.

Mr PRATT: That is the distribution of GST. We are very positive about this. We have announced that David Thodey will lead that review with a number of quite eminent members of that panel.

The Hon. SHAYNE MALLARD: Is the Board of Treasurers in a sense what has been missing from the news media for the last 12 months where the Treasurers are fighting each other about GST going to Canberra? I do not want to use the word "caucusing" but they are hammering out agreements and then presenting a united

position by and large to Canberra. That is how we got the "no worse off" guarantee on the GST. You brought Western Australia in?

Mr PRATT: Yes. I have no hesitation in saying yes to you on that. It is absolutely the case, in my observation. These are difficult and complex issues. Gonski funding was very complex and difficult but the States have worked very well together—so that is quite encouraging—regardless of their policy and background.

The Hon. SHAYNE MALLARD: And politics, yes.

Mr PRATT: Yes.

The Hon. NATALIE WARD: Just on running the ball up with the other States—because we for some time were carrying the other States and, I think, still do, without being pejorative.

The Hon. SHAYNE MALLARD: Subsidising them.

The Hon. NATALIE WARD: Subsidising is quite right. Can you explain the "no worse off" guarantee aspect?

Mr PRATT: We clearly do projections on GST revenue and we build those into the budget and the forwards. One of the outcomes of the Commonwealth review, and an issue that has been in the public media for quite some time, is the Western Australian issue. Coming out of that the Commonwealth determined that they would put a floor in, in relativity, for WA, at seventy—0.70c. We argued that Western Australian royalties would increase over the period and therefore their relativity would go below 0.7, not go north. As a result of that we would be required to tip in more money into the GST pool. That was an argument put forward by the States. We clearly had one voice on that and the Federal Treasurer then took that on board, put in a floor so that if we were, over the forwards, below the projection that we have on GST and what was the standard calculation that gap would be made up by the Commonwealth.

The Hon. NATALIE WARD: So we are happy to play nicely but if they fall below it is sorted out by the others.

The CHAIR: It is the Opposition's turn for questions. I turn now to the Opposition.

The Hon. WALT SECORD: Mr Pratt, I would like to return to the line of questions that we had last session involving your dealings with the Parliamentary Budget Office [PBO] and as the Secretary of Treasury. I will take you back. You said that the Treasurer did not raise it formally with you. But in the freedom of information documents that we have received, heavily redacted, on 19 March the Treasurer said, according to the notes here, he raised it with you. Then on 20 March there is an email from a person whose signature is "A. M.", which I deduced to be you and which is redacted, and it says to the PBO, "We need to bring this to a head in the morning". There seems to be quite a bit of urgency there. That is on 20 March and, lo and behold, what happens two days later, Daniel?

The Hon. DANIEL MOOKHEY: Can I just ask—

Mr PRATT: Can I answer Mr Secord's question first? I mean, what you have just said is completely consistent with the time line that I have said to you in my discussions both with the PBO—

The Hon. WALT SECORD: We are not disputing the time line. We are disputing the conduct of a bureaucrat during the caretaker conventions.

Mr PRATT: And I have covered that—

The Hon. WALT SECORD: I do not believe you have.

Mr PRATT: —and made it very clear to you already.

The Hon. NATALIE WARD: He has answered that. He answered that. You just did not like the answer.

The Hon. DANIEL MOOKHEY: Mr Pratt, can I ask this: When you emailed the PBO saying, "We will need to bring this to a head in the morning", what did you mean?

Mr PRATT: I meant we would need to resolve it. We would need to agree, one way or the other, what that position should be. We were unable to do that, clearly, on the public record given the PBO announcement.

The Hon. DANIEL MOOKHEY: The email tone seems to indicate an aspect of urgency on your behalf. Why was that urgent for that to be resolved the next morning?

Mr PRATT: It was urgent because his analysis of the Labor policy was fundamentally wrong.

The Hon. WALT SECORD: Who is "he"?

Mr PRATT: The PBO officer himself and his team.

The Hon. WALT SECORD: No, no. The question goes: Why was this urgent?

The Hon. DANIEL MOOKHEY: I think what Mr Secord is trying to ask, and I am too, is: You have implied that this has been urgent for a while and this problem had presented earlier, so why by 20 March did all of a sudden this come to the point where a resolution was required at the very next morning?

Mr PRATT: Because he was making public announcements about it.

The Hon. DANIEL MOOKHEY: Who was?

Mr PRATT: The PBO.

The Hon. DANIEL MOOKHEY: When was he making public announcements? When you say "public announcements", what do you mean?

Mr PRATT: I do not have that date, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Was he providing media interviews?

Mr PRATT: I would have to check the date and come back to you on that.

The Hon. DANIEL MOOKHEY: I do not believe the PBO officer provided any media interview directly at all and he certainly was not providing any around that period of time. If your implication is that you were worried that the PBO was making a misleading statement publicly, did you raise that with the PBO before you—

Mr PRATT: I am told, Mr Mookhey, that the PBO budget impact statement was released on 18 March.

The Hon. DANIEL MOOKHEY: Yes. And you emailed—

The Hon. WALT SECORD: On 20 March.

The Hon. DANIEL MOOKHEY: Yes, so that was two days after.

Mr PRATT: Right, hence my response.

The Hon. DANIEL MOOKHEY: I am sorry, I do not understand that.

The Hon. WALT SECORD: You just told us—

The Hon. DANIEL MOOKHEY: You just said your view was that you were worried that the PBO was making misleading statements. The PBO under law is required to publish their statements of budget costings by that Monday. There is no opportunity. The PBO is independent, as you confirmed earlier in the day. Given that the PBO had already discharged his legal obligations, what was the actual intended effect you were trying to produce, given that the PBO really had no other option?

The Hon. NATALIE WARD: Accuracy.

The Hon. DANIEL MOOKHEY: Were you suggesting that the PBO ought to be reversing their position or adjusting their position or had made an incorrect statement?

Mr PRATT: So, Mr Mookhey, what would you have me do? There is a clear error in accounting policy.

The Hon. DANIEL MOOKHEY: I am sorry, sir. That was not my question. That was not my question.

Mr PRATT: No, but it is relevant to your question. Would you have me choose to ignore the fact that it was incorrect?

The Hon. DANIEL MOOKHEY: Do you have the legal authority to override the PBO?

Mr PRATT: No, I do not, and I did not attempt to do that.

The Hon. DANIEL MOOKHEY: Do you have the opportunity or the legal power to direct the PBO in any way, shape or form as to what they can say?

Mr PRATT: No, I do not. You know the answer to that.

The Hon. DANIEL MOOKHEY: Was the basis to formally register an objection on the part of Treasury?

Mr PRATT: It was the basis, as I said—our relationship with the PBO had been very good.

The Hon. DANIEL MOOKHEY: Was it resolved after your email was sent?

Mr PRATT: No, it was not resolved.

The Hon. DANIEL MOOKHEY: Did you tell the Treasurer that you had sent that email?

Mr PRATT: No.

The Hon. DANIEL MOOKHEY: After 18 March did you inform the Treasurer that you had a dispute with the PBO officer in respect to this particular question?

Mr PRATT: Well, clearly, there was—given what I said earlier around discussion with the Treasurer about accounting treatment that was implied in that question.

The Hon. DANIEL MOOKHEY: Did the Treasurer seek advice from you in the week between 18 March and 23 March about the PBO's costing and accounting treatment of that policy?

Mr PRATT: No. I did not at any point talk to the Treasurer about Labor policy. This was an issue around the stadia itself that I was dealing with, with the PBO.

The Hon. DANIEL MOOKHEY: Just to be technical, I was not asking you about the policy. I was asking you about the accounting treatment aspect. Did he make any inquiries to you or did his office make any inquiries?

The Hon. NATALIE WARD: He has answered the question.

Mr PRATT: I have already said to you in that last week he and I would have had an interchange about the accounting policy.

The Hon. WALT SECORD: Mr Pratt, are you aware that the caretaker conventions clearly state that Ministers should not compromise the neutrality of the public service?

Mr PRATT: Yes.

The Hon. WALT SECORD: Do you think that your conduct during this, carrying out political activity for the Treasurer the day before—

The Hon. NATALIE WARD: Oh, Walt, that it is not an accurate way to put it and you know it.

Mr PRATT: That is completely untrue.

The Hon. NATALIE WARD: That is drawing the longbow.

The CHAIR: Order! I want to hear the answer, please.

Mr PRATT: Chair, I am very annoyed with that accusation. It should be withdrawn—

The CHAIR: It was a question.

Mr PRATT: —because that is not true.

The Hon. NATALIE WARD: It was a characterisation of the witness's answer which is inaccurate.

The Hon. WALT SECORD: It is actually based on the material before us. The time line very clearly is showing that there was a meeting—

The Hon. NATALIE WARD: No. That is not the answer the witness gave.

The Hon. TAYLOR MARTIN: No. It is an accusation from you.

The CHAIR: Order! There was a question asked. We can deal with the question that was asked and answered.

The Hon. WALT SECORD: Are you aware of the caretaker conventions?

Mr PRATT: I have every right to deal directly with the Parliamentary Budget Officer in these circumstances where we have a difference of view—

The Hon. WALT SECORD: You are carrying out the political work.

Mr PRATT: —and where accounting policy is owned by Treasury.

The Hon. DANIEL MOOKHEY: Is that the only policy in relation to which you had a difference of view with the PBO's costings?

Mr PRATT: Yes, it was.

The Hon. DANIEL MOOKHEY: Did you have any—

Mr PRATT: Sorry: Can I just finish my answer?

The Hon. DANIEL MOOKHEY: Yes. Please continue.

Mr PRATT: In terms of my personal involvement I have already made that clear. I am sure through the course of the election campaign my Treasury officers had lots of differences of views with the PBO around costing. That would be normal practice.

The Hon. DANIEL MOOKHEY: You said earlier that there were a number of occasions where Treasury officials had come to you with concerns and this was one of them. To be fair, we did not actually find out what the others were.

Mr PRATT: I said if they came to me.

The Hon. DANIEL MOOKHEY: How many times did senior Treasury officials raise with you their concerns?

Mr PRATT: This was the only policy that I personally got involved in.

The Hon. DANIEL MOOKHEY: Mr Nagle, the Home Building Compensation Fund, I just want to return to that, and picking from some of the questions that you were asked a bit earlier. Just to be clear, this is a fund that provides coverage for defective or incomplete work because of insolvency by building contractors, is that correct?

Mr NAGLE: That is correct.

The Hon. DANIEL MOOKHEY: How many claims did you receive last year?

Mr NAGLE: About 2,500.

The Hon. DANIEL MOOKHEY: How many did you receive the year before?

Mr NAGLE: It is a reasonably consistent number.

The Hon. DANIEL MOOKHEY: On average 2,500 a year is enough to be able to base that on?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: Have you received any claims from any residents of the Opal Tower?

Mr NAGLE: The Opal Tower is not covered by the Home Building Compensation Fund.

The Hon. DANIEL MOOKHEY: Why is that?

Mr NAGLE: Because it is over three storeys.

The Hon. DANIEL MOOKHEY: So it only covers buildings over three storeys?

Mr NAGLE: To three storeys.

The Hon. DANIEL MOOKHEY: To three storeys is the maximum? Presumably, therefore, it would not cover the Mascot Towers either?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: Insofar as there have been any of these tower issues which have surfaced in the media, have any claims been presented to the Home Building Compensation Fund in relation to them?

Mr NAGLE: Not that I am aware. This came into being following the withdrawal of the insurance market in 2009-10. There were changes prior to that into the old insured market scheme back in the early 2000s when multi-towers were reduced—

The Hon. DANIEL MOOKHEY: Sorry, Mr Nagle, you are going to have to bring the microphone forward. The muttering over here is being projected but your answer is not.

Mr NAGLE: The change to the height restriction came in in the mid-2000s when the insurance industry was still underwriting the schemes. When they withdrew in the late 2000s, in 2009-10, the changes were confirmed at three storeys as the maximum.

The Hon. DANIEL MOOKHEY: To the extent to which apartments are currently being built which are above three stories, it is fair to say that they are not covered by this form of insurance?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: Therefore, to the extent to which the State is the only provider of this form of insurance it is reasonable to infer that they are not covered in respect to any insolvency that may take place to a builder or a contractor. Is that a fair statement?

Mr NAGLE: That would be correct. It is not covered.

The Hon. DANIEL MOOKHEY: Have you undertaken any assessment as to the coverage gap that has now been presented, given in the last 10 years the number of buildings that have been built over three storeys is incredibly large?

Mr NAGLE: No, it has not been part of our remit. We are not a policy operation; we only do the operation. Historically, though, the insurance industry withdrew out of it because of the poor loss history in multi-tower construction.

The Hon. DANIEL MOOKHEY: To the extent to which you know what the insurance industry thinks, is it the case that because this scheme only covers three-storey buildings it is fair to say that there are hundreds of thousands of people living in apartments right now who do not have resort to this form of insurance? Is that a reasonable statement?

Mr NAGLE: That is right. They would look to their strata committee and their sinking fund for protection.

The Hon. DANIEL MOOKHEY: Right. We have already learned through the parliamentary inquiry that the strata committees and the sinking funds, the extent to which they have enough funds to be able to cover this is pretty minimal. That is a fair statement, do you think?

Mr NAGLE: In most likelihood, yes.

The Hon. DANIEL MOOKHEY: So there is a huge coverage gap that is affecting thousands of people who are living in these towers?

Mr NAGLE: It is one of the options that they have in buying into towers.

The Hon. DANIEL MOOKHEY: Do you maintain actuarial assessments as to the likely liable premiums for this fund?

Mr NAGLE: We do, yes.

The Hon. DANIEL MOOKHEY: So icare directly performs the actuarial assessment?

Mr NAGLE: We have external actuaries who assist us on that, yes.

The Hon. DANIEL MOOKHEY: But you are formally and legally responsible?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: How often do you do that? Is it quarterly, is it monthly or is it yearly?

Mr NAGLE: It is twice a year.

The Hon. DANIEL MOOKHEY: And when was the last one done?

Mr NAGLE: It would have been done for the June evaluation.

The Hon. DANIEL MOOKHEY: Did that show that there is likely to be a spike in claims on this fund?

Mr NAGLE: Yes, the fund continues in deficit. As I mentioned earlier, there's actually two programs. icare took over the program from NSW Self Insurance Corporation [SICorp] in early 2016. The SICorp program was what was transferred from the insurance industry effectively. That was primarily highly underfunded and not particularly well underwritten. We changed the underwriting criteria and the funding ratios at that time. We have been progressively working towards coming to funding neutrality on the scheme. Having said that, the kind of changes and impacts that the building industry throws up means that we will continue to need government support for quite some time.

The Hon. DANIEL MOOKHEY: Of course. To be fair, I think that is well covered, and I do congratulate icare for being forthcoming in respect to some of that information. The question I am actually asking you is the actuarial assessment that you performed in June, that was an actuarial assessment that was performed

after the issues that have presented themselves in the building industry right now. Are you showing that there is likely to be a hike in premiums as a result of the fact that you are anticipating more claims?

Mr NAGLE: For the cohort of buildings that we cover, yes. The premiums will continue to go up.

The Hon. DANIEL MOOKHEY: Do you have a percentage projection?

Mr NAGLE: We are estimating about 40 per cent premium increases would be required.

The Hon. DANIEL MOOKHEY: So you are estimating that in the next—is the premium cycle collected annually?

Mr NAGLE: It is collected annually. However, what we have agreed with the building industry, the Housing Industry Association and Master Builders, is to feed those rate increases in over a couple of years' period.

The Hon. DANIEL MOOKHEY: That is an introductory mechanism that you have agreed with the building industry?

Mr NAGLE: That is right, transitional.

The Hon. DANIEL MOOKHEY: A transitional form of assistance but that is 40 per cent. When are the renewals due?

Mr NAGLE: The way it works is that the builder has an annual policy. For most of them it is 30 June for the financial year. Through the course of the year, as they actually undertake a project, they apply and each application is treated separately. So we put each builder through quite a complex credit rating methodology at that time to understand that they are actually credit worthy and safe—

The Hon. DANIEL MOOKHEY: You are about to pre-empt my next question, Mr Nagle, so sorry if I interrupt you. The basic summary is that you are projecting a 40 per cent increase in premiums for the next premium cycle?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: How many builders currently have policies with this fund?

Mr NAGLE: Let me check. From memory it is 19,000.

The Hon. DANIEL MOOKHEY: It is mandatory, is it not, for a contractor to have this policy if they have a building over \$20,000?

Mr NAGLE: It is actually mandatory for the home owner to have it but the builder has to offer it.

The Hon. DANIEL MOOKHEY: You undertake risk assessments of the builders and the trades contractors, don't you?

Mr NAGLE: That's right.

The Hon. DANIEL MOOKHEY: And that is a mandatory requirement you must do before you issue a certificate?

Mr NAGLE: That's right.

The Hon. DANIEL MOOKHEY: How many risk assessments do you do every year? Is it 19,000, or is it an annual exercise that you do the risk assessment?

Mr NAGLE: It is an annual exercise. We do two exercises: Every year we review the builder and what they have done during the year, what their outcomes are; then, when they make an application, we update that information.

The Hon. DANIEL MOOKHEY: Did you undertake assessments and issue certificates to the builders of the Opal Tower?

Mr NAGLE: No. Not covered by us.

The Hon. DANIEL MOOKHEY: What about the Mascot Tower, are you aware whether or not you did?

Mr NAGLE: That was built 12 years ago, so it would not have been in our scheme.

The Hon. DANIEL MOOKHEY: Right, that's good to know. I just want to move onto the workers' compensation aspect as well. I will probably just pick up a bit on the funding adequacy ratio issue. I think you

said previously—I want to find my questions on this—that the adequacy ratio is currently at 108 per cent at a probability of assessment at 80 per cent, that's correct?

Mr NAGLE: It is 109 per cent.

The Hon. DANIEL MOOKHEY: But it was at 108 per cent, I think, as of 31 December last year?

Mr NAGLE: No, it was about 112 per cent last year.

The Hon. DANIEL MOOKHEY: So it has gone down?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: You published—here we are, you said that was because of the rising medical costs, effectively.

Mr NAGLE: That has been the biggest impact in the last 12 months.

The Hon. DANIEL MOOKHEY: Insofar as the actuarial assessment that you have published on your website, it says that following December 2018 insurance liability novation the funding ratio of the nominal insurer [NI] has decreased from 115 per cent at 30 June to 108 per cent as of December 2018 at the 80 per cent probability adequacy. This was largely driven by poor investment returns. Do you accept that finding?

Mr NAGLE: That was the December valuation. Leading up to December that would have been correct.

The Hon. DANIEL MOOKHEY: Has there been a fundamental reversal in our investment performance in the six months since?

Mr NAGLE: Absolutely, yes.

The Hon. DANIEL MOOKHEY: What is it at?

Mr NAGLE: We finished the year at 109 per cent. Through the course of the year at December 2018 the funding ratio, because of the condition of the markets, was very poor. In June 2019, when we closed the year, we had \$1.6 billion worth of investment income.

The Hon. DANIEL MOOKHEY: What was that surplus? You had \$1.6 billion of investment income. Are we measuring apples correctly here? Because you came before the law and justice committee and said in 2016-17 that the investment income was \$933 million. In 2017-18 you said it was \$439 million. What was the final result for 2018-19?

Mr NAGLE: About \$1.6 billion.

The Hon. DANIEL MOOKHEY: So there has been a reversal?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: And what has that been driven by?

Mr NAGLE: I remember at the law and justice committee you made the mention that you would not put your superannuation with us on that scheme.

The Hon. DANIEL MOOKHEY: Well, I might be reversing my decision, but anyway.

Mr NAGLE: And that is because the scheme is built on a defensive pattern. When you look at the investments across the various schemes, some schemes are invested on an aggressive basis—primarily the Treasury-managed fund, Lifetime Care, because they have very long futures. The nominal insurer, because it is underwritten, it is by premiums. It is the employees' money. We are very conservative about where and how we invest that money. So it is invested in a defensive way. And given the market turmoil over the period, it has worked perfectly.

The Hon. DANIEL MOOKHEY: Do you still maintain the target of having a funding adequacy ratio of 120?

Mr NAGLE: Our preferred ratio is 110 to 130.

The Hon. DANIEL MOOKHEY: Is that still the case?

Mr NAGLE: It is.

The Hon. DANIEL MOOKHEY: Given that you are not at that, are you taking steps to restore that position?

Mr NAGLE: Absolutely. We are continuing to monitor it.

The Hon. DANIEL MOOKHEY: Was that target helped or harmed by the decisions of the Government—this is a neutral question; I am not trying to blame anyone—but is it to reduce the premiums pool, the earlier announcement this year, in the budget actually?

Mr NAGLE: No. There is no correlation.

The Hon. DANIEL MOOKHEY: Can I just stop you there? When you say there is no correlation, the Government has announced it is planning to cut premiums, which is a welcome decision, I am sure, by small business people amongst many others. But at the same time you are telling us that the funding adequacy ratio is below your target range. I am trying to understand how you are going to reconcile those two. Because the only way I see you are capable of doing it is either a dramatic turnaround in investment performance—which, to be fair, the first six months is pretty good. But given that you have long-tail risk and you do this over a very long period of time, how is it possible that you can reconcile those two targets with the fact the Government has decided to reduce the premiums?

Mr NAGLE: Just to correct, the Government does not decide to reduce the premiums.

The Hon. DANIEL MOOKHEY: Well, they announced it.

Mr NAGLE: No. What they announced was that on the funding ratios as it was at the time they were looking to release up to \$300 million in scheme performance adjustment. Every year the scheme is assessed against its average performance. If it is performing within parameters, we have additional premium that we release back to policyholders. So the level of preferred funding range is 110 to 130. Being at 109 is not panic stations. What it means is we are taking appropriate steps to monitor where the deterioration is coming from and then we can either pull the premium lever if we have to. We have engaged with the State Insurance Regulatory Authority [SIRA] because of the impact into the fund out of medical costs. Most of those medical costs are regulated. We are also doing work to make sure that in our operations we are not overpaying or we do not have duplicate payments in medical costs and other areas. And then we are also looking at prevention activities with employers.

The Hon. DANIEL MOOKHEY: On another matter, are you operating under the new definition of pre-injury average weekly earnings [PIAWE]?

Mr NAGLE: Not yet.

The Hon. DANIEL MOOKHEY: Is that because there is no new definition of PIAWE?

Mr NAGLE: Not yet.

The Hon. DANIEL MOOKHEY: And is it the case that SIRA promised us that we would have one by I think it was July of this year at the outer limit?

Mr NAGLE: My understanding is they have almost finalised the regulations that go with it. We have indicated to them we will need at least three months to train across the system before we can—

The Hon. DANIEL MOOKHEY: Have they provided you with the date they expect those regulations to go into effect?

Mr NAGLE: It is a bit of an ongoing story.

The Hon. DANIEL MOOKHEY: It is a moving feast, is it not?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: So there is no date known as to when the new definition of PIAWE will apply—is that correct?

Mr NAGLE: My understanding is they are aiming for October.

The Hon. DANIEL MOOKHEY: They are aiming for October but you are saying it is going to take an additional three months for the nominal insurer who has 76 per cent market share to be able to apply it.

Mr NAGLE: It is 84 per cent market share.

The Hon. DANIEL MOOKHEY: Sorry to play it down—84 per cent market share.

Mr NAGLE: The reality is that they have formulated a lot of the regulation. Until the full regulation is finalised, however, we cannot finalise the training and systems changes that we need to make.

The Hon. DANIEL MOOKHEY: But it is late.

Mr NAGLE: It probably will be a little bit late, but they are still aiming to have it in place by October.

Ms ABIGAIL BOYD: If I could just look at consumer spending, I note, Mr Pratt, you commented that you were concerned about the level of consumer spending. On page 2-8 of *Budget Paper No. 1* is a statement about the future economic growth going back to more steady levels based on the back of a growth in consumer spending. How do you expect that consumer spending to increase and get back to normal levels?

Mr PRATT: Firstly, as I indicated earlier, if employment growth holds up that is a key catalyst. But as the Reserve Bank has been talking about getting wages growth occurring across the whole sector that is very important. In this State in the public sector we have held to 2.5 per cent wages growth, which some might argue is above where the private sector is paying at this point, if they are paying at all. Some companies in the private sector have zero wage increase. So wages growth is a really important element of that. But as I indicated earlier, Ms Boyd, I see that as the weak spot and concern in the economy at the moment.

Ms ABIGAIL BOYD: Do you think taking the cap off wages growth in the public sector would help wages growth in the private sector?

Mr PRATT: I would think not. I think the private sector in my opinion make their own choices depending on their own business and their operating models and their costs. It could be an indicator but I do not think in terms of real direction to make change—I would not see that being the case.

Ms ABIGAIL BOYD: What do you think would encourage wages growth in the private sector?

Mr PRATT: Fundamentally, I think the private sector needs to have certainty on investment. It is troubled right now by global events that we talked about earlier. But if you can get investment occurring and then further job creation on the back of that then I think wages will lift and we will see that consumer spend start to lift on the back of it. Ms Wilkie, did you want to make any further comment on that?

Ms WILKIE: Just on the increase in consumer spending, the Commonwealth Government has undertaken fiscal stimulus, so they have got the low- and medium-income tax cuts that are coming into play both this year and next year, and of course the Reserve Bank has dropped interest rates. Both of those things also have an upward impact or an improvement impact on consumer spending. Also, as the secretary mentioned earlier, we are starting to see signals that the housing market is turning around. So increasing house prices and an increase in wealth effect through housing also has an upward impact on consumer spending and consumer confidence in the economy. Those two factors—stimulus and the housing market turning around—will also start impacting on consumer spend as well.

Ms ABIGAIL BOYD: On what basis do you assume that the housing prices will grow again?

Ms WILKIE: They are starting to pick back up now.

Ms ABIGAIL BOYD: In the *Budget Statement* there are comments about if house prices are falling then consumer spending will have to rely more on the future growth in household disposable income. I note the OECD analysis from Tuesday that showed that our household income levels are well below the OECD average and have fallen by 0.1 per cent in the first quarter of this year and are at about 0.8 below what they were this time last year.

Ms WILKIE: I have not seen that OECD report. Usually the OECD comments on national numbers rather than State numbers.

Ms ABIGAIL BOYD: Which is my question, really: Do you think that the disposable income for households in New South Wales would be different to the national average?

Ms WILKIE: The trends do not always move in line. New South Wales is the biggest State in the Australian economy so it often tends to therefore have a higher proportionate impact on the Australian numbers, but the trends do not always move the same way. So, for example, participation numbers between Australia and New South Wales often move in different trends. I would have to take on notice what is actually happening with the trends around that at the moment.

Ms ABIGAIL BOYD: Do you have access to that data? Is that something that—

Ms WILKIE: My staff will be able to provide that this afternoon.

Ms ABIGAIL BOYD: That will be very helpful. Also in that OECD report they talked about levels of employment and they note, as we have heard, that on paper certainly our employment levels are relatively low compared to the rest of the OECD countries but our level of underemployment is actually the highest among advanced economies. And we hear anecdotally—and I know there has been some research around this—a lot about people who have insufficient amounts of work, whether it is casual work or work in the gig economy or

even just being counted as being employed even though they were only working a few hours a week. What do New South Wales's underemployment levels look like? Do we have that data?

Ms WILKIE: I will have to take that on notice. I am not sure. The Australian Bureau of Statistics [ABS] does do surveys on underemployment. I am not sure whether it does that on a State basis, so I will take that on notice and see whether I can get that information. I will get my staff to check on the employment. Again, I suspect that the OECD report is referring to national Australian numbers rather than New South Wales numbers, because the employment in the State at the moment is very strong.

Ms ABIGAIL BOYD: It is.

Ms WILKIE: As the secretary said earlier, New South Wales actually has the lowest unemployment rate in Australia at the moment of all the jurisdictions, and we have had reasonably strong employment growth, despite a moderation in economic growth to just below trend. You were asking before about what does the impact of that have on wages growth. The impact that has on wages growth really depends on what the spare capacity limit in the economy is, it is called NAIRU, the non-accelerating inflation rate of unemployment, and the Reserve Bank of Australia [RBA] has recently put out some research that seems to indicate that NAIRU has indeed fallen. While we would expect that these sorts of rates of unemployment to be starting to see wage pressures if NAIRU has indeed fallen, then it will take longer for those wage pressures and therefore wage growth to start increasing again.

Ms ABIGAIL BOYD: Do you use statistics in addition to the ABS figures to determine employment levels in New South Wales?

Ms WILKIE: Yes. When we are forecasting employment we predominantly use the ABS numbers as our data inputs, but the ABS data across various forecasting lines is not the only data we use, but with employment that is predominantly what we use.

Ms ABIGAIL BOYD: The ABS data does not capture those people who would work if there was something coming up that was a job of the kind that they would want, whereas the OECD data does. Are there any statistics that you get from elsewhere that cover that bunch of people who could be productive in the economy but cannot find the jobs?

Ms WILKIE: I will take that on notice, but there is a difference I guess, for the purpose of forecasting, the employment trends and therefore what impact that has on revenue, in terms of, say, payroll tax but also on the impact of economic growth and the usefulness of the data that you are referring to versus the importance of that sort of data for employment policy or policy around jobs creation. There is a difference between people who are not taking a job because they might see that something else might be better coming along or they might have better skillsets, which is more a matter for employment policy and matching of jobs and job skills in the labour market, rather than that is an issue for employment data forecasts.

Ms ABIGAIL BOYD: When the Treasury is talking about employment data, how many hours a week do you need to be working to be counted as employed?

Ms WILKIE: It is a long time since I was part of an ABS labour data survey, I think it is—no, I am not even going to try to guess because I will get it wrong. I will take that on notice—

The Hon. DANIEL MOOKHEY: Fifteen hours.

Ms WILKIE: Yes, 15 hours sounds about right.

Ms ABIGAIL BOYD: Is there any measure for them looking at the numbers of people who want extra work from that? If you are employed at least 15 hours, then that is the end of the story.

Ms WILKIE: Yes. For the purposes of forecasting for economic growth, it is just that, and that is why I said that is the difference between the purpose of using data for a forecast of growth, versus looking at policy implications for a policy change.

Ms ABIGAIL BOYD: Do you have any data that would show us, for example, how much of the employed workforce now is working more than 15 hours or a certain number of hours per week, versus, say, 10 years ago?

Ms WILKIE: The ABS data will capture that, yes.

Ms ABIGAIL BOYD: Do you have any idea of what it is in New South Wales as to the trends?

Ms WILKIE: No, I will have to take that on notice.

Ms ABIGAIL BOYD: Thank you. That would be useful.

Ms WILKIE: Actually, it is one hour to be counted as employed, not 15.

Ms ABIGAIL BOYD: One hour?

Ms WILKIE: One hour.

Ms ABIGAIL BOYD: So those people in the employment figures?

Ms WILKIE: Yes.

Ms ABIGAIL BOYD: It would be really useful if you could take on notice to look at how many people working only one hour are included in our current employment figures, versus, say, 10 years ago and look at the trends.

Ms WILKIE: Sure. Again, I note that the State data at that detail only comes out once a quarter. I will have to check whether that is captured in the data, but if it is, then we will be able to provide that answer.

The Hon. MARK LATHAM: Mr Pratt, you mentioned earlier on the Federal Financial Relations Review, what level of co-operation has been forthcoming from the Commonwealth?

Mr PRATT: As I understand it, and I am not a party to these discussions, but our Treasurer has spoken with the Federal Treasurer with a view to explaining to him what the objectives of the review are, and as I would think, looking to get his support for the review.

The Hon. MARK LATHAM: How did that go?

Mr PRATT: Look, I think you would have to ask the Treasurer that. I am not a party to that discussion.

The Hon. MARK LATHAM: Can you take it on notice, because obviously it is a diminished review if you have not got the involvement and participation of the Commonwealth that controls the purse strings?

Mr PRATT: Happy to take it on notice, yes.

The Hon. MARK LATHAM: Are there other States that are participating in the review?

Mr PRATT: At this stage, no. But, we had a Board of Treasurers meeting in the last few weeks and this was discussed. It really is an extension of what we talked about earlier with the Board of Treasurers and there was positive support around the table. Now, to what degree that evolves into direct involvement, I do not know at this point.

Ms WILKIE: At this point in time the review has been announced by the New South Wales Government, it is a New South Wales review of Federal financial relations. We would certainly expect that Mr Thodey will consult with the Commonwealth and all of the other jurisdictions, along with the panel, in the course of the review. To what extent, then, the other jurisdictions may choose to, sort of like a High Court case I guess, join in and become part of the review, we would need to wait and see once the review is actually—so, it has been announced, the panel deliberations have not commenced as yet. One they get underway and start consulting with other jurisdictions that is entirely possible, that they may choose to join into the review, so to speak.

The Hon. MARK LATHAM: Coming back to the aerotropolis, why has it now gone into Treasury administration?

Mr PRATT: As part of the machinery of government changes, Treasury has now taken on responsibility for the whole economic portfolio of government and with that trade and investment. In the machinery of government change prior to the last election, economic responsibility was spread across two or three clusters of government. As a result of the change—and this is under Ms Wilkie's responsibility—the economic development and strategy work sits there under her in Treasury. On the back of that we have trade and investment, which is about execution against the economic blueprint work. As a part of that it will mean investment in major precincts, of which the authority is one, and so therefore it made sense to bring that together in Treasury as part of what we are doing.

The Hon. MARK LATHAM: In terms of the public administration, how will it work, because you have the role of Minister Ayres, the planning department, the health department, the transport department? With the authority itself inside Treasury, where does the buck stop?

Mr PRATT: Minister Ayres is the responsible Minister for the authority, but he is also part of the broader Treasury cluster, so he is one of the Ministers working with the Treasurer. But it will be his immediate and direct responsibility for that development. Then the authority itself is responsible through the CEO, Sam

Sangster, for the sort of integration discussions that you are referring to across government, be they transport, health, water, et cetera.

The Hon. MARK LATHAM: Just turning again to energy policy, what advice does Treasury provide to the energy department on matters of energy security, most notably the AEMO report from last week? Do you send through advice to them about the importance of energy security for economic growth in the State?

Mr PRATT: We do have regular dialogue, as you would hope. We also recently have taken responsibility as part of the machinery of government changes, for all the core assumptions of government, driving government financial decisions around budget and balance sheet. That is now our responsibility, which will necessitate more discussions in the areas that you are referring to.

Ms WILKIE: Specifically on a regular basis with regard to the sorts of advice that you are talking about and the conversations with other departments to date, prior to the changes and prior to bringing in more of the economic development functions, Treasury's conversations would have been more limited to the fiscal aspects of energy policy and changes in energy. One of the benefits of the machinery of government changes is that one of the functions that I will now need to build up in my area of responsibility is our expertise on energy markets and energy advice and the impact it has on economic growth. That is one of the transitions and building phases that we are going through in the group at the moment. To the extent that energy is already part of the discussion—and has been for many years around productivity reform—we already participate in those conversations. But we now need to build up the function around specifically looking at the impact of energy on growth and that aspect of the micro-foundations of growth.

The Hon. MARK LATHAM: What is your latest advice on dispatchable power as forecast by the AEMO?

Ms WILKIE: As the secretary said earlier, to the extent that that forecast goes to confidence in investment in the State—not just in energy assets but also more broadly—and the impact on investment decisions more broadly and, therefore, on business confidence issues, it is obviously a concern. The purpose of the AEMO reports, which are themselves statements of investment opportunities in the energy sector, is to offer a view on where the investment opportunities in the energy sector are and to therefore promote those opportunities and try to engage businesses to invest in energy opportunities. Whilst in one sense the report has an impact on confidence or certainty around investment, it is also a document that AEMO produces to try to highlight transparency in the energy market so that we understand what the investment opportunities are. By its very nature and its very purpose, the document is trying to encourage investment into that sector, which would be investment into the State, which would boost the economy of the State.

The Hon. MARK LATHAM: Finally, Mr Pratt, earlier you mentioned the accounting policies of Treasury and the dispute regarding the advice on the stadium funding. What is your best advice to the Parliament in how to proceed in the future with an independent Parliamentary Budget Office—which I know the Hon. Walt Secord, the Hon. Daniel Mookhey and I are interested in? Learning from the 2019 experience, where do you think this source of advice should head in the future?

Mr PRATT: As I said, by and large our experience with the PBO was a very good one. The only fundamental issue that I had was the stadium-costing issue. But I would say—and I would be very confident that the Parliamentary Budget Office would give you the same response—that our working relationship was very good and our respective teams worked very closely together. We had clear lines of separation, which I have talked about. I think both the Government and the Opposition could be confident that that was a model that worked really quite well. It was only in that last week when the PBO put out the *Budget Impact Statement* that I queried that significant issue. I was told that the PBO Act provides for the correction of errors after publication, so that is what I did.

The Hon. MARK LATHAM: Just on the detail of it, while I was out visibly campaigning I had the impression that Labor's stadium policy had an element of magic money about it.

The Hon. WALT SECORD: Come on, Mark.

The Hon. MARK LATHAM: Taxpayers were going to fund it—

The Hon. WALT SECORD: Mark, you need to ask the Government questions.

The Hon. MARK LATHAM: The Sydney Cricket and Sports Ground Trust, which obviously has resources for no more than the management of the SCG, was expected to fund it. How was that possibly going to happen?

Mr PRATT: Apart from—

The Hon. WALT SECORD: Point of order: This does not relate to the Government's budget.

The Hon. MARK LATHAM: You spent half an hour on it.

The Hon. NATALIE WARD: It is his time, Walt.

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

The Hon. MARK LATHAM: I am just saying that it looked like magic money.

The Hon. ADAM SEARLE: To the point of order: A very wide latitude is traditionally taken in budget estimates—it is not limited to the budget papers; it is a wide-ranging examination of the portfolio. But asking the secretary to comment on a Labor policy is well outside the ambit.

The Hon. MARK LATHAM: You want to get the Sydney Cricket and Sports Ground Trust to build a new hospital in Western Sydney.

The CHAIR: The question is out of order and you are out of time.

The Hon. SHAYNE MALLARD: The Government will relinquish its time for questions, but we would like to reserve the right to ask questions if something comes up.

The Hon. WALT SECORD: In the Treasurer's budget speech he said that there would be staff cuts of 2,500. How are we on track with the job cuts in the budget?

Mr PRATT: At this point, as a result of the machinery of government changes and the requirements for budget cuts, all my secretarial colleagues are working through their new structures. As you are aware, we went from 10 clusters to eight. As a result of those changes there is a requirement for them to deliver savings. At this point I do not have plans to put in front of you. It is a work in progress for each of the clusters.

The Hon. WALT SECORD: When you reduced the clusters from 10 to eight, who were the two directors, generals, chief executive officers or secretaries who were removed, merged or squeezed?

Mr PRATT: There were three that came out of those changes. The Secretary of the then Department of Finance was one—

The Hon. WALT SECORD: That was Mr Hoffman, right?

Mr PRATT: That was Mr Hoffman. The Secretary of the Department of Planning and Environment, Ms McNally, was one and the Secretary of the Department of Justice, Andrew Cappie-Wood, retired. Three positions came out of that restructure.

The Hon. WALT SECORD: What about the Roads and Maritime Services CEO?

Mr PRATT: That role has gone. I can confirm that the RMS CEO role has gone. I am not aware at this point where Mr Kanofski has gone or whether he is looking for another role in government. Mr Staples could confirm that for you.

The Hon. DANIEL MOOKHEY: Mr Pratt, you said the role has been abolished. Does that mean there is no longer a CEO of RMS?

Mr PRATT: He is working through the incorporation of RMS within the Transport cluster.

The Hon. DANIEL MOOKHEY: So there is someone currently acting as CEO?

Mr PRATT: I suggest you should ask that question of Mr Staples.

The Hon. DANIEL MOOKHEY: There is someone acting as CEO at RMS. It is not like the position was abolished—it is yet to be abolished. But you are saying that it is likely to be abolished?

Mr PRATT: I believe that is the intent. But I suggest you ask that question of Mr Staples.

The Hon. WALT SECORD: This will be my last question before I hand over to the Hon. Adam Searle. What are the arrangements for the remuneration packages for Mr Hoffman, Ms McNally, Mr Cappie-Wood and the RMS CEO?

Mr PRATT: In terms of exit packages?

The Hon. WALT SECORD: Yes.

Mr PRATT: They would be entitled to the standard exit package.

The Hon. WALT SECORD: Thirty-six weeks?

Mr PRATT: It is 38 or 39 weeks. I would have to confirm that but I think it is 38 weeks. The Public Service Commissioner would be able to answer that. I am not aware of what those payments were but I understand that you will talk to her and she will have the answer to that.

The Hon. WALT SECORD: Could you obtain what the total remuneration packages are for those five positions, because the Treasurer did mention the job cuts?

Mr PRATT: We will take that on notice.

The Hon. ADAM SEARLE: Mr Pratt, earlier I asked you some questions about the submission Vicki Telfer made to you. I think we were having a discussion about whether you had followed her advice or the recommendations in her report. You said that if I read all the material I would see that you had followed her recommendation. I have read the material—the privileged and non-privileged—and I do not know that I draw the same conclusion as you. Let us just deal with what is in the public domain. Ms Telfer's submission to you revealed that an effective working relationship between Suzanne Jones and the CEO, Mr Brogden, could not be re-established, that the relationship between Ms Jones and the rest of the board could not be re-established and that discussion should turn to her stepping down from the board and how that might be publicly communicated. Did you accept that advice from Ms Telfer?

Mr PRATT: Yes, that was her advice to me. Subsequent to my review of the investigator's report and coming to the conclusion that I have talked about, I then thought it was appropriate for me to meet with the acting chair and the CEO. I did not, as per our discussions today, divulge any of the content of that report, but simply to say to them that I was satisfied that I was not going to take further action. So my discussion with them was for the purpose of saying could Suzanne Jones return to the board as chair and was that workable for you, because there had been a six-month elapsed time over the period of that investigation. The response from that discussion and my own conclusion was that it would be very difficult but possible. Ms Telfer, you would have read in her report, used the word "untenable"; that was not the word that I used. The words that I used was "very difficult". On the advice, then, of the acting chair and the CEO, there was no reason to prevent Ms Jones from returning to the board and that is what she chose to do.

The Hon. ADAM SEARLE: At a general level, you would accept that bullying is not a good thing in the workplace and you would take a dim view of it?

Mr PRATT: Absolutely.

The Hon. ADAM SEARLE: And you would take a dim view of a person in senior management haranguing staff in front of other staff?

Mr PRATT: Yes.

The Hon. ADAM SEARLE: Or kicking them, for example. You would not accept that as a reasonable standard of behaviour of anyone in any senior role?

Mr PRATT: Mr Searle, you are going to the content of the report, which you well know I cannot talk about.

The Hon. ADAM SEARLE: I am just asking at a general level. Would you accept those behaviours?

Mr PRATT: At a general level I am against bullying, as I should be, in the workplace. Absolutely.

The Hon. ADAM SEARLE: Are you against those sorts of behaviours in the workplace?

Mr PRATT: I am not going to comment specifically on some of the items you have mentioned. But as an overall comment—

The Hon. ADAM SEARLE: Let me cut to the chase, Mr Pratt. If someone in your agency was found to have engaged in that kind of behaviour towards other staff, would you keep them in your organisation?

Mr PRATT: That depends on the nature and the seriousness of what occurred. That is a purely hypothetical and I am not going to comment further on that.

The Hon. ADAM SEARLE: Thank you, Mr Pratt. Turning back to the Port of Newcastle issue, did the State of New South Wales agree to be joined to the action or did you resist it?

Mr PRATT: Yes, we did.

The Hon. ADAM SEARLE: Why did you agree?

Mr GARDNER: On the anticipation the court would do that irrespective of whether we agreed or not.

The Hon. ADAM SEARLE: I am not asking you to give up any legal advice here. But given that you are now joined to the action, what are the potential implications for the New South Wales Government financially or legally if, for example, the court upheld the claim and its contentions?

Mr GARDNER: That is a very hypothetical—we will assess it when the court makes its decision and respond accordingly.

The Hon. ADAM SEARLE: It is a reasonably straightforward question. You have not fought the joinder.

The Hon. NATALIE WARD: It is not straightforward.

The Hon. ADAM SEARLE: You have agreed to the joinder of the State to a piece of litigation. You must have had some idea about the potential consequences for the State of New South Wales.

The Hon. NATALIE WARD: You said at the outset that you would not ask for that advice.

The CHAIR: The question was not directed to the Hon. Natalie Ward and it is in order.

The Hon. ADAM SEARLE: I am not asking for the legal advice.

The Hon. NATALIE WARD: You have said one thing and you have said another.

Mr GARDNER: We have not, beyond monitoring the state of the Federal Court proceedings, put significant consideration into the implications for the State.

The Hon. ADAM SEARLE: Could there be financial impacts for the State Government?

Mr GARDNER: As I said in my introduction to the question from the Hon. Walt Secord, no-one is claiming any compensation or otherwise from the State.

The Hon. DANIEL MOOKHEY: On the sale deeds, did the State warrant to the buyer of the ports that the State was following all laws?

Mr GARDNER: I imagine we would have given a warranty to capacity.

The Hon. DANIEL MOOKHEY: Did you warrant or provide any aspect of that deed that said that should any aspect of the deed be set aside, that there is a claim for compensation?

Mr GARDNER: I do not have that specific recollection so I would have to take that on notice.

The Hon. DANIEL MOOKHEY: Have you commissioned any legal advice that would outline whether or not, should the Australian Competition and Consumer Commission succeed in their action, there is a potential claim against the New South Wales Government?

Mr GARDNER: We have not sought that advice.

The Hon. DANIEL MOOKHEY: Have you sought any advice about whether or not a claim arises for any misleading or deceptive conduct on the behalf of the New South Wales Government, namely that you warranted to the market that the sale was in accordance with all laws?

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

The Hon. DANIEL MOOKHEY: The Treasurer's advance for 2018-19 was \$120 million. Is that correct, Mr Pratt?

Mr PRATT: I would have to check that number, but I believe that—I will take that on notice.

The Hon. DANIEL MOOKHEY: That is the number that is contained in the appropriation bill.

Mr MIDHA: That would be the number, then. It is about 100 but I do not know whether it is 120 or not.

The Hon. DANIEL MOOKHEY: For what it is worth, I will save you the punch. If you check the appropriation bill, you will find it lists \$120 million. You are welcome to check if I am wrong, if you wish, but let's just go off that figure. Not too much turns on precisely whether there is a difference between 100 and 120. How much of the Treasurer's advance was used last year?

Mr MIDHA: It has not been used.

The Hon. DANIEL MOOKHEY: It has not been used at all?

Mr MIDHA: No.

The Hon. DANIEL MOOKHEY: When was the last time it was?

Mr MIDHA: In the three years that I have been there it has not been used.

The Hon. DANIEL MOOKHEY: Under section 20 of the Public Authorities (Financial Arrangements) Act, the Treasurer is required to provide approval for any Minister or authority to enter into a joint financial arrangement [JFA]. That is correct, is it not?

Mr MIDHA: Sorry, can you repeat that question again?

The Hon. DANIEL MOOKHEY: Under section 20 of the Public Authorities (Financial Arrangements) Act 1987, the Treasurer is required to provide his or her approval to any Minister or authority that enters into a joint financial arrangement. That is correct, is it not?

Mr MIDHA: That sounds correct, yes.

Mr PRATT: I believe that is correct, yes. I would need to verify that, Mr Mookhey, but I believe that is correct.

The Hon. DANIEL MOOKHEY: What approvals has the Treasurer granted in the past two years?

Mr PRATT: We would have to take that on notice. There will be quite a number of those.

The Hon. DANIEL MOOKHEY: How many do you receive annually?

Mr MIDHA: How many approvals?

The Hon. DANIEL MOOKHEY: How many requests do you receive?

Mr MIDHA: There will be quite a few. There will be a number of them.

The Hon. DANIEL MOOKHEY: Can you describe the nature of the requests that arise?

Mr MIDHA: No, not off the top of my head. We can get back to you. There is a variety. I think it ranges from—any financial leasing or any entering into any financial arrangement, the Public Authorities (Financial Arrangements) Act requires a sign-off by the Treasurer.

The Hon. DANIEL MOOKHEY: The Treasurer approved the transport Minister entering into such a joint financial arrangement last year for the CBD light rail. That is correct?

Mr MIDHA: I assume so.

The Hon. DANIEL MOOKHEY: Well, this is Treasury and this was a matter which was scrutinised last year. It was known as the interim liquidity funding arrangement. Does that recall?

Mr PRATT: He would have done that, yes.

The Hon. DANIEL MOOKHEY: Has that agreement expired, that financing arrangement?

Mr PRATT: That was part of the settlement of the light rail, which was announced recently. Yes.

The Hon. DANIEL MOOKHEY: That was a guarantee that the New South Wales Government provided to two banks to effectively guarantee the solvency of the ALTRAC consortium. That is correct?

Mr PRATT: That is correct.

The Hon. DANIEL MOOKHEY: The two banks—were they not the Commonwealth Bank and the NAB?

Mr PRATT: I believe so. We were not directly involved in the facility set-up, but we could take that on notice, Mr Mookhey, and come back on that.

The Hon. DANIEL MOOKHEY: Sure. Why was such a liquidity guarantee required? What was Treasury told as to why it was required?

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Did the ALTRAC consortium pay the New South Wales Government anything in order to obtain a \$500 million guarantee?

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

The Hon. DANIEL MOOKHEY: What we do know on the public record is that the New South Wales Government guaranteed at least \$500 million of ALTRAC's debt. It was to two banks. The Treasurer approved it

but we do not know whether the New South Wales Government was paid anything for this. When the Commonwealth did this in the global financial crisis [GFC], there was a charge imposed on the banks and there was a charge imposed on the people who were seeking the guarantee. Is it the policy of the New South Wales Government, when you do provide such guarantees to private sector consortiums, that they pay anything? Or is this just another example of us effectively subsidising this project?

Mr PRATT: No, we will have this detail, Mr Mookhey, but we would have to come back to you. So I will take that on notice.

The Hon. DANIEL MOOKHEY: Have you received any requests in relation to the Sydney Metro for a JFA?

Mr PRATT: Not to my knowledge.

The Hon. DANIEL MOOKHEY: Have you received any from the Office of Sport?

Mr PRATT: Not to my knowledge, no.

The Hon. DANIEL MOOKHEY: Let us go back to workers compensation. Mr Nagle, can I just go back to that very small question about the IT platform being built. What was it called again?

Mr NAGLE: We call it the nominal insurer single platform.

The Hon. DANIEL MOOKHEY: That was a contract you entered into in 2015, you said?

Mr NAGLE: In 2016 the contract was entered into. We started the tender arrangements in late 2015.

The Hon. DANIEL MOOKHEY: What was its original project budget?

Mr NAGLE: It was \$240 million.

The Hon. DANIEL MOOKHEY: What was the original completion date?

Mr NAGLE: The original completion date would have been about 18 months from the time we started the build.

The Hon. DANIEL MOOKHEY: That would have been last year?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: So it is not completed?

Mr NAGLE: It is complete. What we concluded as we went into the build phase—we split into two deliveries: We delivered the policy and billing system in 2017—and that has been operational since that point—and we delivered the claims system in February of this year.

The Hon. DANIEL MOOKHEY: You have transitioned into your new claims model. Is that correct?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: In the course of that transition you have reduced the number of scheme agents?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: You have reduced them to how many?

Mr NAGLE: There is one primary one and there are two others supporting us.

The Hon. DANIEL MOOKHEY: Employers Mutual Limited [EML] is the primary one and the two supporting are Allianz and—

Mr NAGLE: And GIO.

The Hon. DANIEL MOOKHEY: —GIO. What is the market share of each of them, or at least the claim share of each of them that is being handled?

Mr NAGLE: I do not have the exact numbers, but you would say 70 per cent would be with EML.

The Hon. DANIEL MOOKHEY: Seventy per cent, okay. What is the value of EML's contract?

Mr NAGLE: Their contract is built on a supply of labour and services. Based on—

The Hon. DANIEL MOOKHEY: So it is cost recovery plus margin?

Mr NAGLE: That's right. It is approximately \$100 million. There is a reconciliation being done on their last year's activities at the moment.

The Hon. DANIEL MOOKHEY: It is a three-year contract, is that correct?

Mr NAGLE: That's right.

The Hon. DANIEL MOOKHEY: It is due for renewal next year?

Mr NAGLE: End of next year.

The Hon. DANIEL MOOKHEY: When will you be given the tenders for the next round?

Mr NAGLE: That is part of the model that we are looking at, at the moment. We recently announced that we are moving to what is called an authorised provider model.

The Hon. DANIEL MOOKHEY: Yes.

Mr NAGLE: That allows people and organisations that have prerequisite skills and capability to apply to operate as an authorised provider.

The Hon. DANIEL MOOKHEY: Under that contract is EML entitled to performance pay?

Mr NAGLE: There is an element of performance above their service—

The Hon. DANIEL MOOKHEY: What is the criteria for them to be able to access those payments?

Mr NAGLE: It varies on a range of measures built around delivery.

The Hon. DANIEL MOOKHEY: On notice, can you provide us with the categories?

Mr NAGLE: Yes, we can take that on notice.

The Hon. DANIEL MOOKHEY: That would be very useful. How many work complaints in relation to workers compensation has icare received in the past financial year?

Mr NAGLE: I do not have that detail. I would have to take that on notice.

The Hon. DANIEL MOOKHEY: Are you aware that the Workers Compensation Independent Review Office [WIRO] maintains statistics on the number of complaints it receives?

Mr NAGLE: I know the WIRO maintains statistics on the number of calls it gets.

The Hon. DANIEL MOOKHEY: Actually, it publishes statistics on the number of complaints it gets, too.

Mr NAGLE: We have a discussion with them about what is a complaint.

The Hon. DANIEL MOOKHEY: Sure. But you are aware that it does?

Mr NAGLE: They do.

The Hon. DANIEL MOOKHEY: And you are aware that the data that it has is pretty consistent by category over a number of years?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: The data shows that complaints against icare scheme agents rose by 35 per cent in the past 12 months, from 3,428 to 4,618. Why do you think that is?

Mr NAGLE: We believe it is a combination of factors. One is that when you introduce a new system it takes a while to train everyone and get them up to speed. We have had some consistency in delivery issues with the new system as we settle it down. At the same time, EML has been trying to get its staff up to speed with what the prerequisites of the new model require.

The Hon. DANIEL MOOKHEY: The purpose of the new claim model was to reduce a lot of those complaints. Is that correct?

Mr NAGLE: That is correct.

The Hon. DANIEL MOOKHEY: However, it is the case that it has been in effect now for effectively 18 months—it is halfway through the period of time—and it is showing that there has been a sharp spike in the number of complaints. One of the sharpest categories of complaints is in the time taken to determine liability.

I worry about that, because that is heavily correlated with return-to-work rates. Has icare examined why there has been a sharp spike? Have you had any discussions with WIRO and what actions are you taking?

Mr NAGLE: I am not privy to any particular discussions with WIRO. We have an ongoing exercise with EML to improve that service delivery. What we introduced in the new model is the provisional liability scenario. Where there is any doubt—and if we do not have the right information within the first seven days—the instructions are for EML to accept on a provisional liability basis. That allows us to institute treatment straightaway whilst we get the new information to allow—

The Hon. DANIEL MOOKHEY: I understand. The reason I ask this is because I would ordinarily think that this is to do with simply workers compensation and specifically the role of the number-one insurer. However, the problem is that the complaints to WIRO about the Treasury-managed fund, which you also manage, have risen by 50 per cent—from 697 to 1,944—and it is demonstrating the same spike and the same causes with the same providers, including EML. I am seeing that and I am wondering what is going on with EML?

Mr NAGLE: As I say, EML has been building up to speed. They have been recruiting. They have gone from zero staff at the start of 2018; they now have over 850 staff who are operating in Australia.

The Hon. DANIEL MOOKHEY: Just quickly, how many call centres do they operate for the purposes of their contracts that they have with you?

Mr NAGLE: I am aware of three.

The Hon. DANIEL MOOKHEY: Where are they located?

Mr NAGLE: There is one in Newcastle, there is one in Parramatta and there is one in Chatswood.

The Hon. DANIEL MOOKHEY: On notice, can you tell us how many full-time employees are in each?

Mr NAGLE: We can get that information.

The Hon. DANIEL MOOKHEY: That is great. Do you know the rate of turnover of claims managers at EML?

Mr NAGLE: Claims managers, I do not. I know that in their claims assistance—which is the primary area that runs the contact centre—it is about a 29 per cent churn at the moment.

The Hon. DANIEL MOOKHEY: It is 29 per cent. Wasn't that one of factors that was meant to be reduced, because it is heavily correlated with patient care?

Mr NAGLE: Case managers was meant to be reduced, yes. So what the model is built around is where there is no complexity in the claim, which is 65 per cent—

The Hon. DANIEL MOOKHEY: Yes, I understand.

Mr NAGLE: —of all our claims, it does not need the same level of case manager as a more complex claim. In case management they have a reasonably stable workforce. In fact, part of the churn they have in the case administrators is people who are graduating into case management.

The Hon. DANIEL MOOKHEY: You have to approve requests for surveillance, don't you?

Mr NAGLE: Yes, icare does.

The Hon. DANIEL MOOKHEY: How many do you receive per month?

Mr NAGLE: I do not have that information.

The Hon. DANIEL MOOKHEY: Do you have available to you—or could you get by tonight—the amount that you have approved and rejected for the past 12 months?

Mr NAGLE: We can attempt to get that information.

Mr PRATT: Chair, could I just clarify one question from Mr Mookhey around the JFA? I took his question to be Metro City. There is a JFA in place for Metro Northwest, but nothing for Metro City & Southwest.

The Hon. DANIEL MOOKHEY: I don't know if you want to explain what that JFA is right now?

Mr PRATT: We can come back on that, if you like.

Ms CURTAIN: With Sydney Metro Northwest the majority part of the packages are PPP and it is typical under a public-private partnership arrangement to have a JFA in place where there is private sector debt and equity

funding the project. This was right at the start of the project. This is a very different type of a JFA than was in Sydney light rail in relation to the liquidity facility that you mentioned.

The Hon. DANIEL MOOKHEY: Has that JFA got an expiry date on it?

Ms CURTAIN: It is for the duration of the project.

Ms ABIGAIL BOYD: Just going back onto house prices: Ms Wilkie, you were mentioning that you have seen an uptick in house prices recently. Is that the last quarter statistics that you are looking at?

Ms WILKIE: I would have to get the latest data, which I might have here. Bear with me. We have definitely seen an uptick in auction clearance rates. I do not have the data right in front of me on house prices but I will be able to get that fairly quickly for you.

Ms ABIGAIL BOYD: That would be really good. The information I have is that we have seen, for example, Sydney prices go up by 0.1 per cent—quite a small uptick—but we are still 14.9 per cent below—

Ms WILKIE: That's right. We are still in net, so we are still—

Ms ABIGAIL BOYD: —what we were in 2017.

Ms WILKIE: Exactly, yes. House prices are coming back up, but in terms of where we are in trend we are still well below trend.

Ms ABIGAIL BOYD: The quarter before the last one, was that negative still or was that—

Ms WILKIE: Yes, I think that sounds about right.

Ms ABIGAIL BOYD: So other than the auction clearance rates and this non-negative increase in price, is there anything else that gives you hope about house prices, that makes you feel that they are increasing?

Ms WILKIE: One of the things that starts driving house price growth is the basic economic market—the more buyers and sellers and the greater demand for housing, and if that goes beyond what the supply of houses is then prices will start coming up again. We have started seeing a turnaround in the volume, the number of house sales as well. When house prices start coming down and the housing market is starting to slow we see investors pulling out of the market and some first homebuyers and other people putting their properties on the market as well as deciding to buy, make decisions for various reasons. However, eventually demographics start to come into play.

For example, people who are wanting to downsize because they have had children leave home or they are going from a big family home into a smaller unit or something like that will need to come into the market, as will people who are having children and that sort of thing, people moving home because of jobs and that sort of stuff. Once the volumes start to come back up again that is usually when you start seeing pressure on price growth again as well.

Ms ABIGAIL BOYD: What sort of extraneous factors would make that equation not hold true?

Ms WILKIE: Not hold true?

Ms ABIGAIL BOYD: Yes. What else could come along that would—

Ms WILKIE: Demographics are pretty demanding. Difference in lifestyle choices—potentially a shift in our cultural and social norms around people choosing to raise their children in houses with backyards versus in apartments, in tower blocks—would start making a difference to that sort of equation. The sorts of differences to that pattern that we have seen hold true in the data going back as far as we have the data records is massive shifts in our cultural norms and social norms. So we are not seeing those at this point but, by their nature, they would also happen slowly.

Ms ABIGAIL BOYD: Okay. Do you have data on default rates? What is the trend like?

Ms WILKIE: We would have access to that data. I am not familiar with that data.

Mr MIDHA: Can I also add that the availability of credit has improved.

Ms WILKIE: Yes.

Mr MIDHA: That is another driver of buyer habits we should have influencing here in the market.

Ms ABIGAIL BOYD: You are not aware of the default rates either?

Mr MIDHA: Not the default rate, no. I think the last results that we saw from the financial institutions, the default rates were still very low and that also came out through the Hayne inquiry. We have not seen any evidence to suggest that has changed in the short term.

Ms ABIGAIL BOYD: Other than the house prices stopping falling, we have got stagnant wage growth and stagnant growth in the economy. We have worries over consumer spending—

Ms WILKIE: I would not classify the economic growth at the moment in New South Wales as stagnant.

Ms ABIGAIL BOYD: Okay.

Ms WILKIE: The forecast for 2018-19 and 2019-20 is 2.25 per cent, which is just a notch off our trend growth, and coming back within the forward projection years to being actually slightly above trend growth. When we say that our economy has—

Ms ABIGAIL BOYD: When you say "trend growth", do you mean in the last 10 years or do you mean before that?

Ms WILKIE: The trend growth years is on the basis of actually 20 or 30 years, I think. It is a very long period—and it could even be as long as 40 years. The trend growth, when you are looking at things like the national accounts for the whole country, is usually tested on 40 years rather than a shorter period than that. Yes, our economic growth has moderated—or "slowed" is the word economists prefer to use. It has not stagnated.

Ms ABIGAIL BOYD: I am sure they do.

Ms WILKIE: Stagnant growth is heading towards—it is important. Economists, like any profession, can be accused of using too much jargon but we use jargon because there is precision in it. Stagnation is zero or close to zero, or even negative growth.

Ms ABIGAIL BOYD: Okay. From the perspective of the average person in New South Wales, so the average household, would you agree that household income effectively is stagnant and wage growth has been effectively stagnant?

Ms WILKIE: No because, again, they are above those trends. But those growth rates at the moment are above zero.

Ms ABIGAIL BOYD: But not sufficient to boost consumer spending.

Ms WILKIE: Consumer confidence—again, consumer spending is not in negative territory; it has slowed—is around on par at the moment, which is an indicator of future consumption spending. Again, these are aspects in terms of economic growth that have downside risks for the economy but they are not causing the State economy to be looking at a significant period of weakness at this stage.

Ms ABIGAIL BOYD: Do you collect data on quality of living and inequality across the State?

Ms WILKIE: We do not collect data on—

Ms ABIGAIL BOYD: Or do you have access to data?

Ms WILKIE: Yes, we have access to that sort of data but NSW Treasury is not a data collection agency in and of itself.

Ms ABIGAIL BOYD: No.

Ms WILKIE: But we would access that sort of data through the Household, Income and Labour Dynamics in Australia [HILDA] studies, through the Australian Bureau of Statistics inequality studies and, indeed, any other organisation that produces research or surveys on that. If we were looking at those sorts of issues, we have access to a very broad range of data sources.

Ms ABIGAIL BOYD: Would you accept the proposition that economic inequality, particularly wealth inequality, in Australia is at historic highs and that that is also the case in New South Wales?

Ms WILKIE: I have not looked at that data myself recently. Generally, I am not sure about historical comparisons of New South Wales and Australia, but certainly in comparison to OECD countries, Australia is not—Australia tends to be more equal than—it is certainly not at the extreme ends of inequality that you see in the United States, for example.

Mr MIDHA: The Gini coefficient is a good one to use.

Ms WILKIE: Yes, the Gini coefficient: We are usually around the OECD average rather than being at extremely equal or extremely unequal.

Ms ABIGAIL BOYD: We are at the higher end of the OECD countries when it comes to the Gini coefficient, along with Canada, the United Kingdom and America.

Ms WILKIE: I would have to go back and check the data, but certainly in times when I have looked at inequality data Australia tends to be, okay, maybe above the OECD average but not at the extreme upper end of inequality.

The Hon. DANIEL MOOKHEY: Not Hong Kong.

Ms ABIGAIL BOYD: Not Hong Kong?

The Hon. DANIEL MOOKHEY: Hong Kong is the most extreme. It is not a Gini coefficient.

Ms ABIGAIL BOYD: There we go.

The Hon. NATALIE WARD: Russia? Russia would be up there.

Ms ABIGAIL BOYD: Do you have a plan in place for if there is another GFC or a similar crisis in global financial markets?

Ms WILKIE: When you are looking at economic policy, for macro policy a State government's or any subnational government's policy options in terms of macro policy levers are fairly limited. Fiscal stimulus of that sort of nature that we saw in the GFC is almost solely in the hands of the Commonwealth Government and monetary policy is obviously a lever that is under the auspices of the Reserve Bank. However, it is the job of the Treasury to look at what other policy options, should there be an economic shock of any nature—be it a positive or negative—so we are always looking at those sorts of options. In particular, in the GFC certainly one of the policy options—although I was not in State Government at the time—that the State governments took at that time was to increase their infrastructure investment along with the Commonwealth co-investing in that as well. Those options are open if there is another negative shock of that nature.

Ms ABIGAIL BOYD: In terms of the Government's investments—and we were talking about the new Generations Fund before and I understand that a lot of that is invested in global as well as domestic equities and bonds—can you talk through how that fund is managed and how we manage this?

Mr PRATT: I will take that, yes. The fund is managed through TCorp. TCorp traditionally, as you know, has been a debt house. It now has around \$104 billion in management of funds so they have grown the other side of their balance sheet now quite significantly. Over the last two or so years they have taken on a lot more capability in funds management rather than just debt management so they now have a highly competent group of investment managers internally within TCorp and then within the communities they deal with of fund managers. They are now, I believe Ms Boyd, the fourth largest fund manager in Australia, so quite a significant change in terms of their focus. The way that process works is they submit to the generations board the strategic asset allocation approach that I talked about earlier. That board then imposes their own views and feedback on that process and through an iteration process that occurred over a period of four or five months that asset allocation was agreed.

I will give you a good example of the capability—some might say more good luck than good management—but what occurred at the time when a lot of that money was invested, quite a portion of that was invested in the US markets with an unhedged Aussie dollar. So they got the increase in the market and along with that they got the Aussie dollar benefit. I am confident now we have got some very good people who are overseeing that investment but, as I said earlier, markets will go up and down; but this is a long-term fund as per the future fund that we talked about.

The CHAIR: Mr Latham?

The Hon. MARK LATHAM: Madam Chair—

Ms WILKIE: I am sorry, before you hand over—excuse me, Mr Latham—I wish to clarify some questions for Ms Boyd. In terms of the house price data, we predominately track the CoreLogic daily hedonic house price index, which, as you said, has had a Sydney dwelling price growth of 0.9 per cent over the past month. So that is a monthly data series, not a quarterly data series. The clearance rates currently at auctions provide a really good indication of what price growth is going to be in about four to six months time. The clearance rates that we are seeing now indicate that there is definitely going to be a price increase from that one percentage point in coming months. We will start as you say, but we are still below where house prices were even a couple of years ago. On trends, gross State product growth, we use a forecast for that that is based on participation, population and productivity. The trend rate is based on a 27-year period.

Ms ABIGAIL BOYD: Thank you.

The Hon. MARK LATHAM: Does the NSW Climate Change Fund need Treasury accounting standards, given that it no longer reports on what effectiveness it might have in influencing global temperatures, and also seems to be spent a fair bit now on matters totally unrelated to climate change, such as koala protection and flood mitigation? Have you done an assessment of this fund, and what does it show?

Mr MIDHA: We have not done an assessment of the fund. There is \$1.4 billion in the Climate Change Fund. It targets three areas: The first one is energy savings and to reduce emissions; the second one is to deliver reliable, clean and affordable energy; and the third one is to improve the use of water energy and land. Those projects that fall within those categories are funded by the fund. Within the 2019-20 budget, money has been put aside for those different areas.

The Hon. MARK LATHAM: Would you like to see the fund abolished to bring down electricity prices in New South Wales and help stimulate the economy?

The Hon. NATALIE WARD: I think that is a policy question, Mr Latham.

Mr MIDHA: That is a Government policy decision.

The Hon. MARK LATHAM: Would you give any policy advice along those lines? Recently there was criticism of the Government practice of trying to buy in major cultural events, Destination NSW. Have you made any independent assessment of the money that could be wasted here as taxpayers pay for these events, and they do not meet their ticketing and attendance targets?

Mr PRATT: I will comment, Mr Latham, then I might get Ms Curtain, who has now picked up responsibility for Destination NSW going forward, because that has recently come in as a response of machinery-of-government changes. We are undertaking a full review of Destination NSW events and its profitability. That review of all the events is going on right now. Ms Curtain is leading that, so did you want to speak to that?

Ms CURTAIN: In terms of Destination NSW and major events, as part of their processes they do an analysis of the return on investment expected from each event. Obviously some events turn out better than others but my understanding—and, as Mr Pratt said, it has come into our portfolio from 1 July so we are still getting up to speed—is that they have a very good impact on the New South Wales economy. Minister Ayres is the portfolio Minister who will be able to provide more detail on that on 11 September.

The Hon. MARK LATHAM: Eleven September. What is happening then, sorry?

Ms CURTAIN: That is when Minister Ayres will be appearing before the Committee.

The Hon. MARK LATHAM: Okay, that is at estimates. But are you doing an independent assessment now that it has come into your purview since 1 July about the cost-effectiveness of this taxpayer outlay?

Ms WILKIE: We are conducting a series of reviews, as the secretary and Ms Curtain have referred to, on some functions that have come into the department. Destination NSW is one of those. The purpose of those reviews—we are not going at the moment in depth into the specific question that you are asking. At the moment the reviews are what we are calling strategic deep dives that look at what is the current function of the agency or the policy and program area, how well has it been performing—so what is it that, I guess, in lay terms has been working and what has not been working. We are not conducting any new-to-the-world modelling or analysis of that; we are using information that is already available.

Destination NSW, for example, on some of their projects already conducts business cases and that sort of thing to understand what the impact on the economy is likely to be, and then conduct some evaluations on what has occurred. We are looking at that data at the moment, and putting that together then with the Government following the election and the new priorities that the Government has outlaid—the Premier's Priorities and all of those other things—looking at what the role in that area could be going forward, and then using that to have a conversation with Ministers about where they want to take those agencies and the functions that they have, which would include consideration of what is their assessment on whether value for taxpayers' money is being made.

Mr PRATT: So the direct answer to your question is, yes. We will review return on investment.

The Hon. MARK LATHAM: I was looking for a summary of that very elaborate answer that might be yes. So that is good to know. Can you distribute on notice a list of all of these reviews?

Ms WILKIE: I can tell you now there are four that we are conducting: Destination NSW, Jobs for NSW, the Office of the Small Business Commissioner, and the Innovation and Productivity Council.

The Hon. MARK LATHAM: The Innovation and Productivity Council?

Ms WILKIE: Yes, the Innovation and Productivity Council.

The Hon. MARK LATHAM: Right. I did not know we had one. Are they related to the Productivity Commissioner that you have?

Ms WILKIE: No, they are not. It is actually set up under the Innovation and Productivity Act and it is a council—so an independent advisory board or council—with Neville Stevens as the chair. That has come into the department as part of machinery-of-government changes from the former Department of Industry.

The Hon. MARK LATHAM: You will have the Climate Change Fund fifth on your list, possibly.

The Hon. SHAYNE MALLARD: Good try.

The Hon. MARK LATHAM: Okay, we will wait and see. The Treasurer mentioned earlier on you cannot turn infrastructure off and on like a tap. Does Treasury have any modelling about its optimal size of population growth in New South Wales to give government a chance to meet its infrastructure and servicing requirements—particularly in Sydney, where the growth is rapid, at 100,000 people a year. I think you only have to look at outer western Sydney to see and realise the Government cannot possibly keep up. Do you have an optimal size of population growth for New South Wales in Treasury?

Mr PRATT: No, we do not. In fact, this is one of the gaps, in my opinion, that we need to address. Hence the economic blueprint work that we are undertaking. What we do have is some very, very good pieces of work, in my opinion, around parts of the strategy. For example, there is a 20-year State infrastructure plan, there is a 40-year transport plan and there is the work of the Greater Sydney Commission in three cities. But all of that has not been brought together, to answer your question. That is the work we are now currently picking up as a result of the Economic portfolio all coming into Treasury.

The Hon. MARK LATHAM: You are very busy, aren't you?

Mr PRATT: We are busy, yes.

The Hon. MARK LATHAM: There is good material coming out. What role is Treasury playing in implementing the Government's policy announced, I think, in September-October to halve the overseas migration intake into New South Wales, specifically to take the population pressures off Sydney?

Mr PRATT: There is a population forum running out of the Federal Government, which we are participating in through Treasurers. As I understand it, the Commonwealth Treasurer has been asked to lead that forum. That population forum is looking at these very issues, including the issues of skills, where States today have no input into migration of skills. That is a pretty fundamental issue in my opinion. That work is underway, and the Commonwealth are chairing that forum.

The Hon. MARK LATHAM: Doesn't the Commonwealth ask the States for specific input about the skills needed?

Mr PRATT: No, it does not today.

The Hon. MARK LATHAM: That has never happened?

Mr PRATT: It may have happened but, certainly in my time, not recently, no.

The Hon. MARK LATHAM: Have you had any involvement with the Shergold committee that was supposedly set up to develop a population policy for New South Wales? Does that committee actually exist, to your knowledge?

Mr PRATT: Not that I am aware of.

Ms WILKIE: As the secretary mentioned, there is the Treasurer's Forum on Population, which is chaired by the Commonwealth Treasurer, and there is a Treasury officials series of working groups that sits underneath that, working on data and regional migration issues. The Commonwealth has also just set up within the Department of Treasury a Centre for Population, so it is very, very new. It has only just been set up since the Commonwealth budget. Its role is to better liaise with the States and Territories about our population needs and population impacts. Again, that is something that Treasury officials, through the working groups that sit under the forum, have been working on. Those working groups and the Treasurer's forum has a commitment to the Council of Australian Governments that they will bring forward a population planning framework for COAG's consideration at the end of the year.

The Hon. MARK LATHAM: That is at the Commonwealth level, but is Treasury aware of any work undertaken inside the New South Wales Government to implement last year's policy to halve the overseas migration intake in New South Wales?

Mr PRATT: No.

The Hon. MARK LATHAM: Okay.

The Hon. WALT SECORD: Mr Pratt, if you could direct this to the appropriate public servant. Zero interest rates—there is a current debate about what would happen if Australia dipped to zero interest rates. What would be the impact on the New South Wales economy, and what would be the advice that you provide to the Treasurer? The second point would be, in fact, would it go as far as—I have family members in Berlin, where they are actually charged to make bank deposits. What would be the impact? We are on the cusp of a debate on that.

Ms WILKIE: The impact of zero interest rates if the cash rate goes to zero is a very live question about how that plays out in the economy. To some extent in terms of lending banks and that sort of thing, that is a matter, in some respects, for the banks. As you say, this is very new so we are still working through what that means for Australia. The Governor of the Reserve Bank has made comments on the likelihood or not of the bank taking that move, or indeed any moves around quantitative easing. So basically the answer to that is we are undertaking analysis at the moment as to what that actually means and at this stage we have not formed any firm views about impact or what we might need to do in response to it.

The Hon. WALT SECORD: Mr Pratt, if you could direct this another one of your officials responsible for trade offices in New South Wales—trade initiatives and that.

Mr PRATT: Yes. Ms Curtain will take that.

The Hon. WALT SECORD: How many trade offices or presences do we have at the moment in New South Wales?

Ms CURTAIN: Do you mean internationally?

The Hon. WALT SECORD: Yes.

Ms CURTAIN: Around the world there are 11 offices in 10 countries. We have two in China.

The Hon. WALT SECORD: Is a review underway on their practices and their effectiveness?

Ms CURTAIN: At the moment, in conjunction with the economic blueprint work, we are looking at what is our trade and investment strategy going forward and whether we want to make any adjustments to that. So looking at what our footprint is internationally and whether that needs any changes is part of that review.

The Hon. WALT SECORD: Are there any new markets, regions or presences that are emerging on the radar as a possible location?

Ms CURTAIN: That is all being considered—looking at current trends around the world and the opportunities for New South Wales in terms of both foreign direct investment as well as trade opportunities and whether we need to adjust our international footprint to match those opportunities.

The Hon. WALT SECORD: Last week in the Legislative Council the Parliamentary Secretary to the Treasurer, Scott Farlow, suggested that there should be a reviving of the agent-general office in London with Brexit. Has the NSW Treasury or the New South Wales Government done any work in that area?

Mr PRATT: We are looking at that, yes.

The Hon. WALT SECORD: Oh, you are looking at that?

Mr PRATT: Yes.

The Hon. MARK LATHAM: Really?

Mr PRATT: No decision has been made yet but to give you some broader context around this, if you visit Australia House in London—which some of you probably have done a number of times—you will see Victoria and South Australia have basically a floor each. We have one representative in London. So in terms of future investment opportunity we are well underbaked. Therefore, we are looking at the opportunity. We are reviewing the full trade points globally but it would be completely wrong of us to ignore the opportunity coming out of the United Kingdom [UK]. And to Mr Latham's earlier question around Western Sydney Airport, we are signing memorandums of understanding [MOUs] with players in that part of the world where that is going to be very important. So that is currently a work in progress.

The Hon. WALT SECORD: As well as opportunities, I have had discussions with Australian meat exporters and, as well as seeing Brexit as an opportunity, they see Brexit as actually a threat—a big threat—

whereby UK lamb and UK meat could in fact flood our Arabic markets. Is New South Wales doing any research or work in that area?

Mr PRATT: This is a good example of the need to step up our footprint and our intelligence around a lot of these issues, which in my observation we do not effectively do as well as we should today—hence the work that we are doing.

The Hon. DANIEL MOOKHEY: I will pick up that line of questioning. Does the Treasury maintain modelling on trade shocks?

Ms WILKIE: We constantly look at what are the impacts of all sorts of trade or investments or global shocks to the extent that it depends what you mean by "modelling". We run some models. We do not run all sorts of models.

The Hon. DANIEL MOOKHEY: But you monitor and provide advice?

Ms WILKIE: We certainly monitor those shocks, yes.

The Hon. DANIEL MOOKHEY: Are you monitoring Brexit?

Ms WILKIE: Yes.

The Hon. DANIEL MOOKHEY: In what form are you monitoring Brexit?

Ms WILKIE: We run in a usual year two forecasting rounds a year—one for the budget and one for the half-yearly review. Those are the two times in a year we would run a formal model to look at the impacts on growth and revenue. In between those times we monitor what is going on and keep an eye on it and get an understanding of what is going on so that we can then start feeding it into the forecasting round when the forecasting round starts.

The Hon. DANIEL MOOKHEY: That is excellent.

Ms WILKIE: So on something like Brexit, at the moment I guess we keep a tab—a scoresheet, for want of a better word—on what is happening with the risks. Brexit is I guess a red arrow. It is actualising as a downside risk more and more, and that red arrow is getting bigger and fatter—is one way to put it—as we head towards the October deadline.

The Hon. DANIEL MOOKHEY: So is Treasury of the view that it is emerging as one of the largest risks in that category?

Ms WILKIE: The impact of Brexit on the New South Wales economy—there is a difference between the risk and thinking about the negative or positive implications of a risk and then how that actualises and the actual impacts. Australia as a whole is unsure at this moment exactly what impact Brexit and the disorderly—

The Hon. DANIEL MOOKHEY: Of course. To be fair, I am sure the United Kingdom is not sure what the impacts will be, so it is not an exceptional point.

Ms WILKIE: I guess really at the moment in terms of how I would rank the risks to the New South Wales economy—

The Hon. DANIEL MOOKHEY: From trade.

Ms WILKIE: From trade and in global issues, I would actually say that the current continuation of disruption in trade between the United States and China is of more impact to New South Wales than Brexit.

The Hon. DANIEL MOOKHEY: Treasury's advice seems to be consistent with the Commonwealth Treasury as well as every other global forecasting agency. But let's just stay on the issue of Brexit for a little bit longer. You make the point that it is a downside risk and the downside risk is growing—that is fair?

Ms WILKIE: Yes.

The Hon. DANIEL MOOKHEY: Insofar as what is on the public record, be it in the New South Wales media or the international media, there are predictions that the United Kingdom will enter into recession. There are predictions that trade volumes will shrink and unemployment will spike, and in addition to that that there will be capital outflow from the UK to the European Union [EU] as banks relocate from London to France. Is NSW Treasury's modelling consistent with that global opinion?

Ms WILKIE: We do not model—

The Hon. DANIEL MOOKHEY: Not modelling; monitoring.

Ms WILKIE: Yes. We do not run models on other jurisdictions' economies, so we monitor the same data and the same economic opinions—

The Hon. DANIEL MOOKHEY: But you share that opinion?

Ms WILKIE: Yes. We would share that view. In terms of what that means for New South Wales, and indeed Australia, as I said before, it depends on a whole heap of other factors. There are also other economic opinions that Brexit actually provides a greater opportunity for Australian exports into the UK market as opposed to it means us falling.

The Hon. DANIEL MOOKHEY: But is that Treasury's official advice?

Ms WILKIE: No, that is not our official advice in the sense that we do not provide advice on that sort of—

The Hon. DANIEL MOOKHEY: So you have not provided that advice?

Ms WILKIE: It is a view in terms of what are the potential risks, upside or downside, of Brexit occurring.

The Hon. DANIEL MOOKHEY: To be fair to the incumbent UK Government, that is their view. So it is not an unusual view. To be fair to the new Prime Minister of the UK, that is his view. It is a public argument. The reason I ask this is the secretary just said that the proposition of the agent-general is being considered as a way in which to take advantage of the opportunities that are being presented by Brexit. What opportunities are there, given Treasury holds the view that the risks are downside and huge? Why is Treasury taking the view that an agent-general in London is more important than an agent-general in France or the EU—or, for that matter, emerging economies, be it China or India? Why London, given most conventional opinion is they are about to tank?

Ms WILKIE: I will leave the question about London and Europe to Ms Curtain and Mr Pratt because that is their area of expertise, but in terms of—

The Hon. DANIEL MOOKHEY: I will ask the secretary then.

Ms WILKIE: You were just asking about the outflow of capital. The United Kingdom is one of Australia's and New South Wales' highest investors in terms of foreign direct investment. If there is going to be an outflow of capital from the UK to other parts of the globe—

The Hon. DANIEL MOOKHEY: To be fair, that is money routed from the EU through the London financial centre into Australia, and there is reasonable forecast that that capital flow will change to France if Brexit takes place.

The Hon. NATALIE WARD: Is there a question, or are you just lecturing?

The Hon. DANIEL MOOKHEY: My question is, Mr Pratt, when you are evaluating the proposition that we return an Agent-General to London are you evaluating that we create one in Beijing, or are you evaluating that we create one in these other economies that are showing much greater prospects for economic growth than a country that is about to plunge into—

Mr PRATT: No, Mr Mookhey. It is important not to look at the Agent-General London in isolation. We are doing a full review of our trade footprint and that will be on the back—the point I made earlier to Mr Latham's question around the economic development footprint, we need to get that work done because we want to get trade and investment pointed into where we want the economic investment in New South Wales.

The Hon. DANIEL MOOKHEY: So, other than London, where else are you examining—

Mr PRATT: London is one part of that, but it is broader.

The Hon. DANIEL MOOKHEY: Where else are you considering establishing an Agent-General?

Mr PRATT: Well, the Agent-General role as such is specific to London. It has a unique title, it comes with specific responsibilities—

The Hon. DANIEL MOOKHEY: History.

Mr PRATT: —and history. I am not aware of that specific anywhere else around the world, but we are looking at all the other roles. For example, in Hong Kong, one would assume at this point there is significant capital outflows going on. My response to you is around getting market intel, and having people on the ground is very important to do that.

The Hon. DANIEL MOOKHEY: Let us return now, Mr Nagle, to surveillance. I was asking you before that icare has to approve surveillance requests on a monthly basis by any insurer who wishes to undertake it on a worker in the workers compensation scheme, that is correct is it not?

Mr NAGLE: It is for the nominal insurer and more recently for the Treasury Managed Fund [TMF]. We can actually update you for the nominal insurer on the number of investigations in the past 12 months.

The Hon. DANIEL MOOKHEY: Please

Mr NAGLE: We had 199 requests and we approved 149.

The Hon. DANIEL MOOKHEY: Thank you. I was just about to ask you how many did you receive and how many did you approve. Do you have those figures by insurers?

Mr NAGLE: I do not.

The Hon. DANIEL MOOKHEY: Is Allianz making requests?

Mr NAGLE: It would be.

The Hon. DANIEL MOOKHEY: And you are aware of the Hayne royal commission's criticism of Allianz in respect of the use of surveillance?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: And you are aware that the Hayne royal commission said that it was using it effectively in an egregious manner without any real basis and as a form of harassment?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: What steps has icare taken to ensure that Allianz is not doing that for workers in the workers compensation system?

Mr NAGLE: Three years ago we made the first lot of changes into how scheme agents could approve investigations and surveillance, and ever since we have been tightening the process. We actually took over the approvals for investigations and surveillance about two years ago.

The Hon. DANIEL MOOKHEY: Has the State Insurance Regulatory Authority completed its work on updating the surveillance guidelines?

Mr NAGLE: Not that I am aware of.

The Hon. DANIEL MOOKHEY: It said that it would update its claims administration manual and that would be operational. Is the new SIRA claims administration manual operational and are you following it?

Mr NAGLE: Not that I am aware of.

The Hon. DANIEL MOOKHEY: It is not operational?

Mr NAGLE: Not operational.

The Hon. DANIEL MOOKHEY: We were told that that would be operational last November, I believe, or December and would be in operation for this year. It is now September. Have you seen it?

Mr NAGLE: There have been a number of drafts of it, yes.

The Hon. DANIEL MOOKHEY: Have you been advised by SIRA as to when it will be operational?

Mr NAGLE: Not that I am aware of.

The Hon. DANIEL MOOKHEY: You are aware that that claims administration manual was meant to be SIRA imposing standards on surveillance across the entire insurance sector it supervises?

Mr NAGLE: That was part of the process.

The Hon. DANIEL MOOKHEY: You are aware that the law and justice committee, amongst many others, has said to SIRA now for multiple years to update that manual to crack down on the egregious use of surveillance? You are aware, because there was a recommendation to icare as well?

Mr NAGLE: I am aware of the recommendation, that is right.

The Hon. DANIEL MOOKHEY: The fact that we have been told by SIRA that the claims administration manual will be in effect, but it is not, are we to infer from that that it has stuffed up again?

Mr NAGLE: I do not think that is a fair understanding of it. It has gone through extensive consultation across all of the players in the workers compensation market.

The Hon. DANIEL MOOKHEY: Do you have surveillance requests by the Treasury Managed Fund?

Mr NAGLE: It would be part of the requests, yes.

The Hon. DANIEL MOOKHEY: Was that covered in the old figures?

Mr NAGLE: No.

The Hon. DANIEL MOOKHEY: Do you have those figures—

Mr NAGLE: No.

The Hon. DANIEL MOOKHEY: —as to how many are coming for it?

Mr NAGLE: Not at the moment, no. Because they are not on our single platform, it takes longer to—

The Hon. DANIEL MOOKHEY: Will you be in a position to get that by tonight?

Mr NAGLE: No.

The Hon. DANIEL MOOKHEY: Will you be able to take on notice the amount of requests in the past 12 months and by month for the Treasury Managed Fund?

Mr NAGLE: I can do that.

The Hon. DANIEL MOOKHEY: What is the biggest cohort of workers who are insured by the Treasury Managed Fund?

Mr NAGLE: Public servants.

The Hon. DANIEL MOOKHEY: And what specific form of public servant?

Mr NAGLE: Everyone.

The Hon. DANIEL MOOKHEY: They cover police officers, that is correct?

Mr NAGLE: Correct.

The Hon. DANIEL MOOKHEY: And police officers, amongst a cohort of public servants who make claims on the TMF, are demographically higher are they not, because the nature of their work is such that they are more likely to be exposed to events that create workers compensation claims. Is that a fair statement?

Mr NAGLE: Yes. All first responders and emergency services have a higher rate of claim.

The Hon. DANIEL MOOKHEY: Are police officers being surveilled?

Mr NAGLE: Occasionally.

The Hon. DANIEL MOOKHEY: How many?

Mr NAGLE: I do not have that detail.

The Hon. DANIEL MOOKHEY: Are you aware of the criticism that says that surveilling police officers who are on temporary workers compensation can compound their psychological trauma and it should only be done in the most sparing of circumstances?

Mr NAGLE: That would be our belief as well, yes.

The Hon. DANIEL MOOKHEY: What has icare done to ensure that police officers are not being surveilled unnecessarily and the recommendations that have been made around tightening surveillance standards for police officers are being followed?

Mr NAGLE: In August last year we made a change across icare where the provisions of personal injury, which was run in the nominal insurer and TMF, came under one area of control. At that time we started applying the same amendments we had made in the nominal insurers scheme to the TMF scheme.

The Hon. DANIEL MOOKHEY: Is Allianz surveilling police officers?

Mr NAGLE: I am not aware of any particular case at the moment.

Ms ABIGAIL BOYD: I want to take us back to the coal-fired power stations, in particular the sale of Vales Point. Under the Vales Point contract there is a reciprocal option—I do not know how familiar you are with

it—that says that at the end of the life of the power station when it is taken off the grid there is an option for the owners of Vales Point to basically sell it back to the Government for \$1, and if it does not put that forward then the Government has the right to call it back for \$1. It is quite an unusual provision, I think. I have not seen it in any other energy sale transactions. What it looks like is basically this is not a sale, because it has been effectively sold for \$1 million to Trevor St Baker and Brian Flannery, and now it is going to be handed back for just \$1 at the end of its life. The Government has some form of notice on the property deed for the Vales Point site to inform people that it has an interest over that property. Two questions: How is it accounted for in the budget? And why do you think that strange reciprocal option arrangement was included in the sale?

Mr GARDNER: I was not personally involved in that transaction at the time, so I definitely have to take that second part on notice. I would certainly defer on the budget accounting question as to whether or not—

Mr PRATT: We will check the budget question.

Ms ABIGAIL BOYD: Thank you. You are not aware of the \$1 option?

Mr GARDNER: I am aware of the option for Sunset to put it back to us, or for us to call it back to them, and that can just be a mechanism for getting the plant back into the State's hands. But I think you probably need a little bit more detail and specifics, so I will take that on notice.

Ms ABIGAIL BOYD: Sure, because it is unusual. I do not want you to guess, but would there be some obvious reasons for why it was done that way?

Mr GARDNER: I think it would be best for us to take that on notice and give you a more extensive answer on that one.

Ms ABIGAIL BOYD: That would be good. Do you think that there are any circumstances in which it would get to the end of the life of the plant and Sunset would not give it back for \$1, given all of the liabilities with the clean-up, or that if it was uneconomical for it to hand it back that the State would not take it back?

Mr GARDNER: It may have some other economic purpose beyond the life of the power station that they may not want to put it back to the State. Let us say they were to develop a renewable energy sort of site, and then the option would be for the State to determine whether it wanted it back. So it gives both that—

Ms ABIGAIL BOYD: It would be hard to imagine though a circumstance where it was economical for Sunset to run it, but not economical for the State to take it back and then sell it? So, for example—

Mr GARDNER: That is a sort of hypothetical situation. There may well be a lot of scenarios where that makes sense for both parties.

Ms ABIGAIL BOYD: If there is anything you can give us on notice, I would love some concrete scenario of where that might actually occur, where it would not be a better financial decision for the State to take it back and then sell it, or to put out a competitive process for it.

Mr GARDNER: Let us say, for example, it developed a commercial case for the site, that the State may not otherwise have wanted to pursue, but the liability otherwise for the demolition would come back to the State. So there are scenarios where you can imagine it may well want to retain the site where the State is actually willing for it to retain the site because it could potentially defer liabilities, or sort of suit the economic outcomes for the local region and arguably, feasibly something in the power generation space would not be unfeasible.

Ms ABIGAIL BOYD: But it only applies if they have actually disconnected from the grid. If both of the units are decommissioned from the power plant then it applies. In that case, they are then required to rehabilitate the site and are liable for the whopper of a bill.

Mr GARDNER: I think it will be more helpful if we take that question on notice.

Ms ABIGAIL BOYD: In relation to the rest of the sales, including Vales Point, now that we know that the State is liable for the ongoing remediation of any contamination that existed before those sales, have you had any events since those assets were sold where a purchaser has come to you to notify you of contamination events that the State is liable for?

Mr GARDNER: I am not aware of any but I will take the question on notice.

Ms ABIGAIL BOYD: Would that go to you or would it go—

Mr GARDNER: It would come through my team.

Ms ABIGAIL BOYD: I asked whether there has been any notifications in relation to liability, but I also meant potential liability.

Mr GARDNER: The answer is the same: I am not aware of any. With the Vales Point example there is a requirement under the sale deed that the company either remediates any contamination that is identified through regular reporting or increases the size of the guarantee to ensure that the cost of that remediation is coverable by the State.

Ms ABIGAIL BOYD: That is post-sale contamination. I am talking about pre-sale contamination.

Mr GARDNER: No. We obviously did the baseline studies for those studies but that will not be until a later stage. Obviously they need to do site reports and do all the monitoring under their respective licences, but I am not aware of any new pre-sale remediation that has come to us.

Ms ABIGAIL BOYD: For example, if there was any leakage out of the bottom of the ash dams into Lake Macquarie, the State might be liable for that because it is pre-existing contamination of the bottom of the ash dams.

Mr GARDNER: We would need to work through with the regulator as to the cause of that contamination and whether that was deemed to be pre-existing.

Ms ABIGAIL BOYD: Sure, but none of those events have occurred in relation to Vales Point?

Mr GARDNER: As far as I know, no. But I will take it on notice.

Ms ABIGAIL BOYD: If you could take that question on notice, also in relation to Eraring, it would be really useful. In relation to Liddell, did Treasury speak to AGL about extending the closure date for the power plant?

Mr GARDNER: I am not aware of any conversations with AGL but there may be some terms under its sale agreement that required it to notify us of some major change. Again, I will take that question on notice. In response to the question you asked the Treasurer earlier about whether that was some sort of way to defer the State's liabilities, I will reiterate the Treasurer's statement that the answer to that is no. But if Liddell had some notification role back to Treasury then we would have received some sort of notification.

Ms ABIGAIL BOYD: If the contracts were the same as the ones for Vales Point and Eraring that would be the case and they would have notified you of the impending closure. That is when the State's liability would have kicked in, so it would have been obliged to do that if it was the same contract.

Mr GARDNER: If it was the same.

Ms ABIGAIL BOYD: Yes. Are you able to take that on notice to check?

Mr GARDNER: I will take that on notice.

The Hon. MARK LATHAM: Earlier today Mr Secord asked the Treasurer about the introduction of outcome-based funding for the Department of Education and the Treasurer gave a general answer. Can I ask for specifics about Treasury's expectations around how far the rollout of outcome-based funding will ultimately go? Will it go through all the social policy functions of the New South Wales Government?

Mr PRATT: The short answer is yes. But to give some context in my experience in government the general approach to budgets is that 90 per cent of the time gets spent on 10 per cent of the spend, so you do not really get underneath what is seen as 90 per cent of the spend and what the outcome should be for that spend. What we are doing with outcome-based budgeting is setting really clear outcomes on spend, and we are doing that right across all the eight clusters of government. That will be divided by programs of work that sit underneath that, where dollars will be allocated. Underneath that will be program initiatives. We will be able to identify for you that program XYZ cost so much and here were the benefits on the back of it. That includes social—all dimensions of government.

The other aspect of that is that we are zero basing budgets as well. The approach where agencies turn up and say "We'll take last year numbers plus CPI" has to change. They will be held accountable for producing their budget and will be accountable for their full spend, which is zero basing. It is a big shift. We are starting with Education, as the Treasurer mentioned this morning. The core part of getting that underway is for Education to have a true business plan. Clusters and arms of government at this level—Transport, Health and Education—should have clear statements and business plans, supported by outcomes and KPIs. That is the approach we are taking. We are seeking to implement this for next year's budget. To the earlier question on budget disclosure, we will be able to, for the first time in the budget papers, disclose the spend on a program and the outcome of that program, successfully or otherwise.

The Hon. MARK LATHAM: Is your timetable for implementation for the 2020 budget just for the Education portfolio or is it for all areas?

Mr PRATT: No. I have not got the overall number for you yet but we are trying to do as much as we can for next year's budget. Our intent will be that 80 per cent will get there.

The Hon. MARK LATHAM: Will that include the Health portfolio?

Mr PRATT: Yes, it will.

The Hon. MARK LATHAM: What progress has been made so far with Education?

Mr PRATT: We have made a lot of progress. Education now has a draft business plan and a set of outcomes that have been agreed upon. It is now working on a set of KPIs for what Education success looks like. That is a work in progress and we are working with the department on that. But I am really pleased with the way Education has come into this. It is particularly important, given that the additional Gonski funding that is going into education over the forwards is not insignificant. From our perspective of ensuring it will create true citizen value in Education, this is a really important initiative.

The Hon. MARK LATHAM: Sometimes in the Education space you find a group of people who are anti-measurements—a somewhat surprising development when you are trying to assess performance in a system and the performance of individual students. Have you found any elements of anti-measurement inside the Department of Education or are they all pro-measurement?

Mr PRATT: I would not want to suggest that the job is done. There is work to do and you are quite right. But I am confident saying to you that the core executive of Education is on board and, from the feedback I am getting from different levels, people are buying into this. We will have to manage that very sensitively—clearly—but in my opinion, whether it is Education, Health or wherever else, we should be accountable for the money that government distributes.

The Hon. MARK LATHAM: What about the review of NAPLAN? Is that seen as an anti-measurement backsliding in the system? I have been visiting schools and they are all very enthusiastic about the use of NAPLAN and say that it is useful but not central to what they do. Is that something Treasury wants to be sorted out quickly—the basic skills standardised testing?

Mr PRATT: I suggest that is a question best asked of the education Minister and secretary. We are not directly involved in that.

The Hon. MARK LATHAM: There has also been a suggestion that the Gonski growth funding agreement that has been signed with the Commonwealth requires the funding to be entirely needs based and that it cannot be allocated on the basis of outcomes. Is that a correct depiction of the Gonski agreement?

Mr PRATT: Through this work we are intending to link needs-based funding with outcomes. That is directional intent of where we are going with this.

The Hon. MARK LATHAM: But it is possible to do outcome-based funding with the Gonski growth fund?

Mr PRATT: Yes, it definitely is.

The Hon. MARK LATHAM: Is it fair to say there is a fair bit of Gonski growth money and that any changes in the education system will ensure that no school goes backwards in New South Wales in its resource allocation?

Mr PRATT: I really could not commit that to you. But what I would say is that we will be much better informed with all this information on programs and initiatives than we have ever been. So we will be able to identify a lot of those issues more easily.

The Hon. MARK LATHAM: Has Treasury given consideration to lodging a submission to the very excellent inquiry being conducted by Portfolio Committee No. 3 - Education into measurement and outcome-based funding in New South Wales schools, which I happen to chair?

Mr PRATT: To my knowledge we have not, but we could and, if requested, we will.

The Hon. MARK LATHAM: I am requesting it. We are doing work on it and it will be very useful for the Committee. We are here to help and to undertake a parliamentary inquiry that gets ahead of the curve, rather than just looking at something that happened 18 months ago. That would be very useful for our purposes. I am hoping our report can add to your work.

Mr PRATT: We will commit to doing that.

The Hon. MARK LATHAM: Thank you very much.

Mr NAGLE: Excuse me, could I please make a correction to my earlier statement to Mr Mookhey? I understand that SIRA have not issued the claims administration manual, but it did issue a standards of practice earlier this year, which acts like a claims manual.

The Hon. DANIEL MOOKHEY: But it promised a claims manual. There was no ambiguity about it. The procedures that you have referred to is stuff that SIRA updates pretty regularly, I believe.

Mr NAGLE: I am not aware of the difference.

The CHAIR: We are closing this session but all witnesses are required to be back at 6.00 p.m. For the moment, thank you for your time. We will see you again at 6.00 p.m.

(Dinner adjournment)

Mr PRATT: Chair, in the break—we have a number of answers to questions, if that is desirable.

The Hon. ADAM SEARLE: I think that is a good place to start.

Mr PRATT: May I firstly cover, Mr Searle, your question on the documents. The advice I have got from my department is those documents were not in scope. However, if you were to provide another order through the House I will make those documents available.

The Hon. ADAM SEARLE: Sorry, what was the first explanation?

Mr PRATT: They were not in scope of the letter that was given.

The Hon. ADAM SEARLE: Okay.

Mr PRATT: But if you would like to refresh that and put it back through, I will make sure you get the documents.

The Hon. ADAM SEARLE: Thank you. I might do it through the Committee.

The Hon. NATALIE WARD: Another standing order?

The Hon. ADAM SEARLE: No, we can do it through the Committee. I think it is 208(c). Anyway, I think there is a dispute about this—

The Hon. SHAYNE MALLARD: Yes, there is.

The Hon. ADAM SEARLE: The Crown Solicitor—

The Hon. WALT SECORD: Are we cutting into our time doing this?

The Hon. NATALIE WARD: You have only got 2½ hours.

Mr PRATT: Chair, we have answers to a number of the other questions. Would you like us to cover those?

The CHAIR: Yes, please.

Ms WILKIE: Apologies, I cannot remember exactly which member of the Committee asked this question, but it was about the drought forecast and the drought projections. As I said, we used the Australian Bureau of Statistics forecast. The particular crop reports and commodity reports that we used for the budget forecast were the 19 February crop report, the February 2019 report and the *Agricultural commodities: March quarter* report published on 5 March. The day budget was released, the next quarter report on agricultural commodities was released on 18 June, so obviously that was not included in the forecasts. In summary, the summer crop forecaster estimates have continued to fall with each release from ABS compared to the reports that were used in the budget. The winter crop has also continued to have downgrades until the February crop report.

The June crop report that was published on 18 June suggested—sorry, the June crop report that was published on 12 June suggested New South Wales crop volumes would bounce back in 2019-20 and that southern New South Wales had experienced average rainfall in May, which had replenished the soil moisture levels. However, the reports that have come out since and, more importantly, the weather data from the Bureau of Meteorology indicates that the rainfall that had been expected has not started coming and it is not looking promising. So there is probably an increasing risk that that bounce-back in 2019-20 is not going to happen. Since in our monitoring of risks we would definitely see that the risk around the drought continuing and continuing to have a negative drag on the economy is eventuating and that that is still very much a downside risk. So that was on the agricultural report. The Shergold population report—somebody asked me about that one.

The Hon. WALT SECORD: That was the Hon. Mark Latham.

Ms WILKIE: There is indeed a report that was commissioned by the Premier late last year—so before my time in New South Wales Government, which is why I was not aware of it. That work was being coordinated by Infrastructure NSW. Treasury has provided input into the work as part of the working groups. We understand the report has not been published but if you have got further questions about the report and the work that Peter Shergold did there, then Infrastructure NSW can answer those questions for you.

The Hon. WALT SECORD: That was the Hon. Mark Latham's question.

Ms WILKIE: Okay. There were questions about housing arrears—the default data. According to Standard & Poor's, Australian prime home loan arrears have remained steady in June 2019. Standard & Poor's have noted that arrears typically decline in June and throughout the third quarter, so remaining steady is actually good in terms of seasonal trends. Nationally mortgage arrears are up about 13 basis points year on year in June and above the five-year average of 1.25 per cent. In June 2019 arrears actually fell in Queensland, South Australia, the Northern Territory and the Australian Capital Territory but rose in Western Australia, Tasmania, Victoria and in New South Wales. The New South Wales 30-plus days arrears are currently at 1.26 per cent, which is still below the national average of 1.51 per cent. Since January our—being New South Wales—30-plus days arrears have actually increased from 1.2 per cent to 1.26 per cent in June.

Ms ABIGAIL BOYD: Thank you.

The CHAIR: Is there much more of this? It will just cut into the question time, so otherwise you might have to present it afterwards.

Ms WILKIE: There are two more from me. I think Mr Nagle had a couple as well. Just quickly, then, on the Gini inequality, Australia's Gini number rose from 0.31 in 1995 to currently in 2016—which is the most recent data that you have got comparable figures for for the OECD—being 0.33, which is 0.1 above the OECD average of 0.32; so, in general, pretty steady. The range of Gini coefficients for 2016 for OECD countries is between 0.25 and six, so we are about average and have remained fairly steady. Most inequality indicators—and they all have some limitation with the data—Australia has remained reasonably steady over the last 20 years in terms of inequality. Any increases or decreases have been relatively minor compared to our starting point. Mr Nagle had some.

Mr NAGLE: Thank you, Chair. Mr Shoebridge asked a question regarding the statement of account for the home builders warranty fund. There is actually the financial statements that are published every year. At page 220 on our website there is a summary of the deficit. Last year it was \$435 million. The actual deficit is held in and listed in the State budget results, however, which is why it does not appear in the icare results. Just on the Guidewire costs, the actual cost to scheme agents every year was \$230 million.

The Hon. DANIEL MOOKHEY: Cost to or of?

Mr NAGLE: To scheme agents. That was for running their own individual system. The cost of building our own system once is that much cheaper. Your question, Mr Mookhey, around EML employees: Sydney have 211, Chatswood have 88, Parramatta have 240, and Newcastle have 355. On surveillance, we have managed to get the—

The Hon. DANIEL MOOKHEY: Sorry, that was full-time equivalent [FTE]?

Mr NAGLE: Yes. On surveillance for the Treasury Managed Fund, there has been 28 requests; we have approved 18 and rejected 10. But just a correction: Police is actually being run by EML. It used to be Allianz a few years ago. EML took it over in 2017.

The Hon. DANIEL MOOKHEY: Do you have a breakdown of that 28—how many were police officers?

Mr NAGLE: There was one for police and it was not approved.

The CHAIR: The questions will resume in the order of Opposition, crossbench and then Government. I think at this point the Government has relinquished, but we will come back to them to reconsider that. Ms Boyd, you have hit the jackpot. You have 20 minutes all to yourself. We will start with the Opposition.

The Hon. WALT SECORD: To Mr Pratt—and you can direct it to the public servant that you think is most appropriate—are you aware that in 2012 the Australian Capital Territory began to phase out stamp duty over a 20-year period?

Mr PRATT: Yes, I am aware.

The Hon. WALT SECORD: Are you aware that they are moving to a broad-based land tax and no stamp duty in the Australian Capital Territory?

Mr PRATT: Yes.

The Hon. WALT SECORD: Has New South Wales done any modelling or any research in this area?

Mr PRATT: Not specifically, although as part of the broader tax review process clearly this is an issue in that mix. It is something that I believe the Government should be looking at, but we do not have any specific work at this point. But the forum that I spoke of earlier—the Federal Financial Relations Review work—I would anticipate that could well be an item in that forum. But that is not agreed yet.

The Hon. DANIEL MOOKHEY: Following on from that, Secretary, there is a Parliamentary Secretary for tax reform, productivity and tax reform—or is that not the case?

Mr PRATT: I don't think so.

The Hon. DANIEL MOOKHEY: Mr Farlow is the Parliamentary Secretary to the Treasurer, though, isn't he?

Mr PRATT: He is, yes.

The Hon. DANIEL MOOKHEY: What are his duties?

Mr PRATT: I am not aware of his specific duties.

The Hon. DANIEL MOOKHEY: How does Treasury support him in the discharge of his responsibilities?

Mr PRATT: It would be best, Mr Mookhey, to ask him really, rather than me. I do not deal directly with him.

The Hon. DANIEL MOOKHEY: As a Parliamentary Secretary, does he receive briefings from Treasury?

Mr PRATT: If he requested he would, yes.

The Hon. DANIEL MOOKHEY: Does he receive assistance from the ministerial correspondence unit?

Mr PRATT: I would have to take that on notice. I am not aware of that.

The Hon. DANIEL MOOKHEY: Does he sign any documentation?

Mr PRATT: I understand he would be signing letters, perhaps, that are addressed to the Treasurer. I have no evidence of that. However, I would expect in his capacity that would be something he would do.

The Hon. DANIEL MOOKHEY: Does he have an entitlement to represent the Government in forums at a COAG level?

The Hon. SHAYNE MALLARD: Point of order—

Mr PRATT: That is a question for the Government.

The Hon. DANIEL MOOKHEY: But under the administrative arrangements—

The Hon. SHAYNE MALLARD: Point of order—

The CHAIR: I will deal with the point of order.

The Hon. DANIEL MOOKHEY: I will rephrase.

The Hon. SHAYNE MALLARD: You had the ability, the capacity—and a number of other committees are doing it—to have him as a witness here today and you did not.

The Hon. DANIEL MOOKHEY: Look, I accept that. I will just rephrase—

The Hon. SHAYNE MALLARD: You could ask him those questions directly.

The CHAIR: The question is in order.

The Hon. DANIEL MOOKHEY: Has the Treasurer delegated to the Parliamentary Secretary any responsibility for the conduct of any administrative arrangements for which the Treasurer is responsible? That is not specific to Mr Farlow—it is just that it is often a consistent arrangement that they will designate that the Parliamentary Secretary is a leader on a piece of legislation. Has any of that happened? And as a result, have you had to adjust your management procedures to facilitate that arrangement?

Mr PRATT: No, I have not. I cannot answer the broader piece behind your question.

The Hon. WALT SECORD: Mr Pratt, back to the land tax question. What would be the impact on the budget of transitioning to a broad-based land tax and what in your view would be the best way to do that?

Mr PRATT: Well, Mr Secord, as I have indicated we have not done that work yet—although, as I anticipated, it may well be an area that we go to. Most economists would say that a land tax is a progressive tax versus stamp duty, which is a regressive tax—basically a tax on moving. The actual modelling of all that work would be something that we are yet to do. The Australian Capital Territory went there for good reason and it is something that we should be looking at.

The Hon. WALT SECORD: Have you discussed this with the Premier and the Treasurer?

Mr PRATT: I have discussed it with the Treasurer, yes; not with the Premier.

The Hon. WALT SECORD: When did you discuss it with the—

Mr PRATT: Just as an opportunity for us to think about. But there has been no work commissioned or formally undertaken at this point.

The Hon. WALT SECORD: That was going to be my next question. Are you familiar with three very high-profile arts infrastructure projects in the public arena: the Walsh Bay redevelopment, the two piers; Sydney Modern; and the Powerhouse Museum?

Mr PRATT: Yes, I am.

The Hon. WALT SECORD: Do you have regular meetings relating to the expenditure involved in those projects?

Mr PRATT: We meet with Infrastructure NSW [iNSW], which is responsible for that. The head of budget, Mr San Midha, meets with those people involved in those particular projects as part of the normal project management process.

The Hon. WALT SECORD: When was the last time that Mr Midha met or discussed with Infrastructure NSW the Walsh Bay redevelopment?

Mr MIDHA: We meet approximately quarterly, but I have more frequent interactions with iNSW on a variety of different projects. Yes, within a month or three months—it would depend on whether I turn up to the meeting or not.

The Hon. WALT SECORD: Have there been meetings especially about the cost blowouts or the delays involving the Walsh Bay project?

Mr MIDHA: All projects are covered and they have a risk rating. As part of their risk review they present their findings.

The Hon. WALT SECORD: What is the risk rating for the Walsh Bay project?

Mr MIDHA: I could not tell you off the top of my head.

The Hon. WALT SECORD: Can you take that on notice?

Mr MIDHA: Sure.

The Hon. WALT SECORD: Can you also tell me the risk rating for the Sydney Modern? Could you also tell me on notice the risk rating for the Powerhouse Museum?

Mr MIDHA: We can come back to you on all three, yes.

The Hon. WALT SECORD: Thank you. Mr Pratt, earlier today you talked about an economic blueprint that the Government was planning to do. Can you give us a bit of detail on when you are planning to do that?

Mr PRATT: That work is currently underway. It has been underway now for approximately eight weeks. That work is led by our chief economist. I will turn to Ms Wilkie, who is overseeing this work, but I would expect that work to be done by the end of the year. Ms Wilkie, you might want to comment on that?

Ms WILKIE: That is correct. At the moment the actual date of release is a matter for the Government. However, the Treasurer has stated publicly that his intention is for that to be released before Christmas.

The Hon. WALT SECORD: Before Christmas. Can you give me an indication of the subheadings or, I guess, the scope?

Ms WILKIE: Yes, sure. As the Treasurer outlined in the special chapter in the budget the blueprint is—"blueprint" is in some ways a very good description of it—the plan is to set out the aspiration and the vision for

the New South Wales economy, in terms of making New South Wales a great place to live, work, invest in a business and play for the current and future generations. Essentially it will be typical of other documents of this nature issued by governments. It will look at the current state of the economy—

The Hon. WALT SECORD: So will it look at new opportunities?

Ms WILKIE: Sorry?

The Hon. WALT SECORD: Like new opportunities and threats?

Ms WILKIE: Yes. It will look at the current state of the economy; it will look at mega trends—disruption of work, automation, climate impacts; it will look at ageing population, changing demographics. All of the challenges and opportunities—opportunities in terms of the rise of the middle class in Asia and what the implications of those things are for New South Wales. Then it will start to look at, given our current comparative advantages—say in defence industry, advanced manufacturing, food and agribusiness—what the opportunities for New South Wales are and what sort of trajectory we should put the New South Wales economy on to make the most of those opportunities and to address those challenges that are coming—

The Hon. WALT SECORD: You mentioned something that was particularly interesting: automation.

Ms WILKIE: Yes.

The Hon. WALT SECORD: What will the scoping or the discussion involve? Is that the changing nature of work?

Ms WILKIE: Yes, that's right: The changing nature of work as we have more and more automation coming into our jobs and what that actually means. A lot of the research that is coming out on that now is starting to show that automation is not going to lead to the wholesale replacement of jobs or roles; it will lead to the replacement of functions within roles. A good example of that I heard recently was scientists in Scotland have created an automatic tongue. They used it to test whiskey and whiskey tasting. They interviewed a whiskey taster to find out whether she was concerned that she was about to lose her job because of this new automated tongue.

The Hon. NATALIE WARD: Fair call.

Ms WILKIE: She said, "No, I'm not because"—and I could not believe that this is possible, but she said—"it will take out the boring bits of my job." I must admit, I was surprised to find out that there are boring bits to whiskey tasting.

The Hon. DANIEL MOOKHEY: I am sure she will turn to drink.

Ms WILKIE: One of the things that the blueprint will do is actually work, not through the headlines, scaremongering off things like automation and future-of-work issues but start to dig into what does that really mean and what does that really mean for New South Wales.

The Hon. DANIEL MOOKHEY: Just to Mr Nagle: How many claims were received last year for dust diseases?

Mr NAGLE: Sorry, how many claims were received for?

The Hon. DANIEL MOOKHEY: Dust diseases.

Mr NAGLE: We receive about 400 claims every year.

The Hon. DANIEL MOOKHEY: For how many was liability accepted?

Mr NAGLE: About 200. Let me just check.

The Hon. DANIEL MOOKHEY: So about half?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: Do you have the figures there?

Mr NAGLE: I do not actually have the final numbers at the moment but we can get those for you.

The Hon. DANIEL MOOKHEY: Thank you. On average, how long does a person wait for the determination of the liability for a dust disease?

Mr NAGLE: If all the information is available we can turn it around within 48 hours.

The Hon. DANIEL MOOKHEY: Is that the average period?

Mr NAGLE: No. It generally takes between seven days and 20 days for them to get the information. However, once they start the process we can guide them through it.

The Hon. DANIEL MOOKHEY: Do you have trendlines on that?

Mr NAGLE: We would have, yes.

The Hon. DANIEL MOOKHEY: Would you be able to provide that as well—on notice or in person, whatever you prefer? How many of those claims that were accepted were work related? As in, the infection event arose—

Mr NAGLE: They would all have to be work related.

The Hon. DANIEL MOOKHEY: They all have to be work related?

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: In so far as people who have obtained exposure from, say, incidental exposure at home—

Mr NAGLE: It is not covered under the Act.

The Hon. DANIEL MOOKHEY: Not covered. Do you maintain any actuarial assessments as to whether that is a growing category? Or is that not maintained in actuarial because it is not covered.

Mr NAGLE: It is not maintained at all.

The Hon. DANIEL MOOKHEY: What are your actuarial assessments showing in respect to work-related incidents?

Mr NAGLE: For dust diseases, for asbestosis it had been starting to decline. We have seen a plateauing over the past few years which we believe is a younger cohort—people of the 1980s who did not take on the protective gear who are starting to come through. Clearly silicosis is an issue at the moment.

The Hon. DANIEL MOOKHEY: Let's get to that. How many claims were for silicosis last year 2018-19?

Mr NAGLE: In terms of lodged claims we had 40.

The Hon. DANIEL MOOKHEY: And the year prior?

Mr NAGLE: I do not have the information on the year prior, but it is a definite increase. Historically, we have had very low—about nine. I think that would have been our evidence in Law and Justice previously.

The Hon. DANIEL MOOKHEY: Can you move the microphone closer, Mr Nagle?

Mr NAGLE: The long-term average has been nine so we have doubled the number of screenings over the last 12 months.

The Hon. DANIEL MOOKHEY: When you say the long-term average, that is effective to which year, do you think?

Mr NAGLE: That would be four years.

The Hon. DANIEL MOOKHEY: Four years?

Mr NAGLE: No, all years.

The Hon. DANIEL MOOKHEY: All years. So the baseline we can work off is nine as being standard.

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: And we are at 40 this year.

Mr NAGLE: Yes.

The Hon. DANIEL MOOKHEY: So it has increased by a factor of close to five.

Mr NAGLE: That is right. With a number of those claims, though, the individuals are not incapacitated. They have signs of the disease but they are actually fully functional.

The Hon. DANIEL MOOKHEY: Yes, of course, and there are degrees of impairment—

Mr NAGLE: That is right.

The Hon. DANIEL MOOKHEY: —which you assess. Do you maintain forecasts as to how many you are expecting?

Mr NAGLE: Yes, actuarially, we do but we have doubled the screening so the old models will not count. Out of a potential workforce of around about 5,000 to 6,000, we have screened over 4,000.

The Hon. DANIEL MOOKHEY: Is it the case that the principal exposure deriving from silicosis is because of the prevalence of the practice known as dry cutting?

Mr NAGLE: That is the assumption, yes.

The Hon. DANIEL MOOKHEY: Is it the case that New South Wales as a State is yet to take action to put any standards around dry cutting?

Mr NAGLE: No, no. New South Wales was one of the first States to do that about 10 years ago.²

The Hon. DANIEL MOOKHEY: But insofar as proposals for reform that are currently before COAG, have you prepared any actuarial forecasts as to what effect that would have if New South Wales was to implement those reforms, and whether that will diminish future claims?

Mr NAGLE: I am not aware of that work but, as I say, the New South Wales experience has always been quite different to other States because they took action quite some time ago and SafeWork NSW has enforced that quite rigorously.

The Hon. DANIEL MOOKHEY: What is the estimated total future liability for silicosis?

Mr NAGLE: I do not have that number available.

The Hon. DANIEL MOOKHEY: Are you able to get it?

Mr NAGLE: We can take that on notice, yes.

The Hon. DANIEL MOOKHEY: In 2018-19 are you forecasting a higher level than you were in terms of 2017-18, the previous one?

Mr NAGLE: No. As I say, we believe we have screened the great bulk of the impacted workforce.

The Hon. DANIEL MOOKHEY: When you say that, how do we judge your success? What are your targets for screenings?

Mr NAGLE: We would like it to be 100 per cent, but that relies on the individuals wanting to be screened.

The Hon. DANIEL MOOKHEY: What is the average cost to support a person on silicosis, who has been diagnosed and has had their liability claimed per person?

Mr NAGLE: Again, I would have to take that on notice because it would vary on the circumstances and the age group of the individuals.

The Hon. DANIEL MOOKHEY: But demographically it is the case that a person with silicosis is much more likely to be younger than a person who has mesothelioma.

Mr NAGLE: I would agree.

The Hon. DANIEL MOOKHEY: And a person with silicosis, demographically, is likely to fall within 30 to 40 at the point of detection? That is essentially what the Commonwealth seems to think.

Mr NAGLE: Look, I think there is a growing body of evidence around it. It is a relatively new disease. In a sense, it is an old disease—

The Hon. DANIEL MOOKHEY: It is the revival of an old disease. Probably that is the best way of putting it.

Mr NAGLE: Yes. In terms of the volumes that we are seeing it is starting a whole new pattern.

The Hon. DANIEL MOOKHEY: Would you agree with me that not just necessarily for financial reasons, but take the financial reasons and then compound the moral reasons, it is the case that if we would have

² In [correspondence](#) to the committee received 12 September 2019, Mr John Nagle made a clarification to his evidence.

seen a lot more dramatic action by government at all levels, then the opportunity to save lives and money around silicosis would be high—if we were to see it as urgent?

Mr NAGLE: Across Australia, absolutely. But, as I say, I think New South Wales has been leading the way for many years.

The Hon. DANIEL MOOKHEY: Sure. But, given, as you pointed out, it has gone from nine to 40, that would indicate perhaps there might be a lot more to be done and it is far more of an emerging problem. Would you agree with that?

Mr NAGLE: I think the screening is giving us confidence that we are catching up. I think the unknown will be the number of people who have not come forward for screening.

The Hon. DANIEL MOOKHEY: Is icare delivering screenings? Is that something that you are doing?

Mr NAGLE: Yes. We have increased the number of screenings from our Lung Bus.

The Hon. DANIEL MOOKHEY: How many lung buses do you have now?

Mr NAGLE: We have the one bus but we also opened up new premises last year in 115 Pitt Street. It is much more accessible for people and the number of people going through screenings there has doubled over the last 12 months.

The Hon. DANIEL MOOKHEY: Has there been any other dust disease that has shown comparative growth and the level of incidence detection as silicosis that you insure for?

Mr NAGLE: Not that I am aware of, no.

The Hon. DANIEL MOOKHEY: How are you going in terms of the Victorians—in terms of benchmarking the average cost of care, in terms of medical care? What is the average cost of medical care that you are paying per year per patient, or is that what you are going to come back to me on?

Mr NAGLE: That is what I am coming back to you on.

The Hon. DANIEL MOOKHEY: Do you maintain comparisons with Victoria?

Mr NAGLE: Not that I am aware of specifically, but I know that all of the schemes do talk so we probably have that detail.

The Hon. WALT SECORD: Mr Pratt, in the assessment and analysis of election promises, it is quite common to see the phrase that a department "will absorb the costs" or meet a commitment "through existing budgets". Is that quite a common practice?

Mr PRATT: Look, I would not necessarily say it is common. I would expect in the norm that there is full—as there has been with election commitments—recognition of the cost and that is in the budget papers.

The Hon. WALT SECORD: How does the Treasury monitor or mark or ensure that people or departments are meeting this commitment to undertake a commitment to implement a proposal within existing resources or by using existing budgets? How does that occur?

Mr PRATT: What the Government has established is what is called a delivery and performance committee. Those budget allocations, all the election commitments, are documented; the funding against those; and then, on a regular basis, those projects will be reported through that committee to ensure that those commitments were met.

The Hon. WALT SECORD: Are you aware that in the most recent election we had that 40 of the 76 policies from the Berejiklian Government actually had involved some level of absorbing or using within existing budgets?

Mr PRATT: I am not aware of that number, no.

The Hon. WALT SECORD: The tabulation of that actually rings up to about \$300 million. How would the delivery and reform committee actually go about \$300 million being half a country hospital? How does Treasury go about ensuring that people are, or departments are, doing this, funding within the system?

Mr PRATT: I can assure you that the election commitments the Government made through the budget process are fully funded—that was a very strong directive to us—through the budget process.

The Hon. WALT SECORD: Earlier I asked some questions about the Newcastle port. Does Treasury have concerns or has it done an analysis of western district farmers expressing the desire for the container port to be expanded?

Mr PRATT: Not to my knowledge.

Mr GARDNER: Not to our knowledge at all, no.

The Hon. DANIEL MOOKHEY: Have you prepared any formal data as to whether or not the expansion of agricultural freight movements through the Port of Newcastle has an impact on the New South Wales farming economy?

Mr GARDNER: Any analysis relating to regional economic activity is the responsibility of the Department of Premier and Cabinet, is my understanding—Premier and Cabinet.

The Hon. DANIEL MOOKHEY: Do you rely on their forecasts?

Ms WILKIE: The relevant team in the Department of Premier and Cabinet has a CGE model that they use. It is a computerised general equilibrium model, which is a particular type of economic model that they use for undertaking economic modelling of a variety of issues affecting regional New South Wales. As Mr Pratt mentioned earlier but not specifically by name, there is the common planning assumptions group. There is a series of economic parameters and this sort of modelling work that is done in various parts of State government is shared throughout the common planning assumptions group to underpin economic policy across the State. The sort of modelling that you are talking about is undertaken specifically in DPC.

Ms ABIGAIL BOYD: Thank you. Just coming back to the discussion on stamp duty versus land tax and the consideration around that, has Treasury looked at any other types of State-based levies or taxes that it might think to implement in order to keep revenue up?

Ms WILKIE: Looking at tax revenue policy is something that we do frequently in terms of what opportunities and that sort of thing there are to raise further revenue or to close tax loopholes and that sort of thing. There are numerous studies that have been done outside of the State Government, whether it is by accounting firms, consultancy firms or, say, the tax white paper processes that the Commonwealth has done, that look at different tax options that State governments could have. It is very popular for other authorities to recommend to State governments that we move to broad-based land taxes, because they are a far more efficient form of tax—or so the studies show. We regularly look at various tax policy options.

I have been in the department for six months; I cannot recall off the top of my head any new taxes that we are looking at at this particular point in time. At the moment we are focusing on the tax changes that were implemented as part of the budget: the indexation of transfer duty and the increase in the payroll tax threshold. They are the primary things in tax policy at the moment that we have been looking at.

Ms ABIGAIL BOYD: Have you considered at all a State-based supplementary major bank levy, similar to what was suggested in South Australia a few years back?

Ms WILKIE: Not to my knowledge but I can take on notice whether it has been—if South Australia considered it a couple of years ago States are usually fairly good at looking over the backyard fence, so to speak, to see what policy options are being considered in other jurisdictions. I would have to take on notice whether it was considered or we looked at it at all.

Mr PRATT: No, the answer is we did not look over the fence. It is not under consideration.

Ms ABIGAIL BOYD: I figured that would be the answer, I was just curious.

The Hon. DANIEL MOOKHEY: Why not?

Ms ABIGAIL BOYD: I ask why not as well. I think it is a really—

Mr DAVID SHOEBRIDGE: Capital flight.

Ms ABIGAIL BOYD: But, no, they cannot have capital flight if it is based on existing stock and, sorry, you have competition from the major banks versus the smaller banks. It is actually a really good policy idea. Anyway, we were talking a little bit about automation and how it is not just a risk, it is also an opportunity. Has Treasury considered looking at when you look back over the last however many years there is a lot of studies showing that leisure time has decreased even though automation has increased. I think some economists would argue that what we should be doing is actually looking to increase our leisure time as automation takes away the need for us to work as much. Has Treasury given any thought to a universal-based income model or some kind of social dividend concept?

Ms WILKIE: Those sorts of models and policies are usually more the domain of national governments as opposed to sub-national governments. It is not something that we have been looking at, particularly, say, in the

context of the blueprint. It is probably esoteric enough that I feel fairly safe in saying that the State Treasury has not looked at that one.

Ms ABIGAIL BOYD: Again, I thought that would be your answer. But, for what it is worth, any kind of closed economy or semi-closed economy universal basic income trial would be fantastic, should you ever be asked to think about new ideas. Looking at something a bit more substantial, which is on the outcomes budgeting. We talk here about pillar four, which is ensuring governments are focused on delivering outcomes. I have seen this from a few different departments coming through in policy. Can you explain what outcomes budgeting is and give a concrete example of what that would look like? For example, in something like domestic violence funding, if a bunch of domestic violence frontline services were asking for funding how would the outcomes budgeting apply to that process?

Mr PRATT: I might open that and then I will let Mr Midha perhaps talk about an example. But if you take that example you have quoted, in a really complex question like that it is often more than one agency of government that will have to come to the table to resolve it. In that example it could be Health, it could be Justice and it could be Education—perhaps a component of that. Firstly, what outcome budgeting does is agree what the outcome should be, with some key performance indicators [KPIs] sitting under that so you know how you are progressing. Then it links the programs of work to deliver that outcome, which have dollars against them. The really beneficial part of the framework is that if you have various agencies contributing to that outcome, those components of those budgets are locked in on that program. So Education cannot suddenly turn around one day and say, "I am no longer going to spend that money on that particular initiative," because it is locked in the budget. It puts a rigour and a framework around how you get to outcomes. That is fundamentally what it is. It enables government then to regularly ask questions around delivery and what the KPIs look like against the outcomes that governments seek.

Ms ABIGAIL BOYD: How do you value that outcome? For instance, around domestic violence—I know I am using a particular example—if the target was, for example, a reduction in offence rates or in women needing to leave home—or whatever it happens to be; a series of outcomes—how do you value that outcome in order to then work out how much money to assign to particular services to get you there?

Mr PRATT: That is really in the deliberation of government to decide priority for particular outcomes, and then we build the budget around those priorities.

Ms ABIGAIL BOYD: How does that differ from looking and saying, "Domestic violence is a priority, so we are going to put X per cent of all of our funding into this?" How does the outcomes budget focus change the actual figures that get—

Mr PRATT: Perhaps we could talk about an example, if that might help?

Ms ABIGAIL BOYD: Yes, that would be really helpful.

Mr MIDHA: Quite often with measures we tend to measure inputs or outputs. With outcomes we want to measure outcome. I will use your domestic violence example. We have an output measure which we use today around the number of adult and child clients supported with a response by an integrated domestic and family violence service. That is an output measure: how much money we put in to be able to count and deliver that service. But if you look at a much more effective measure in terms of an outcome, you would say, "We want to reduce the percentage of domestic violence offenders reoffending within 12 months." It is not about the input; it is about the result at the end. One is delivering a service which counts how many clients they get, and the other one is actually the impact of that is actually reducing domestic violence. That is why we look at outcomes.

Ms ABIGAIL BOYD: But in the first example, if you are looking at the numbers of people that they see, you can say, "If they need to see that number of people then they need a number of staff in this premises", so you can calculate how much is needed. But how do you do that if you are looking at it in terms of outcomes? If you are saying, "It needs to be reduced by a certain amount, that is the outcome we want," how do you turn that into a figure that you can then use to fund?

Mr MIDHA: There can be a series of other what we call "leading indicators" or "input measures", but the program should be targeted and the funding should be targeted towards delivering the right outcome. You could have measures that measure how the program is performing in its course. But if the program at the end of the day is not delivering a reduction in domestic violence then you need to question whether there are some other programs or other ways of funding to lower that, instead of just having an input measure or an output measure of the number of people that you see.

Ms ABIGAIL BOYD: It is not relevant to the amount they get funded, it is relevant to whether they get funded. It sounds like it is the effectiveness of the service that we are trying to target, but how does that translate?

For example, if a service is trying to see a whole bunch of people but does not have enough money to do that so it is not providing the service that the public needs and so the reoffending rates do not go down, for instance, how do you then say that that service should not get more funding?

Mr MIDHA: Maybe that is the solution; it might need more funding. The reality is you are not delivering the results, so we are looking to deliver an outcome. There are many reasons why the outcome could not be delivered: You have the wrong type of person or you are not seeing enough people. Those reasons need to be examined, rather than just funding. Instead of saying, "If we see all people in this need, we will deliver a good outcome," we are actually saying, "By seeing those clients, what is the outcome you are trying to deliver?" Let's measure that, and then outcomes should then look at are you seeing enough clients, is there enough funding there and is this program working the way it is meant to work?

So it is not just measuring how many people you see but actually the impact of servicing that client base.

Ms ABIGAIL BOYD: That is when you fall back on the department to tell you in terms of working with them to work out where they think the money is best spent.

Mr MIDHA: It could lack funding.

Ms ABIGAIL BOYD: It is still not based on need though, is it? It is based on a—

Mr MIDHA: It is based on the outcome that you want which is for the community. If you want to reduce domestic violence or increase educational standards, instead of counting the number of students you count the results of education. It is more about what is the result of the funding of the programs in terms of outcomes. We have about 38 State outcomes currently defined and at different levels we measure against those in outcomes at different stages for the particular programs that would lead to an outcome.

Ms ABIGAIL BOYD: In education, for example, if a whole bunch of schools needed new facilities but the kids in the schools were still getting an education they needed then they would not get extra funding because they were meeting the outcome.

Mr MIDHA: No. That is one outcome but you might measure academic. You could measure wellbeing. You could measure equity—so for disabled or other students. It depends. If you have a comprehensive set of outcomes then examples that you mentioned would be covered in them. So for education I am saying you could have a number of different outcome measures.

Ms ABIGAIL BOYD: I think I am understanding. It is a philosophy about why you are funding what you are funding, not calculating how much a particular service gets—that is more complicated.

Mr MIDHA: That is correct. As Mr Pratt mentioned earlier, outcome budgeting is not just about looking at the sliver of incremental spend that happens year on year; it is about looking at the entire use of, say, the Education budget—the \$16 billion that goes towards it—and are we delivering improved academic results or whatever Education and government deems is the right outcome for that cluster.

Ms ABIGAIL BOYD: So when frontline services are saying to the relevant Minister, "We don't have enough money. We don't have funding. We're turning people away," and the Minister says, "It's not about inputs; it's about outcomes," it does not really make sense in that context because funding is really a distinct thing from what you are trying to achieve with it.

Mr MIDHA: To achieve certain education levels, you need to educate all your students. If you are turning students away you are not going to achieve that for the majority of the students. So you have to work through the whole chain from the start to the finish. But it is about when they are being educated is that delivering the results that Education expects to be delivered by the organisation? If you have a business plan that gets your organisation geared towards delivering those outcomes then you are working in the right direction.

Ms ABIGAIL BOYD: Thank you. I understand that a lot better now.

Ms WILKIE: I have some of the answers around the unemployment and underemployment if you would like that now.

Ms ABIGAIL BOYD: That would be great.

Ms WILKIE: In terms of unemployment and underemployment in the OECD study that you mentioned the OECD defines—sorry, this is more eco-technic jargon—underutilisation differently to the Australian Bureau of Statistics so there are slight differences. There are some measures of underemployment and underutilisation in the ABS's definition that are equivalent to the OECD so I will just take you through some of that. It is quite detailed so we can give you some of this in writing later if you would like further information. The commonly reported labour force statistics in Australia are based on unemployment rates, underemployment and then the

underutilisation, whereas the OECD measure of underutilisation is an extended measure that the ABS does not routinely report on. It is only collected by the ABS once a year. The extended labour force utilisation rate is expressed as the sum of unemployed, underemployed and to marginally attached groups to the labour force as a proportion of the total labour force. That measures—

Ms ABIGAIL BOYD: That is the OECD?

Ms WILKIE: That is the OECD's measure.

Ms ABIGAIL BOYD: And we do not do the marginally attached in the ABS.

Ms WILKIE: Yes. The ABS only does that once a year as opposed to monthly. The New South Wales extended labour force utilisation rate is 17.3 per cent, down from 19 per cent 12 months ago, and it was measured in February 2019.

Ms ABIGAIL BOYD: Is that underutilisation or underemployment?

Ms WILKIE: This is the extended labour force underutilisation, so the OECD's definition of underutilisation: 17.3 per cent in February 2019 down from 19.1 per cent in February 2018. That is the lowest in Australia. The next lowest State is Victoria, which has a figure of 19.2 per cent. Australia is significantly above the OECD average, which is 19.9 per cent. On the OECD measure, Australia's underutilisation rate is above the OECD average. It is different years. OECD uses calendar years; we tend to use financial years. Depending on when different countries have collected data they tend to have data that is a couple of years old when they have to use comparisons, so the OECD measure for Australia is 19.9 per cent compared to an OECD average of 11.6 per cent.

Ms ABIGAIL BOYD: That is underutilisation not underemployment.

Ms WILKIE: Yes, that is correct.

Ms ABIGAIL BOYD: And the underemployment figures?

Ms WILKIE: Using the ABS definition, underemployment in New South Wales is 7.9 per cent and that is down from a peak of 8.9 per cent in September 2014.

Ms ABIGAIL BOYD: And using the OECD figures, or is that—

Ms WILKIE: That is ABS numbers. You also asked about the hours worked per week. As I corrected earlier, how many hours per week you have to work to be classified as employed is one hour a week. You asked about what share of the workforce is working less than, say, 15 hours compared to previously so my staff had a quick look at a 10-year horizon. The share of workers engaged in part-time employment has been on a long run trend upwards. Part-time employment represents 30 per cent of the workforce currently, which is up from about 15 per cent in the late 1970s, so that is consistent with the casualisation of the workforce over the longer term.

This is also consistent with the increase in participation rates of women in the workforce, because more women tend to work part-time. But also some reasons for the increase in people choosing part-time employment over full-time employment include studying, just a general preference and also caring for children and the elderly. The share of the workforce nationally working 19 hours or less is 13.2 per cent in 2019, down from 13.8 per cent a decade ago. And the share of the national workforce working one to nine hours a week is 4.6 per cent, which is down from 5.2 per cent a decade ago.

The CHAIR: Thank you. I just confirm that the Government members are going to relinquish their questioning time.

The Hon. SHAYNE MALLARD: We have got some wonderful questions about the benefits of tax cuts I know you would love us to ask but we will not ask those questions and we will defer the time and just reserve the right, as a gesture of goodwill to the Opposition.

The Hon. NATALIE WARD: I was very interested in Ms Boyd's questions. I quite liked her line of questions and I am happy to cede to her.

Ms ABIGAIL BOYD: I am taking the opportunity to educate myself in all things Treasury.

The Hon. DANIEL MOOKHEY: Secretary, how many full-time equivalents [FTEs] are there at the Treasury?

Mr PRATT: The current number as at 30 June 2019 is 530 FTE but our forecast is with the machinery of government changes I talked about earlier that number will go to 808.

The Hon. DANIEL MOOKHEY: But the like for like comparison for FTE is 530.

Mr PRATT: Like for like, year on year from 2017-18 is an increase of nine—the prior year was 521.

The Hon. DANIEL MOOKHEY: And prior to that in 2016-17 it was 488, wasn't it?

Mr PRATT: No, it was 580.

The Hon. DANIEL MOOKHEY: In your annual report from that year it was listed as 488. I may be wrong so I will take your advice on that. Can you just give those three figures again?

Mr PRATT: Yes. For 2016-17 the number is 580, 2017-18 it is 521 and then 2018-19 is 530.

The Hon. DANIEL MOOKHEY: Okay. Thank you. How many of them are in the Commissioning and Contestability Unit?

Mr GARDNER: I think it is 14.

Mr PRATT: It is in that range—it is somewhere in the number of 12 to 14. We will see if we can get the exact number for you.

Mr GARDNER: It is 14 full-time staff at 30 June.

The Hon. DANIEL MOOKHEY: Are they at executive director level? Are they director level?

Mr GARDNER: One is at the executive director level, four at director, four at grade 11-12, one at grade 9-10, one at grade 7-8, two at grade 5-6, one at grade 3-4.

The Hon. DANIEL MOOKHEY: But concentrating on the executive director and directors, it has not changed, because that was identical to the figures last year.

Mr GARDNER: That is exactly right, yes.

The Hon. DANIEL MOOKHEY: What are they working on?

Mr GARDNER: We renamed it the commissioning unit.

The Hon. DANIEL MOOKHEY: Oh, congratulations.

Mr GARDNER: And we have also brought the Office of Social Impact Investing, which was previously a joint initiative between Treasury and Department of Premier and Cabinet, into the commissioning unit. They do really three major types of work. They work on capability of building across government around commissioning, putting people at the centre of serviced delivery. They work with agencies to help them redesign service functions. They have worked on projects where the Government has been re-tendering projects that are already in the private sector, so ferries, The Benevolent Society social impact bond that matured and was extended, a range of things where programs are already in place and the Government is looking for improved service delivery or outcomes from those projects. And they work on a number of projects where the Government is allocating new funds, they worked on the Smart, Skilled and Hired youth employment program, they worked on the SAHF program—

The Hon. DANIEL MOOKHEY: I appreciate the acronyms, but you have to spell them out.

Mr GARDNER: The Smart, Skilled and Hired youth employment program, the Social and Affordable Housing Fund program, and the various social impact investment bonds that the State is issuing.

The Hon. DANIEL MOOKHEY: What is now known as the commissioning unit has a Family and Community Services [FACS] and education unit, that is correct?

Mr GARDNER: Sorry, has a—

The Hon. DANIEL MOOKHEY: FACS and education unit, or a team dedicated—

Mr GARDNER: It works with the department. There is no unit that is a FACS and education unit, no.

The Hon. DANIEL MOOKHEY: Has the unit prepared any advice around school construction?

Mr GARDNER: I would be very surprised if—no, it has not provided any advice around school construction, as far as I know.

The Hon. DANIEL MOOKHEY: Has it provided any advice around the potential use of any public-private partnerships [PPP]?

Mr GARDNER: It is not at all involved in public-private partnerships.

The Hon. DANIEL MOOKHEY: There is no transport unit in the CCU, but it does transport-related work?

Mr GARDNER: It worked with Transport on the ferry commissioning and the ferries contract this year.

The Hon. DANIEL MOOKHEY: What kind of work is it currently doing with Transport for NSW, what projects?

Mr GARDNER: I do not have anything. I have to take that one on notice, I am sorry.

The Hon. DANIEL MOOKHEY: Is it involved or providing any advice in relation to the tender or the re-tender of any bus contracts?

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

The Hon. DANIEL MOOKHEY: Has it provided any advice or undertaken any work specifically about region 7 of the bus contracts?

Mr GARDNER: Again, I will take it on notice?

The Hon. DANIEL MOOKHEY: What about in respect to train services? Has it provided any advice to government?

Mr GARDNER: I am not aware of any work it has done on train services.

The Hon. DANIEL MOOKHEY: It prepares, amongst other things, valuations of government assets, that is correct?

Mr GARDNER: No.

The Hon. DANIEL MOOKHEY: Does it prepare market assessments? The unit was responsible for the WestConnex sale?

Mr GARDNER: No, no, no, not the commissioning unit.

The Hon. DANIEL MOOKHEY: Which part of the Treasury is responsible for those types of transactions?

Mr GARDNER: The sale? The transactions unit.

The Hon. DANIEL MOOKHEY: That is the transactions unit?

Mr GARDNER: That is a different unit to the commissioning unit.

The Hon. DANIEL MOOKHEY: Let us talk about that. How many people work there?

Mr GARDNER: The number would be six; six to nine.

The Hon. DANIEL MOOKHEY: They prepare valuations?

Mr GARDNER: No.

The Hon. DANIEL MOOKHEY: What do they do?

Mr GARDNER: Well, if the Government were to make any decisions around any asset recycling transactions, then they would be involved in those processes. They would lead that and appoint advisers to run those transactions. Occasionally they get involved in commercial negotiations that the State undertakes if contracts are coming up for renewal, so a range of things.

The Hon. DANIEL MOOKHEY: What commercial negotiations are they currently involved in?

Mr GARDNER: I would have to take that on notice, but I think anything they are working on is things that would form Cabinet, be part of advice to Cabinet and therefore—

The Hon. DANIEL MOOKHEY: Why? Has it actually gone to Cabinet?

Mr GARDNER: No. Well, most of the contracts we are talking about are things that government will ultimately make a decision on before re-entering. The team does not unilaterally enter into contracts on behalf of the Government without government decision-making.

The Hon. DANIEL MOOKHEY: In order for it to engage in work, how is work referred to the unit?

Mr GARDNER: The work comes from a number of different areas. If a particular contract is coming up and the Government would like someone in Treasury to be participating with an agency, invariably contract renewals will be led by specific agencies.

The Hon. DANIEL MOOKHEY: So what is it currently working on? There are nine people there. I presume they are doing something. What are they working on?

The Hon. SHAYNE MALLARD: I think Mr Gardner said he would take it on notice.

Mr GARDNER: Today they are working on a forestry project.

The Hon. DANIEL MOOKHEY: Forestry? Have they undertaken any work around Service NSW?

Mr GARDNER: No.

The Hon. DANIEL MOOKHEY: What about prisons?

Mr GARDNER: No.

The Hon. DANIEL MOOKHEY: What about in Treasury, in terms of any commissioning or assessment of or the use of market solutions for the provision of prisons? Has Treasury prepared any—

Mr GARDNER: So, the commissioning unit, which we talked about before, had worked with Corrective Services NSW on the Better Prisons program.

The Hon. DANIEL MOOKHEY: And that led to the Goulburn prison I presume, or was a part of that project—sorry, Grafton?

Mr GARDNER: Grafton, no. It did not work on that one.

The Hon. DANIEL MOOKHEY: What did it work on then, if it did not work on the Grafton one?

Mr GARDNER: There have been projects such as the re-tendering of the Parklea contract and prior to that the market testing of the John Morony project.

The Hon. DANIEL MOOKHEY: Does it set the parameters for what a department must achieve? How does Treasury impose such parameters?

Mr GARDNER: No. All these projects are led by the specific agency. The commissioning unit is really just there to help think through how you build a service delivery, putting outcomes—

The Hon. DANIEL MOOKHEY: Sure, but to be fair, that question is broader than just that unit. I am now asking about the Treasury in general in these respects.

Mr GARDNER: Sorry. Can you repeat the question then?

The Hon. DANIEL MOOKHEY: How does Treasury assist other agencies when it comes to the re-letting of these contracts, and does Treasury impose its own requirements or provide advice to those agencies as to what Treasury would expect from those contract re-letting processes?

Mr GARDNER: Invariably some sort of working group steering committee would be involved in the project. Treasury would have representatives, so we need to work through the specific nature of the re-negotiations and determine a government position, refer that to the Government, take it back.

The Hon. DANIEL MOOKHEY: Is the *NSW Government Commissioning and Contestability Practice Guide* still binding on Treasury?

Mr GARDNER: Sorry?

The Hon. DANIEL MOOKHEY: The *NSW Government Commissioning and Contestability Practice Guide*, is that still an official Treasury document that is being followed?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: Under that it says that the Treasury's executive has to approve the first step in the commissioning stage, which is a needs assessment. That is correct?

Mr GARDNER: If that is what the report says.

The Hon. DANIEL MOOKHEY: How often does Treasury executive meet?

Mr GARDNER: The Treasury executive?

The Hon. DANIEL MOOKHEY: Yes. It is in your guide. The terms are coming directly from this guide. Is there a Treasury executive that approves this, because the guide says that there is meant to be?

Mr GARDNER: I will have to take that on notice.

The Hon. DANIEL MOOKHEY: Mr Pratt, is there a Treasury executive?

Mr PRATT: Yes. You are talking to the Treasury executive at this table.

The Hon. DANIEL MOOKHEY: You are the Treasury executive, so you have to approve it?

Mr PRATT: Well, I am not clear on the definition of that term in that context. But the Treasury executive, as in the leadership team, is this team, yes.

The Hon. DANIEL MOOKHEY: Nice to meet you all. What approvals for needs assessment has this Treasury executive approved in the past 12 months?

Mr PRATT: I would think the document you are referring to refers directly to commissioning itself. The commissioning that you are referring to does not come to this leadership team, or this executive.

The Hon. DANIEL MOOKHEY: I am not trying to create confusion. I am legitimately using a Treasury publication to ask questions of the Treasury.

Mr PRATT: I appreciate that and I am trying to clear it for you.

The Hon. DANIEL MOOKHEY: Sure. But has Treasury prepared any needs assessment in respect to any service in the past 12 months, which is the first step, according to your own guide?

Mr GARDNER: I will have to take that on notice, because I am not aware of any.

The Hon. DANIEL MOOKHEY: Stage two of your guide says that you also have to seek permission for Treasury to prepare a business case. Have there been requests for permissions around the preparation of a business case in respect to any service?

Mr MIDHA: Business cases are built on a regular basis when an agency wants to run a project.

The Hon. DANIEL MOOKHEY: But this is a process for Treasury to initiate a reform, to be clear. I accept that Treasury is involved in business cases that every other agency is because you are required to by law and it is a great thing that you are. But has there been a Treasury-sponsored thing that falls within this category or you have got no idea what I am talking about?

The Hon. NATALIE WARD: I don't think anyone does.

The Hon. DANIEL MOOKHEY: That is a worry, to be honest, given that I am asking you questions specifically about your policies. It is stage two of the process in your guide. What has happened in stage two?

Mr GARDNER: I am not aware of any projects that are on that process at the moment.

The Hon. DANIEL MOOKHEY: Has the unit or Treasury ever retained specific communication advisers for the then Commissioning and Contestability Unit [CCU]? Have you ever sought or hired any public relations advisers?

Mr GARDNER: I will take that on notice. I am not aware of any.

The Hon. DANIEL MOOKHEY: The contracts database says that Treasury paid the consultancy firm SenateSHJ \$117,000—granted it was not in the last financial year; it was the financial year prior—to provide the CC Unit with communication and engagement support. What services did SenateSHJ provide?

The Hon. NATALIE WARD: What budget year was it?

The Hon. DANIEL MOOKHEY: It is in the contract database. It is still there. I am asking you about it because that may have been the contract that led to you changing your name; I do not know. Are you aware of any of this?

Mr GARDNER: I will take the question on notice.

The Hon. DANIEL MOOKHEY: Finally, what were the final transaction costs for the sale of WestConnex that Treasury incurred?

Mr GARDNER: The final total adviser cost was \$62 million.

The Hon. DANIEL MOOKHEY: Can you itemise that?

Mr GARDNER: It will be in our total State sector accounts, which will be published this fourth quarter.

The Hon. DANIEL MOOKHEY: It will be published this fourth quarter?

Mr GARDNER: Yes, we provide the list of all the adviser costs in the State sector accounts by transaction. The advisers are named and the transactions are named.

The Hon. DANIEL MOOKHEY: Has Treasury prepared any advice as to what the New South Wales Government would get if it was to sell its remaining standing in WestConnex?

Mr GARDNER: No, we have not provided any advice.

The Hon. DANIEL MOOKHEY: Do you maintain asset valuations for what we own, particularly under State-owned corporations? The question is not directed at you, Mr Gardner; it is directed at Treasury in general. How does Treasury value what we own in our State-owned corporations given that it administers them?

Mr PRATT: That goes through the budget process as part of the ongoing auditing of the financial statements and the balance sheets.

The Hon. DANIEL MOOKHEY: Treasury previously maintained a net present value model for WestConnex. Mr Gardner, I think we got this out in a previous parliamentary inquiry. Is that still the basis by which you value the State's residual interest in WestConnex? Is there a net present value model that you use or is it an internal rate of return model or is it a market price value? How do you value it? It is quite a significant asset. I will just say, given that we sold a 51 per cent share for \$9.9 billion, mathematics would show that 49 per cent was valued—at least at the time of sale—at \$9.3 billion. What is it worth?

Mr PRATT: We use all those models, as you would expect. But I do not have a current valuation that I could give you.

The Hon. DANIEL MOOKHEY: What is the valuation cycle? How often do you check?

Mr MIDHA: It could be annual but I will check.

The Hon. DANIEL MOOKHEY: Do you have to check it as part of the budget process?

Mr MIDHA: It does not have to be part of the budget process; it could happen within the 12-month cycle to make sure that we include the upgraded value in the budget.

The Hon. DANIEL MOOKHEY: The residual interest of WestConnex is subject to the Treasury Commercial Policy Framework. Is that correct?

Mr PRATT: Yes.

The Hon. DANIEL MOOKHEY: And that is done through Roads Retained Interests Pty Ltd [RRIPL].

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: Under the commercial framework you are required to issue that to all State-owned corporations with a charter of expectations, are you not?

Mr PRATT: RRIPL is not a State-owned corporation.

The Hon. DANIEL MOOKHEY: No, but is it subject to the Treasury Commercial Policy Framework?

Mr PRATT: It is subject to the Treasury Commercial Policy Framework.

The Hon. DANIEL MOOKHEY: The Treasury Commercial Policy Framework states that all entities that are subject to it must be issued with a charter of expectations to the board. Is that correct?

Mr PRATT: All State-owned corporations.

The Hon. DANIEL MOOKHEY: It previously came out that it is subject—

Mr GARDNER: I recall that we went through this with Mr Dawson at the WestConnex inquiry. RRIPL is required to produce a statement of business intent and it is required to undertake continuous disclosure to Treasury. The financial results are included in the financial statements for the Crown entity, which are tabled in the New South Wales Parliament annually. It is included in the budget papers as part of the Treasury cluster and there is a range of reporting requirements—

The Hon. DANIEL MOOKHEY: Has it provided Treasury with a statement of business intent?

Mr GARDNER: It will have done, yes.

The Hon. DANIEL MOOKHEY: When?

Mr GARDNER: The preliminary business plan should be received in the first quarter, the proposed plan in early May and the final plan by 30 June. It should be finalised by 30 September.

The Hon. DANIEL MOOKHEY: Great. So what does it say?

Mr GARDNER: I have not personally seen it.

The Hon. DANIEL MOOKHEY: Is Treasury imposing any dividend target on RRIPL?

Mr GARDNER: No, the dividends we receive from RRIPL will be a result of the dividends that the WestConnex entities pay.

The Hon. DANIEL MOOKHEY: When do you expect WestConnex to be paying dividends?

Mr GARDNER: WestConnex is paying dividends.

The Hon. DANIEL MOOKHEY: It is?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: WestConnex is paying dividends. How much has been received?

Mr MIDHA: I will have to get back to you on the exact amount but it is included in the New South Wales regeneration fund.

The Hon. DANIEL MOOKHEY: Of course, WestConnex is different to other State-owned corporations because we do not have a majority ownership. It is not like Treasury can impose a dividend target like it does for a State-owned corporation. It is the case that Transurban effectively sets the dividends policy for WestConnex. Is that correct?

Mr GARDNER: The WestConnex entity is 25 per cent owned by Transurban.

The Hon. DANIEL MOOKHEY: But the consortium that bought it, of which it is a member, sets the policy? Yes?

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: Are you now incorporating WestConnex dividends into future forecasts for dividends to be received for the purpose of the budget?

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: Has that been applied for this budget?

Mr MIDHA: Yes. The dividends were received and it is in the numbers.

The Hon. DANIEL MOOKHEY: Can you get it out for us?

Mr MIDHA: Yes, I will take it on notice and come back to you.

The Hon. DANIEL MOOKHEY: Thank you. Who is on the board of RRIPL?

Mr GARDNER: Peter McVean is the chair, along with John O'Sullivan and Cameron Robertson.

The Hon. DANIEL MOOKHEY: Are they remunerated?

Mr GARDNER: They are.

The Hon. DANIEL MOOKHEY: According to which policy? It is a slightly unusual arrangement. What policy are they subject to for the purposes of board remuneration?

Mr GARDNER: They will be subject to the set process.

The Hon. DANIEL MOOKHEY: The same process?

Mr GARDNER: I will have to confirm that. I will take that on notice.

The Hon. DANIEL MOOKHEY: If it is the case that they are consistent with the policy, what are their remuneration entitlements?

Mr GARDNER: The remuneration entitlements for RRIPL are \$150,000 per annum for the chair and \$100,000 for the directors.

The Hon. DANIEL MOOKHEY: Given that they effectively only have a minority interest and do not actually sit on the board of WestConnex, what are they being paid to do?

Mr GARDNER: They are being paid to be board members of the WestConnex entities and there are certain decision rights that are existing that they must participate in.

The Hon. DANIEL MOOKHEY: How often does the RRIPL board met?

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Are you able to provide on notice the meetings since its creation and the attendance of the directors at those meetings?

Mr GARDNER: Yes, I can do that.

The Hon. DANIEL MOOKHEY: They are subject to the continuous disclosure requirements under the Treasury Commercial Policy Framework. Is that correct?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: As are all State-owned corporations?

Mr GARDNER: It is not a State-owned corporation.

The Hon. DANIEL MOOKHEY: Sorry, I mean as are State-owned corporations.

Mr GARDNER: Correct.

The Hon. DANIEL MOOKHEY: What disclosures have arrived to Treasury from any State-owned corporation under the continuous disclosure regime in the past 12 months?

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

The Hon. DANIEL MOOKHEY: Have any of them been of a critical nature?

Mr GARDNER: I have nothing in terms of continuous disclosures from the various State-owned corporations that have come up to me in terms of anything of a critical nature.

The Hon. DANIEL MOOKHEY: What savings targets has Treasury imposed on Sydney Water under the statement of business intent?

Mr GARDNER: We have not imposed any saving targets on Sydney Water.

The Hon. DANIEL MOOKHEY: So Treasury is not seeking any savings from Sydney Water for this period?

Mr GARDNER: No.

Ms ABIGAIL BOYD: I think my question is going to be a welcome relief. I want to touch on accounting policies. Earlier we heard that the accounting policy is effectively owned by Treasury. Can you talk me through how that accounting policy is developed and within what bounds? How much flexibility do you have to determine the policy? Does it come from the Treasurer or is it something that Treasury determines?

Mr MIDHA: It is the interpretation on how we use it within the Government, because these standards are wide as they cover the public and the private sector. Within government, the interpretation of the policy is maintained by Treasury. I can cover that on a broader basis; we have a specific accounting area that deals with the implementation of specific accounting changes. For example, we are now moving to the new AASB16, the new lease arrangements. We are all operating these for financial leases. The way that is implemented in government is that accounting policy is developed in the accounting team and that is then propagated across government.

Ms ABIGAIL BOYD: So it is broadly in line with the Australian Accounting Standards Board [AASB] public accounting rules for public entities.

Mr MIDHA: Correct.

Ms ABIGAIL BOYD: Do you have any input into the AASB changes, just as a general stakeholder in the consultation process for those changes?

Mr MIDHA: We do not currently have anyone representing us on the Accounting Standards Board. We used to, but I think they have left. I can get back to you on if there is anyone else representing us.

Ms ABIGAIL BOYD: I would be interested. What latitude do you give yourselves in terms of departing from the accounting standards in certain cases, or is it purely in terms of interpretation of the accounting standards?

Mr MIDHA: As much as possible, we try to be as clear in the implementation of the accounting standards. Again, because of interpretation, there can be some grey and there could be different types of

interpretation, which is why we have the Audit Office that also oversees the compliance against the Treasury interpretation of the accounting standards across government.

Ms ABIGAIL BOYD: When you are building something like a stadium, it does not need to be matched against revenue. Is that right? Can it be put into the budget? I have heard that there are different ways basically of accounting for physical investments like stadiums than there are for other types of, say, social investments. Is that correct?

Mr MIDHA: The complication arises when you are accounting for investment in an asset that is part of the government sector and also when it is part of the public non-financial corporation [PNFC], which is outside the government sector. When government injects money into a PNFC, it is treated as a grant. If government uses the same money to build an asset within the government sector, it is treated as capital. The two accounting treatments are different.

Ms ABIGAIL BOYD: Is that an interpretation issue in terms of what you consider to be an investment in capital?

Mr MIDHA: No, that is clear accounting standard.

Ms ABIGAIL BOYD: That is very clear.

Mr MIDHA: It is very clear.

Ms ABIGAIL BOYD: There is no flexibility for you to change and, for example, to say that an investment in a particular social service that you know is going to have an impact down the track, that will save the Government money in the long run, cannot be treated in the same way as an investment?

Mr MIDHA: Yes, if it is an investment that will provide return over a period of time, it can be treated as a capital.

Ms ABIGAIL BOYD: Is it an interpretation issue as to why that does not happen. I am thinking of things like, for example, if the Productivity Commission is telling us that a certain number of dollars that are put into, say, skills training would result in savings to the economy or a boost in productivity of X amount over a certain period. Could you treat that in the same way as an investment in a stadium or something?

Mr MIDHA: No, not easily. If there is a direct financial benefit to an investment then you might be able to do it; if it is a wider economic benefit then you probably would not. But that is a very general statement I am making. It would be dependent upon the specific investment you are talking about.

Ms ABIGAIL BOYD: Perhaps something like a justice reinvestment scheme—for example, where you have a relatively closed part of the economy and you are looking at savings from not having the penal system applying to certain people who, instead, have had the benefit of an investment in social services or welfare of some sort. Could that be considered as an investment against something quite specific or is it not really possible to be accounted that way? I know it is not usual, but is it possible?

Mr MIDHA: No, it would be highly unusual. There could be a future benefit but it would be treated as a recurrent expense if it was something that was ongoing. To treat something like a capital or an asset, it tends to take a fixed period of time to set it up and then its ongoing benefit roles on into the future with a little bit of recurrent maintenance cost. But if it is an ongoing operation, you could not treat it as an operating investment because you would expend that over time.

Ms ABIGAIL BOYD: I will think on that and let my colleague ask questions.

Mr DAVID SHOEBRIDGE: Mr Pratt, I had assumed that when programs are announced in the budget they would have gone through a detailed process by agencies working out what the project is, providing a detailed analysis to Treasury and then Treasury signing off on things before they are announced in the budget. Is that how it is meant to work?

Mr PRATT: In some cases that applies, but it is not always the case though, depending on the timing of a particular project in terms of getting that into the budget process. Importantly, though, if that has not been done then it does go through that before any funding is finally approved.

Mr DAVID SHOEBRIDGE: There is a kind of online form that gets filled in at some point for Treasury where the justification is put in, the budget is put in—I cannot remember the name of the form off the top of my head, but I am certain you know the form I am talking about—and that is filled in by the agency and goes off to Treasury. Can you advise me what the name of that form is?

Mr MIDHA: What you are saying is the process to put a request for a budget to the system, that is called a full budget proposal—an FBP.

Mr DAVID SHOEBRIDGE: Yes, a full budget proposal. Normally that would happen before it is announced in the budget, would it not? Before they are announced in the budget, the Parliament legislates for the approval of the funding. I would have thought an FBP would be done as a matter of routine before.

Mr PRATT: The Government may want to reserve money for that work to be done into the following year post the budget process. That money could be reserved and then the work is done after that.

Mr DAVID SHOEBRIDGE: So the money is allocated through the parliamentary budget, but there can be occasions where those checks and balances have not been done and then the agency or whatever may satisfy those criteria later. How common is that?

Mr PRATT: On all major projects the rigour is put in through that process. I could not answer specifically how common it is, but in the main, certainly pre or post, those projects go through the proper analysis.

Mr DAVID SHOEBRIDGE: Do you think the budget should identify those programs that have not had that kind of rigour, that are still on a kind of wish list, and there should be some kind of further transparency before the Parliament signs off on a budget for things that have not gone through any kind of rigorous process?

Mr PRATT: Certainly the outcome budgeting that we spoke about earlier, the intention of that is that programs will be funded, locked into those programs of work to deliver certain outcomes. That rigour will be in that process.

Mr DAVID SHOEBRIDGE: Could you advise the Committee what proportion of the budget had not been through that process when it was passed?

Mr PRATT: I could not do that now. I could take that on notice and we could look at that.

Mr DAVID SHOEBRIDGE: I would appreciate it if you would take it on notice.

Mr PRATT: Yes.

Mr DAVID SHOEBRIDGE: If you could identify those projects perhaps of greater than \$10 million that were approved in the budget but had not been through that budgetary process.

Mr MIDHA: Yes, we can have a look.

Mr DAVID SHOEBRIDGE: Nodding does not show up in *Hansard*, Mr Pratt.

Mr PRATT: I have already said that I will take it on board.

Mr DAVID SHOEBRIDGE: Do you think \$10 million—I have just come up with \$10 million in this discussion—is a reasonable threshold that would enable you to complete that task?

Mr PRATT: Could I take that on notice?

Mr DAVID SHOEBRIDGE: Yes. I have asked for \$10 million—

Mr PRATT: It depends on the degree of rigour that you are talking about, really.

Mr MIDHA: That is a very low number.

Mr DAVID SHOEBRIDGE: Yes. Mr Midha, if not \$10 million, what is the point at which greater rigour is kicking into the Treasury approval process? If it is not a \$10 million, where is it ordinarily?

Mr MIDHA: All proposals are reviewed. All proposals do come through. They are meant to come through. It does not matter, so the amount is not relevant. So the budget process caters for everything. But those that have not been through the FBP process, you are suggesting, where there are also circumstances that an agency could announce or a Minister could announce a particular program that is part of their budget process that they are reprioritising within their cluster. So it does not necessarily need to go through a vigorous FBP process.

Mr DAVID SHOEBRIDGE: Perhaps we will stick with where we got with \$10 million. No doubt you will identify why certain projects have not gone through an FBP process, if you can, in giving your answer. I will ask this because I was especially surprised to find that the Empowering Homes Program was one of those; I think it is in the order of \$30 million, \$40 million, \$50 million project and it only commenced the process 10 days after the budget. If you could make sure you address that, at least, in your answers. Could I ask you about how Treasury goes about setting the parliamentary budget? Two budget bills are presented: There is the consolidated capital/recurrent budget and then there is also a parliamentary budget. What process do you go through to set the budget for this place?

Mr MIDHA: Sorry, I missed the question.

Mr PRATT: Parliamentary budget.

Mr MIDHA: For the Legislature?

Mr DAVID SHOEBRIDGE: You know that second funding bill that goes through when the budget goes through? You have got the capital and recurrent appropriations and then you have got a parliamentary budget bill. What process do you go through in setting the parliamentary budget?

Mr PRATT: Mr Shoebridge, that is more of a question for Premier and Cabinet. That particular budget sits within the Premier and Cabinet budget, who are responsible for pulling that together.

Mr DAVID SHOEBRIDGE: I am very happy to raise it with them as well, but I assume Treasury has a role in analysing the parliamentary budget.

Mr PRATT: A very minor role, because that rigour would be put in by Premier and Cabinet. In the detail of formulating that budget, it would happen through them.

Mr DAVID SHOEBRIDGE: Can you tell me about the Treasury role?

Mr PRATT: It would largely be the input into the budget process. We would not vet—correct me if I am wrong, Mr Midha—that particular budget in detail.

Mr DAVID SHOEBRIDGE: Mr Midha?

Mr MIDHA: That would be true.

Mr DAVID SHOEBRIDGE: So Premier and Cabinet comes up with it. Does it go through an Expenditure Review Committee process?

Mr MIDHA: All budgets go through the Expenditure Review Committee.

Mr DAVID SHOEBRIDGE: Is Treasury on that committee?

Mr MIDHA: The Treasurer is.

Mr DAVID SHOEBRIDGE: Does the parliamentary budget have a different path through that expenditure review than the budget for the Executive?

Mr PRATT: No, it would be part of the budget papers that go through the Expenditure Review Committee. But if I am understanding your question correctly, the detail sitting underneath that budget we do not look at.

Mr DAVID SHOEBRIDGE: But if there are any particular priorities or programs—new priorities or programs in the budget—that will be reviewed by the Expenditure Review Committee? Is that right?

Mr MIDHA: Yes. The Legislature does go through the normal budget process.

Mr DAVID SHOEBRIDGE: Does Treasury run that expenditure review process? I assume you do.

Mr PRATT: The Treasurer chairs that committee but it is technically a Premier and Cabinet committee as part of Cabinet.

Mr DAVID SHOEBRIDGE: You are not aware of any distinct process that the parliamentary budget adopts?

Mr MIDHA: Correct.

Mr DAVID SHOEBRIDGE: It just gets ground through the mill like other budgets? Is that right?

Mr MIDHA: Yes.

Mr DAVID SHOEBRIDGE: When it comes to setting budgets for things like the Parliamentary Budget Office or the Parliament, do you think it is unusual—New South Wales differs, for example, from the way the Commonwealth operates, where there is a separate budgetary process for the Parliament because the Parliament obviously needs independence in order to do its job of holding the Executive to account. Are you aware of those different budgetary processes?

Mr PRATT: I am not aware, no.

Mr MIDHA: I am not familiar with the difference to the Commonwealth.

Mr DAVID SHOEBRIDGE: Mr Nagle, I did ask you some questions earlier about the nominal fund and the role of icare. When are we going to see icare's current annual report or annual report for the last financial year?

Mr NAGLE: It is still being signed off by the Audit Office, so that will be the end of September. Then it will be published shortly after that, so probably October.

Mr DAVID SHOEBRIDGE: Does icare report silicosis cases to SafeWork or to some other place where there is a register of silicosis cases?

Mr NAGLE: There is no register per se, but we do have conversations with SafeWork on silicosis.

Mr DAVID SHOEBRIDGE: You have a discussion with SafeWork?

Mr NAGLE: Yes, there is a working group with them.

Mr DAVID SHOEBRIDGE: Have you looked at some of the proposed standards set federally about exposure to silicosis?

Mr NAGLE: This question came up earlier. We have.

Mr DAVID SHOEBRIDGE: In the course of that, did you say that you disagreed with the Federal standard because it was too lax?

Mr NAGLE: No.

Mr DAVID SHOEBRIDGE: Did you say you agreed with it?

Mr NAGLE: No. I said we supported it. But in New South Wales, SafeWork NSW had a very strong program for a number of years and it has proven to be largely effective.

Mr DAVID SHOEBRIDGE: If you have not got a register and you cannot identify how many silicosis cases there have been, how can you say that the New South Wales regime is effective?

Mr NAGLE: Because there is only one dust diseases scheme.

Mr DAVID SHOEBRIDGE: Is there a statewide register of silicosis cases?

Mr NAGLE: Dust diseases are a workers compensation claim and the dust diseases legislation is particular to those kind of claims. All of the claims for silicosis and other dust diseases come to us.

Mr DAVID SHOEBRIDGE: Is there a State register of silicosis claims?

Mr NAGLE: Not a State register, no.

Mr DAVID SHOEBRIDGE: Is New South Wales part of a national register for silicosis claims?

Mr NAGLE: Not at the moment.

Mr DAVID SHOEBRIDGE: Are you aware of other States having a register for silicosis claims?

Mr NAGLE: Queensland, I understand, is the only State that has started one.

Mr DAVID SHOEBRIDGE: Are you aware that since creating that register reporting numbers have increased because there is increased visibility about silicosis?

Mr NAGLE: That is a potential, yes. I am not sure of the reason why Queensland has such an increase. We do know that the background of workplace safety in Queensland has been different to New South Wales.

Mr DAVID SHOEBRIDGE: Are you saying that the cutting of manufactured stone in Queensland is more dangerous and the practice is less regulated in Queensland than it is in New South Wales?

Mr NAGLE: I am saying in New South Wales wet work has been the standard for manufactured stone for over 10 years.

Mr DAVID SHOEBRIDGE: How many or what proportion of the workplaces where manufactured stone is being cut in New South Wales has either icare or SafeWork, to the best of your knowledge, actually gone in and audited so as you can support that statement that you have just made about wet work being the standard?

Mr NAGLE: Icare has not done any audit. It is not our function. I am not aware of the SafeWork numbers. Having said that, in terms of the available numbers as we understand in the industry, there are about 6,000 workers in that industry. We have screened over 4,500 of them.

Mr DAVID SHOEBRIDGE: Mr Nagle, we know that since Queensland put in place its State register the number of silicosis cases being reported to Queensland—their equivalent of SafeWork—has been substantially higher than the numbers reported in New South Wales. New South Wales has a substantially larger manufactured stone industry and there have been no national standards for exposure to silicosis or State standards for exposure to silicosis in New South Wales. How can you say, in the absence of a State register, that New South Wales has a handle on the problem?

Mr NAGLE: All I can talk about is what we see every day. We know that the standards for cutting manufactured stone have been quite aggressively policed by SafeWork NSW for a number of years. We know that historically we have had about nine cases per annum. We have doubled the number of screenings we have had over the last 12 months. We have had 40 cases, of which 23 are under 10 per cent capacity—which means that they are fully functioning—and four are at 100 per cent. So we have not had the explosion that Queensland has had. The only hypothesis we are working on at the moment is the effectiveness of the program that SafeWork NSW has had in place for a number of years. Having said that, there is a lot of work going on between various manufacture groups and industry groups to encourage workers to come forward. A lot of employers are actually ensuring and bringing their workers to either Lung Bus or allowing them to come in to 115 Pitt Street. So there is a lot of awareness around this issue. It has had a lot of press, a lot of media.

Mr DAVID SHOEBRIDGE: You say SafeWork NSW is aggressively policing it. How many prosecutions has SafeWork NSW commenced?

Mr NAGLE: I am not aware of that number.

Mr DAVID SHOEBRIDGE: Could I tell you it is less than a handful. If I put that proposition to you, would you agree with that?

Mr NAGLE: I do not know. It is not an area that we—

Mr DAVID SHOEBRIDGE: If you do not know the number of prosecutions how can you tell us, with comfort, that it has been aggressively policed by SafeWork NSW?

Mr NAGLE: Because in the discussions we have had with SafeWork NSW they seem to be right on top of the manufacturing issues.

Mr DAVID SHOEBRIDGE: "Seem to be."

Mr MIDHA: Can I just clarify the question on Empowering Homes, Mr Shoebridge? It was an election commitment. That is how it went through the budget process very quickly. And that is why it was quickly announced.

Mr DAVID SHOEBRIDGE: All right. But, again, the Treasury document, the FBP or SRC or whatever it was, was not actually lodged until, I think, 26 June—10 days after the budget. That is the basis on which I asked you the question.

Mr MIDHA: All the action commitments went through the budget process very quickly.

The Hon. WALT SECORD: I am not sure, in the absence of the Secretary, but amongst yourselves you can answer the question. Who would take responsibility for answering questions involving State-owned corporations like Pillar? Are you aware of a State-owned corporation known as the Superannuation Administration Corporation, also known as Pillar?

Mr GARDNER: I am aware of Pillar, yes.

The Hon. WALT SECORD: Are you aware how many people are currently employed at Pillar?

Mr GARDNER: I do not have that number, no.

The Hon. WALT SECORD: Could you obtain that number?

Mr GARDNER: Pillar is a private sector organisation, owned by a company called Mercer.

The Hon. WALT SECORD: Where is Mercer based?

Mr GARDNER: They are a global firm. They have a main office in Melbourne, an office here in Sydney and an office in the Illawarra.

The Hon. WALT SECORD: Are you aware that there is a deed poll original commitment guarantee involving Pillar, based in Wollongong?

Mr GARDNER: I am.

The Hon. WALT SECORD: Are you aware that it was signed on 7 December 2016?

Mr GARDNER: I am.

The Hon. WALT SECORD: Do you know details of that deed poll?

Mr GARDNER: I know that there is a regional jobs guarantee, requiring the organisation to keep core functions in the Illawarra for a period up to 10 years.

The Hon. WALT SECORD: That is where we are getting to the nub of it. You say "core functions". The regional commitment says—this was the legislation made in 2016 by the then Treasurer Gladys Berejiklian:

6 Regional commitment

- (1) The Treasurer must ensure that the private sector entity that becomes owner of Pillar assets pursuant to the authorised transaction provides a guarantee to the effect that Pillar's existing Illawarra operations immediately before completion of the authorised transaction will continue to be conducted in the Illawarra for at least 10 years after completion of the authorised transaction.

How does that differ from core functions? I understand that at the time there were at least 500 employees at that organisation.

Mr GARDNER: I will take the wording that you put forward as the appropriate language in the agreement.

The Hon. WALT SECORD: But it is in the spirit that you understand?

Mr GARDNER: It is, absolutely.

The Hon. WALT SECORD: As a result, what is Treasury doing to ensure that Pillar, Mercer, is adhering to its legislated regional employment commitment?

Mr GARDNER: We are engaging closely with Pillar, or Mercer, regarding their plans. They have been consulting with staff regarding potential changes. It has been raised to our attention and we are engaged with Mercer. They have made assurances to the Treasurer that they are not breaching the terms of the agreement that we made and we are monitoring that to ensure that they do comply with the agreement.

The Hon. WALT SECORD: Are you aware that, in early June, Mercer began to call for voluntary redundancies [VRs] from the staff in the Illawarra involving their operation there?

Mr GARDNER: I am aware that they have been engaging the staff.

The Hon. WALT SECORD: Sorry?

Mr GARDNER: I was not aware, specifically, they had called for VRs, but I was aware that they have been consulting with the staff.

The Hon. WALT SECORD: As part of that, they are moving 25 roles to Melbourne. What is Treasury doing to ensure that Mercer adheres to its agreement signed on 7 December?

Mr GARDNER: Those conversations with Mercer are currently underway and we are reviewing their actions.

The Hon. WALT SECORD: What will you do? A strong letter of reprimand? What action can Treasury take to ensure that Mercer adheres to its job commitment?

Mr GARDNER: They have a contractual obligation, so we just need to ensure that they are adhering to that contractual obligation and we are currently engaged with them to ensure that is the case.

The Hon. WALT SECORD: Workers have been advised in the Illawarra that Mercer intends to have one employee remain there so that they can adhere to their commitment to say that they have a presence in the Illawarra.

Mr GARDNER: I absolutely cannot comment on that.

The Hon. DANIEL MOOKHEY: Is Pillar still a State-owned corporation?

Mr GARDNER: No.

The Hon. DANIEL MOOKHEY: All right. They are not. Under the contract of sale, what is the dispute process the New South Wales Government can access? If there is a contractual dispute, what can you do?

Mr GARDNER: We would pursue them through court proceedings, legal proceedings.

The Hon. DANIEL MOOKHEY: The contract itself does not establish any form of dispute resolution prior to the court stage?

Mr GARDNER: I would have to take that one on notice.

The Hon. DANIEL MOOKHEY: If Treasury were to enforce the deed of sale, it would have to be through litigation, presumably in the Supreme Court of New South Wales?

Mr GARDNER: Again, I would take that on notice.

The Hon. DANIEL MOOKHEY: Who is the best person to direct questions to on TCorp?

Mr GARDNER: Many of us, but I can start.

The Hon. DANIEL MOOKHEY: Congratulations. It is good news that New South Wales was one of the first jurisdictions in the world to utilise the green bonds. Kudos to you for that. I am sure the Treasurer was shocked when that happened, but I will put that aside. There was a \$1.8 billion issuance of green bonds last year. Is that correct?

Mr GARDNER: Correct.

The Hon. DANIEL MOOKHEY: They were a 10-year bond?

Mr GARDNER: I do not recall the specific tenure of the bond.

The Hon. DANIEL MOOKHEY: I am going off the term sheet that is listed on the TCorp website, and it says that the pricing date was 9 November, settlement date 15 November, maturity date 15 November 2028. You just accept that that is probably the case?

Mr GARDNER: I will accept that is probably the case.

The Hon. DANIEL MOOKHEY: And the coupon is 3 per cent fixed?

Mr GARDNER: I will accept that.

The Hon. DANIEL MOOKHEY: It says here that the proceeds of the bond are to be allocated to the Newcastle Light Rail, the Sydney Metro Northwest and Quakers Hill and St Mary's water recycling plants process and reliability renewal. Do you accept that?

Mr GARDNER: I am just having a look, but I will accept that that is the case. That is close to my recollection.

The Hon. DANIEL MOOKHEY: What precisely must the Newcastle Light Rail achieve in order to fulfil the requirements of the bond?

Mr GARDNER: There are specific criteria for assets and businesses to be eligible for inclusion in a sustainability bond program.

Ms ABIGAIL BOYD: Under which clause?

Mr GARDNER: It is a sustainability program. There is no particular legislation that says this is a sustainability bond. It is just about the market. This is about how the market—

The Hon. DANIEL MOOKHEY: How does a project like the Newcastle Light Rail inform Treasury that it would like to be a part of this bond issuance?

Mr GARDNER: There was a working group, a steering committee of people who were charged with identifying particular assets that would have part of the funding from the sustainability bond put towards their program.

The Hon. DANIEL MOOKHEY: Is Newcastle Light Rail a publicly-owned light rail system?

Mr GARDNER: Newcastle Light Rail? State-owned.

The Hon. DANIEL MOOKHEY: Is it correct that it is operated by the private sector?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: Whose responsibility is it to fulfil the requirements of the bond that are imposed on the Newcastle Light Rail? Is it the owner of the asset or the operator of the asset?

Mr GARDNER: It would be the owner of the asset.

The Hon. DANIEL MOOKHEY: Presumably they would have to utilise their contract chain with the operator in order to fulfil it, or do you know what—

Mr GARDNER: You are going into a level of detail that I would need to take on notice in terms of the actual specific criteria. There is a very well established process for qualifying assets for sustainability bond programs. I am confident in the process that was run.

The Hon. DANIEL MOOKHEY: We will welcome on notice a complete and detailed statement as to how that works. My question is: What precisely is the private operator required to do, if anything?

Mr GARDNER: I will take it on notice.

The Hon. DANIEL MOOKHEY: The Sydney Metro Northwest is an asset that is owned by the public as well? It is publicly owned rail?

Mr GARDNER: That is currently being delivered as a PPP.

The Hon. DANIEL MOOKHEY: Yes, but the actual ownership—who owns it? Do we own it?

Mr GARDNER: The asset will come back to the State at the end of the PPP.

The Hon. DANIEL MOOKHEY: But it is operated by a private operator, that is correct?

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: How much of the \$1.8 billion that was raised was allocated to each of these projects?

Mr GARDNER: I will have to take it on notice.

The Hon. DANIEL MOOKHEY: Did one of them get the lion's share or is it equitably distributed?

Mr GARDNER: I do not have it at the top of my head. I am just reviewing the document that is on the web.

The Hon. DANIEL MOOKHEY: How is that debt recorded in the New South Wales accounts?

Mr GARDNER: It is part of our overall debt program, so it is part of our total debt metrics.

The Hon. DANIEL MOOKHEY: So the debt is booked against the New South Wales assets, not the assets of the private operator?

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: What is Metro Northwest meant to achieve? What must it do in order to fulfil the requirements of the bond?

Mr GARDNER: I will set out each of the major projects stated there and the criteria in which they are included in that program.

Mr MIDHA: I can give you one of the criteria, which is per capita emissions per kilometre travelled for light rail—this is for the light rail—below average travel emissions.

The Hon. DANIEL MOOKHEY: Below?

Mr MIDHA: Average travel emissions.

The Hon. DANIEL MOOKHEY: Of what average?

Mr MIDHA: Just travel emissions for—

The Hon. DANIEL MOOKHEY: But what mode?

Mr MIDHA: So any mode. It is below the average travel emissions.

The Hon. DANIEL MOOKHEY: The light rail is benchmarked according to, for example, cars?

Mr MIDHA: That is how the sustainability bond was. We can get you more detail.

The Hon. DANIEL MOOKHEY: How is this compliance with the requirements of the bond checked?

Mr GARDNER: There is a monitoring process which is overseen by a working group of people who ensure appropriate procedures are in place to make sure that that is all checked and measured.

The Hon. DANIEL MOOKHEY: The terms sheet says that Ernst & Young will undertake an annual audit, effectively. Is it paid for that?

Mr GARDNER: I would need to take that on notice. I presume it is.

The Hon. DANIEL MOOKHEY: How much is it paid for that?

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: The two banks that were used to do the bond issuance were Merrill Lynch and ANZ. What were they remunerated in order to complete the work?

Mr GARDNER: I will take that on notice.

The Hon. DANIEL MOOKHEY: Final question: Are you aware that there is a lot of controversy about the fact that there is no agreed international standard for insurers around green bonds? Insofar as the Climate Bonds Initiative is definitely the leading initiative but there is no actual governance standard that is there and there is no agreed standard for how assurance audits should be performed and that that is a hindrance for how the market is developing, how exactly is the New South Wales Government hedging that concern, given that we have issued \$1.8 billion and we have promised lots of people that in 10 years we will pay them.

Mr GARDNER: We will add that to the points we come back to on notice.

The Hon. WALT SECORD: Thank you, Mr Pratt. I would like you to refer this to the appropriate public servant who would be able to answer questions about the New South Wales Passenger Service Levy—you know, the little "Uber tax". Do we have somebody at the table here who could answer that?

Mr MIDHA: I do not have any details. Depending on the question—

The Hon. WALT SECORD: It is a \$1.10 levy on every Uber trip you take. Do you know how much has been raised so far since it has been introduced?

Mr MIDHA: No, but I can get the number I think.

The Hon. WALT SECORD: Can you determine from the time it was introduced until, I guess, the end of this month or whatever the appropriate time would be to indicate how much has been collected in New South Wales? How much of the levy actually goes to the restructure or the purchase of plates? How much of—

The Hon. NATALIE WARD: Sorry, are you talking taxis or Ubers? Because when you say "plates" that is taxis.

The Hon. WALT SECORD: I meant the levy that is used as an industry restructure package for the taxis. I would like to know how much goes on the administration of the levy; how much actually goes on plates; how much the State Government has collected so far on it; and how long the State Government intends to have this levy in place.

Mr PRATT: They are essentially questions for Transport, Mr Secord, but we could take it on notice and we could come back to you on those.

The Hon. WALT SECORD: Okay.

The Hon. DANIEL MOOKHEY: Can we just turn now to the Financial Management Transformation [FMT] program? That is completed, yes?

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: It is active?

Mr MIDHA: Yes.

The Hon. DANIEL MOOKHEY: You utilise it regularly, I presume?

Mr MIDHA: Yes, for the last three years.

The Hon. DANIEL MOOKHEY: It is an IT program that allows you to effectively—is it real-time spending by agencies?

Mr MIDHA: No, it allows us to book our financials against outcomes. It is part of the outcomes budgeting program.

The Hon. DANIEL MOOKHEY: Right. But when we previously explored the issue of the FMT it was explained—again, my recollection might be incorrect—and essentially implied that Treasury would be getting information much quicker on how much spending is taking place and whether that spending is working. Is that correct?

Mr MIDHA: That is correct. It does. It is a less manual process. We have one system now that collects all the data from across all the different agencies and they are submitted to us on a monthly basis—that time has reduced considerably.

The Hon. DANIEL MOOKHEY: That is good to know. Is that predominately how you prepare in the budget papers the expenditure to date?

Mr MIDHA: That is right.

The Hon. DANIEL MOOKHEY: Do you maintain that for both capital and current?

Mr MIDHA: That is right.

The Hon. DANIEL MOOKHEY: What is it showing in terms of the CBD light rail expenditure to date?

Mr MIDHA: The capital that we reported on the CBD light rail in the budget paper, which includes the year 2019-20, is about \$1.9 billion.

The Hon. DANIEL MOOKHEY: Is there a tiered system or are you able to view every form of capital project? Is the scope of it in terms of New South Wales Government capital projects? Is it just every project?

Mr MIDHA: It is all projects, yes.

The Hon. WALT SECORD: A couple of quick definitions. What does State Treasury define as "backroom staff"? What is the definition of "backroom staff"?

Mr PRATT: There is no clear definition. At one level I would say that Treasury is backroom staff in total. We have a different set of customers who are more internal than external. Clearly, at the other extreme you would say that police, nursing et cetera are clearly frontline staff—

The Hon. WALT SECORD: So a firefighter would be frontline?

Mr PRATT: Yes

The Hon. WALT SECORD: A teacher would be frontline?

Mr PRATT: Yes.

The Hon. WALT SECORD: A nurse would be frontline? Doctor?

Mr PRATT: But there are grey areas. If you look at the whole value chain, you could perhaps argue where there might be a middle office—Service NSW is an excellent example—one could define those as more frontline than back-office.

The Hon. WALT SECORD: Okay. The latest information on the Fire and Emergency Services Levy [FESL]—I understand the Government pushed the pause button for one year. When will the Government be making further consideration of the long-term status of the FESL?

Mr PRATT: That is up to the Government, Mr Secord. I have not—nor has Treasury—been asked to do any further work on that.

The Hon. WALT SECORD: Has Treasury done any modelling on the revenue that it would provide if the current level it is at continued?

Mr PRATT: We have not done any more modelling or work.

The Hon. DANIEL MOOKHEY: Can I just ask: Is the Emergency Services Levy [ESL] something that the Treasury does maintain or provide advice on? Is that correct?

Mr MIDHA: The Emergency Services Levy is managed by the Stronger Communities cluster.

The Hon. DANIEL MOOKHEY: Right. Do you model it or provide modelling advice to either the Treasurer or that cluster?

Mr MIDHA: I think the cost of the service that is recovered is calculated by Treasury.

The Hon. DANIEL MOOKHEY: Were the recent changes to the ESL adopted on a cost-recovery basis to cover only the costs that were incurred as a result of the changes around psychological injury for firefighters? I am not sure if it is psychological injury, but the changes to injury definition for firefighters?

Mr MIDHA: Yes, that included 12 particular cancers, I think. Is that the one you are referring to?

Mr DAVID SHOEBRIDGE: The deemed injury provisions.

The Hon. DANIEL MOOKHEY: Did you provide advice on the impact of that, or did you model it?

Mr MIDHA: I will have to come back to you on that particular one.

The Hon. DANIEL MOOKHEY: Did you model or provide any advice to the Treasurer—sorry, Ms Wilkie?

Ms WILKIE: I was just going to say that the increase in the Emergency Services Levy, the additional levy costs, is to support the firefighters who developed one of those 12 cancers. I would have to take on notice whether it fully supports that cost.

The Hon. DANIEL MOOKHEY: Sorry, I did get confused about "psychological" and "deemed", which is a different issue.

Mr DAVID SHOEBRIDGE: There are the 12 cancers that are deemed to be work related if suffered by a firefighter—

The Hon. DANIEL MOOKHEY: Yes, the 12 deemed ones, which is the cancers. Did you, in the course of preparing any advice, examine the capacity of councils to pay?

The Hon. NATALIE WARD: How could they?

The Hon. DANIEL MOOKHEY: If that is the answer, they can provide it.

The Hon. NATALIE WARD: They do not oversee council budgets.

The Hon. DANIEL MOOKHEY: Did you provide it? Presumably when you look at the transmission effects of changes to taxes you will examine what impact it is going to have. That is pretty standard tax modelling principles.

Mr MIDHA: We worked on the financial impact, that is right.

The Hon. DANIEL MOOKHEY: Did you examine what the impact would be on council budgets?

Mr MIDHA: We knew what the financial impact would be, yes.

The Hon. DANIEL MOOKHEY: What did you find; what did you know?

Mr MIDHA: The amount is calculated based on the distribution, how the amount would be distributed, so there is a percentage that is picked up by the Government, by the insurance company, and a percentage by the council, and that incremental amount was calculated by us, yes.

The Hon. DANIEL MOOKHEY: I want to turn now to the question of the social impact bonds. The first ones were issued in what year?

Mr GARDNER: You are testing my recollection, before I had any responsibility or involvement with the team.

The Hon. DANIEL MOOKHEY: It was, I believe, circa 2013 or 2014, was it not?

Mr GARDNER: Yes, so we have had two of those bonds mature—the Benevolent Society and the Newpin bonds. One of the Benevolent Society bonds definitely matured and the New Pin bond is close to maturity.

The Hon. DANIEL MOOKHEY: I will come back to it.

Mr DAVID SHOEBRIDGE: I know there were some questions asked earlier about the Powerhouse, but I particularly wanted to ask you about the final business case for the Powerhouse. Was that run past Treasury?

Mr PRATT: Treasury would have been actively involved in a project of that scale and nature, yes.

Mr DAVID SHOEBRIDGE: My question was quite specific: Was the final business case for the Powerhouse—however it is named because there have been multiple iterations, but whatever the final one was, because there may be multiple finals—run past Treasury?

Mr PRATT: I am just being clear about my answer to you on the word "final". I am not absolutely certain I can say to you that we have seen the final business case. I would need to check that.

Mr DAVID SHOEBRIDGE: Why don't we try to step away from the word "final". Has the last business case produced by the Government been run past you?

Mr MIDHA: During the development of the business, the business case would have been reviewed, it would have come to us for review, but I do not believe the final business case has yet been—it is in the development phase, but the final business case has not been received by Treasury.

Mr DAVID SHOEBRIDGE: You are saying that the final business case for the Powerhouse has still not been completed?

Mr MIDHA: I need to check on that, but I can—

Mr DAVID SHOEBRIDGE: That is why I was having trouble with the word "final" because there is a business case in April 2018 which is called the "Final Business Case" for the Powerhouse, but that is not the final business case for the Powerhouse; there is another one that has been developed.

Mr MIDHA: The business case is going through a process of sign-off, which includes gateway reviews, et cetera, so I will need to check where that is up to.

Mr DAVID SHOEBRIDGE: But there is one still grinding through the process that has not been made public?

Mr MIDHA: Yes, that is right.

Mr DAVID SHOEBRIDGE: How is it that Treasury would have signed off on the document that is now on the public record, called the Final Business Case, and not made it clear that it was not the final business case?

Mr MIDHA: They are allowed to provide updates to it, so it might have been the final at the time, but there are updates to the case.

Mr DAVID SHOEBRIDGE: So is it the final business case, or is the one under process now the final business case?

Mr MIDHA: It is an update of the final business case.

Mr DAVID SHOEBRIDGE: An updated final business case?

Mr MIDHA: Yes.

Mr DAVID SHOEBRIDGE: Can you say on behalf of Treasury that the final business case of April or so of 2018 complied with Treasury guidelines for a business case?

Mr MIDHA: The business case would have followed Treasury's guidelines to be a business case.

Mr DAVID SHOEBRIDGE: Did it comply with Treasury guidelines, the final business case that is currently on the public record from last year?

Mr MIDHA: I would have to take that on notice and check what the result was.

Mr DAVID SHOEBRIDGE: Could I ask you specifically to review the parts of the Treasury guidelines that effectively require the status quo to be assessed and considered as against any proposed change, and could I ask you whether or not those parts of the Treasury guidelines were complied with for the document that is on the public record from last year called the Final Business Case?

Mr MIDHA: I would have to check and come back to you on that.

Mr DAVID SHOEBRIDGE: As best you can understand, has that so-called final business case complied with those parts of the Treasury guidelines?

Mr PRATT: We would have to take that on notice.

Mr DAVID SHOEBRIDGE: The Treasurer today announced, I think it was called, a scoping study for the privatisation of the softwood division of Forestry Corporation's assets. I know there were some questions asked about that earlier. You are aware of that statement by the Treasurer?

Mr PRATT: Yes.

Mr DAVID SHOEBRIDGE: Is the scoping study looking at the privatisation of what are sometimes called the future harvest rights, such as we saw in the South Australian privatisation, or is the scoping study looking at the privatisation as being the sale or disposal of the land?

Mr GARDNER: The purpose of the scoping study is to determine the right structure, but you are right, the harvesting is done—a lot of it—on leased private land and on Crown lands, and we are not selling any lands that are not in the ownership of the Forestry Corporation itself.

Mr DAVID SHOEBRIDGE: So it is focusing on the future harvest rights. Is that right?

Mr GARDNER: Harvest of softwoods and, as I said, the scoping study is to help the Government determine the nature, the tenure, the structure, and so all this is subject to government decision prior to proceeding.

Mr DAVID SHOEBRIDGE: Has the New South Wales Government or the Treasurer consulted with Oberon Council before going down this path, given how utterly dependent that regional community is on the softwood plantations in that area?

Mr GARDNER: I am not aware of any specific consultation on that.

Mr DAVID SHOEBRIDGE: Has the New South Wales Government consulted with the Snowy Mountains council, given how utterly dependent their major townships and regional economy are on the softwood plantation reserve, before making this announcement?

Mr GARDNER: Again the same answer, I am unaware of any consultation with those councils.

Mr DAVID SHOEBRIDGE: Can you take it on notice to see whether or not either of those councils in particular were consulted before this announcement?

Mr GARDNER: I can take it on notice, yes.

Mr DAVID SHOEBRIDGE: Do you accept that for local communities, and especially local councils, who are so dependent upon the softwood industry, it would be grossly insulting for the Treasurer to make an announcement about the sale or privatisation of all of those public assets without consulting with them and without giving them any prior notice? Do you accept that that would be insulting of those communities?

The Hon. SHAYNE MALLARD: Point of order—

The CHAIR: I think that is a question for the Treasurer. We have let this run, but it is not a fair question.

The Hon. SHAYNE MALLARD: My point of order is that it is an inappropriate question to be directed to these witnesses about the Treasurer's actions.

The CHAIR: Yes. Do you want to have another crack—

The Hon. WALT SECORD: Rephrase the question.

Mr DAVID SHOEBRIDGE: Given the time of night, I think I might move on. It probably is not fair to put that question on you about your boss, so I will withdraw the question and take the point of order. It is a well made point of order. Mr Nagle, how many of the people working at icare are not permanent, but are contractors or on a non-permanent contract?

Mr NAGLE: We have approximately 550 at the moment, and that is a mix of vendor employees, so software suppliers or data architects, et cetera. We then have a number of people who are working in projects for ourselves, learning and development, resources, project managers, program managers and some other specialised skills.

Mr DAVID SHOEBRIDGE: So there are 550 on contracts, and how does that compare to the number of employees at icare?

Mr NAGLE: We have about 850 permanent staff.

Mr DAVID SHOEBRIDGE: Mr Pratt, would that be a very high ratio of contractors to employees for a government agency?

Mr PRATT: I do not have those numbers to hand. I can take it on notice and get those for you.

Mr DAVID SHOEBRIDGE: I would appreciate that. Mr Nagle, I put this proposition to you: That is an extraordinarily high rate of contractors, 550 contractors as against 850 permanent employees, and I would put this further proposition to you: It means that a significant part of your workforce does not have security of employment and are not being treated as they should.

Mr NAGLE: Well, I would not accept the second part of your comment. Anybody who works for icare is part of the icare family. They are inducted the same way. They are treated the same way.

Mr DAVID SHOEBRIDGE: It is just that some of them are gotten rid of on a week's notice and have a three-month contract, and some do not.

Mr NAGLE: That is part of their employment agreement. It is part of the scenario. The reason we have chosen to go with the contract staff—and we are very open with them—the scenario we are facing is under the old scheme we used to have 3,000 employees with scheme agents. As we have consolidated the scheme into EML, Allianz and GIO and brought more of the work in-house—like policy and billing, for instance, is all in-house by icare—what we have done in creating and building the systems is ensure that we do not make permanent roles until that transformation is completed. As the transformation completes in each area, we then go through the process and say, "Should that role be permanent or should that role end?"

Mr DAVID SHOEBRIDGE: What is your target, if you have one, within your business plan for the proportion of contract to permanent employees? If the proportion is not the best way of answering it, what is your target for the number of permanent employees as opposed to contractors?

Mr NAGLE: We have not finalised that. We are doing workforce planning at the moment as we have made our major delivery in February on our system. As that system settles down it will give us the clarity as to what the final numbers should be.

The Hon. NATALIE WARD: Go your hardest. I have plenty more.

The Hon. WALT SECORD: Thank you.

Mr DAVID SHOEBRIDGE: How many consultants or advisers are there from Deloitte's presently working on actuarial analysis work for icare?

The Hon. WALT SECORD: What is that?

The Hon. NATALIE WARD: It is your motion.

Mr NAGLE: From Deloitte's did you say?

Mr DAVID SHOEBRIDGE: Deloitte's. I do not know if it is a plural or not.

Mr NAGLE: Yes, I am not sure.

Mr DAVID SHOEBRIDGE: For Deloitte.

Mr NAGLE: Yes. I am not aware that we have any Deloitte actuarial staff at the moment. I would have to check. I am happy to take that on notice.

Mr DAVID SHOEBRIDGE: Can you advise the Committee what, if anything, are the monthly payments to Deloitte being made by icare?

Mr NAGLE: I would have to get that information—on notice, absolutely, yes.

Mr DAVID SHOEBRIDGE: I am not expecting you to have that in your brain, Mr Nagle. That is really a question for on notice.

Mr NAGLE: Sure.

Mr DAVID SHOEBRIDGE: Thank you.

Mr MIDHA: Can I?

Mr DAVID SHOEBRIDGE: Yes, Mr Midha.

Mr MIDHA: Can I answer the question on the Powerhouse original business case?

Mr DAVID SHOEBRIDGE: Yes.

Mr MIDHA: I think it was subject to a parliamentary inquiry. It was a business case from 2018.

Mr DAVID SHOEBRIDGE: Yes.

Mr MIDHA: In the Government response it was confirmed that the business case did comply with Treasury cost-benefit analysis [CBA] guidelines, but since that time the business case has been updated and is going through a Cabinet process at the moment for approval.

Mr DAVID SHOEBRIDGE: Mr Midha, I will put this proposition to you. Any reasonable review of that final business case makes it clear that it did not consider the status quo as one of the options, and given the status quo is one of the key criteria that must be assessed under your own Treasury guidelines, it cannot possibly be that that business case complied with Treasury guidelines. It cannot possibly be. Do you have any response to that?

Mr MIDHA: Well, the assessment said it did, so I will have to take that on notice and go back and check.

Mr DAVID SHOEBRIDGE: I will ask you on notice to advise which parts of the business case complied with that part of the Treasury guidelines.

Mr MIDHA: I will take that on notice.

The CHAIR: Questions from the Opposition?

The Hon. WALT SECORD: Ms Wilkie, earlier you referred to the economic blueprint and one of the areas was automation.

Ms WILKIE: Yes.

The Hon. WALT SECORD: Are there any studies or is there any information on the changing nature of work in New South Wales? For example, in the United States there is a view that within the next 30 years 40 per cent of jobs will disappear as we currently know them.

The Hon. NATALIE WARD: Yes. They won't need politicians anymore—just automate legislation.

Ms WILKIE: There is a large number of studies that look at the impact of the automation of work. I am not aware of any that specifically look at New South Wales and New South Wales alone, but I can take that on notice. There are certainly studies—for example, one that has just recently been published, which is part of the Deloitte's lucky country series—which look at the future of work specifically in Australia. They did a lot of survey work and data to produce that work and it probably does have some data specific to New South Wales as part of it.

The Hon. WALT SECORD: The New South Wales blueprint—will it look at the impact of automation and change in work, particularly in rural and regional areas?

Ms WILKIE: Yes. The blueprint is going to look at all of New South Wales. It will certainly look at the impact of all the megatrends and other opportunities that impacts broadly on New South Wales. Some of the impacts on the future of work and automation on regional New South Wales have actually already been looked at. There is a document published that looks at the future of regional New South Wales and it specifically does look at all the megatrends. This is some of the work that is being done by the area we were mentioning before in DPC that does modelling work on regional New South Wales. The New South Wales Government has published quite a good and well-received document broadly in the economic community about the impacts of megatrends on regional New South Wales. To some extent, that work has already been done. The blueprint itself will draw on work like that, which has already been published.

Mr PRATT: Mr Secord, I would just add that the Public Service Commission has commenced work on a future of work project.

The Hon. WALT SECORD: Okay.

Mr PRATT: Given the scale of the public sector, it is very important that we, quite apart from the private sector, understand the impact on your own workforce. The commissioner has started that work.

The Hon. WALT SECORD: I think this is a bit of a long shot question, but are there any areas of Treasury that have the current use of artificial intelligence?

Mr PRATT: No. There is not, no.

The Hon. DANIEL MOOKHEY: Mr Pratt, when NSW Treasury enters into a contract are you notified?

Mr PRATT: Depending on the level of commitment.

The Hon. DANIEL MOOKHEY: At what level of commitment would you be notified?

Mr PRATT: Usually contracts over a certain amount. Delegations are just changing right now, so I will come back to you on that.

The Hon. DANIEL MOOKHEY: Which amount?

Mr PRATT: The Treasurer is signing off new delegations so I will come back to you.

The Hon. DANIEL MOOKHEY: What are the current delegations that would constitute a threshold for a contract with NSW Treasury that was entered into and that would result in a notification being made to the Secretary?

Mr PRATT: In terms of current arrangements?

The Hon. DANIEL MOOKHEY: Yes.

Mr PRATT: I will check that for you, if I may.

The Hon. DANIEL MOOKHEY: Yes, please.

Ms WILKIE: Over half a million dollars.

The Hon. DANIEL MOOKHEY: Over half a million dollars you would be notified. If it is under half a million dollars who is notified? Does it come to a deputy secretary? How does that work?

Mr PRATT: It would go to a deputy secretary.

Ms WILKIE: It depends on the level of expenditure. Sometimes it will be a deputy secretary. Sometimes other levels can sign off on it, depending on the amount of the contract.

The Hon. DANIEL MOOKHEY: If the contract is circa \$400,000 to \$500,000, who would it go to?

Ms WILKIE: A deputy secretary.

The Hon. DANIEL MOOKHEY: And all the deputy secretaries are here?

Ms WILKIE: We are.

The Hon. DANIEL MOOKHEY: Great. One of you, I am sure, will have the answer to this. That is good to know. Did NSW Treasury enter into a contract with Deloitte Touche Tohmatsu that runs from 30 May 2019 to 30 November 2019? Anyone?

Mr PRATT: With Deloitte?

The Hon. DANIEL MOOKHEY: Yes.

Ms WILKIE: Was it 30 May with Deloitte's? I do not know.

The Hon. NATALIE WARD: Do you want to specify in respect of what?

The Hon. DANIEL MOOKHEY: I will. I am just asking.

The Hon. NATALIE WARD: You are clearly aware of something.

Mr PRATT: Could you give us some more detail?

The Hon. DANIEL MOOKHEY: Yes, I will. It is an interesting question that you ask. Precisely, I am happy to give you the contract award ID, if you would like: It is A4329918. It says here that there are estimated accounts of \$495,025, which probably means it is slightly below the threshold that would require notification to you, Mr Secretary, by about \$4,775. It says here that the contract duration from 30 May 2019 to 30 November 2019 and it says this is for advisory services to support a State-led commercial negotiation. Does that assist with recall? Anyone?

The Hon. NATALIE WARD: It is so vague as to be almost impossible to answer.

The Hon. DANIEL MOOKHEY: But that is precisely my point: What precisely was that contract entered into for and what State-led commercial negotiation are we paying Deloitte close to \$500,000 to advise on?

Mr PRATT: In the absence of anyone at the table recognising the contract, we will need to take it on notice.

The Hon. DANIEL MOOKHEY: It is fascinating because it also lists that there are two subcontractors, the Agenda Group and Colliers International. Are they performing any work for Treasury?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: What are we talking about?

The Hon. NATALIE WARD: Oh, that helps. You've got a name of a party.

Mr GARDNER: It is a contract that the State is currently renegotiating that is subject to Cabinet discussions and therefore I cannot disclose that. But all those contracts will be disclosed.

The Hon. DANIEL MOOKHEY: Well, they have to be—by law—so it is good to know.

Mr GARDNER: Yes. That is right—on the State accounts.

The Hon. DANIEL MOOKHEY: The law does require that you are meant to provide some meaningful information on the Treasury database. What advisory services are they meant to be providing the Treasury to support a State-led commercial negotiation?

Mr GARDNER: I would check just to make sure that we will be compliant with our GIPAA requirements for the disclosure on that contract, but—

The Hon. DANIEL MOOKHEY: Okay. Mr Gardner, you seem to be the person who knows about what this is about, so I might just direct the next set of questions to you. Did the Treasury enter into a contract with Piper Alderman to provide legal advisory services to support a State-led commercial negotiation?

Mr GARDNER: That is correct, yes.

The Hon. DANIEL MOOKHEY: And was that contract entered into from 30 May 2019 to 30 November 2019?

Mr GARDNER: Yes.

The Hon. DANIEL MOOKHEY: Was the value of that contract \$352,000?

Mr GARDNER: I will have to take that on notice.

The Hon. DANIEL MOOKHEY: And can I ask is that contract related to the same commercial negotiation that the other one is related to—which, to be fair, is Cabinet information?

Mr GARDNER: I cannot disclose.

The Hon. DANIEL MOOKHEY: You cannot disclose whether there is an approximate relationship between the two?

Mr GARDNER: That is correct.

The Hon. DANIEL MOOKHEY: Right—notwithstanding the fact that they have identical periods, were published on the same date and it looks like they were entered into at the same time? So the contract is running for a six-month period. Why is it running only for six months?

Mr GARDNER: My understanding is that is close to the period that the negotiations were expected to take.

The Hon. DANIEL MOOKHEY: Okay. Is this a negotiation that the Treasury is leading?

Mr GARDNER: Treasury is leading the negotiations, yes.

The Hon. DANIEL MOOKHEY: Okay. I ask these questions because it is awfully novel, and there is nothing on the contracts database that resembles anything like this. To be fair, if you look at the historic Treasury disclosures, there is nothing at all that has been described like this. So are you able to provide any information as to what commercial, State-led negotiation, which the Treasury is providing, for which there seems to be either one or two of them—you cannot tell me—but legal and commercial advisors?

Mr GARDNER: I am unable to give any more information on that.

The Hon. DANIEL MOOKHEY: Okay. Let us return now to the questions of the trade shocks, which is what I wanted to get to. Actually, no—we will go to wage growth. You are forecasting a rise in the economic wage growth in the next financial year from I think 2.75 per cent to 3 per cent?

Ms WILKIE: That is correct.

The Hon. DANIEL MOOKHEY: Do you want to explain the basis of your confidence?

Ms WILKIE: So the anticipated lift in wages growth over the next four years is based on a number of expectations. These include a tightening national labour market. So, for example, the national unemployment rate is forecast to dip to 4.75 per cent in 2022-2023. We are also anticipating higher inflation, with the national underlying consumer price index growth expected to return to the middle of the Reserve Bank's inflation target

band by 2022-2023. And we are also expecting a lift in the labour productivity growth, improving to a rate more consistent with the long-run average of 1.4 per cent. That projected increase in wages of 3 per cent is also based on the New South Wales Government's public sector wages policy and the fact that we therefore forecast wage price index growth being on the continuation of that policy and therefore impacting wages growth more broadly across the State.

The Hon. DANIEL MOOKHEY: When you prepared that forecast, did you have the opportunity to check it with any other economic agency?

Ms WILKIE: As I said before, in a usual year we would do the two forecasting rounds and we go through a peer review process with our forecasts every time we do a major forecasting round. That includes economists from the Reserve Bank of Australia, the Commonwealth Treasury and private sector economists.

The Hon. DANIEL MOOKHEY: In last year's budget what was Treasury's forecast for wage growth?

Ms WILKIE: In last year's budget, I am not sure I have that with me or it could take me a little bit more time to find.

The Hon. DANIEL MOOKHEY: I could be wrong on this, but I had it circa close to 2.5 and the outcome was listed as 2.1 in this year's budget. It is not a criticism because every agency has been struggling with this issue about the difference between the deviations from the historic trend on wage price growth, but every other agency is also looking to update their model, including the RBA. Is Treasury contemplating any changes to its modelling on wage price growth?

Ms WILKIE: Sorry, I was just checking. It did not change.

The Hon. DANIEL MOOKHEY: Okay. Sorry. I might be wrong. I might be reading the numbers wrong.

Mr MIDHA: Last year was 2.5.

The Hon. DANIEL MOOKHEY: So the forecast was 2.5?

Ms WILKIE: So the forecast for 2018-2019 was 2.5, the forecast for 2019-2020 was 2.75 and the forecast for 2020-2021 is 3.

The Hon. DANIEL MOOKHEY: Are you going off this year's budget paper?

Mr MIDHA: This is the halfway, referring to the previous year.

The Hon. DANIEL MOOKHEY: Okay. That is why. I think I may have gotten that wrong. It is fair enough. But my question still remains. Given that we are aware that the RBA is contemplating its model around wage growth, given that I think it had a conference on this quite recently—the whole day was very fascinating—is Treasury contemplating any revisions to the methodology by which it contemplates wage price growth and projects wage price growth?

Ms WILKIE: We regularly review the methodology and the data inputs and all of the aspects of the way we forecast. Certainly if there is a significant change by an organisation or an authority like the RBA on the way it models something in particular, we pay very close attention to that. And should it choose to do that then we will certainly be talking to it in great depth about what it is doing and why, and seeing whether it is appropriate for us to do the same thing. I mean, there is a difference between modelling the national economy and modelling the State. So, depending on the changes they are making and why, it may not necessarily be appropriate for us to follow suit.

The Hon. DANIEL MOOKHEY: Yes. And that is entirely reasonable, given that we have a very different labour market to lots of other places in the nation. Are you aware that the Reserve Bank Governor recently made comments about public sector wage policies determining private sector wage expectations?

Ms WILKIE: Yes, I am aware of his comments.

The Hon. DANIEL MOOKHEY: I might need to return to that. I do not want to be rude to my colleagues.

Ms ABIGAIL BOYD: Thank you. Back on the Vales Point contract, which I know that you probably do not love as much as I do, there are a couple of unusual things—well, there are a lot of unusual things—about that contract and that transaction. One of the things that stood out was around the stamp duty treatment of that transaction. So under the enabling legislation for the asset sales there is a provision saying that the Treasurer has the ability to waive the stamp duty on a transaction. In the case of Vales Point, the documents that were returned—the public documents under the Standing Order 52 return—showed the Treasurer at the time, and I cannot

remember if it was actually the Treasurer or the Premier at the time, had waived the stamp duty amount. But then subsequently the purchaser asked for the stamp duty amount to be included and to actually have that paid or netted off. Do you know anything about that and why that would be?

Mr GARDNER: No, that generally precedes my time and involvement in that so I will have to take that on notice as well. Sorry.

Ms ABIGAIL BOYD: Thank you. That would be really useful. One of the other unusual things is that there is a statement in that contract that talks about ensuring that the commercial arrangements in relation to a particular aspect of operations, being the ash dam management, that the Government had at the time with external contractors be maintained by the new purchasers, presumably forever. It does not have any particular limitation on it. Is that a usual provision to have in one of these sorts of documents?

Mr GARDNER: I do not have any recollection of seeing that type of a clause elsewhere but, again, I will take it on notice as to why that was embedded in that particular document.

Ms ABIGAIL BOYD: That would be very useful. Thank you. I think that is all I have for now.

The Hon. DANIEL MOOKHEY: Great. Let us resume our conversation about wages. So we were talking, Ms Wilkie, about the position of the Reserve Bank Governor. Let me remind you in case you have forgotten in the past three minutes, but I was making the point that the Reserve Bank Governor recently said that there is a correlation between State Government and, to be fair, Commonwealth Government wage policies and private sector wage expectations. Did you see those comments?

Ms WILKIE: I have seen those comments, yes.

The Hon. DANIEL MOOKHEY: Did you provide any advice to the Treasurer about that?

Ms WILKIE: No.

The Hon. DANIEL MOOKHEY: What is Treasury's view on the views of the Reserve Bank Governor in that respect?

The Hon. WALT SECORD: The Treasurer made statements on it.

The Hon. DANIEL MOOKHEY: Sorry, the Treasurer did make public—

The Hon. WALT SECORD: They appeared in *The Sydney Morning Herald*. The Treasurer did make extensive statements on it, and they appeared in *The Sydney Morning Herald* the day after Philip Lowe made the comments.

The Hon. DANIEL MOOKHEY: Did he seek Treasury advice from you, or from anyone in Treasury?

Ms WILKIE: No, and the Treasurer does not necessarily seek Treasury advice on every statement that the Reserve Bank Governor makes or every piece of data change that comes out. The Reserve Bank Governor's statements around the changes between what happens in public sector wages and private sector wages are quite well known. He is using a—

The Hon. DANIEL MOOKHEY: Sorry, Ms Wilkie, just pause there. When you say it is quite well known—

Ms WILKIE: They were reported in the national media.

The Hon. DANIEL MOOKHEY: That is your view. When you say that there is a correlation between public sector wages and private sector wage outcomes, that is well known. Was that the point you are trying to make, or the comments of the Reserve Bank Governor?

Ms WILKIE: The comments of the Reserve Bank Governor are well known. From a macro-economic perspective he is contending that by increasing the public sector wages that would lead to wage pressure in the private sector.

The Hon. DANIEL MOOKHEY: I think that is half his argument, to be fair, in that he would create competition for labour that would drive up. I think that was an aspect of it and I think that is correct. That is to be fair. That was also a view that was outlined at the RBA conference, but his points were also explicit about wage expectations, which is a slightly different issue. I am asking you specifically about wage expectations. The Reserve Bank Governor says that there is a correlation between the two; that is, the private sector benchmarks, how much wage rises they should be offering according to what the Government does. Do you accept that there is that link?

Ms WILKIE: I have not seen the evidence. I have not specifically looked at the modelling or the evidence around that. I would expect that if the Reserve Bank Governor has made such a statement that the Reserve

Bank has done work that shows that. To the extent that that would then hold true in New South Wales, we have not done work to demonstrate that.

The Hon. DANIEL MOOKHEY: Okay. There are more people employed in New South Wales than anywhere else in the economy, do you accept that?

Ms WILKIE: Yes.

The Hon. DANIEL MOOKHEY: Do you accept that the New South Wales Government is the biggest employer in Australia?

Ms WILKIE: Yes, I believe we are.

The Hon. DANIEL MOOKHEY: How many people across the public sector are currently employed in New South Wales?

Mr MIDHA: There are 328,000.

The Hon. DANIEL MOOKHEY: Should we find ourselves in a scenario where wage price growth is to rise, the New South Wales Government is the leading employer of people in the country, employing more than anyone else. Presumably its wage policy has an impact. Would you accept that?

Ms WILKIE: Yes, our wages policies have an impact, but as an employer we also have a whole heap of other factors that we need to consider, including the fiscal strategy of the State and our responsibility to taxpayers of New South Wales. As the Treasurer pointed out in the budget, New South Wales was able to maintain a wages policy of 2.5 per cent whilst other jurisdictions reduced their wages for their employees. In that sense, where other jurisdictions and therefore other major employers in the country were reducing their wages offering to their employees, we were at least able to maintain ours.

The Hon. DANIEL MOOKHEY: When the Reserve Bank Governor says that he would like to see State governments moving towards a 3 per cent cap, what is Treasury's views on that particular call of the Reserve Bank Governor?

Ms WILKIE: The Reserve Bank Governor is a macro-economist who makes—

The Hon. DANIEL MOOKHEY: He is a pretty important one.

Ms WILKIE: Sure. He is the governor of Australia's central bank. He is a very important economist in Australia.

The Hon. DANIEL MOOKHEY: The most important, perhaps?

Ms WILKIE: His focus is on monetary policy—

The Hon. DANIEL MOOKHEY: It is okay, it is a widely held view.

The Hon. NATALIE WARD: You have interrupted four times, just let her answer.

Ms WILKIE: His focus is on monetary policy and the macro-economics around monetary policy. The economists in a State Government and a State Treasury have a number of different other issues that we need to look at, including fiscal strategy and fiscal policy, and the micro-economics of the State labour market and other issues like that.

The Hon. DANIEL MOOKHEY: Have you prepared any advice to the Treasurer that would suggest that perhaps if there was an adjustment to the wage policy towards 3 per cent that would lead to increased consumption growth in the New South Wales economy?

Ms WILKIE: No, we have not provided any advice of that nature.

The Hon. DANIEL MOOKHEY: Insofar as the State Government has a policy—I get that there are a variety of reasons that have informed the design of that policy, and a lot of them are the choices or policy questions for the Government—has the Treasury provided any advice which would suggest that that is dampening wage growth in the New South Wales economy?

Ms WILKIE: We have not provided advice around this issue in general.

The Hon. DANIEL MOOKHEY: Why not?

Ms WILKIE: Because at the moment it is unnecessary. A decision was made in the context of the budget to maintain a wages policy of 2.5 per cent. That is a legislative decision that can only be made at a certain

point of time, and the Reserve Bank Governor's comments have come past the point in time that the State was able to make that decision.

The Hon. NATALIE WARD: It was also Labor's policy prior to 2011. You just did not enforce it.

The Hon. WALT SECORD: Are you also aware of reports that there is concern that to get around the—

Mr MIDHA: Sorry, I was just going to add that actually our employee expense is growing over the forward estimates by 4.7 per cent.

The Hon. DANIEL MOOKHEY: To be fair, that is not wage price growth, that is actually a labour volume.

Mr MIDHA: Even though wages are only 2.5 it is a volume, and actually by having the ability to hire more and spend more would also have a direct impact on the economy.

The Hon. DANIEL MOOKHEY: Okay, sure.

The Hon. WALT SECORD: Have you investigated reports that to get around the wages policy that there have been accelerated promotions?

Ms WILKIE: I was not aware of claims of that nature and it is not—

Mr MIDHA: It is not on our radar.

Ms WILKIE: —not on our radar.

The Hon. WALT SECORD: Has the New South Wales—

Mr PRATT: Mr Secord, the Public Service Commissioner will have data on movement between bands, which would be a direct answer to your question. I am certainly not aware of that bracket.

The Hon. WALT SECORD: Thank you. Ms Wilkie, has the New South Wales Treasury done any work or investigations over the impact on the New South Wales community on mortgage stress?

Ms WILKIE: Mortgage stress—no, not that I am aware of.

The Hon. DANIEL MOOKHEY: Do you maintain a risk register on those factors at all? You previously described a similar framework for trade. Can you describe how you assess and manage risk in the domestic economy? Not assess and manage, how you report it and monitor it.

Ms WILKIE: It is a similar process whether you are talking about domestic or global risks. There is a number of different well-known factors in terms of when you are forecasting economic growth and the data lines that you have that you monitor—consumer confidence, housing market and all of those sorts of issues. As each update in data comes out through the various data sources that we monitor, we would look to the analysis of what is impacting on those at any particular point in time, and therefore the same thing; we would look at the domestic risks that we have noted in the budget and what therefore is happening with those. It is the same process.

For example, when I was providing the information on the Australian Bureau of Agricultural and Resource Economics and Sciences [ABARES] forecasts around the drought, the fact that we do not just look at the reports that come out in the immediate period when we are forecasting the domestic New South Wales economy, we continue to monitor that. We have noted, for example, the crop reports and the commodity reports have come out from ABARES that their optimism for a bounce back in the agricultural produce in 2019-20 is now looking less likely. Therefore that has then been heightened as a risk for the domestic economy.

The Hon. WALT SECORD: Absolutely. In fact there are concerns that the rate of stock on the land in New South Wales is the lowest level that they have ever been since the Federation drought. Is the New South Wales Government looking at any policies to assist farmers to restock with their breeding stock?

Ms WILKIE: I am not aware. That is a question for the Department of Planning, Industry and Environment. They have the agriculture sector in there. The Government has announced various drought relief policies that do directly to farm businesses, but I am not sure about stock rates.

The Hon. DANIEL MOOKHEY: Ms Wilkie, when we were talking about Brexit you previously described effectively an up red flag issue, and downward trend and upward trend. What exactly is being identified currently in the same metrics or assessment model as being the biggest risk in the New South Wales domestic economy that the Treasury is tracking?

Ms WILKIE: For the domestic economy, the continuing drought is an issue. My staff sent me the updated risks. Just let me find it.

The Hon. DANIEL MOOKHEY: Just before we get that, in terms of procedural, how do you maintain that register, and how is that revised?

Ms WILKIE: I am not sure if we formally keep a risk register in terms of it is in an Excel spreadsheet or if this is something that is done I guess slightly more informally as the team discuss the risks, because different team members would monitor different parts of it. But in terms of the changing movements in domestic risks, so we have just spoken about the drought, which is worsening, particularly the outlook for 2019-20. The RBA has suggested a lower NAIRU, and that means there is potentially more slack in the economy, which means lower wages and prices. That is something that, as we go into our next forecasting round, we will need to look at a lot more closely. Lower interest rates are now priced in by the market but we have had higher iron ore prices for some time and that gives a boost to national incomes. So that is actually an upside risk. The housing market prices appear to be stabilising quicker than we had previously anticipated. Then we have issues with confidence in the housing market more broadly around issues like with Mascot Tower and Opal Tower and that sort of thing.

The Hon. DANIEL MOOKHEY: Okay, let's talk about that.

The Hon. NATALIE WARD: I note the time and the resolution of the House. In the minute that is left, I note the Government has conceded its time. May I speak?

The CHAIR: Thank you very much for attending.

The Hon. NATALIE WARD: On behalf of the Government members I would like to thank each of you for your diligence and your thoroughness in attending today. I know that it has been a long and gruelling day. On behalf of us I would like to thank you. I know that the Chair will do the same on behalf of the Committee. In the one minute of our time I would like to express our thanks for your attendance and your diligence today.

The CHAIR: Thank you, everybody. We really appreciate you being here today. On behalf of the Committee, thank you so much for your attendance. You are now excused. Enjoy the rest of your evening.

(The witnesses withdrew.)

The Committee proceeded to deliberate.