

PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE

Monday, 8 March 2021

Examination of proposed expenditure for the portfolio area

TREASURY

CORRECTED

The Committee met at 09:30

MEMBERS

The Hon. Tara Moriarty (Chair)

The Hon. Robert Borsak (Deputy Chair)

Ms Abigail Boyd

The Hon. Ben Franklin

The Hon. Courtney Houssos

The Hon. Mark Latham

The Hon. Taylor Martin

The Hon. Daniel Mookhey

The Hon. Walt Secord

Mr David Shoebridge

The Hon. Natalie Ward

PRESENT

The Hon. Dominic Perrottet, Treasurer

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

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

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

CORRECTED

The CHAIR: Welcome to the public hearing for the inquiry into the budget estimates 2020-2021 initial hearings. Before I commence, I would like to acknowledge the Gadigal people, who are the traditional custodians of this land. I would also like to pay respect to the Elders past, present and emerging of the Eora nation, and extend that respect to other Aboriginals present. I welcome Treasurer Perrottet and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of Treasury.

Today's hearing is open to the public and is being broadcast live via the Parliament's website. In accordance with the broadcasting guidelines, while members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. I would also remind media representatives that you must take responsibility for what you publish about the Committee's proceedings. The guidelines for the broadcast of proceedings are available from the secretariat. All witnesses in budget estimates have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018.

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 an answer within 21 days. Minister Perrottet, I remind you and the officers accompanying you that you are free to pass notes and refer directly to your advisers seated at the table behind you. Any messages from advisers or members' staff seated in the public gallery should be delivered through the Committee secretariat. We expect that transcripts of this hearing will be available on the web from tomorrow morning. I remind everybody to switch their mobile phones to silent for the duration of the hearing.

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MICHAEL PRATT, AM, Secretary, NSW Treasury, sworn and examined

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

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

KIM CURTAIN, Deputy Secretary, Jobs, Investment and Tourism, NSW Treasury, affirmed and examined

STEPHEN WALTERS, NSW Chief Economist, NSW Treasury, affirmed and examined

PETER ACHTERSTRAAT, AM, NSW Productivity Commissioner, NSW Treasury, sworn and examined

RICHARD HARDING, Chief Executive Officer and Managing Director, icare, affirmed and examined

The CHAIR: For the record, Minister Perrottet, you do not need to be sworn as you have already sworn an oath to your office as a member of Parliament. Today's hearing will be conducted from 9.30 a.m. until 12.30 p.m. with the Minister and from 2.00 p.m. to 5.00 p.m. with the departmental witnesses, with questions from Opposition and crossbench members only. If required, an additional 15 minutes is allocated at the end of each session for Government questions. As there is no provision for any witnesses to make an opening statement before the Committee commences questioning, we will begin with questions from the Opposition.

The Hon. WALT SECORD: Thank you, Madam Chair. Treasurer, thank you for attending today.

Mr DOMINIC PERROTTET: Pleasure.

The Hon. WALT SECORD: You would be aware that on Thursday 4 March at Portfolio Committee No. 1 the Premier gave evidence involving the Wagga Wagga conservatorium of music?

Mr DOMINIC PERROTTET: I saw that it got raised, yes.

The Hon. WALT SECORD: Yes. So, you would be familiar with the exchange relating to the correspondence and its approval of that project?

Mr DOMINIC PERROTTET: I am.

The Hon. WALT SECORD: When did you first become aware of the Wagga conservatorium of music?

Mr DOMINIC PERROTTET: That it existed, or the issue around Wagga Wagga?

The Hon. WALT SECORD: The project.

Mr DOMINIC PERROTTET: The project? Well, my understanding of the Wagga Wagga conservatorium of music is that it was a major issue for a substantive period of time. In fact, it was probably one of the biggest issues going around in Wagga because—and my recollection may be incorrect—due to some government building issue the Wagga conservatorium of music had to leave a building and it became an issue for government in how it was going to resolve it. And then, at some point in time, it came to the Expenditure Review Committee [ERC] for a decision in relation to moving forward on it.

The Hon. WALT SECORD: It seems to me that you seem to know a bit more about the project than a passing Minister would. You know about the space problems—the spatial constraints at the conservatorium of music. Did you have any meetings with Daryl Maguire or the conservatorium of music about the project?

Mr DOMINIC PERROTTET: Certainly I am a big supporter of going on key seat visits—they are one of my favourite activities—and seeing the great parts of New South Wales. I went on a visit once with my staffer to Wagga Wagga.

The Hon. WALT SECORD: When was that?

Mr DOMINIC PERROTTET: I will take that on notice, but it would have been—well, I will take that on notice.

The Hon. WALT SECORD: I have been through your ministerial disclosures. I have not gone back as far as I would like, but I have gone back to 4 January 2017 up until the most recent one. When you go on country trips do you log or register meetings that you have when you do key electoral visits?

CORRECTED

Mr DOMINIC PERROTTET: I am assuming this is going somewhere and that I should have logged something that I did not.

The Hon. WALT SECORD: No, no. It is just—

The Hon. DANIEL MOOKHEY: Guilty conscience, huh?

Mr DOMINIC PERROTTET: Well, I certainly remember a trip because it was the general practice when you go on trips that you would get a hire car, but that was never the case with Daryl. He would almost kidnap you and he would take you around the electorate and tell you everything that was wrong in Wagga Wagga. So I remember that day very clearly and I am happy to be home.

The Hon. WALT SECORD: As part of that kidnapping, was the Wagga conservatorium of music part of the ransom?

Mr DOMINIC PERROTTET: Sorry, part of the what? The ransom? No. Look, the issue with the Wagga Wagga conservatorium of music is that it was no doubt a major issue at the time down in Wagga. I remember that on that trip it would have almost certainly been raised. Now, have I met someone from the conservatorium? I may have, but I may not have.

The Hon. WALT SECORD: The Premier gave evidence on Thursday that she could not recall details about the project. Are you aware that the conservatorium of music project was part of the Regional Communities Development Fund?

Mr DOMINIC PERROTTET: Yes, well, I did not recall that letter, but I have subsequently made inquiries.

The Hon. WALT SECORD: Yes, okay, what have those inquiries revealed?

Mr DOMINIC PERROTTET: Can I get a copy of that?

The Hon. WALT SECORD: Secretariat, as per the instructions, I have made four copies of it. This is the letter that bears only your signature.

Mr DOMINIC PERROTTET: Yes, I understand. That would be the Regional Communities Development Fund and whilst—I have seen that letter on Thursday.

The Hon. WALT SECORD: You signed it. You have also signed it. Is that your signature or an electronic signature?

Mr DOMINIC PERROTTET: It is an electronic signature, yes.

The Hon. WALT SECORD: Oh, an electronic signature?

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: Okay, continue.

Mr DOMINIC PERROTTET: But it is my signature. Since that date, though, I have made inquiries, and any other questions around this I will take on notice, but my understanding is that this goes to the Wagga Wagga conservatorium—

The Hon. WALT SECORD: Yes, it does.

Mr DOMINIC PERROTTET: There was an unsolicited proposal in relation to the redevelopment that was brought to the Government's attention in 2017. It was not approved.

The Hon. WALT SECORD: Yes.

Mr DOMINIC PERROTTET: Stage one of the proposed Riverina Conservatorium of Music [RCM] development for \$10 million was ultimately approved as part of the 2018-19 budget process. That is the first \$10 million.

The Hon. WALT SECORD: Yes.

Mr DOMINIC PERROTTET: Stage two of that development for \$20.5 million was the subject of—which I have subsequently found out, which led to this letter—correspondence from the Deputy Premier. In it, the Deputy Premier requested that I note the reservation of funds for stage two from that fund, being the Regional Communities Development Fund, the RCDF.

The Hon. WALT SECORD: Yes.

CORRECTED

Mr DOMINIC PERROTTET: The Deputy Premier also confirmed that the reservation was subject to a number of conditions and listed 10 other project reservations against that fund—

The Hon. WALT SECORD: Was one of those conditions a business case?

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: Okay.

Mr DOMINIC PERROTTET: —that had already been made—I will get back to that—subject, as far as I can see from his letter, to the same conditions he confirmed in relation to the RCM reservation. I advised that the Premier and I—this letter—reverted to the Deputy Premier.

The Hon. WALT SECORD: Yes.

Mr DOMINIC PERROTTET: Our letter states that we agreed to the reservation, although I can only assume the use of the word "agreed" was a courtesy as our position was highly caveated. Having said that, the important point to note in this letter, which you have referred to, from the Premier and me, stated that a reservation in this regard was subject to a number of conditions. The project had to be—well, you have that here—the consideration, competitive assessment process, finalisation of the scope of works, the project meeting the guidelines and a final business case being approved by the Expenditure Review Committee. That is important because the way this fund came into being was through a decision of the Expenditure Review Committee, in which Treasury and myself set out clear terms of reference for the use of these funds.

What generally occurs in relation to funds across government is that the terms of reference determine whether or not the line Minister who is responsible for the drawing down of those funds can make their own decisions or, alternatively, it may be the case that Treasury advises that any decision in relation to allocation comes back to ERC. In this case, that is exactly what was to occur. So the line Minister could have made decisions in relation to as many reservations as he or she wanted to, but the ultimate determination for any expenditure would be subject to an Expenditure Review Committee based on strict terms, which we put together in Treasury in relation to a competitive process and business cases needing to be developed. My understanding is—well, I know that no funding was ever allocated.

The Hon. WALT SECORD: It says here, "As per ERC's terms of reference, the Premier and I have agreed to the reservation of up to \$20 million."

Mr DOMINIC PERROTTET: Yes, so there is \$20 million. To this letter—

The Hon. WALT SECORD: But this has gone through the ERC process.

Mr DOMINIC PERROTTET: No, no.

The Hon. WALT SECORD: It says, "As per the ERC's terms of reference."

Mr DOMINIC PERROTTET: The terms of reference. The terms of reference have gone through Expenditure Review Committee.

The Hon. WALT SECORD: I have sat on the Expenditure Review Committee. I know how it works. The Treasurer usually chairs the ERC—

Mr DOMINIC PERROTTET: That is correct. Nothing has changed.

The Hon. WALT SECORD: Nothing has changed, so—

Mr DOMINIC PERROTTET: Except that it is probably led better.

The Hon. WALT SECORD: Okay, but—

The Hon. DANIEL MOOKHEY: I hear your predecessor was terrible.

The Hon. NATALIE WARD: And there is money in the tin.

Mr DOMINIC PERROTTET: They have all been very good. It is just a slow improvement over time. No, but—

The Hon. WALT SECORD: No, no, back to—

Mr DOMINIC PERROTTET: No. So what I am saying, Mr Secord, is that terms of reference would have been set, which happens with every fund, and then the allocation would go off to the Minister. It may be the case that the Minister has the right to then draw down and allocate funds. It may also be the case that any decisions

CORRECTED

in relation to the expenditure of those funds would have to come back to the Expenditure Review Committee. That was exactly the case in relation to this.

The Hon. WALT SECORD: But my understanding also, if you say the same processes and structure are in place with ERC, that the Premier also sits on the ERC—

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: —and at the very beginning of the session the Chair declares, "Does anyone here have any declarations that they would like to make in relation to any of the items today before us?" Do you recall that? Because the Premier said on four occasions that she cannot recall anything involving this.

Mr DOMINIC PERROTTET: Given this has only come to my attention on Thursday, I can take certain questions on notice.

The Hon. WALT SECORD: But it—

Mr DOMINIC PERROTTET: No, but hold on, let me clarify one point. My understanding—to the best of my knowledge this did not come to ERC. It may have come to ERC at some point in time if it were to be the case that an allocation of funding—an actual allocation to the project—were made. What Ministers generally do in the course of their operations or their ownership of the funds that they may have been provided within their portfolio is that a Minister could set reservations around those funds to start that process, but ultimately until such time as the Expenditure Review Committee had made a determination there would have been no allocation of funds. In this case, to the best of my knowledge, there was no allocation of funds and this conservatorium issue did not come to the Expenditure Review Committee.

The Hon. WALT SECORD: Were you not at least suspicious, knowing what everyone on your side of politics knew about Daryl Maguire sniffing around, walking up and down the corridors, doing chat meetings in corridors, that a \$20 million project for the conservatorium of music, with no business case, appears at the ERC?

Mr DOMINIC PERROTTET: No, it was completely—sorry, let us just take a step back. Based on the terms of reference set by Treasury, it could not have been allocated \$20 million until such time as it came to ERC, accompanied by a business case after going through a competitive process. So, in relation to the other assertion, was I suspicious?—no, I was not suspicious, nor would I have been suspicious, because the ultimate purpose of this fund was for local communities to put forward projects to the Deputy Premier, who would then set reservations aside and, to the best of my knowledge and understanding, set up a competitive process in line with the terms of reference, in line with the competitive process and a business case. Once all that work had been completed, if it were to be completed, it would come back to the Expenditure Review Committee for an investment decision.

The Hon. WALT SECORD: Minister, early in the evidence today you said that the letter came to your attention on Thursday when it was revealed in the Premier's estimates hearing. As part of your investigation into this, were you able to ascertain why your signature is on this letter from the Premier to the Deputy Premier but you are the only signatory.

Mr DOMINIC PERROTTET: Not as yet, but it would not be unusual in the ordinary course for the Deputy Premier to write to me, and that is exactly what he did.

The Hon. WALT SECORD: Is it unusual for you to sign blank—

Mr DOMINIC PERROTTET: It is not blank.

The Hon. WALT SECORD: —to have signatures applied to documents that you are unaware of?

Mr DOMINIC PERROTTET: No, what I am—

The Hon. WALT SECORD: Is it common practice in your office?

Mr DOMINIC PERROTTET: No, I am saying I do not recollect. I sign a lot of letters. This is four years ago. I sign a lot of letters, a lot of correspondence, a lot of ERC submissions, a lot of Cabinet submissions and a lot of documents.

The Hon. WALT SECORD: But I am sure you would have investigated on Thursday—the penny would have dropped on Thursday and you would have approached your staff—

Mr DOMINIC PERROTTET: That is right.

The Hon. WALT SECORD: —and said, "How did this occur?"

Mr DOMINIC PERROTTET: Yes, that is what I said.

CORRECTED

The Hon. WALT SECORD: So were your staff colluding with the Premier's office behind the scenes?

Mr DOMINIC PERROTTET: I reject the assertion and the premise of the question, Mr Secord. Going through the time line on this, since Thursday we have identified a letter from the Deputy Premier, which he wrote saying he read the reservations that he would make under the fund, which I took you through.

The Hon. WALT SECORD: Yes.

Mr DOMINIC PERROTTET: And then there was a—this letter has clearly come off the back of that, which is a note back. My interpretation of this letter is that it is a note back from the Deputy Premier saying, "Understand. It is your fund. Set your reservations. Go for your life." Ultimately, from my perspective as Treasurer and the Chair of the Expenditure Review Committee, what is most important is that the terms of reference are strong enough to ensure—to your point—that decisions do not get made and allocations do not get made for various projects that do not stack up. That does not mean that there are investments in regional New South Wales that do not have benefit-cost ratios [BCRs] greater than one. It is hard to get Treasury to get to a BCR—on a regional road, for example, that is going to have a BCR of one. That does not mean that it is not in the interests of the community. What we need to do is have a strict rigour around these funds because of the very nature of the reservations and allocations that get made off the back of it.

The Hon. WALT SECORD: Minister, you and I know that you are a conscientious Minister, and I have a professional respect for you. The alarm bells, I know, would have been ringing in your head.

Mr DOMINIC PERROTTET: At what point?

The Hon. WALT SECORD: At what point?

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: You have conservatoriums of music in New South Wales scrambling and begging for \$75,000 to get a piano and then this case comes through—a \$20 million project with no business case and you know that this would not meet the BCR of one.

Mr DOMINIC PERROTTET: No it would not have.

The Hon. WALT SECORD: There is no way. Are you telling me—

Mr DOMINIC PERROTTET: It would not have but that does not mean, though, that a business case could give it some credit. I can also say, Mr Secord, when it comes to these funds, there are so many projects across so many regional communities that, in the main, come through that you might sit back and say, "Well, you know, does it have a BCR of one? No. Does it stack up? Maybe not." But does that mean we should not be investing in regional communities? No, it does not. That is just a reality of government. I can sit there through a purely fiscal and economical lens but, ultimately, there is more to regional communities than a BCR or an economic return. There is actually a lifestyle and making sure we are investing in giving those people who live in regional New South Wales the best opportunities in life.

I can assure you—and this team will certainly back that up—that there are a lot of projects that come through that you might sit there and question. But, in the ordinary course, we need to make sure that regional New South Wales has substantial investment. Ultimately our job is to make sure that there is significant rigour in place around it and that certainly occurred with this fund. This letter, whilst I do not have a direct recollection of it, Mr Secord, is clearly in response to a letter from the Deputy Premier and would have gone through the relevant department channels and has somehow been sent back to the Deputy Premier to simply confirm that the reservation and the reservations that he had written to me about for a range of other projects as well were included as a reservation under the fund—but conditional on the terms of reference and the conditions that we put in place.

The Hon. WALT SECORD: Treasurer, do you and the Premier have catch ups the day before or the morning of ERC to generally talk about the approach for the various items that occur?

Mr DOMINIC PERROTTET: No.

The Hon. WALT SECORD: You don't?

Mr DOMINIC PERROTTET: We do for Cabinet. But if the purpose of your question is, "Do we discuss ERC agenda?" Well, obviously.

The Hon. WALT SECORD: So with this \$20 million project for the Wagga Wagga conservatorium of music, which you would have never heard of before—

Mr DOMINIC PERROTTET: No, I told you I had heard about it—every time I went to Wagga Wagga I heard about it.

CORRECTED

The Hon. WALT SECORD: Oh, that is right, it goes back to your kidnapping and the ransom. So, did you and the Premier at any point—or did the Premier just say "Dom, just wave this through."

Mr DOMINIC PERROTTET: I do not recollect any discussion with the Premier in relation to the conservatorium of music.

The Hon. WALT SECORD: In relation to your office, does your office meet with the Premier's office before ERC to have an officer level discussion on ERC matters?

Mr DOMINIC PERROTTET: Sometimes.

The Hon. WALT SECORD: As part of that, did your office have discussions with the Premier's office—

Mr DOMINIC PERROTTET: I will take that on notice. We are not here to quiz—I know you like quizzing—my staff.

The Hon. WALT SECORD: Actually, on that, your signature on the document, you said it was generated by an electronic signature. Was that generated in your office?

Mr DOMINIC PERROTTET: It must have been.

The Hon. WALT SECORD: So have you made inquiries about—

Mr DOMINIC PERROTTET: Yes, we are looking into it. What has become clear to me over the past 48 hours, Mr Secord, is that there is nothing untoward in a letter being sent from the Deputy Premier to me setting out a reservation that he requests in relation to a fund, and a letter going back from me saying, "I note your reservation."

The Hon. WALT SECORD: But the Premier dumps you in it—on Thursday she says she does not recall and says, "You have to ask the Treasurer."

Mr DOMINIC PERROTTET: Well, you are here asking me. I am giving you the answer to the best of my knowledge and the best of my abilities. I have said that in the past 48 hours we have made inquiries, but I am setting out the context in which this fund would operate and the rationale behind the correspondence that I have clearly responded to.

The Hon. WALT SECORD: Okay, one last thing. The letter is to the Deputy Premier. Have you had discussions with the Deputy Premier on the Wagga Wagga conservatorium of music?

Mr DOMINIC PERROTTET: Since Thursday?

The Hon. WALT SECORD: Since Thursday—

Mr DOMINIC PERROTTET: No.

The Hon. WALT SECORD: —and during the July/August 2018 period.

Mr DOMINIC PERROTTET: The period of the correspondence?

The Hon. WALT SECORD: The period of the letter.

Mr DOMINIC PERROTTET: I cannot recollect. But would it have been unusual for me to have a discussion with the Deputy Premier around something like a Wagga Wagga conservatorium? It would be very, very likely because he would often, in the course of his job—and he also sits on the Expenditure Review Committee—raise with me on numerous occasions numerous regional projects which are too far to recall because of the great generosity of this Government in relation to supporting regional communities across the State.

The Hon. BEN FRANKLIN: Hear, hear! Why do you hate the regions, Walt?

The Hon. ROBERT BORSAK: Roll out the pork barrel, that is all I can say.

Ms ABIGAIL BOYD: Treasurer, I will give you a break from that line of questioning.

Mr DOMINIC PERROTTET: Sorry, to the Deputy Chair, that is why it is important why we have that strong rigour in place in relation to the terms of reference, to make sure that where those investments are made in regional communities—and I am particularly concerned at that because if you looked at things on just a basic BCR then a lot of those projects may not pass the strict interpretation of what Treasury, a pure Treasury angle, may come through. That is why it is important we do not.

CORRECTED

The Hon. ROBERT BORSAK: Now that you have raised it, Treasurer, why did a lot of those projects, in fact, many of those regional projects—95 per cent of the money was granted to Government electorates and why, in many cases, did local councils not even know that that money was available until it was offered to them?

Mr DOMINIC PERROTTET: In relation to this fund?

The Hon. ROBERT BORSAK: Yes.

Mr DOMINIC PERROTTET: I am not aware of that being the case

The Hon. ROBERT BORSAK: Well, it has come out very clearly in the public record, ever since the Public Accountability Committee started inquiring into it.

Mr DOMINIC PERROTTET: I think this is a separate—

The Hon. BEN FRANKLIN: Yes, it is a different fund.

The Hon. NATALIE WARD: Yes.

Mr DOMINIC PERROTTET: This is a separate fund and it is a responsibility of the line Ministers to allow members of Parliament—electorates—to come forward with projects and it is my job as Treasurer, and this team's responsibility, to make sure that any projects where decisions are made for expenditure have significant rigour around it. That is what we have done and continue to do. It does not mean we always win.

Ms ABIGAIL BOYD: I am sure they will come back to that line of questioning afterwards. I wanted to start off by looking at current measures to reform the revenue base. You have mentioned a few times about looking at different ways of perhaps renegotiating the Federal-State financial arrangement. Is that something you are actively agitating to do?

Mr DOMINIC PERROTTET: Yes. I have had numerous discussions and continue to as late as—the latest was last Friday in a meeting with the Federal Treasurer—to continue this dialogue because I think it is incredibly important right now, more than ever before, that we look at better ways of funding State services and have a more efficient tax system. The reality is, when it comes to all States, over time we have relied on more inefficient taxes and we need to look at ways in which we can have a better system in place. Ultimately that is pretty difficult to do on our own. If there are ways in which we can work with the Federal Government to strike an accord, in a way, to have a better system in place, then we should be continuing to examine those options.

Ms ABIGAIL BOYD: Would that focus on transferring more responsibilities to the Federal Government or would it mean distributing more tax back towards the States and Territories?

Mr DOMINIC PERROTTET: I think you look at a combination of both. One of the areas of engagement that they have focused on has been in relation to the NDIS and their responsibility there. Obviously we have a funding engagement at the moment on that area of service, but there are other ones where there are inefficient systems in place. For example, we look after early childhood education, as you would be aware, but the Federal Government runs and has a responsibility for child care. If a State or a Commonwealth or one area of government was actually ultimately responsible for that area, I think you would get better outcomes and better service. So I think there is a combination, Ms Boyd, of changes in revenue and taxation but also a change in responsibilities. And I think health is another key area that should be looked at.

Ms ABIGAIL BOYD: From a policy perspective are you pushing towards the Federal Government taking more of those responsibilities or are you more interested in having greater autonomy at a State level?

Mr DOMINIC PERROTTET: I am more interested in having systems in place that ensure better service delivery. So it is not one or the other. I am not focused on an outcome where we lose responsibilities or gain responsibilities or have less or more autonomy. That is not what I am driving at. What I am driving at is having a system in place where, firstly, we have a tax system that drives economic and productivity growth and, secondly, that we have one line of government that is ultimately responsible. Because you have got all these bureaucracies at a Federal level and at a State level and they just build up. I do not believe you get the best autonomy and the best systems in place that will drive better outcomes. Take child care for example—lower prices and a better service.

Ms ABIGAIL BOYD: On your proposal to gradually introduce a form of property tax to replace stamp duty, have you done any kind of distribution analysis to see how that will impact on economic inequality over the next, say, 10 to 20 years?

Mr DOMINIC PERROTTET: Treasury is working through that process at the moment. We have got a model that we have sent out for community consultation. There is no doubt that, if you look through report after report, particularly in relation to productivity, stamp duty is one of the most inefficient taxes that we rely upon

CORRECTED

and it is a significant impediment. We talk about social inequality—it is one of the biggest impediments to get people into the housing market and have wealth creation off the back of it.

Ms ABIGAIL BOYD: And you will get no argument from me on the inefficiencies of stamp duty, but my concern is really that this particular proposal, on the face of it, looks like it would redistribute money upwards to the bigger investors and actually not significantly help those at the lower end of the bracket.

Mr DOMINIC PERROTTET: That may be your interpretation, Ms Boyd. What I would say is that we are out on consultation and the ultimate outcome—so, what does success look like in this space—is to increase home ownership and to have a system that is geared towards home ownership more favourably than investors. Because we are focused on increasing the opportunity for people from any socio-economic background to get access to the housing market, first and foremost, and ultimately have a system that increases the transfers of properties so that we can help drive economic growth off the back of it.

Ms ABIGAIL BOYD: And that is why I am asking the question, because I am saying, on the face of it, it looks like it could have that risk and that is why I am asking—

Mr DOMINIC PERROTTET: They are very good questions.

Ms ABIGAIL BOYD: —have you done the analysis?

Mr DOMINIC PERROTTET: That analysis has been conducted and continues to be conducted. We are working through that and that is what we consulting on, on this model. But what I am saying to you is, to the point of your question, if we get to a point where we have a final position, you will see that that position would be ultimately focused and geared towards home ownership, predominantly, as the most important objective.

Ms ABIGAIL BOYD: Are you concerned that the current proposal, though, could increase churn at that bigger end of town level, as you get speculation and investors?

Mr DOMINIC PERROTTET: They are all aspects that will be taken into consideration, because if you are consulting—we have gone from a position where everybody in theory, every single report from a Federal and State level has suggested you move towards a system where you move away from stamp duty. What I am saying is that it is very difficult to consult on a theory. You have got to consult on a model. The concerns that you are raising are very valid concerns and are front of mind. In terms of, if we were to put a final model out, the concerns that you are raising would be incorporated into that because ultimately this is all about driving home ownership ahead of investment and ultimately, off the back of that, driving economic and productivity growth.

Ms ABIGAIL BOYD: That is heartening to hear and we look forward to seeing—

Mr DOMINIC PERROTTET: The Liberals and the Greens are on a unity ticket here and it is very good to see.

Ms ABIGAIL BOYD: We are when it comes to moving away from stamp duty but it needs to be done in a way that is equitable, as I am sure you appreciate. Have you ruled out this idea of an electric vehicle levy or tax?

Mr DOMINIC PERROTTET: No.

Ms ABIGAIL BOYD: Why is that?

Mr DOMINIC PERROTTET: There is no doubt that, in terms of fuel excise, which goes towards the—in many ways is hypothecated back to road maintenance—

Ms ABIGAIL BOYD: To the Federal budget.

Mr DOMINIC PERROTTET: At a Federal level. But that still impacts the States, right? We have got a disintegrating Federal revenue stream and where do you think—I know the Federal Government. I know what they get up to. I know you might be doing some investigation here for David Shoebridge, but—

The Hon. NATALIE WARD: Senator Shoebridge.

Mr DOMINIC PERROTTET: Senator Shoebridge, sorry. What happens here is, if the Federal Government's revenue base is declining, ultimately—not that I want to pre-empt them or encourage them to do this—what will occur is that we will start to have reduction in payments from the Federal Government. So it has to be true that motorists who use roads in New South Wales should pay for that use. Surely the Greens would agree with that principle.

Ms ABIGAIL BOYD: Will you also, then, be putting an additional levy on all of those petrol cars that are increasing health costs and costs to the environment, then?

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Mr DOMINIC PERROTTET: This is a problem. Now we are going to start to disagree because I think the challenge here is that this has unfortunately got caught up in an environmental debate. Now, we are looking at this. We are looking at an electric vehicle tax. We are. We have not made a decision in how that would look. But here are the principles that I—and I have spoken numerous times with both the transport Minister and the environment Minister, "Matt Green".

Ms ABIGAIL BOYD: Who both disagree with you, I assume.

Mr DOMINIC PERROTTET: That may be the case.

Ms ABIGAIL BOYD: We have it on record at budget estimates that Minister Constance did disagree with you.

Mr DOMINIC PERROTTET: That is not unusual with my ministerial colleagues, to disagree with me.

The Hon. NATALIE WARD: That is the bane of the Treasurer.

Mr DOMINIC PERROTTET: But where I agree with them would be that we would not want to have a system in place that is an impediment to innovation and the take-up of electric vehicles. We all agree that that is a transition that will occur that should be supported and promoted by the Government. Having said that, take out your environmental concerns for one moment and just look at this logically.

Ms ABIGAIL BOYD: It is about comparing the cost to the Government on a long-term basis.

Mr DOMINIC PERROTTET: But ultimately we will be in a position at some point in time, whether that be in ten, 20, 30 or 40 years, where there will not be many petrol vehicles; there will be electric vehicles.

Ms ABIGAIL BOYD: Not if we do not incentivise take-up. We already have a very, very low percentage.

Mr DOMINIC PERROTTET: Yes. I have said, Ms Boyd, that I am very much focused on ensuring that whatever system we put in place, which would have to be done in coordination with my other Ministers, who are seen to have taken a strong interest in this matter, that we have a system in place that does not disincentivise take-up. So I accept that. But ultimately, surely you would also agree that all vehicles—all motorists—make a contribution to maintenance of our roads across New South Wales.

Ms ABIGAIL BOYD: I would say they do that through their taxes.

Mr DOMINIC PERROTTET: But that goes to the point where you began your line of questioning and that is: What is the most efficient way of taxation? If you are looking at Federal and State taxation, there is a range of taxes that we are going to have in place, but ultimately with something like road user charging and vehicle charging that is something that, if you use roads, you should pay for. It is and would be unfair that somebody today, in my view, who is driving around in a Tesla is not paying tax for using the roads, yet somebody who is driving around in a HiLux who is a tradie is.

Ms ABIGAIL BOYD: Can we talk about the cheaper EVs—

The CHAIR: We will come back to this, because it is Mr Borsak's time.

Mr DOMINIC PERROTTET: Look, I think we have kind of worked through this and I think you can see that we are in many ways on the same line of thinking. We do not want a tax that is going to be an impediment to take up an innovation.

The Hon. ROBERT BORSAK: Treasurer, I do not want to tax HiLuxes either. I think it is a good idea.

Mr DOMINIC PERROTTET: What?

The Hon. ROBERT BORSAK: No more than they already are.

Mr DOMINIC PERROTTET: Taxing HiLuxes?

The Hon. ROBERT BORSAK: Do not tax HiLuxes any more than they already are but make sure that you tax Teslas.

Mr DOMINIC PERROTTET: In a perfect world, Mr Borsak, we would not have any tax, but someone has got to pay for the services that we provide.

The Hon. ROBERT BORSAK: Yes, of course you do. Regarding the property tax, Treasurer, you say home ownership is a very important thing and it is. You are saying that the current proposal for a new property

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tax—or transitioning to a property tax over time, I suppose—will help in that. Is the Government going to levy a property tax on intergenerational transfers of family farming properties?

Mr DOMINIC PERROTTET: Mr Borsak, the Government has not made a decision, as you know. What we have done in relation to this reform proposal is to put a model out there which we are currently consulting with the community on. Now in terms of farmers and intergenerational transfers, that was certainly a consideration before it went out to consultation on that model. There were discussions within Government in relation to it. I think the view that we certainly reached was that it was better to include everything in the consultation and get a sense rather than exclude things from the consultation. We have received significant feedback from the NSW Farmers Association. In fact, I think I have a meeting lined up with them shortly. I understand that they have met with the Deputy Premier as well. We will work through that in a measured way and their input is incredibly important because you are right to identify that the unique nature of intergenerational transfers as something—

The Hon. ROBERT BORSAK: You are talking about housing but now you are talking about business—

Mr DOMINIC PERROTTET: Yes, absolutely.

The Hon. ROBERT BORSAK: —especially farming, agribusiness and family farms.

Mr DOMINIC PERROTTET: Yes, it is clearly a unique area and one that would differ from the ordinary residential or investor market, let us say, in Sydney or in regional towns.

The Hon. ROBERT BORSAK: Well, it is an exemption that the Labor Government put in place in 1999. Why would you not consider just removing it out of the ballpark immediately if it was so important?

Mr DOMINIC PERROTTET: My view on any consultation and the view that I reached in relation to this was that we should put everything into the mix, consult with everybody, get all the views right across the board, including yours, and then consider that and then hopefully get to a point where we have a model that we believe makes the most sense. Obviously farmers and that very nature of the intergenerational transfer of those properties is something that needs to be considered. My view is that the farmers have been incredibly constructive in their discussions with the Government to date and I will continue to meet with them and hear them through.

The Hon. ROBERT BORSAK: What is the underlying reason for removing that exemption? Is it just because of what you have said? "It is just out there and we will wait for people to whinge and we do not have a policy on it and then we will walk away from it."

Mr DOMINIC PERROTTET: Well, no—

The Hon. BEN FRANKLIN: A bit of a cute interpretation.

The Hon. NATALIE WARD: That was not his evidence.

The Hon. ROBERT BORSAK: Well, I have not heard the National Party talk about it.

The Hon. BEN FRANKLIN: I support the Treasurer on this matter.

Mr DOMINIC PERROTTET: Well, no, I think ultimately, Mr Borsak, you want to have a system whereby we have got some clear principles in relation to initial choice. Stamp duty particularly is an archaic tax from an archaic era that has no place in a modern economy in modern society. Now, in order to move away from that system there is a whole range of unique situations, farming being one of them, that rather than pull it out—you would have the same issue that you are referring to if you started taking bits and pieces out before you started the "Why are they out and why are we in?". It is best to put it all on the table and then consult from that point. That has been my view. To be frank, I think to date—and I give credit particularly as well to the Labor Party in the main here—we are having a constructive discussion and that is important because reform like this is challenging and difficult, as you say. There will always be different areas across society where there are unique challenges where they do not fall into what we would see in 95 per cent of properties and we will work through those issues. There is no reason as to why we should not be putting them in there for consultation. That is what consultation should be all about.

The Hon. ROBERT BORSAK: Thanks, Treasurer, but—

Mr DOMINIC PERROTTET: I look forward—have you made a submission, Mr Borsak?

The Hon. ROBERT BORSAK: Have I made a submission? I put a media release out about it last January.

Mr DOMINIC PERROTTET: I bet you have.

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The Hon. ROBERT BORSAK: I am happy to send you that if that is a submission. If you call that a submission, I will send it to you. I am happy to have another go.

Mr DOMINIC PERROTTET: We have a formal submission process through Treasury.

The Hon. BEN FRANKLIN: Be careful what you wish for.

The Hon. ROBERT BORSAK: Well, I am happy to. I will write you after this and—

Mr DOMINIC PERROTTET: Okay, I look forward to it.

The Hon. TAYLOR MARTIN: It will be a copy and paste.

The Hon. ROBERT BORSAK: I will copy and paste it, that's right. Exactly. It is a very important constituency for us.

Mr DOMINIC PERROTTET: To point to your line of questioning though and in answering that, did we consider the unique nature of the issues you are talking about? Yes, we did. Was there a discussion in relation to "Should this be included or not?" Yes, there was. I made the decision to include it because it is better to include everything as part of consultation than to be excluding things without actually going through the proper processes and that is the view that I took at the time. I still believe that was the right decision.

The Hon. ROBERT BORSAK: Treasurer, one of the headline issues, of course—or one of the headline benefits, I suppose, not an issue—is that this new property tax, and any tax, if you are a good Treasury secretary or a good Treasurer, is always designed to increase the revenue, not decrease the revenue, isn't it?

Mr DOMINIC PERROTTET: No.

The Hon. ROBERT BORSAK: No. So the Government is going to put a tax in place that is going to decrease the revenue in the long run, not increase it—is that what you are saying?

Mr DOMINIC PERROTTET: Well, the model that we are looking at is being revenue neutral over a period of 50 years.

The Hon. ROBERT BORSAK: Revenue neutral over a period of 50 years. Okay, so can you explain to me how that neutrality feeds back into lower property and home owner prices over that period of time, especially when we are seeing them skyrocketing because of the loose fiscal and monetary situation at the moment because of COVID?

Mr DOMINIC PERROTTET: That is a very good question. If you look at the property market at the moment, I think our auction clearance rates on the weekend were at 100 per cent.

The Hon. ROBERT BORSAK: Don't you wish you had that tax in place already?

Mr DOMINIC PERROTTET: Well, this is the problem, Mr Borsak, because it is not about having rivers of gold coming through to the New South Wales Government coffers. What is most important is that we have a tax system that actually provides benefit for our people and I do not measure—

The Hon. ROBERT BORSAK: Treasurer, you are not answering the question.

Mr DOMINIC PERROTTET: No, I am.

The Hon. NATALIE WARD: Let him answer.

Mr DOMINIC PERROTTET: I do not measure success in the size of the State Government's surplus, as in somehow we have had a great year in the property market, somehow we are handing down a \$5 billion surplus and that is somehow success. That could end up being failure if that money is somehow squandered. The more money you give government, I have found, the more money, Mr Borsak, they will spend. In fact, it was Ronald Reagan who said that we should starve the beast because the less we give it the less they will waste.

The Hon. ROBERT BORSAK: I will get back to my original question, Mr Treasurer. How does this feed back into lower property prices and housing prices for Australians in New South Wales?

Mr DOMINIC PERROTTET: Because, Mr Borsak, the average time that it has taken particularly younger people to get into the housing market—we have seen that decline. We made some changes to stamp duty when the Premier was first appointed in that role to remove stamp duty for first homebuyers. I have not got the numbers in front of me, but I will get them and provide them to you on notice. They demonstrated that that reduction in stamp duty over the three years increased the percentage of first homebuyers getting into the market. Now, if you go back to the 1990s and look at the time it took particularly young people to save for their first

CORRECTED

deposit and off the back of that particularly their—just the stamp duty, it is now taking them two and a half years to save for that.

If you remove that impediment—and the modelling that we have got will demonstrate that—it provides an opportunity for people to not just get into the housing market initially but also to have a housing stock that suits their needs. I know you have got a strong interest in regional New South Wales. We have a lot of people who move to the bush and might be transient in terms of employment. So rather than being locked out of the property market and renting, they can buy into the property market, purchase and have a home that suits their needs at the time and over time they will then benefit from the increase in the wealth that comes from that. I think that is an incredibly positive thing.

The Hon. NATALIE WARD: Hear, hear!

The Hon. BEN FRANKLIN: Hear, hear!

The Hon. ROBERT BORSAK: Treasurer, how will unpaid property taxes be paid after the taxpayer liable for those taxes actually dies?

Mr DOMINIC PERROTTET: That is a very good question. The idea is that there would be an annual payment in lieu of—

The Hon. ROBERT BORSAK: Yes, but what if they cannot pay it?

Mr DOMINIC PERROTTET: We are consulting on that. As I said, I was at a focus group just two days ago—I think it was Thursday last week—and that is an issue that has been raised. It is an important issue that needs to be determined and we will work through as part of the consultation. I understand where you are going with that and the concerns that you raise. I am very alive to it.

The Hon. ROBERT BORSAK: It has got the potential to smell like a death duty, doesn't it?

Mr DOMINIC PERROTTET: Mr Borsak, what is important is that we have a system that drives home ownership and drives economic and productivity growth, but I would want to make sure that we avoid the very scenario that you are referring to. I am very alive to that, but there are ways in which we can approach that issue that I believe can ensure that we do not get to the space that you are referring to, and I accept that question.

The Hon. ROBERT BORSAK: I will come back to it.

The Hon. DANIEL MOOKHEY: Good morning, Treasurer. It's a pleasure to see you.

Mr DOMINIC PERROTTET: There is no better place I would be on a Monday morning, Mr Mookhey, than with you. I was waiting for this all weekend. I was looking at the diary.

The Hon. DANIEL MOOKHEY: You should have called me up. We could have talked. Greetings to you as well, Mr Secretary, and thank you to your officials for spending the day with us. Treasurer, a simple question: Would you like to start by unreservedly apologising to the tens of thousands of injured workers and 326,000 businesses your agency, icare, has comprehensively failed?

Mr DOMINIC PERROTTET: Mr Mookhey, what I would say is, as I raised last year, there is no doubt there have been shortcomings with icare during the transformation phase. I did apologise, and I am still very sorry to anybody who has been adversely affected by the changes that have been made. Mr Shoebridge and you may disagree but I think, to date, it has been the case that there would be broad agreement that the movement away from the scheme as it was, to ultimately what we were looking to achieve, was the right direction. Could the execution have been better? Clearly. The reality is, with a workers compensation scheme there are always going to be challenges. In fact, ever since I was a Minister and finance Minister coming in here, Mr Shoebridge has sat on every single one of these committees and asked me numerous questions in relation to the scheme.

I believe, and I would be interested in his views, that the direction of where we set out to have a scheme as a public financial corporation—and particularly the separation of the regulator from the commercial provider—is definitely the right approach. The concerns that have been raised are valid concerns and are in the process of being addressed. I am confident that the issues that were ventilated last year by the Committee are well on the path of being resolved. But from the outset, to your question, the answer is yes. And I will make one other point. There will always be challenges. I firmly believe the scheme would be in a worse position if we had not embarked on changes to separate the regulator and move to a public financial corporation.

The Hon. NATALIE WARD: It was bankrupt.

The Hon. DANIEL MOOKHEY: Treasurer, you made that point earlier. I accept that is your position. Let us talk about actions that have taken place this year.

CORRECTED

Mr DOMINIC PERROTTET: Yes.

The Hon. DANIEL MOOKHEY: Despite widespread revulsion at the obscene levels of executive pay for icare's top bosses, this year you responded by awarding icare's new CEO a \$120,000 pay rise and another bonus package. That is absolute proof, is it not, that nothing is changing at icare under your watch?

Mr DOMINIC PERROTTET: No, that is not true. And let me respond. In relation to remuneration, icare is an independent body with an independent chair. As you would be aware, last year I appointed a new chair of icare. The new chair of icare, Mr Robertson, provided advice to me in relation to what he believed was the right remuneration package for the new CEO, and that advice was based on benchmarking that occurred across industry. Yes, we can sit here and say—obviously criticise the remuneration that is in place but, in my view, my responsibility as Treasurer and the responsible Minister is to make sure that we have people who are equipped with the right expertise and skill set to lead the organisation, and I welcome Mr Harding to the role. I believe that he will do a great job, and I think his expertise and professional experience set him in good stead to do that. The remuneration that was proposed by the chairman of the board for the role was in line with industry standards and benchmarking that has taken place.

The Hon. DANIEL MOOKHEY: The disturbing implication of that is that you think Mr Harding's predecessor was underpaid. Nevertheless, just two weeks—

Mr DOMINIC PERROTTET: No, that—

The Hon. DANIEL MOOKHEY: No, let me finish. We are being very respectful. I am letting you finish; you are letting me finish.

The Hon. NATALIE WARD: Point of order: A sentence has been spoken by the honourable member. The witness is entitled to respond to that sentence and I ask—

The Hon. BEN FRANKLIN: An allegation has been made which should be responded to.

The Hon. NATALIE WARD: May I complete my sentence before I am spoken over, please? It just would be a courtesy if a very serious allegation is made by an honourable member, that the witness be allowed to answer. I ask, Chair, that you direct that he be allowed to answer.

The Hon. DANIEL MOOKHEY: Perhaps I can be allowed to complete the question.

The CHAIR: In terms of the point of order—

Mr DOMINIC PERROTTET: Point of order—

The CHAIR: Sorry, Treasurer, you cannot take a point of order.

Mr DOMINIC PERROTTET: I think he has been respectful but he did make a statement in his question that is debatable.

The Hon. DANIEL MOOKHEY: I have not finished the question. Just let me finish the question, then you can respond.

The CHAIR: Let me deal with the point of order. What we need to do here is questions, then answers. We will be nice and respectful of each other, as we have been so far. Let us try to keep that going. There was not a question. Mr Mookhey.

The Hon. DANIEL MOOKHEY: Thank you, Chair. Treasurer, just two weeks ago your agency paid \$1.2 million to three executives that were intimately involved in ruining the scheme. Why didn't you just insist that icare fire these executives for their gross incompetence instead of paying them out 38 weeks of their already exorbitant salaries?

Mr DOMINIC PERROTTET: That question manifestly misunderstands my responsibility. This is a public financial corporation. It is not for me as the Treasurer of the State to be getting involved in operational matters in relation to the insurer. I have a responsibility for the appointment of the chairman of the board; in consultation, on the board appointments; and, on advice, signing off on the appointment of the CEO. Now, am I responsible for the outcomes that come back? Ultimately, as we saw last year, yes. That is the very nature of ministerial responsibility, regardless of whether that is in the general government sector or ultimately in a State-owned corporation. So in relation to the decision that Mr Harding made as CEO, I do not believe it appropriate for me, particularly without—and you may not have an understanding as well in relation to what their entitlements were as workers in the scheme.

The Hon. DANIEL MOOKHEY: At the same time your agency gave these three failed executives a \$1.2 million golden parachute and at the same time the new CEO got a \$120,000 pay rise, you have only repaid

CORRECTED

24 workers who were underpaid—and that is 12 months after I raised it with you at last year's budget estimates. How is it possible that, 12 months afterwards, we still only have 24 injured workers repaid out of a potential class of 23,000 or what could be as high as 52,000?

Mr DOMINIC PERROTTET: That is a very good question and it is something that concerns me, but let us also set some context here that I think is important. Yes, there are underpayments. There are also overpayments and they are issues that predate icare. Let us be fair here because there has been some commentary that I do not think is completely accurate. It does not mean that this is not a major issue; it is a major issue that needs to be resolved and needs to be resolved expeditiously. I accept that and we made a commitment from the outset that any worker in the system that had been underpaid would be repaid in full. That is the commitment that we made. It has become very clear to me, Mr Mookhey, and I might get Mr Harding to make some comments here for you—

The Hon. DANIEL MOOKHEY: We will take that up with Mr Harding this afternoon, rest assured.

Mr DOMINIC PERROTTET: I think it is important for context. The calculation of the 2012 reforms—clearly the miscalculation issues that have arisen from that are not acceptable but have proven to be incredibly challenging. I know in relation to the work that icare has done to date that it has spent \$3.5 million reviewing 4,000 claims, so you are correct in saying only 24 claims have been remediated. Is that a concern for me as it is for you? Yes, it is.

The Hon. DANIEL MOOKHEY: It is a disgrace, is it not?

Mr DOMINIC PERROTTET: I have already spoken to Mr Harding on a couple of occasions since his appointment, as well as the new chair, to say that this is something that needs to be resolved. It was something that I had raised with the previous CEO. Let us not forget that icare did not create this problem. They discovered this problem and they self-reported to the State Insurance Regulatory Authority [SIRA]. I accept your concern and view that this has taken too long. To date, I have received from Mr Harding some views that we could take forward. I also saw an idea on the weekend that I am not opposed to in terms of independent oversight in relation to this. I am very much focused on making sure that the integrity of the scheme is in place and that there is faith in it.

There are some options that Mr Harding has put forward that I think you will find of interest: allocating more resources to support the assessment of cases where the information is available and individuals want to check their entitlements; increasing advertising statewide to raise awareness of the opportunity to request an assessment; investigation of a fund that focuses on return-to-work initiatives at community level to recompense all those people who cannot be contacted; and identifying a way to simplify the rules in relation to pre-injury average weekly earnings in preparation for any recommendations from the McDougall review, which as you would be aware is due next month. I actually think that this is something that needs to be substantially looked at and would be very interested to work in a bipartisan way because I think this is—not that it is something I would generally do with you, Mr Mookhey.

The Hon. DANIEL MOOKHEY: It is just as unusual for me, Treasurer.

Mr DOMINIC PERROTTET: It is very clear that the time it has taken is not acceptable, but it needs to be resolved. I am committed to ensure—

The Hon. DANIEL MOOKHEY: I am happy to work with you on this, Treasurer.

Mr DOMINIC PERROTTET: I am talking to the point of the calculation.

The Hon. DANIEL MOOKHEY: I am happy to work with you on making sure that we get the injured workers repaid, 12 months after we first raised it. Can I move to another matter? Can I just table this? In the report that the Auditor-General released at the end of last year, her audit of centralised agencies, she points out that your agency has been spending at least in one contract—

Mr DOMINIC PERROTTET: Sorry, what are we talking about? Are we talking about icare or about Treasury?

The Hon. DANIEL MOOKHEY: Yes, icare. The Auditor-General points out that icare has been spending \$134 million over four years with a firm called Comensura, a labour hire firm. We found the contract database, which is about to be presented to you so you can see what it is.

Mr DOMINIC PERROTTET: Was this in the Auditor-General's report?

The Hon. DANIEL MOOKHEY: Yes, she made mention of it. This contract award notice, which is on the tender database, points out that for some reason icare has been paying the office leasing costs for this labour

CORRECTED

hire company—\$134 million over five years. In addition, icare has created a separate \$101 million contract with the same labour hire firm, Comensura, none of which were put to tender. That means we have been spending \$235 million with a labour hire company, including paying for their fit-out and their leasing costs at 321 Kent Street—icare's business. Why are we using employer premiums to lease an office with waterside views for a labour hire company?

Mr DOMINIC PERROTTET: Mr Mookhey, I will take that question on notice. I have just seen this document. You have presented it to me. This is obviously a matter that I will take up with the CEO and the chair. I cannot give you an answer to this at the moment because I would not know what the relevance of that would be. But like you, not having any more depth of understanding of that arrangement or why it is in place makes it difficult.

The Hon. DANIEL MOOKHEY: That is the second one that shows an additional \$101 million.

Mr DOMINIC PERROTTET: I will take it on notice and come back to you.

The Hon. DANIEL MOOKHEY: So \$235 million—

Mr DOMINIC PERROTTET: But I am sure you can raise it with Mr Harding.

The Hon. DANIEL MOOKHEY: We will raise it with Mr Harding, but this was mentioned—

Mr DOMINIC PERROTTET: Seriously, why do we even bring members of the Treasury and agencies to budget estimates for the morning session if you will not allow an opportunity for them to comment in relation to questions?

The Hon. DANIEL MOOKHEY: You do not ask the questions, Treasurer. We ask the questions.

Mr DOMINIC PERROTTET: But I get to give the answers and I can ask my—

The Hon. NATALIE WARD: Point of order—

The CHAIR: I am speaking and then we will deal with it. Treasurer, it is not a matter for you to determine who the questions are directed to.

Mr DOMINIC PERROTTET: But maybe Mr Harding has the answer.

The CHAIR: With respect, there is limited time while you are here this morning and there is time this afternoon.

Mr DOMINIC PERROTTET: Next year I will just rock up by myself.

The Hon. NATALIE WARD: Point of order—

The CHAIR: It is a matter for Mr Mookhey. I will take the point of order from Ms Ward.

The Hon. NATALIE WARD: Thank you, Chair. Gosh, I have forgotten it now. No, I have not. We have had a few days of hearings now and we all know a witness is entitled to answer a question in the way that witness chooses. If a witness would like to refer to one of his senior officials who is here to assist with providing that information immediately this morning, he is absolutely entitled to do so.

Mr DOMINIC PERROTTET: The imputation that Mr Mookhey is making—

The Hon. DANIEL MOOKHEY: Treasurer, if you would like Mr Harding to speak, I am happy to hear it.

The Hon. NATALIE WARD: He is entitled to.

Mr HARDING: Unfortunately I have no further information.

The Hon. DANIEL MOOKHEY: Thank you, Treasurer. That was totally worth it. I am glad that worked out for you. So neither you nor the CEO of icare can explain why we are spending \$235 million with a labour hire company.

Mr DOMINIC PERROTTET: We will take that on notice and let us move on, Mr Mookhey. I am sure you have a whole host of questions.

The Hon. DANIEL MOOKHEY: Treasurer, the reason I ask you this is because it is serious. At \$235 million with a labour hire company, it would make icare the fifth biggest user of labour hire in the New South Wales Government, which is ironic given that your Treasury officials are saying they are cracking down on labour hire firms. Do you have any idea what exactly all those workers we have hired through Comensura

CORRECTED

are actually doing? This was mentioned by the Auditor-General. Did it not occur to you after reading her report that maybe you should check?

Mr DOMINIC PERROTTET: Mr Mookhey, I take your concern and I take the question. Clearly this is also news to the CEO. We will look at this and report back. Intuitively, does the information raise concerns? Yes, it does. There may be a plausible explanation as to why, but let us get the facts. I will respond with facts based on information and I am happy to take it on notice.

The Hon. DANIEL MOOKHEY: Sure. Treasurer, your office received an anonymous complaint in early 2018 about former CEO John Nagle and the conflict of interest that saw icare pay his agency \$800,000 as a contractor. I note that through Mr Pratt you referred it to Mr Carapiet for an investigation. The report came back—

Mr DOMINIC PERROTTET: I referred it to Mr Pratt.

The Hon. DANIEL MOOKHEY: You did, who then referred it to Mr Carapiet, which is all appropriate, by the way. The report comes back and says that the complaint should be upheld. The only sanction that Mr Nagle is subjected to by your board is losing one of his two bonus packages. Treasurer, at that point in time, well before, why did you not insist on icare having new leadership? I only presume that that report came to your office. Why did you not insist on a clean-out of icare's leadership when the report that your secretary commissioned found that there was a serious conflict of interest and the CEO should have gone?

Mr DOMINIC PERROTTET: I accept the question. There was a fair discussion around that point, ultimately the separate issue in terms of the substantive conflict of interest and matters that might have been an issue for an integrity agency. I acted completely appropriately under my responsibilities as the Minister. There was a discussion with the secretary, with my then chief of staff and with the chairman of the board, I recollect, in relation to this issue. The view at the time was that Mr Nagle should remain on, given the timing in relation to the transformation. There was a significant discussion on that point. Ultimately I followed the advice I received in respect of the current arrangements that were in place, given the nature of the transformation that was occurring. Obviously we were approaching the period of time for the statutory review to take place.

Mr DAVID SHOEBRIDGE: Good morning, Treasurer. Good morning all. Treasurer, is it true that icare has spent \$3.5 million so far in assessing those underpayment claims?

Mr DOMINIC PERROTTET: That is the advice that I received.

Mr DAVID SHOEBRIDGE: How much of that was contracted out?

Mr HARDING: The majority of it is in house. But we also use scheme agents to assist with the determination.

Mr DAVID SHOEBRIDGE: How much was paid to scheme agents?

Mr HARDING: I have to come back to you. I will take it on notice.

Mr DAVID SHOEBRIDGE: As we sit here, icare has spent \$3.5 million on looking at underpayments and has paid the grand total of \$260,000 to injured workers. Is that right?

Mr DOMINIC PERROTTET: That is correct.

Mr HARDING: That is correct.

Mr DAVID SHOEBRIDGE: So you pay icare at the rate of 15 to 1, \$15 to icare for every one dollar that goes to injured workers. Would that be about the right ratio?

Mr HARDING: Perhaps I can add some background for you, if that is useful?

Mr DAVID SHOEBRIDGE: I am happy to go to some background—

Mr DOMINIC PERROTTET: Some brief background.

Mr DAVID SHOEBRIDGE: Treasurer, do you believe—

Mr DOMINIC PERROTTET: Do I believe that—

Mr DAVID SHOEBRIDGE: Can you believe that we are in that situation, where it is \$15 to icare for every one dollar to an injured worker?

Mr DOMINIC PERROTTET: I think Mr Harding can provide some clarity here. Do I agree that is problematic? Yes. That is why not only does this work need to continue, but I think—there is no doubt—there may need to be other means of resolution to this issue.

CORRECTED

Mr DAVID SHOEBRIDGE: The other way of looking at it is, for every injured worker who has had an underpayment made, it has cost icare about—I will start again. The other way of looking at it is, for every one of the 24 injured workers who have been paid, it has cost icare something about \$120,000 or \$130,000 for every underpayment claimed to date.

Mr DOMINIC PERROTTET: Yes, but—hold on.

Mr DAVID SHOEBRIDGE: In terms of inefficiency and screwed priorities it symbolises it, does it not?

Mr DOMINIC PERROTTET: Hold on. Before I pass to Mr Harding, Mr Shoebridge, I accept your line of questioning. That demonstrates the substantive challenge. Let us not lose sight of the fact that this is an issue that predates icare. This is an issue that came about from the 2012 legislation.

Mr DAVID SHOEBRIDGE: From your own Government's reforms in 2012.

Mr DOMINIC PERROTTET: I accept that.

Mr DAVID SHOEBRIDGE: The law was so broken that you are now hiding behind your own broken laws—

Mr DOMINIC PERROTTET: I am not hiding behind anything. I am saying—

Mr DAVID SHOEBRIDGE: —to excuse icare for what they have got to.

Mr DOMINIC PERROTTET: No, I am not. No, not at all. I was part of the Government in 2012 that brought those changes in.

Mr DAVID SHOEBRIDGE: I recall voting against them.

Mr DOMINIC PERROTTET: Do you?

Mr DAVID SHOEBRIDGE: Yes.

Mr DOMINIC PERROTTET: I recall voting in favour of it. But I also recall, as part of the 2015 changes, making a number of amendments in which we moved to this new model, which brought back—

Mr DAVID SHOEBRIDGE: I think it was much after 2015.

The Hon. NATALIE WARD: Point of order—

Mr DAVID SHOEBRIDGE: —in terms of reforming pre-injury average weekly earnings.

The CHAIR: Yes, I am going to hear the point of order. Ms Ward.

Mr DOMINIC PERROTTET: No, in terms of—

The CHAIR: Sorry, Treasurer. I am going to take the point of order. Ms Ward.

The Hon. NATALIE WARD: Thank you, Chair. I appreciate Senator Shoebridge was not here earlier, but I understand that our protocol is for honourable members to ask a question and for the witness to be entitled to answer without the running commentary of the Muppet-style gentlemen in the gallery from Mr Shoebridge. I think it would be appropriate—

Mr DAVID SHOEBRIDGE: Could I suggest that—

The Hon. NATALIE WARD: If I could finish my sentence, please, before you talk over me?

Mr DAVID SHOEBRIDGE: If you are going to be offensive in your point of order—

The Hon. NATALIE WARD: Before you talk over me, I would appreciate being able to finish my sentence. Thank you.

The CHAIR: I will hear the point of order. Then I will make a comment about the comment that was made.

The Hon. NATALIE WARD: Thank you. I would just ask that Mr Shoebridge allow the witness to provide his answer before giving commentary over the top. He is entitled to ask a question and the witness is entitled to answer. I ask that you direct him to do so.

Mr DAVID SHOEBRIDGE: Two points: First of all, that was an extraordinary long and offensively phrased point of order, and it does the member no credit. Secondly, I don't think the Treasurer needs Natalie Ward to help him.

CORRECTED

The Hon. NATALIE WARD: I do not think so either. I would just like to hear the answer.

The CHAIR: I am going to rule on it. Excuse me, Ms Ward. I am happy to rule on this as we have established. It is best if we have questions followed by answers followed by questions so that we can all follow along and be respectful of each other. Ms Ward, in relation to referring to committee members as Muppets, that is completely inappropriate and offensive to this Committee. I ask that you withdraw it.

The Hon. NATALIE WARD: Chair, I apologise. I meant no offence whatsoever.

Mr DAVID SHOEBRIDGE: That is not true. You did mean disrespect.

The Hon. NATALIE WARD: I meant no offence.

Mr DAVID SHOEBRIDGE: You did.

The Hon. NATALIE WARD: What I meant was the category of being a commentator.

Mr DAVID SHOEBRIDGE: It was clearly intended to be.

Mr DOMINIC PERROTTET: What is it with the upper House? Seriously.

The Hon. NATALIE WARD: That is as offensive as we get. He's being a commentator. It is a lovely show, *The Muppets*.

Mr DAVID SHOEBRIDGE: Treasurer, I know your Chamber has much higher standards.

The Hon. ROBERT BORSAK: Good waste of time, Natalie. Well done.

Mr DAVID SHOEBRIDGE: Can we get the question answered?

The Hon. NATALIE WARD: I apologise to the Muppets.

Mr DOMINIC PERROTTET: Let us take a step back. I accept that this needs to be resolved expeditiously. The changes that we made with icare discovered this issue. I am not moving away from it or hiding behind that. What I am saying to you is that, yes, that self-reporting occurred to SIRA. That was correct. Has the execution of the resolution of this issue been satisfactory? No, it has not. Doing the same thing, the same way, has clearly led us to the position whereby, as you say, we have only remediated 24 claims at a cost of over \$250,000.

Mr DAVID SHOEBRIDGE: No, at a cost of \$3.5 million.

Mr DOMINIC PERROTTET: Sorry, \$200,000 has been determined at a cost of \$3.5 million for the 4,000 claims that have been reviewed. It is clear, apparent—I think the CEO accepts this and we have already had discussions in relation to it—that a new approach is clearly needed.

Mr DAVID SHOEBRIDGE: Mr Harding, did you want to add anything very briefly to that?

Mr HARDING: Yes. I would point out that the \$3.5 million is spent on the 4,000 files that have been reviewed. It is around about \$850 a file. Let us call it \$900 a file. It takes four to five hours to review a file to determine whether the calculation and the payment is accurate or not. It is not an unreasonable outcome. The challenge is in the difficulty of the calculation itself and the availability of the information from the employer and the injured worker. The reality is, if you were to ring an employer or an injured worker, six years or however long after the injury has taken place—the detail that is required is significant. I do not keep, for example, the number of days without pay that I had off in a particular year or the changes to my allowances or benefits that might happen, the shiftwork that I did in particular periods of time.

Mr DAVID SHOEBRIDGE: I did suggest brief rather than a variety of hypothetical solutions.

Mr DOMINIC PERROTTET: Does that give insight to your and Mr Mookhey's—

Mr DAVID SHOEBRIDGE: Treasurer, I fully accept that there are woefully inadequate records for icare to work upon and that that is a longstanding problem in the scheme and icare has still not fixed it. I fully accept that.

Mr HARDING: Can I just be clear: It is the obligation of the employers and the injured workers to provide the information. If they do not have it, we cannot have it.

Mr DAVID SHOEBRIDGE: Yes. Treasurer, were you aware of any arrangements whereby ICAC's executive team contracted with Comensura—

The Hon. MARK LATHAM: Icare. You said, "ICAC".

Mr DAVID SHOEBRIDGE: I will start again. I don't think ICAC contracted with Comensura.

CORRECTED

The Hon. MARK LATHAM: Hope not.

The Hon. ROBERT BORSAK: They might have; we just don't know about it.

Mr DAVID SHOEBRIDGE: Treasurer, are you aware of any arrangements under which icare's executive team contracted with Comensura to pay for Comensura's office space and then for icare to occupy that office space to disguise the transaction from Treasury New South Wales? Are you aware of those arrangements in place?

Mr DOMINIC PERROTTET: No, I am not.

Mr DAVID SHOEBRIDGE: Are you aware that icare approached NSW Treasury and asked for more office space and was rebuffed by NSW Treasury?

Mr DOMINIC PERROTTET: No, I am not.

Mr DAVID SHOEBRIDGE: Mr Pratt?

Mr PRATT: I am not aware, no.

Mr DAVID SHOEBRIDGE: Mr Harding, are you aware of whether or not icare occupied any of the space in the Kent Street building that was leased nominally by Comensura and paid for by icare?

Mr HARDING: No, I am not. In the last six weeks of being here, no.

Mr DAVID SHOEBRIDGE: Is icare currently occupying any space that is nominally leased by Comensura?

Mr HARDING: Not that I am aware of.

Mr DAVID SHOEBRIDGE: Has it done it in the past?

Mr HARDING: I do not know.

Mr DAVID SHOEBRIDGE: Will you take it on notice, Mr Harding?

Mr HARDING: I can take it on notice, absolutely.

Mr DAVID SHOEBRIDGE: Mr Pratt, will you take on notice whether or not icare sought from Treasury increased office space at any point and what if any response NSW Treasury gave them?

Mr PRATT: Yes.

Mr DOMINIC PERROTTET: Are you aware of that being the case?

The Hon. DANIEL MOOKHEY: Yes.

Mr DAVID SHOEBRIDGE: Yes.

The Hon. DANIEL MOOKHEY: We will bring you the document.

Mr DOMINIC PERROTTET: Okay. So can you provide a period in terms of efficiency of time here?

Mr DAVID SHOEBRIDGE: I am more than happy—

Mr DOMINIC PERROTTET: If you have the answer, it would be better to get the answer than just simply the question.

Mr DAVID SHOEBRIDGE: I am more than happy to provide some of the details to your office after the hearing.

Mr DOMINIC PERROTTET: Yes, great.

Mr DAVID SHOEBRIDGE: Treasurer, have you read the independent review of icare governance, accountability and culture?

Mr DOMINIC PERROTTET: Yes.

Mr DAVID SHOEBRIDGE: You must have been mortified at the scale of the problem in icare?

Mr DOMINIC PERROTTET: There is no doubt that there are significant cultural challenges that are present in icare. I think my assessment on that is that a lot of these issues—I still remember discussions that you and I had around this Committee prior to the inception of icare in relation to cultural issues in the old WorkCover scheme. I think in terms of the transformation from being within the general government sector and moving to

CORRECTED

a public financial corporation where you are acting in a more commercial aspect—I am not saying the merits of this are right or wrong—is that that has led to issues that may have otherwise not occurred in circumstances where the agency is located wholly within the general government sector. Probably the most predominant issue that has certainly been apparent to me for some time has been the relationship between the commercial provider and the regulator.

My views to the board over a period of time have been that that relationship needs to improve. I believe that a lot of the issues that were raised in that report are being addressed and are in the process because there is a connection between issues that arose in the Dore review and the culture review that are consistent. In addition to that, that culture review and the response to it will also form part of the statutory review when that is released later in the month. Do I believe that there is concern there? Absolutely, I do. Do I believe those issues are insurmountable? No, I do not.

The Hon. MARK LATHAM: Treasurer, do you agree with the Deputy Premier that the Independent Planning Commission [IPC] decision to deny the South32 coking coal extension in the Illawarra must be overturned to secure the thousand jobs in mining, the 3,000 jobs at BlueScope Steel and the 16,000 jobs indirectly in the Illawarra region that are now at risk because of this decision?

Mr DOMINIC PERROTTET: Let me start by saying, I am concerned by the decision but I completely respect and accept the independence of the IPC. That is how it has been established, to have that independence from government. That is an important process that the IPC has. But let's not underestimate that when decisions like this occur, they can have substantive impacts on the livelihoods of people. I have actually visited that mine. I might be incorrect here, but my understanding was that the Planning department had considered this and balanced the competing interests here between environmental concerns with economic concerns, and the impact on jobs particularly in the Illawarra region, and had supported the project.

What is important to me—I have certainly felt this during the pandemic over the last 12 months—and this might seem like an odd example to give in the circumstances, but the balancing act between the health issues and the economic issues have been front and centre for the New South Wales Government. I think other jurisdictions have had a much greater focus on health above all else and that will lead to significant economic impacts down the track. We have managed this in a way of balancing those competing interests. It would be a concern to me if the economic issues in relation to decisions like this are not given the substance and the consideration that they deserve.

In any of these projects, it would not matter what it is, in any of these substantial projects, particularly in mining projects, there is going to be environmental issues that need to be addressed, but there is also going to be significant economic impacts of decisions to not proceed, not just on jobs, not just on the Illawarra community, but also in relation to the reliability and security of energy down the track, particularly with steel and supply for BlueScope.

The Hon. MARK LATHAM: Treasurer, respectfully, there is a difference between being concerned about something and actually taking action to secure 20,000 jobs that are at risk in a working-class region of the State, the Illawarra. Will you support the efforts of the Deputy Premier to overturn the IPC decision?

Mr DOMINIC PERROTTET: I have spoken to the Deputy Premier in relation to this issue. I have spoken to the planning Minister in relation to this issue. It is not for me as Treasurer to use budget estimates as a forum to raise—

The Hon. MARK LATHAM: Did you tell your colleagues to overturn the decision?

Mr DOMINIC PERROTTET: This is a decision from the Independent Planning Commission, right? So the Planning department has made its submission in relation to it. My understanding is WaterNSW made a submission. It is not unusual for WaterNSW to make a submission in relation to the environmental concerns and the water concerns that they had in respect of the development. What I would commit to you is, I am actively working with my colleagues in relation to this issue.

The Hon. MARK LATHAM: Thank you.

Mr DOMINIC PERROTTET: Because it is a concern. Yes, we are moving particularly towards renewable generation—that is all very, very important and it is the future—but, ultimately, on the way through these are people's livelihoods and jobs on the line and it is important for me to have confidence as Treasurer that the economic concerns and impacts, particularly on that area of New South Wales, are part of the focus of that determination.

The Hon. MARK LATHAM: Treasurer, given the fact that we cannot make much in New South Wales if we do not make steel—and BlueScope Steel will tell you that their energy costs in Port Kembla are double those

CORRECTED

of their company in the United States—and now the threat to their essential coking coal resource and the pressure that Sanjeev Gupta's investments are under for steelmaking in New South Wales because of the collapse of Greensill, isn't it time in New South Wales to declare steelmaking an essential industry and guarantee the resource and support they need to survive in this State?

Mr DOMINIC PERROTTET: I think that COVID is going to change the world in a lot of ways. I think there is going to be a greater focus moving forward in relation to how we look at various industries and the role that free trade will play going forward. I think there is going to be a greater focus on jurisdictions to protect and promote their own industries.

The Hon. MARK LATHAM: Do you think steel should be an essential industry in New South Wales given all of these pressures?

Mr DOMINIC PERROTTET: I think steel is a crucial industry in New South Wales. If you are looking down that path, that is something you would look at. I also note that the Labor Party introduced their NSW Jobs First Bill and they then did not actually move it and it rescinded. So if you are looking at a party that is actually going to be focused on the protection of jobs in New South Wales then we are certainly minded that way.

Mr DAVID SHOEBRIDGE: You should not have blocked our steel bill then.

The Hon. MARK LATHAM: The Greens' steel myth.

Mr DOMINIC PERROTTET: The Greens are strong promoters of coal, which goes into steel—

Mr DAVID SHOEBRIDGE: Strong promoters of Illawarra steel and procurement.

Mr DOMINIC PERROTTET: I have always found with The Greens there is this struggle between steel and coal. How do you—

Ms ABIGAIL BOYD: Metallurgical; thermal. Metallurgical; thermal.

The Hon. MARK LATHAM: It is called schizophrenia. On the next point—

Mr DOMINIC PERROTTET: It is a significant challenge for them.

Mr DAVID SHOEBRIDGE: Sit down and talk with Abigail one day. She will explain it to you.

The Hon. MARK LATHAM: —have you examined the Government's net zero 2050 policy announced 12 months ago?

Mr DOMINIC PERROTTET: Have I examined it? Yes.

The Hon. MARK LATHAM: Do you know that it projects, in terms of new job creation in New South Wales over a full decade, just 2,400 jobs—240 per annum, which is paltry, isn't it? I mean, it is just a drop in the bucket.

Mr DOMINIC PERROTTET: I think it is more than that. It would support over 6,300 jobs during construction.

The Hon. MARK LATHAM: No, you are looking at the 100 per cent renewable plan. I am talking about the net-zero 2050 policy announced in March last year, 240 jobs per annum.

Mr DOMINIC PERROTTET: But that is not the ultimate outcome of the approach.

The Hon. MARK LATHAM: I am not asking about the ultimate outcome, I am asking about that reality and, of course, the policy itself does threaten other jobs in the Hunter Valley. In light of that and the fact that so many politicians can tell you a whole range of regions to destroy jobs in the Hunter Valley, what is the Government going to do about its anti-competitive arrangements restricting the construction of the Newcastle container terminal? And given the strong likelihood you are going to be done in the Federal Court, quite rightly, for this shocking anti-competitive deal, what will the Government do to level the playing field so that we can have the construction of this container terminal at the port of Newcastle with 15,000 new jobs projected. It is a \$2.4 billion project with a projected \$2.5 billion boost to GDP and all the productivity and efficiency gains through the distribution networks in northern New South Wales.

Mr DOMINIC PERROTTET: It is always a surreal moment when you come into these committees and you are getting attacked by the left and the next minute you are getting attacked by the right.

The Hon. MARK LATHAM: I am not attacking you.

Mr DOMINIC PERROTTET: I kind of feel I am in the right.

CORRECTED

The Hon. MARK LATHAM: I am simply asking about that old-fashioned, long forgotten economic issue of jobs.

Mr DOMINIC PERROTTET: Firstly, it would not be proper for me to make any comments in relation to the proceedings that are before the court in relation to the Australian Competition and Consumer Commission and NSW Ports. Obviously when a decision is made in relation to that decision, the Government will respond accordingly. The rationale behind that decision, which predates me, as you would be aware, the connection there was in relation to the port strategy of the Government connected to the movement of containers around the State, and the sale proceeds from that decision put a significant investment into the revitalisation of Newcastle and also to fund the Newcastle light rail, which I note the local member there is a strong supporter of. It is important to go through, despite that decision, where we actually sit—which I have somewhere—in respect of the cap. Because ultimately this would be a more pertinent issue to the line of questioning if we were at a point somehow that there was a reduction in containers that were able to move through the Newcastle port.

The Hon. MARK LATHAM: They have not got containers. It is 98 per cent coal and the cap is 30,000 boxes, which is nothing.

Mr DOMINIC PERROTTET: The obligation to pay is triggered when a threshold container throughput is reached and there is demonstration of a version throughout Botany and Kembla. The threshold is estimated at 45,000, as you say.

The Hon. MARK LATHAM: Which is nothing.

Mr DOMINIC PERROTTET: We are currently around 2,950.

The Hon. MARK LATHAM: Because they have not got a container terminal. It is a circular argument.

Mr DOMINIC PERROTTET: It is a circular argument but the reality is, it is right for the Government to have a port strategy in respect of the movement around the State. Should things be done in the most efficient way? Yes, they should. I am not going to comment in relation to the court case. What I would say is, what is important to your point is that the Government has policies in place that are driving investments in places such as Newcastle and the revitalisation off the back of it. I do not believe it should just be having a three cities vision here in New South Wales. There should be five and you have raised two areas of Sydney, being both Newcastle and the Hunter.

The Hon. MARK LATHAM: New South Wales. They are not in Sydney.

Mr DOMINIC PERROTTET: Sorry, of New South Wales, being Newcastle—the Hunter region—and Illawarra, Wollongong. These are crucial areas that rely, particularly as you say, on mining to grow jobs and we should be looking at ways to drive that investment, not restrict it. I will wait and take interest in the decision that is made in relation to those proceedings.

The Hon. ROBERT BORSAK: Treasurer, it was a clever dick part of that sale, privatisation of Port Kembla, to put that restriction in on Newcastle, was it not, or in fact any other port in New South Wales? It was a way of maximising the take on the privatisation of Port Kembla and you are stuck with it.

The Hon. MARK LATHAM: Not if the court strikes it out.

The CHAIR: At this point I need to interrupt, for two reasons. One is at this point the Committee did make provision for a short break if it is required, otherwise we keep going. If we take it, we add 10 minutes to the end.

Mr DOMINIC PERROTTET: I am fine, let us keep going.

The CHAIR: If everyone is fine, that is what we will do. Also, it is Mr Mookhey's time.

The Hon. DANIEL MOOKHEY: Treasurer, I will ask you a few questions about why icare was paying for your political staff and your office manager. Your former chief of staff has told the Law and Justice Committee that he briefed you on the proposed secondments of a person who ended up working as an adviser or a senior adviser, as well as your office manager. Your chief of staff says that you approved it in writing. Is that your recollection as well?

Mr DOMINIC PERROTTET: My recollection is that my then chief of staff advised me that there was a briefing into the office that I had signed. I have no reason to dispute that. We sign a lot of letters and a lot of briefings but, ultimately, as I have said numerous times, I delegated that responsibility to my chief of staff. He is a man of high integrity and I have no reason to dispute otherwise. I also understand that that document referred to was not found.

CORRECTED

The Hon. DANIEL MOOKHEY: It has been lost, yes. To be fair, I am not disputing the integrity of your former chief of staff either.

Mr DOMINIC PERROTTET: I am not saying you are.

The Hon. DANIEL MOOKHEY: Or his evidence that he gave under oath. But your recollection accords with his, which is he briefed you, he showed you a written brief, you signed the brief and you returned it to him.

Mr DOMINIC PERROTTET: I do not recall that but what I am saying is I recall him raising with me at the time of these events that there was a brief into the office in relation to the employment arrangements of that individual staffer and that it had been approved by the agency or the department.

The Hon. DANIEL MOOKHEY: You asked Mr Pratt to audit these arrangements and all arrangements in your office. Mr Pratt did through Treasury general counsel and he found that the arrangement breached regulations and therefore was illegal. Do you accept Mr Pratt's finding?

Mr DOMINIC PERROTTET: Of course I do.

The Hon. DANIEL MOOKHEY: Did you ever inquire into the legality of these arrangements between icare and your office prior to agreeing to it?

Mr DOMINIC PERROTTET: Sorry?

The Hon. DANIEL MOOKHEY: Did you ever inquire into the legality of these arrangements between icare and your office prior to you agreeing to them?

Mr DOMINIC PERROTTET: Mr Mookhey, as you would be aware, and I have made very clear, I delegate my responsibilities in relation to staffing arrangements in my office to my chief of staff. It has subsequently become apparent during that period of time that some of the arrangements that occurred in relation to the staff that had been in my office were not done in accordance with the proper processes. Ultimately, my chief of staff paid a significant price for that. What I would say is that the arrangements that were entered into from my understanding were always conducted, and surely had to be conducted, on the requisite advice that had come through from the agency or the department. That must be true.

The Hon. DANIEL MOOKHEY: But you would accept, Treasurer, that it is your obligation to ensure that the law is being complied with?

Mr DOMINIC PERROTTET: Yes, and following the audit and what came through the audit was a number of recommendations from Treasury and from Treasury's counsel in respect of processes going forward, to which I have ensured that every single one of those recommendations has been followed and is now in place in respect of my office. I will ensure going forward that those issues that were raised do not occur again.

The Hon. DANIEL MOOKHEY: The final question on this matter, Treasurer, to cut to the chase: Do you accept that it was wrong that employers' premiums were being used to pay for your political staff?

Mr DOMINIC PERROTTET: Two things on that. I reject the proposition or the inference behind political staff. These are policy people who work in ministerial offices. You are also aware, Mr Mookhey, that it is not uncommon for both Labor and conservative governments to have secondees and department liaison officers into ministerial offices. That has occurred for a significant period of time. Do I accept the results in the audit that the arrangements in my office were not in order? Yes, I do; mistakes were made. I have ensured through my response to Mr Pratt's audit and in response to my subsequent two chiefs of staff, who have been in my office since—it is a popular role—that there are measures in place so these practices will not occur into the future.

The Hon. DANIEL MOOKHEY: In addition to icare funding positions in your office—

Mr DOMINIC PERROTTET: Mr Mookhey, Michael Daley had—

The Hon. DANIEL MOOKHEY: Let me just finish, Treasurer. Icare was also secretly spending \$18.3 million with IVE Group, the Liberal Party's printer, run by the former president of the Liberal Party. It was also secretly spending \$8.3 million with Korn Ferry to source the directors that you appointed, and that was led by the former treasurer of the Liberal Party. Are you not worried that there is this perception that you have effectively stacked this organisation with your political operatives and you run this organisation for the Liberal Party's benefit and not injured workers?

Mr DOMINIC PERROTTET: That is an absurd proposition, Mr Mookhey.

The Hon. NATALIE WARD: What has John Robertson got to do with the Liberal Party?

CORRECTED

Mr DOMINIC PERROTTET: I have just appointed John Robertson as chair of the icare board—

The Hon. DANIEL MOOKHEY: So, why were we spending so much money with these—

Mr DOMINIC PERROTTET: I had also appointed Mr Mark Lennon on the board of icare when it was in its inception. We can all have our theories on why Mr Lennon decided to—did he decide or was he forced? Was he forced for political purposes to stand down from the icare board? I keep trying to put Labor Party people on and you keep booting them off.

The Hon. DANIEL MOOKHEY: The deputy chair of IVE Group—

Mr DOMINIC PERROTTET: No, no, Mr Mookhey. I am going to reject any proposition that somehow someone's political leanings have any impact to me on appointments—

The Hon. ROBERT BORSAK: Why don't you put Shooters on there? What's the matter with you?

Mr DOMINIC PERROTTET: There are not many of you.

The Hon. ROBERT BORSAK: There's heaps of us.

Mr DOMINIC PERROTTET: What, Rob Brown? Will I put him on?

The Hon. ROBERT BORSAK: Put him on. Go for it! Has he got relevant experience?

Mr DOMINIC PERROTTET: Does he?

The Hon. ROBERT BORSAK: Has he?

Mr DOMINIC PERROTTET: To be on icare?

The Hon. ROBERT BORSAK: Yes.

The Hon. DANIEL MOOKHEY: Treasurer, the deputy chair of icare for many years—in fact, the successor to Mr Pratt as deputy chair of icare—was on the board of the IVE Group at the same time you were secretly spending \$18.3 million with that company, which is the Liberal Party's printer. Were you aware when you reappointed Mr Bell to the icare board that he had that conflict of interest?

Mr DOMINIC PERROTTET: No, I was not, and hold on. There is a proposition in your question that I need to get advice on—that there was a conflict of interest—so I am not going to accept that proposition.

The Hon. DANIEL MOOKHEY: How is that not a conflict of interest?

Mr DOMINIC PERROTTET: You are making an assertion that there may have been arrangements in place around that. Was I aware of that? No. Was Mr Bell somebody who was appropriately appointed to the board? Yes, he was, and that goes through the Cabinet processes. I will also make the point in respect of that appointment that it was not in my knowledge—the matters that you are referring to—when I considered Mr Bell as an appropriate recommendation for the Cabinet to appoint to the board. So, the line you are going I fundamentally reject.

The Hon. DANIEL MOOKHEY: I accept that you were ignorant of that conflict, Treasurer, but I will move on. Last year at budget estimates you were not as alarmed as I thought you should have been about icare's \$872 million loss. Since then icare has lost another \$1.8 billion and the Auditor-General now says icare's liabilities exceed its assets by \$316 million. As the architect of this loss, do you take responsibility for the financial disaster here?

Mr DOMINIC PERROTTET: I think it was unfair, by the way, in relation to your line of questioning, to the Auditor-General. You cannot compare the compensation scheme to other unlike schemes across government. You need to compare apples with apples. If you look at—

The Hon. DANIEL MOOKHEY: Well, they have lost millions more than all the other schemes, Treasurer.

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

Mr DOMINIC PERROTTET: No, no. Look at—

The Hon. DANIEL MOOKHEY: Pick which scheme you want to talk about; they have lost money.

Mr DOMINIC PERROTTET: If you want to look at the very nature of the workers compensation scheme and the different aspects of the liabilities that are associated with it, whether it is return to work rates and the like—

CORRECTED

The Hon. DANIEL MOOKHEY: Treasurer, can you come back to the question?

The Hon. NATALIE WARD: No, no. Let him answer.

Mr DOMINIC PERROTTET: —and the nature of the investments in the fund. If you look at that as a whole, you should compare it potentially with—

The Hon. DANIEL MOOKHEY: Treasurer, the question is simple.

The Hon. NATALIE WARD: Point of order—

Mr DOMINIC PERROTTET: The Victorian scheme, for example, it is my understanding in the same period of time—something that you could compare it to—had a loss of \$4 billion.

The Hon. DANIEL MOOKHEY: No, that is not true.

Mr DOMINIC PERROTTET: It is true. It is true.

The Hon. DANIEL MOOKHEY: All I am saying is: Do you accept that losing an additional \$1.8 billion in the last 12 months—the worst of any New South Wales Government agency—is something to be worried about?

Mr DOMINIC PERROTTET: Mr Mookhey, I preside over a budget that is currently \$13 billion in deficit, okay? The reality is that all funds are under pressure. Some funds in various schemes have had strong results and other funds have had not so strong results, but there are other factors that are associated with those schemes that may be unique. If you want to look at a comparison, I am pretty sure that the amount WorkSafe Victoria—you have just disputed this—

The Hon. DANIEL MOOKHEY: Yes, but icare has lost \$6 billion in underwriting losses.

The Hon. NATALIE WARD: No, let him finish.

Mr DOMINIC PERROTTET: No. You make the assertion—

The Hon. NATALIE WARD: You have got to hear the answer.

Mr DOMINIC PERROTTET: You cannot choose your own facts, Mr Mookhey. The loss in WorkSafe Victoria—a similar scheme over the same period of time lost \$4.3 billion.

The Hon. DANIEL MOOKHEY: Yes, and you have lost six. How do you think this is good for you? You have lost more.

Mr DOMINIC PERROTTET: The Nominal Insurer [NI] had a loss of the equivalence of \$1.89 billion.

The Hon. DANIEL MOOKHEY: A sturdy defence.

Mr DOMINIC PERROTTET: The reality is—

The Hon. DANIEL MOOKHEY: Treasurer, final question—

Mr DOMINIC PERROTTET: What I will be doing is following your line of questioning to the Auditor-General, who I respect greatly. I will be seeking clarification in relation to the view that you expressed to her, that she agreed with, in relation to the performance of that scheme compared to others, because I do not believe it is a fair comparison given the very nature of the liabilities in relation to workers compensation.

The Hon. DANIEL MOOKHEY: I appreciate that, Treasurer. My final question on this before I hand to my colleague—

Mr DOMINIC PERROTTET: I will forward you a copy of her response.

The Hon. DANIEL MOOKHEY: I look forward to reading it. I will SO 52 it.

Mr DOMINIC PERROTTET: There is nothing left to SO 52, mate. You have got the entire Treasury in the upper House.

The Hon. DANIEL MOOKHEY: I need some winter reading. Treasurer, your office has been extensively briefed about icare's forthcoming premium filing.

Mr DOMINIC PERROTTET: Yes.

The Hon. DANIEL MOOKHEY: Is icare considering requesting an increase to premiums paid for by employers?

CORRECTED

Mr DOMINIC PERROTTET: Well, there has been discussion for some time in relation to premium increases in the workers compensation scheme. I note that this goes back many years, and for the last seven years I have kept premiums on hold. Premiums in the workers compensation scheme are the lowest that they have been since the 1970s. As a result of that we have been able to—particularly during what have been difficult economic times—put downward pressure on premiums and lower the cost to businesses to help them get through it. If I look at the average premium rate—1.4 per cent—it is substantially reduced, particularly from not just Labor but also under the Coalition Government. The reality is that at 1.4 per cent it is below the national average, as it should be. Are there discussions, particularly in light of the solvency ratio, in relation to premiums? Yes, there are. There have been discussions for a period of time now and there will continue to be discussions, Mr Mookhey.

The Hon. WALT SECORD: Mr Treasurer, I would like to take you to COVID stimulus and COVID support. I put it to you that the support that you guys have been providing—

Mr DOMINIC PERROTTET: Why does it get to Labor, Labor?

The CHAIR: It is the Opposition's time.

The Hon. ROBERT BORSAK: They are sharing their time.

Mr DOMINIC PERROTTET: Just checking.

The Hon. DANIEL MOOKHEY: It is Labor in stereo.

The Hon. MARK LATHAM: Collectivism.

The Hon. WALT SECORD: Are you ready? Back to it.

Mr DOMINIC PERROTTET: Sorry. Stimulus.

The Hon. WALT SECORD: Yes, stimulus. I put it to you that the New South Wales Government support has been stingy, miserly, misdirected and, in many cases, a cruel hoax.

Mr DOMINIC PERROTTET: Really?

The Hon. WALT SECORD: Yes, massively underspent.

Mr DOMINIC PERROTTET: I reject that completely, Mr Secord.

The Hon. WALT SECORD: Massively underspent, and we will take you to a few examples.

Mr DOMINIC PERROTTET: Despite what the Federal Government says, "as a percentage of revenue" is by far the most appropriate comparator, and New South Wales has provided more support than any other State by a long way and on a percentage of revenue, in my view, a much greater support package than anywhere else in the nation.

The Hon. WALT SECORD: Do you stand by your support to, I guess, unemployed women in New South Wales? Today is International Women's Day.

Mr DOMINIC PERROTTET: Yes, absolutely, and we have made sure that all our packages that we have had—close to \$30 billion in stimulus, Mr Secord—are complementary to the Federal Government's. We have always made that point in relation to the packages that we have provided, and early on—

The Hon. WALT SECORD: Okay, but I am asking you specifically about programs targeting unemployed women.

Mr DOMINIC PERROTTET: Yes. Well, there is a range of programs and, particularly, even in last year's budget where there was a significant focus on women, we brought in paid parental leave, for example, which also supports women in the public service—in last year's budget—and we have a return to work grants program to assist—

The Hon. WALT SECORD: Ah, return to work. Yes, my colleague Courtney Houssos has a bit of an interest in this program.

Mr DOMINIC PERROTTET: Okay, well, I am happy to hear from Ms Houssos.

The Hon. COURTNEY HOUSSOS: Are you currently considering reopening the program?

Mr DOMINIC PERROTTET: I will take that on notice.

The Hon. COURTNEY HOUSSOS: Because applications have closed.

Mr DOMINIC PERROTTET: Yes.

CORRECTED

The Hon. COURTNEY HOUSSOS: Are you currently considering the amount that will be available under the scheme?

Mr DOMINIC PERROTTET: Well, what I would say is that there is a range of programs that we put together, and that I am always considering what the direction of those programs are going forward and making sure that the support that we provide is tailored to where it will have impact. I have been very focused on making sure that as we get to the end of March we have as many people transferring from the JobKeeper program into paid wages. That is what success is going to look like for us. It is a very, very—it is going to be a difficult time, and I am going to make those decisions based on where the impact will be and where the need is.

The Hon. WALT SECORD: Are you aware that 128,000 women are unemployed in New South Wales as of the most recent Australian Bureau of Statistics figures?

Mr DOMINIC PERROTTET: Yes, that sounds about right.

The Hon. WALT SECORD: Yes, and that would be about 6.3 per cent unemployment rate?

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: Some 6.3 per cent, Courtney?

The Hon. COURTNEY HOUSSOS: That is right.

The Hon. WALT SECORD: Your return to work program, we put a number of questions on notice to the Government asking about the take-up, the number of applications. If memory serves me, it is a \$10 million program?

Mr DOMINIC PERROTTET: That sounds right.

The Hon. WALT SECORD: Is that correct, \$10 million?

Mr DOMINIC PERROTTET: It sounds correct.

The Hon. WALT SECORD: Right. This COVID unemployment has disproportionately impacted on women and young people in New South Wales.

Mr DOMINIC PERROTTET: Actually, the most recent advice, and Stephen can probably give you some interesting insights this afternoon in relation to it, but probably the biggest challenge going forward—and we have had a whole range, particularly when we were—

The Hon. WALT SECORD: But your centrepiece for women's unemployment was return to work.

Mr DOMINIC PERROTTET: No, no. It is not as simple as just grant programs. It is about focusing on where are the aspects of the economy where we can release restrictions and drive growth. At one of the early parts of the pandemic last year why women, particularly, were disproportionately affected at the outset, and young people as well—we talk about youth unemployment—was because many were in hospitality. If you look at where the jobs have come back—

The Hon. WALT SECORD: Ah, Dine & Discover?

Mr DOMINIC PERROTTET: Well, no, no. I am less focused on—those programs all help, but I am more focused on being able to lift restrictions and work with Health. We have been very lucky to do that. If you look at where—

The Hon. WALT SECORD: But we would like to go back to return to work.

Mr DOMINIC PERROTTET: Mr Secord, let me finish. I will be very quick.

The Hon. TAYLOR MARTIN: Let him finish the sentence.

Mr DOMINIC PERROTTET: I will be very quick.

The Hon. WALT SECORD: But I want to get back to return to work.

Mr DOMINIC PERROTTET: I will be very quick. By opening up those restrictions and getting those businesses back on their feet as quickly as possible, we have seen an increased number of women return to the workplace, and that is incredibly pleasing. Now the challenge going forward, if I look at those areas over the next 12 months that are going to have challenges, it is in tourism and construction and manufacturing and—

The Hon. COURTNEY HOUSSOS: Treasurer, my time is about to run out, so let me just stop you.

Mr DOMINIC PERROTTET: Sorry.

CORRECTED

The Hon. COURTNEY HOUSSOS: There have only been 620 applications to a \$10 million program.

The Hon. WALT SECORD: That were successful.

The Hon. COURTNEY HOUSSOS: Some 620 successful applications, which means, even if they all receive the maximum amount, only \$3.1 million of the total program will be expended. Will you now reopen this program?

Mr DOMINIC PERROTTET: Firstly, that program would sit with Minister Taylor. I would like all stimulus programs—

The Hon. WALT SECORD: I have seen you announce this program.

Mr DOMINIC PERROTTET: Hold on.

The Hon. WALT SECORD: I have seen you do press conferences trumpeting this program.

Mr DOMINIC PERROTTET: Please let me finish. I regularly discuss with all—

The Hon. WALT SECORD: Some 620 women. That is all who received support under—

The CHAIR: We need to wrap this up and go to Mr Shoebridge.

Mr DOMINIC PERROTTET: Two things. I regularly discuss with all Ministers the stimulus programs we have in place to make sure two things, particularly: one, the stimulus that we have provided is drawn down on because the impact must happen now; two, there may be programs like this and others—for example, I see your regular critiques in relation to some of the stimulus programs for business support that do not get drawn down on. That may not be necessarily a bad thing because in certain circumstances that may indicate that the qualification for those programs may not have been met, which ultimately means that those businesses may be—

The Hon. COURTNEY HOUSSOS: Treasurer, there are 128,000 women out of work—

Mr DOMINIC PERROTTET: Yes.

The CHAIR: We will have to come back to this.

The Hon. COURTNEY HOUSSOS: —and 620 successful applicants.

The CHAIR: Mr Shoebridge has the call.

Mr DOMINIC PERROTTET: Ms Houssos, what I have confirmed for you today is that it is not unusual for me—and I regularly speak to Ministers in relation to those grants and stimulus packages to make sure they are tailored to their best. I have always said that during this period of time I will prioritise the economy over the budget and if there is sufficient need in any of those programs, we will provide that support because we want to make sure—the ultimate success of this entire next two years as we head out of this pandemic is going to be how many people are in work. That is young people, women, everyone across the State.

The Hon. WALT SECORD: Some 620 women!

The CHAIR: We have to wrap this up. Mr Shoebridge has the call.

Mr DAVID SHOEBRIDGE: Thanks, Chair. Mr Harding, what levels at 321 Kent Street does icare currently occupy?

Mr HARDING: Levels 8, 10, 13 through 16, I believe.

Mr DAVID SHOEBRIDGE: Okay. Does it occupy any floors at 309?

Mr HARDING: I am not certain. I will have to take that on notice.

Mr DAVID SHOEBRIDGE: Alright. Treasurer, you asked for some documentation and details about Comensura. I will give you two copies of this.

Mr DOMINIC PERROTTET: This is not what I have received from Mr Mookhey?

Mr DAVID SHOEBRIDGE: No, this is different. This is the title search for 309 and 321 Kent Street. I would just ask you to go to the last page, page 5.

Mr DOMINIC PERROTTET: Same document?

Mr DAVID SHOEBRIDGE: It is all the same document, yes. Page 5, do you see that, and the last three lines?

CORRECTED

Mr DOMINIC PERROTTET: Yes.

Mr DAVID SHOEBRIDGE: Do you see 47, leased to Comensura, Level 8, 321 Kent Street, Sydney? That expires in 2½ years. Number 48 is the lease on Level 9, and number 49 is the lease on Level 10 at 321 Kent Street, Sydney. Two questions from this, Treasurer: How is it that icare is occupying two levels of 321 Kent Street that have been leased to Comensura?

Mr DOMINIC PERROTTET: I will have to take that on notice.

Mr DAVID SHOEBRIDGE: Mr Harding?

Mr HARDING: I do not have any information, I am sorry.

Mr DAVID SHOEBRIDGE: What on earth is a labour-hire company doing occupying three levels of icare's building effectively? Do you know why? Is it because it is part of the hundreds of millions of dollars that icare pays them?

Mr DOMINIC PERROTTET: Well obviously this, on face value, would be concerning.

Mr DAVID SHOEBRIDGE: Yes.

Mr DOMINIC PERROTTET: But until such time—I mean, you have just provided this information to us. Let us take it away on notice and provide you with a fulsome answer. If there is an issue that needs to be resolved, it will be in the appropriate way.

Mr DAVID SHOEBRIDGE: Mr Harding, are you aware of the fact that the person who had contractual responsibility for the arrangements with Comensura has been referred to ICAC for having received kickbacks from contractors during her work with icare?

Mr HARDING: No, I have no information about these contracts.

Mr DOMINIC PERROTTET: What was that?

Mr DAVID SHOEBRIDGE: That the person who was responsible for these contracts with Comensura has had a series of quite detailed concerns raised—I think even accepted and taken on board by icare—about having received kickbacks from contractors. In fact, icare has referred this issue to ICAC.

Mr HARDING: I am sorry, after six weeks in the role I do not have that information.

Mr DAVID SHOEBRIDGE: There is a lot there, is there not, Mr Harding?

Mr HARDING: I can bring it back to you. If what you are saying is correct then we need to do a review and actually understand why it is the way it is.

Mr DAVID SHOEBRIDGE: Can I suggest it would be easy for you, Mr Harding, at some point throughout the course of today to find out whether or not icare is making payments to Comensura for the occupation of levels 8 and 10, at least?

Mr HARDING: I can find out. I think the better answer is to actually do a thorough review and understand the whole history to know exactly what it is and why it is.

Mr DAVID SHOEBRIDGE: Just for the record, I will tender those documents.

Mr DOMINIC PERROTTET: So we will both take that on notice then?

Mr DAVID SHOEBRIDGE: I understood that is what has happened. Treasurer, what is the current unemployment rate in New South Wales?

Mr DOMINIC PERROTTET: It is 6 per cent.

Mr DAVID SHOEBRIDGE: We heard about the number of women who are unemployed in New South Wales—who are ready, want a job—and that your current scheme has managed to provide some under 630 places for that. Is that right?

Mr DOMINIC PERROTTET: The advice that I have received from Ms Houssos is that within that scheme there have been 620 applications.

The Hon. WALT SECORD: No, no—

The Hon. COURTNEY HOUSSOS: Happy to assist. There were 620 successful—

Mr DOMINIC PERROTTET: Successful applications.

CORRECTED

Mr DAVID SHOEBRIDGE: Yes, that is what I heard. Do you accept that that is a woefully inadequate response to the issue?

Mr DOMINIC PERROTTET: Well, it is an expression of interest process so far. It is not uncommon, Mr Shoebridge, for grant programs to close. In fact, I think if you look across the board at most of the programs that we have set up during the pandemic that many have been under-subscribed and then it comes back to me to make a determination as to whether or not we reallocate those funds or potentially reopen those grants. In fact, we have done that—I have certainly done that numerous times because I am focused on making sure we get money out the door as quickly as possible. If you look at the numbers and you asked about the unemployment rate—yes, it will bounce around, so I am not going to hold myself to this at the moment but, a pleasing sign so far in the economic numbers that were handed down in the half-yearly review in terms of the fact that at the height of the pandemic I think we lost 270,000 jobs and 81 per cent of those have now returned. That is pleasing but there is more work to do.

Mr DAVID SHOEBRIDGE: Treasurer, I think you accept a number of those programs that you have put in place in the past 12 months have been seriously under-subscribed. We have common ground on that—yes or no?

Mr DOMINIC PERROTTET: No, not seriously. In fact, the programs—the \$10,000 grants—that support has gone right to where it has needed to go and that has helped many businesses across the State keep their lights—

Mr DAVID SHOEBRIDGE: Are you talking about the 10,000 bushfire grants—

Mr DOMINIC PERROTTET: Well, the bushfire grants—

Mr DAVID SHOEBRIDGE: —and the \$50,000 bushfire grants? Do think they have gone where they needed to go? Are you going to commit to that on record, that they have gone where they needed to go?

Mr DOMINIC PERROTTET: Well, what I would say, Mr Shoebridge, is that leading into this pandemic close to \$9 billion of investment has gone into the drought and the bushfires. In relation to the bushfires I think it is about \$4.5 billion—

Mr DAVID SHOEBRIDGE: Treasurer, I am going to ask you again. Are you going to commit on the record here that the \$50,000 small business bushfire recovery grants and the \$10,000 bushfire recovery grants are going where they should go? Is that your position?

Mr DOMINIC PERROTTET: Well, clearly there is a case that has come to light that that may not be right. But I will make this point: When you set up—and I think this is important—grant programs like this, particularly if you are talking during a recession, particularly if you are talking during a bushfire crisis, we have been incredibly successful through Service NSW in getting money on the ground as quickly as possible and there is a balance. Because if you put too many restrictions and too many rules in place then money does not get out to where it needs to go as quick as possible.

Mr DAVID SHOEBRIDGE: You know that the Government was advised that the \$50,000 bushfire grant scheme was vulnerable to fraud from the outset, do you not? You know that the Government had that advice?

Mr DOMINIC PERROTTET: Well, not to the extent that you may be referring to. What I would say is that whenever you have a grant program that needs to go through an application process there is a—

Mr DAVID SHOEBRIDGE: How—

Mr DOMINIC PERROTTET: No, Mr Shoebridge, there is a balance between making it too tight. I have Ms Houssos at one end of the table saying that there are not enough applications getting processed and then I have you on the other hand saying that we are processing too many.

Mr DAVID SHOEBRIDGE: Can I ask you about that balance?

Mr DOMINIC PERROTTET: You cannot run both lines of questioning.

The Hon. COURTNEY HOUSSOS: Actually, we can.

Mr DOMINIC PERROTTET: It is true.

Mr DAVID SHOEBRIDGE: How much of it do you think is reasonable to go to outlaw motorcycle gangs? How much do you think is reasonable to go to outlaw motorcycle gangs and organised crime figures? Where is the balance right in terms of the amount of money—

CORRECTED

Mr DOMINIC PERROTTET: Clearly, Mr Shoebridge, they were not a target market of the grants program.

Mr DAVID SHOEBRIDGE: But yet they got grant after grant after grant after grant, and most of it was to the same ring-fenced outlaw motorcycle compound—they used the same address and you did not even pick it up.

The Hon. NATALIE WARD: Is there a question?

Mr DAVID SHOEBRIDGE: How did that work out?

Mr DOMINIC PERROTTET: Any fraud in relation to these programs is taken very seriously. But I can tell you that there have been numerous discussions, particularly, Mr Shoebridge, in relation to bushfire grants because I remember that time very, very clearly and there were people who were out of their homes and we needed to provide support for volunteers—

Mr DAVID SHOEBRIDGE: Can I tell you how angry they are that the money went to organised crime, Treasurer? Can I tell you how angry they are that money that should have gone to them has gone to organised crime because you did not put the fraud controls in? You know they are extremely angry about that, do you not?

Mr DOMINIC PERROTTET: What I would say to you is—

Mr DAVID SHOEBRIDGE: And they are right to be, are they not?

Mr DOMINIC PERROTTET: Absolutely, they are right to be. But I also make this point: I would prefer to be on the side—

Mr DAVID SHOEBRIDGE: Of the outlaw—

Mr DOMINIC PERROTTET: No, I would prefer to be on the side of getting money out the door to where it is needed and if there are issues that need to be resolved in respect of money that ended up where it should not have then we will resolve it very, very properly and in an orderly way. I know that during the bushfires the Federal Government, Mr Shoebridge, was not getting money out the door and was being highly criticised. We ensured that we erred on the side of providing support to those families who needed it as quickly as we could.

Mr DAVID SHOEBRIDGE: Is it true that you are seriously considering having the Office of State Revenue ask those outlaw motorcycle gangs for the money back? Is that your current policy point, that you are going to send some letters and some recovery notices to the outlaw motorcycle gangs? Are you sending letters now saying, "Can we please have the money back?" Is that the current strategy?

The Hon. ROBERT BORSAK: You are going to send some strong emails.

The Hon. COURTNEY HOUSSOS: They are not going to say please.

Mr DAVID SHOEBRIDGE: A harsh letter to them?

Mr DOMINIC PERROTTET: Look, I am not aware that—

Mr DAVID SHOEBRIDGE: Well, the State Debt Recovery Office has plans to send some harsh letters.

The Hon. WALT SECORD: Strong emails.

The Hon. ROBERT BORSAK: Treasurer—

The CHAIR: Let's let him answer.

Mr DOMINIC PERROTTET: The State Debt Recovery Office does a great job for the people of New South Wales and we do not promote them enough. I want to give a big shout-out to them today. If these are matters of a criminal nature, Mr Shoebridge—

Mr DAVID SHOEBRIDGE: Yes, and the State Debt Recovery Office is your answer.

Mr DOMINIC PERROTTET: —I think there are more important authorities in the State that will deal with it.

Mr DAVID SHOEBRIDGE: Well, is it true that the State Debt Recovery Office has been brought in to politely ask for the money back from outlaw motorcycle gangs? Yes or no?

Mr DOMINIC PERROTTET: I will take that on notice.

The Hon. ROBERT BORSAK: Treasurer, just going back to the unfinished line of questioning in relation to the proposed new property tax. Keeping in mind, for example, that the proposal is that the annual

CORRECTED

property tax will be levied at \$500 on ordinary households and rural families on their properties at \$500 plus 0.3 per cent per annum. How will that rate of tax that is being proposed and that will be levied be varied and adjusted in the future?

Mr DOMINIC PERROTTET: That is very good question. That is part of the consultation, Mr Borsak.

The Hon. ROBERT BORSAK: Yes, but you see, you talked about models and then you talked about fiscal neutrality over 50 years, so obviously you have made an assumption there—that is how models work. So why don't you draw back the curtains and tell us a bit about your assumptions rather than your yet unfinished consultative process?

Mr DOMINIC PERROTTET: Firstly, it is important that one of the areas that is being consulted on is the very point to which you ask and it is a crucial aspect, an important aspect—

The Hon. ROBERT BORSAK: With respect, Treasurer, that is not the answer.

Mr DOMINIC PERROTTET: I am getting there.

The Hon. ROBERT BORSAK: Okay. I am waiting.

Mr DOMINIC PERROTTET: There is a range of areas in terms of the increase in rates over the time that you could look at. You could look at GDP growth, you could look at incomes, you could look at the increase in unimproved land values—there is a range of areas that need to be considered. What is most important for me is that for confidence in any transition to a system that is better and fairer there is, as increases in rates occur over time—like they do for everything, including stamp duty, which we changed the rates more recently to be fairer and indexed them—that the system that we have in place is done in a way that builds confidence so that there is not a significant increase in rates to home owners, particularly given the nature of—

The Hon. ROBERT BORSAK: In your current modelling what assumption did you use?

Mr DOMINIC PERROTTET: We are looking at each of those areas. So in terms of the rate increase over time, we particularly look at GDP growth as an area. I am very much open to that. Subsequently, incomes or, more particularly, household income is another area that would be a fairer means of ensuring that we do not see significant fluctuations over time. But, Mr Borsak, we are consulting to get the feedback in relation to what people see as a fair increase over time because any confidence in the system would need to ensure that there are not unfair increases on annual basis.

The Hon. ROBERT BORSAK: Obviously, otherwise you guys would be out that quickly your feet would not touch the ground.

Mr DOMINIC PERROTTET: I am very much aware of that, Mr Borsak.

The Hon. ROBERT BORSAK: The reality is, will you legislate for those rate changes to be outside the budget papers so that they can be properly reviewed?

Mr DOMINIC PERROTTET: I am very focused on making sure that that is the case in that there is a triple lock in place because, for example, whilst the prospects of this are slim, if there were to be a Labor Government in future years or decades to come—

The Hon. ROBERT BORSAK: Unless you mishandle this.

Mr DOMINIC PERROTTET: —we would not want a situation whereby rates would be increased because either Mr Secord or Mr Mookhey have a budget problem that they have properly created themselves.

The Hon. ROBERT BORSAK: So you are saying that you would legislate that separately to keep it out of budget process so that it can be reviewed?

Mr DOMINIC PERROTTET: No. What I am saying is, it is front and centre of my mind in terms of for a system like this to work, it would need to be completely triple locked in terms of the capacity for a Minister or a Parliament to increase rates.

The Hon. ROBERT BORSAK: Rather than the Treasurer in the Treasury papers, that is what you are saying?

Mr DOMINIC PERROTTET: Correct.

The Hon. ROBERT BORSAK: Thank you, that is a good undertaking. Let's hope it happens. Turning to icare for a couple of minutes, and I know you have had some good questioning from Mr Mookhey over there and I see you have the new Chief Executive Officer there, Mr Harding. Welcome, Mr Harding. Through you, Treasurer, what relevant experience has Mr Harding got in workers compensation insurance?

CORRECTED

Mr DOMINIC PERROTTET: I will pass to Mr Harding, but I will go through the answer to that in terms of the advice we have received in relation to Mr Harding's employment.

Mr HARDING: Is it easier if I just answer Treasurer?

Mr DOMINIC PERROTTET: Yes.

Mr HARDING: I have an over 30-year background in insurance and financial services. Most of that has been spent in the industry of general insurance. I worked originally at Insurance Australia Group Limited, where IAG originally took over the unfortunate HIH workers compensation portfolio early in that era. Later in my career I was the CEO of TIO Insurance in Darwin, where we operated both the motor accidents scheme on behalf of the Government, and we were a participant in the competitive workers compensation market and we managed the Government employees workers compensation scheme on behalf of the Territory.

More recently I have been CEO of Tower Insurance in New Zealand, a business that does not have workers compensation because of the nature of the Accident Compensation Corporation in New Zealand. However, we participated in eight islands across the Pacific region from Fiji through to Papua New Guinea and a number of those islands have workers compensation businesses in them. I would call myself an insurance expert or an insurance CEO with a strong background in both short and long tail, being workers compensation insurance.

The Hon. ROBERT BORSAK: I see over the past five years you spent at Tower Insurance, it was a turnaround exercise, wasn't it? In other words you turn the company from being a loser to making profits. Is that correct?

Mr HARDING: Yes. There have been a number of challenges at Tower that we had to address, yes.

The Hon. ROBERT BORSAK: So the way I am characterising it is correct? It was a turnaround exercise that you were involved with.

Mr HARDING: It is the nature of partly what I do, yes. At TIO the business was similarly in a state of some disrepair when I arrived, and we turned that around and created a viable business for the Northern Territory. So it is partly what I do.

The Hon. ROBERT BORSAK: Your background is in risk-based pricing, is it not?

Mr HARDING: That is one element of insurance.

The Hon. ROBERT BORSAK: But that is most recently why you turned Tower around in New Zealand.

Mr HARDING: No, there were actually a lot of factors that lead to the turnaround of Tower in New Zealand. Risk-based pricing was one of those.

The Hon. ROBERT BORSAK: How would you apply that approach in this workers compensation environment that we have here with icare and the problems that it is having? Just recently we had a line of questioning in relation to increases and I acknowledge what the Treasurer was saying that, early on in the case, in the situation with icare when it was first set up, the insurance rates were kept low, probably low for too long in reality with the benefit of 20/20 hindsight. But does that mean—given the fact that you are very much an oriented person towards risk and return—we are going to see some pretty steep increases in workers comp in New South Wales?

Mr HARDING: I would not accept that categorisation because my actual job is not just risk and return in terms of pricing. It is a broader role around transforming all aspects of the organisation from culture, governance, risk management et cetera. If I come back and address your question, if I had to reflect on what is at icare—and there are numerous reports that have already been had and that are coming to the Government as part of its review process—there are very similar circumstances and conditions to the sorts of things that I found at TIO back in 2007 when I started there and to what I found at Tower when I started there.

The nature of these businesses is that they can get into that state. And they need reform and they need improvement to lift their performance. In terms of your question about risk-based pricing and how it would affect, for example, a nominal insurer in workers compensation, it is my understanding—and I might need to check this with my team—but at the moment there is already an element of risk-based pricing within the way that premiums are set for the nominal insurer. So what the Treasurer spoke to earlier was the average rate of 1.4, but there is a spectrum where that goes up for higher rated industries and is certainly based on experience. Some employers will experience higher premiums if they have had a significant claims environment where they have perhaps not had their work health and safety operating. I think risk-based pricing—or risk-based allocation of scheme costs is

CORRECTED

another way to look at it—is quite already embedded in the way that the scheme operates. I don't think that is something new.

The Hon. ROBERT BORSAK: I might come back to that.

The Hon. WALT SECORD: Thank you, Treasurer. I want to take you to the half-yearly review, Economic Outlook, 2.5. In the text of 2.5, it says that there are currently 500,000 workers in New South Wales on JobKeeper.

Mr DOMINIC PERROTTET: Five-hundred thousand as at December.

The Hon. WALT SECORD: As at December?

Mr DOMINIC PERROTTET: That number would have changed.

The Hon. WALT SECORD: How would it have changed?

Mr DOMINIC PERROTTET: Because there will be updated figures in the Federal Government and the last figures to date that we received at that point in time were from December, but I think we should be getting some updated figures very soon and my sense is that—

The Hon. WALT SECORD: Does Mr Pratt have the most up to—

Mr DOMINIC PERROTTET: No, I do not think so.

Mr PRATT: Not at this point, Mr Secord, no.

The Hon. WALT SECORD: So are we operating on 500,000 as the—

Mr DOMINIC PERROTTET: At the moment.

The Hon. WALT SECORD: At the moment.

Mr DOMINIC PERROTTET: The most recent information we have from the Federal Government is from December and that is at 500,000.

The Hon. WALT SECORD: So that is 165 firms with 500,000 workers?

Mr DOMINIC PERROTTET: Correct.

The Hon. WALT SECORD: What is the New South Wales Treasury modelling of what the unemployment rate will be at the end of the month?

Mr DOMINIC PERROTTET: I will pass to Mr Walters in relation to that. What I can say to you is that we are very closely monitoring those areas and industries across government where those positions are. The most significant industry in relation to firms is in the construction side of things, which might come as a surprise. But we do believe that since December a substantial amount of people have continued to come off that program in our State. Mr Walters, why don't you provide some advice to Mr Secord?

Mr WALTERS: As the Treasurer said, Mr Secord, we think there will be a significant drop in the number of employees on JobKeeper this month.

The Hon. WALT SECORD: At the end of the month it will be gone.

Mr WALTERS: That is correct.

Mr DOMINIC PERROTTET: Correct.

The Hon. WALT SECORD: Yes, so that is significant. Some 500—

Mr WALTERS: That is correct. We do not know what the Commonwealth Government's response will be. I am anticipating the Commonwealth Government—as the Federal Treasurer made clear in his speech last week, there would be some sort of action from the Commonwealth. It will not be a replacement scheme, but he indicated in his speech that there would be some sort of targeting of the sectors that are particularly affected by the COVID downturn. He was not specific but I could make the case that there are certain sectors in the tourism, hospitality or travel space, for example, that are particularly exposed. Until we see what the Commonwealth does, it is very hard to know how many of those employees—the 500,000-odd from December—will be exposed post the end of JobKeeper. Some of them will be.

The Hon. WALT SECORD: But I know that Treasury, if it is doing its job and I suspect that it would be doing its job, would be doing ongoing modelling and keeping itself abreast of the certain situation. What are you projecting the unemployment rate will be if JobKeeper is removed?

CORRECTED

Mr WALTERS: We do not have a specific number. We think there will be a small increase but, again, for the uncertainties that I just mentioned we do not have a specific number until we see what the Commonwealth does.

The Hon. WALT SECORD: So those 500,000 people who are currently on JobKeeper—you reckon that they will just go back and get jobs.

Mr WALTERS: Some of them will. Some of them may leave the labour force. Many of them will get jobs.

The Hon. WALT SECORD: How many do you think will leave the labour force?

Mr WALTERS: We do not have a specific number, Mr Secord.

Mr DOMINIC PERROTTET: Is not for him to make those projections, Mr Secord.

The Hon. WALT SECORD: Well, he does modelling. He said he does modelling.

Mr DOMINIC PERROTTET: The reality is—

The Hon. WALT SECORD: He is the chief economist of New South Wales.

Mr DOMINIC PERROTTET: Yes, he is.

The Hon. WALT SECORD: I would suspect that you are not—

Mr DOMINIC PERROTTET: We brought that in and the economics team on this side of the table have been instrumental in our economic response so far, not just in terms of obtaining the data in respect of what industries need support now and into the future but tailoring policies off the back of it to get as many people in work during this period of time. That is why, if you look at where New South Wales sits at the moment, we are the gold standard when it comes to our economic response to date. But there is a long way to go. This year we are going to move from the significant focus on the health side of things to jobs and the economy.

The Hon. WALT SECORD: What sectors are going to be most vulnerable with the removal of JobKeeper?

Mr DOMINIC PERROTTET: I will pass to Mr Walters after I speak. If you look at the areas to date, which we set out in the half-yearly review, early on over the last 12 months there were industries that were more substantially affected at the outset and there has been a significant jobs recovery in that space. But if you look at particularly the areas of concern going forward, on pure JobKeeper numbers alone, construction remains a substantial concern, manufacturing, administration and obviously the tourism sector.

I am particularly concerned about the Sydney CBD. In fact, I discussed just last week with the Federal Treasurer the concern around Melbourne and Sydney particularly, given the contribution of growth to the nation and I guess the slow delay in people returning to the office and the impact that closed borders is having on our city particularly. We are more particularly exposed to tourism than most. The other area of substantial concern is education. That is why we have been trying to work as constructively as we can with the Federal Government in the return of international students to New South Wales because—

The Hon. WALT SECORD: Okay, but back to JobKeeper. The sectors that are going to be vulnerable are tourism, hospitality, travel, construction and manufacturing.

Mr DOMINIC PERROTTET: Do you want to add any to that list?

Mr WALTERS: There are a couple. There is accommodation and food services quite specifically as part of tourism. There is administrative and support services—that sounds a little vague, but it is services that support other industries. It is quite exposed. Thirty-seven and a half thousand employees in New South Wales are on JobKeeper in that sector. As the Treasurer said, there are 68,000 in construction on JobKeeper. But the largest sector—by firm it is construction, but by employee it is professional, scientific and technical services, which is a very broad group, but it is particularly law firms, accounting firms and the like.

The Hon. WALT SECORD: Treasurer, you made reference that you spoke to the Federal Treasurer about, I think, the Sydney CBD in relation to Melbourne CBD. Have you made any representations involving JobKeeper or your views on what should happen when the 31 March cliff—

Mr DOMINIC PERROTTET: I believe that JobKeeper should end.

The Hon. WALT SECORD: You believe it should end.

Mr DOMINIC PERROTTET: Yes.

CORRECTED

The Hon. WALT SECORD: Why?

Mr DOMINIC PERROTTET: Because we cannot continue to make decisions today that impact generations to come to pay back the debt of the circumstance we find ourselves in. We need a proportionate and measured response. I have taken the view as Treasurer of New South Wales that, when the Federal Government announces its stimulus program, I look at where the gaps that I can identify are and invest there. But what we need to do is—unlike the other States like Victoria that are going into structural deficit—make sure that we get the budget back on a sustainable footing.

I am confident that the decisions we have made today are reasonable. What I have committed to in discussion with the Federal Treasurer has been that following his decision, which I am assuming he will come at from our discussions over the next few weeks in relation to sector support following the end of JobKeeper, we will then make a decision for further support off the back of it. That is obviously a matter for the Expenditure Review Committee and a matter for areas that we identify through our economics team that might need further support going forward because, as I said to you, I am completely committed to putting as much investment as possible to get people back into work and that will remain our focus going forward.

The Hon. WALT SECORD: So you support the end of JobKeeper?

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: Your COVID stimulus and support packages are not hitting their mark.

Mr DOMINIC PERROTTET: Yes they are. Our unemployment rate—

The Hon. WALT SECORD: How can you defend—

Mr DOMINIC PERROTTET: —in New South Wales is the lowest in mainland Australia. We have invested record amounts as a percentage of revenue. Not even the Commonwealth, and no State jurisdiction, has invested what we have.

The Hon. COURTNEY HOUSSOS: No, you have promised record amounts.

The Hon. WALT SECORD: You have promised.

The Hon. NATALIE WARD: Let him answer.

Mr DOMINIC PERROTTET: And to Ms Houssos's point in relation to women, 70 per cent of small businesses in New South Wales are owned by women, who we have been supporting through this process. That is why—interestingly enough, the biggest concern—and you might be interested in this, Mr Secord—that our economics team has advised me in relation to unemployment going forward is actually middle-aged men who may be reluctant to reskill and retrain. Whilst probably not a popular sector to discuss, they are a sector of people—Mr Latham is laughing, but I am saying—

The Hon. MARK LATHAM: Well.

Mr DOMINIC PERROTTET: Well, I am making the point that we will not look at this based on ideology. We will look at this based on fact and make sure that we are investing where we can to get as many people in work as possible. You cannot just continue to have a JobKeeper program run into perpetuity because someone has to pay that back—and that will be our children and their children. Ultimately our responsibility as a government is to leave this place better than we found it and to provide better opportunities and prosperity for generations to come. That means the decisions that we make every single day today have to be measured and proportionate given the circumstance we find ourselves in.

The Hon. WALT SECORD: Treasurer, in your previous answer you made reference to international education.

Mr DOMINIC PERROTTET: Yes.

The Hon. WALT SECORD: What steps are you taking? Because we know that once you lose an international student to Canada, the United States or Europe, you do not lose them for one year. You lose them for four to six years depending on—it is not just a one-year loss. It is a significant investment.

Mr DOMINIC PERROTTET: I agree with you completely. It occupies my mind a lot and it is one of the key areas, Mr Secord, that I am very concerned about. The average international student, as part of that \$14 billion impact on the New South Wales economy every year, spends around \$60,000 outside of their education expenses. The frustrating thing at our end, or certainly my end, has been that New South Wales continues to take the lion's share of returning Australians. Some 40 per cent of those people who are in hotel quarantine come from outside of New South Wales.

CORRECTED

That impacts our cap and as a result we are taking more than our fair share of returning Australians at the expense of having international students return. So, my focus—and we have been doing a lot of work to have the Federal Government amend their caps or working with them to make some changes so that we can start and ramp up the return of international students. I know it is probably not everyone's favourite topic and people sit there and think, "Put Australians before international students." This is our number one service export. In addition to that, there are thousands of jobs that rely on this industry. To your point—with Canada, particularly, and those other competitive markets, given they have got more open borders—if we do not get this industry back on track as quickly as possible it will have a substantive issue downstream.

The Hon. WALT SECORD: You have pointed out the problem. What steps—what have you done?

Mr DOMINIC PERROTTET: We have provided our universities substantial support in payroll tax deferrals as part of our first round of stimulus. So university support has been there. We have worked very closely with the sector around putting proposals to the Federal Government in relation to how we can bring the sector back. We do not control international borders—that is with the Federal Government. I have had numerous discussions with the Federal Treasurer around the importance of this. The Premier is completely supportive and focused on ways in which we can bring this sector back.

We have worked very closely with the universities in terms of how we would do some cost sharing around those arrangements and how we could work through it. We have also had discussions with the Tasmanian Government, randomly enough, about how we could enter into a potential plan with them for international students to be quarantined potentially in Tasmania before coming to New South Wales. So there have been extensive discussions, and I can assure you that we will continue to prosecute the case because of the economic impact of this industry. As I have said, we have been more affected here in New South Wales than most and, as you know, having the lowest unemployment rate at 6 per cent which was projected to be 7.5 per cent, shows that the measures and the policy response of the Berejiklian-Barilaro is hitting the mark.

The Hon. COURTNEY HOUSSOS: Treasurer, have any of the university loan guarantees been granted?

Mr DOMINIC PERROTTET: Yes, I am pretty sure there was—

The Hon. COURTNEY HOUSSOS: There were five being assessed?

Mr DOMINIC PERROTTET: I will pass over to Mr Pratt.

Mr PRATT: Yes, there is one being finalised at the moment.

The Hon. COURTNEY HOUSSOS: One being finalised. And who is that for?

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

The Hon. COURTNEY HOUSSOS: Okay. Treasurer, is Project Remediate an economic stimulus measure?

Mr DOMINIC PERROTTET: Ms Houssos, anything that is going to drive jobs growth in this State and improve our economy would be seen to be one of those measures, but ultimately every project has a social outcome which may be seen to override its economic importance as well.

The Hon. COURTNEY HOUSSOS: You would be aware that it was announced in November and applications were supposed to open in March?

Mr DOMINIC PERROTTET: Yes. We worked very closely on this program from a Treasury perspective with the Minister and the building commissioner in putting that package together so it would drive the remediation of the issues surrounding cladding in New South Wales but at the same time making sure it was done in a fiscally responsible way.

The Hon. COURTNEY HOUSSOS: You certainly took your time, Treasurer, because New South Wales has clearly got a problem. There have been multiple calls for this from parliamentary inquiries and from the public. It is good to see that it is finally being announced but my question is—

Mr DOMINIC PERROTTET: We have a very passionate Minister who is driving it.

The Hon. COURTNEY HOUSSOS: He is driving very, very, very slowly, Treasurer.

The Hon. NATALIE WARD: Is there a question?

Mr DOMINIC PERROTTET: I think our approach, whilst it may have taken more time than you think is appropriate—what is most important in establishing something of that scale and nature, is that it was established

CORRECTED

in a way that was fiscally responsible but at the same time would achieve the outcome. This is not a new issue. It is not something that just occurred.

The Hon. COURTNEY HOUSSOS: Absolutely.

Mr DOMINIC PERROTTET: It something that may take—that has occurred over a period of time. Yes, the Government has been looking at it for a few years now. I am very confident that where we have landed is fiscally sustainable and will resolve the issues and health issues in relation to the impact of cladding.

The Hon. COURTNEY HOUSSOS: You are confident it will resolve the issues?

Mr DOMINIC PERROTTET: It will resolve those matters in a fiscally sustainable way for the State of New South Wales.

The Hon. COURTNEY HOUSSOS: That is different to what you just said. Is it fiscally sustainable or is it actually going to resolve the problem?

Mr DOMINIC PERROTTET: Both. That is what good governments do. Fiscally responsible, great policy outcomes off the back.

The Hon. COURTNEY HOUSSOS: Applications were supposed to open this month. They are still not open, and in fact we learnt on Friday from the Minister that no registrations have even been received. Then we managed to prise out that no funding will be going to any strata owner, to any unit block, for another six months. Treasurer, can you speed up this process or at least now acknowledge that is not going to be an economic stimulus measure?

Mr DOMINIC PERROTTET: Well, I did not acknowledge it. I saw where you were going. That is why I did not give you that concession earlier on in your first question. My job as Treasurer, and the Treasury team's, is to make sure that the program is set up in a financially sustainable way but also achieves the safety outcome that it was set up to do. I can inform you, Ms Houssos, that the eligible buildings for this program are above 219. As you quite rightly say, the opportunity for registrations of interest is at the end of the month. But this is going to be an extensive program, a challenging one, but I am confident we have set up the infrastructure in such a way that it will achieve the job that it set out to do. I have complete confidence—

The Hon. COURTNEY HOUSSOS: Are you aware of the take-up of a similar scheme in Victoria?

Mr DOMINIC PERROTTET: I am aware that they took a completely different approach in Victoria, and it is one that they embarked on a few years before we did.

The Hon. COURTNEY HOUSSOS: It has now been four years since more than 70 people lost their lives in Grenfell Tower. The New South Wales Government has been glacially slow to remove cladding from buildings and now they finally announce a program that is not actually going to get funding out to anyone to start remediating their buildings until the end of this year.

Mr DOMINIC PERROTTET: I think it is important with a program that is so extensive that it is set up for success. From my perspective as Treasurer and working with the Minister, we have established this loans program in a way that will not just achieve the outcome but is financially sustainable. There is sometimes—

The Hon. COURTNEY HOUSSOS: Treasurer, a similar system in Victoria removed just 6 per cent of cladding.

Mr DOMINIC PERROTTET: That is a matter for the Victorian Labor Government. What I can say is that from the structuring of the arrangements with the Minister, and I am obviously involved in the financial structuring of those loans, 219 residential buildings are eligible under this program. We have made that public and I have confidence—

The Hon. COURTNEY HOUSSOS: Treasurer, my time is about to run out and we canvassed this extensively on Friday and got the details. That is fine. I want to move on. Are you currently conducting a scoping study on privatising Ausgrid, Endeavour Energy or Essential Energy?

Mr DOMINIC PERROTTET: No.

The Hon. COURTNEY HOUSSOS: Are you currently conducting a scoping study on privatising rail maintenance?

Mr DOMINIC PERROTTET: No, the only scoping study that we have on foot at the moment is in relation to Lotteries.

Mr PRATT: Lotteries.

CORRECTED

Mr DOMINIC PERROTTET: We concluded a feasibility study on that, which led to our decision to go towards a scoping study on Lotteries, and obviously we are in the transaction process of WestConnex. They are the only transactions that are at that stage that the Government is looking at.

The Hon. COURTNEY HOUSSOS: Do you currently have feasibility studies for any other privatisations?

Mr DOMINIC PERROTTET: Feasibility studies? No. Not to my—

The Hon. COURTNEY HOUSSOS: Do you need to take that on notice?

Mr DOMINIC PERROTTET: No, it is just Lotteries. Lotteries was feasibility into scoping.

Ms CATE FAEHRMANN: I have a few questions about the funding situation for Wyangala, Dungowan and Mole River dams, which I understand has been, I think, a commitment from your Government despite having no business cases yet or feasibility studies and what have you. Firstly, can you confirm that until the Government sees the final business cases for these dams, that it has not actually committed to building them yet?

Mr DOMINIC PERROTTET: That is a very good question, Ms Faehrmann. I would say that it is government process that it is until such time as final business cases are received that final investment decisions are made. This provides governments with challenges all the time because ultimately you commence a process and you make public announcements. To the fiscal sustainability point in your question, it may be the case when projects of whatever nature are initially announced that by the time we get to the final business case, the project may have a much higher cost to the State. Any decision to proceed needs to factor in that final business case. I believe that governments need to have the humility at various points in time to say that this was the best intention but perhaps is not the best use of taxpayer dollars. But do not take that to mean I am making a comment in relation to the project you refer to.

Ms CATE FAEHRMANN: Sure, that is fine. I have limited time. You said earlier in response to a question from the Opposition that decisions have to be measured and appropriate so as not to place a burden on future generations, given the circumstances we now find ourselves in. Dungowan Dam has been found by the Productivity Commission to be a complete disaster and to have very little, minimal, water security as well as being a huge expense. But the Productivity Commission finds it yields almost no increase in water security. Wyangala Dam could be as much as \$1.2 billion to \$2.1 billion, according to a capital works summary document from the Department of Planning, Industry and Environment [DPIE] dated 20 November 2020. Given what you just said, do you think the Expenditure Review Committee [ERC] will be open to approving spending billions of dollars on dams that the Productivity Commission itself and leaked Cabinet documents have found will yield almost no improvement in water security?

The Hon. MARK LATHAM: What about pumped hydro? You voted for hundreds of dams for pumped hydro. Unbelievable.

Ms CATE FAEHRMANN: Excuse me, you are interrupting my time.

The CHAIR: Order! The question was directed to the Treasurer. The Treasurer has the call.

Ms CATE FAEHRMANN: Just keep going, Treasurer. Ignore this rude person on my right.

Mr DOMINIC PERROTTET: What I can commit to is that any final investment decision will come from the final business cases that have been received by the Government. The Expenditure Review Committee is there to interrogate the final business case and make an investment decision off the back of it. My job is to make sure that every dollar that we spend is going towards a project that will generate benefits for the people of our State and it needs to stack up. But we also have a situation where it is a unique part of Government announcements right across the board, where we have intentions to deliver a project, that we should at various points in time be able to say to your question—if the dollar figure at the start is manifestly different to where the project ends up then we should be able to sit back and say that perhaps we will take a different direction.

Ms CATE FAEHRMANN: And also the alternatives have not been explored in terms of costing for the same improvement in water security. That is an issue as well, is it not?

Mr DOMINIC PERROTTET: I understand that to be true.

Ms CATE FAEHRMANN: Okay. Minister, I want to talk about the business cases. I understand the original cost of the business cases into the three dams was something like \$49 million to prepare all of those business cases. It has now blown out to \$200 million according to documents that have been revealed under the Government Information (Public Access) Act [GIPAA] by the consultants Slattery & Johnson. Did the

CORRECTED

Expenditure Review Committee approve the increase in the cost of those business cases for WaterNSW to undertake?

Mr DOMINIC PERROTTET: I will pass to San. He can comment on that.

Ms CATE FAEHRMANN: It is an additional \$150 million from the Government for those business cases.

Mr MIDHA: In April 2020 the New South Wales Government publicly committed \$245 million for the investigation into the dam projects, so to build the business cases. That was announced.

Ms CATE FAEHRMANN: Yes. I understand that \$245 million—combined with what the Federal Government is offering, which is fifty-fifty—is potentially for construction as well and not just for business cases.

Mr MIDHA: Part of it is for business cases. The total package that the Commonwealth have also contributed to is about \$1.2 billion. Half is from the Commonwealth, which is about \$567 million.

Ms CATE FAEHRMANN: Okay, so did that \$200 million go through the Expenditure Review Committee?

Mr MIDHA: I do not have the exact process for that in front of me.

Mr DOMINIC PERROTTET: In terms of the business case?

Ms CATE FAEHRMANN: Yes.

Mr DOMINIC PERROTTET: I will take that on notice, but I just want to confirm something that you raised. The fifty-fifty arrangement with the Commonwealth was at the outset. We will work through the process but then, based on where those projects land, we will obviously have a discussion in relation to the final funding arrangements.

Ms CATE FAEHRMANN: Minister, are you aware of concerns from WaterNSW about the risk to its credit rating as a result of needing to debt-finance those dams? Have you had discussions with WaterNSW about that?

Mr DOMINIC PERROTTET: I have not had discussions with WaterNSW about that. What I will say is that those issues would be ventilated as part of the final business cases that come to government. I can assure you that there will be a very rigorous process in place when they come to the Expenditure Review Committee.

Ms CATE FAEHRMANN: Okay. Are you aware as well—again, this is from emails that I have uncovered through an upper House call for papers as well as the other papers provided by Slattery & Johnson that I was talking about—that the Treasury has been indicating in emails that the dams are being proposed to be built with no impact on the State budget, hence the debt financing through WaterNSW? Why would you want to commit to building the dams and then ensure that there is no impact on the State budget? Is that accounting trickery or what?

Mr DOMINIC PERROTTET: We would never be involved in that. What I would say is that there will be financing options available to the Government, but you are asking questions in advance of where the real discussion would be in relation to final financing options for those projects. They will be dealt with through the final business cases that will end at ERC and yes, as you rightly say, WaterNSW is part of that optionality.

Ms CATE FAEHRMANN: Okay, because the corporate plan also says that WaterNSW—this is in terms of the various projects that it has before it as a result of what I understand was a National Party commitment before the last election without seeing business cases—has said that there is limited balance sheet capacity to debt-fund the construction costs for the projects without equity and/or grant revenue.

Mr DOMINIC PERROTTET: I understand that and that is why it would form part of the process. Do you want to make some additional comments?

Mr PRATT: I will just make a couple of additional remarks. If those projects end up being approved by Government, we will then turn to what the funding picture looks like. Let me assure you that there will be no accounting trickery. I have not seen those emails but they are probably referring to the fact that this could be funded through the general government sector, in which case it hits debt on the general government balance sheet. Given that WaterNSW is a State-owned corporation, the Government could choose to put equity into that SOC and it would be funded through the SOC. Those are options that we will look at if the Government decides to go ahead with this.

CORRECTED

Mr DOMINIC PERROTTET: Ms Faehrmann, there is validity to your questions but I still believe they are in advance of the process because you have to have the bid there. These factors will all be considered by the time it comes to Expenditure Review Committee for a final investment decision.

The Hon. MARK LATHAM: Treasurer, you have lost your triple-A credit rating with S&P Global. You mentioned earlier that your budget deficit is over \$13 billion. It reminds me of Peter Walsh's great adage that once a government loses fiscal discipline, it never gets it back.

The Hon. NATALIE WARD: There has been a global pandemic.

The Hon. MARK LATHAM: Will you snap back with fiscal discipline in the next budget? What does that mean in practice? Will you start with the wasteful and at times bizarrely PC programs inside the New South Wales public sector? For instance, we have icare sitting here—\$5 million on an imaginarium and Ms Wilkie with her PC word control training programs. Can you not save a lot of money immediately, right under your own nose?

The Hon. WALT SECORD: What is your pronoun?

The Hon. MARK LATHAM: What is your pronoun?

Mr DOMINIC PERROTTET: Can I answer the question by saying, ultimately, Mr Latham, I think this Government's track record speaks for itself when it comes to our financial responsibility. Obviously, we have breached the Fiscal Responsibility Act following the pandemic. But it is my complete focus, which, I think, came out clearly in the budget last year, that we would not go into structural deficit and that we would get the budget back to surplus in a sustainable way without jeopardising economic growth.

One of the key aspects when it comes to the triple-A—I make this point: We are the only State in the country that has a triple-A credit rating from Moody's. Victoria lost its. We are the only State with a triple-A. Yes, we lost Standard & Poor's but my view is that we will get that back. Why is that important? It is not for the political sake of it. It is important because it maintains that discipline behind the scenes through budgeting to make sure that as a Government we are living within our means and investing where it matters. It has never been more important for all Ministers across the Executive to make sure that they stop running programs—you may have views on what those programs are. I am sure they may differ to Ms Faehrmann's views in terms of what programs should not continue.

The Hon. MARK LATHAM: Thank goodness.

Ms CATE FAEHRMANN: I can go from here if you like, seeing as you took up some of my time.

The Hon. MARK LATHAM: Give us your best interjection, Cate.

Mr DOMINIC PERROTTET: And Mr Secord might have some different views as well.

The CHAIR: We're almost done. Let's hear the answer.

Mr DOMINIC PERROTTET: That responsibility ultimately lies with the Minister. The reality of just increasing the budget over a period of time is not going to work in those circumstances. What we need to do is ensure that Ministers are reprioritising their spending and making sure that every dollar is going to drive economic growth and provide quality service to the people of this State. I have never been more focused on that. If you saw the comments that were made by John Manning from Moody's following the handing-down of the half-yearly review—I think that is a strong indication that to date, since the budget last year, we are on track and that discipline is in place to get us back to a sustainable financial footing here in New South Wales. We were criticised more particularly by the Left when it came to the Fiscal Responsibility Act but that discipline in good times has led to strong foundations leading into this pandemic. That has enabled us to inject the significant support, \$30 billion supported by Mr Secord, in relation to the stimulus programs in our State. He knows very, very well that we could not have done that if there had been a previous Labor Government in—

The Hon. MARK LATHAM: Let us stick to fiscal discipline. It was refreshing to hear your earlier comments. Could we start there in why the Government would spend billions of dollars lifting the Warragamba Dam wall, given that the river has not flooded this century; that we have just had a very wet summer in western Sydney, with no sign of the river flooding; and that the catchment has fundamentally changed—lifestyle, people moving in on property, big dams, big water tanks. Would it not be better to spend the billions on the much-needed public hospital in the aerotropolis to service the 1.3 million people slated to move in and live west of the M7?

Mr DOMINIC PERROTTET: This goes to where Ms Faehrmann was in relation to business cases and final Government decisions. It is my job to make sure, as Treasurer, when these matters come to the Expenditure Review Committee that we have considered all the available information and make an assessment in relation to priorities. That is why, where possible, we do not make investment decisions outside of the budget

CORRECTED

process because the budget process enables us, as much as—there will always be exceptions to that. I accept that. In fact, we made a \$1 billion decision in relation to more trains and more services since the budget was handed down pre the half- yearly review. But ultimately why you want all of these programs and commitments dealt with in the budget process is to your point in relation to health services.

The Government can sit back in the Expenditure Review Committee with the Ministers at that body and say, "Here are where the Government's commitments should be at this time." It is not a case of this and that. It is a case of being able to say we have got a choice to make of the investments that are fiscally sustainable for the New South Wales Government. Those debates need to be had. I guarantee you they will—and I am sure they will be robust—but ultimately, I think, we will land in a very good place.

The Hon. MARK LATHAM: There seems to be an assumption around that the Warragamba Dam wall raising is going ahead, but you are saying that the business case has not yet been finalised and—

Mr DOMINIC PERROTTET: Not the final business case. That project has been a project for some time. I might be wrong, but I think the Government commenced work in relation to this project back in 2011 when we were first elected. There has been study after study after study in respect of it but, ultimately, we will get to the end point in time. That will be where the final business case comes to the Expenditure Review Committee and there will be a determination of the best way to proceed. This goes to Ms Faehrmann's point and your point. Governments need to explore options. That project, Warragamba, is an incredibly complex one. It has proven to be and I am sure those other dams will be complex too in terms of the work and the rigour that goes around it. But the Government has to start the process to be in a position to make a final determination and does that ultimately increase community expectation sometimes? I would accept that it does. But, fundamentally, it is Treasury that has to be there at the end of the day, that sits back and says, "Does this project stack up?", particularly against competing interests such as the ones that you have described.

The Hon. MARK LATHAM: Treasurer, do you find—

Mr DOMINIC PERROTTET: By the way, to Ms Faehrmann's point—I do not want to keep quoting Ms Faehrmann against you, Ms Latham.

Ms CATE FAEHRMANN: No, that's fine. Go for it.

Mr DOMINIC PERROTTET: But on what alternatives there could be as well. Are there alternatives that might not be as good on a pure policy basis but when you look at the fiscal sustainability of those policies they may stack up?

The Hon. MARK LATHAM: I'm glad you cleared that up. Last Tuesday at Justice estimates the Attorney General was asked about expenditure in the domestic violence area. He said it was \$530 million over the forward estimates but he could not point to any improved outcomes in terms of lowering the rate of domestic violence in New South Wales for all that expenditure and more over a lengthy period of time. Treasurer, are you finding that the outcome-based budgeting is not working in driving outcomes? In the space of domestic violence there are ideological approaches about gender and patriarchy, rather than a proven evidence base. What are you doing with outcome-based budgeting to ensure that if you spend the money you have to get an improved outcome?

Mr DOMINIC PERROTTET: I think there are certain areas of government when it comes to outcome- based budgeting, which was the right approach because Government should not be measuring success in the size of the spend. I know for example, though, if we cut funding in a certain area the two at the end of the table there would be sitting there saying, "Somehow you are moving away from a priority here because you are reducing your investment"—

The Hon. MARK LATHAM: No, spend it better.

Mr DOMINIC PERROTTET: They would claim we are cutting something even if we were reducing the increase.

The Hon. MARK LATHAM: Don't worry about them. Spend it better.

The Hon. WALT SECORD: Come on. Tell us your pronoun.

The Hon. MARK LATHAM: I am cis, I think.

Mr DOMINIC PERROTTET: What I am saying, Mr Latham, is that across the board there will be always opportunities to refine the outcome and the measurement of that outcome. Sometimes that will be a challenge. I know from the Attorney General—if you look at the outcomes performance that I have here—it is the number of people who were charged with a domestic violence assault, who had an earlier domestic assault charge

CORRECTED

in the last 12 months. That is, obviously, the outcome. The Attorney General, like all Ministers, is armed with the capacity to prioritise spending within his portfolio to where success will be. Now, is it a case—

The Hon. MARK LATHAM: Are those hard conversations happening?

Mr DOMINIC PERROTTET: Yes, they are. Absolutely, they are.

The Hon. MARK LATHAM: If he is not getting improved outcomes—"Obviously, the approach is not working, Mr Speakman. Can we look at something else?"

Mr DOMINIC PERROTTET: These are regular discussions but, ultimately, what you do not want to have as well is—an outcome might not be reached so let's go change the outcome to suit, that might look better for the New South Wales Government. There is a balancing here between making sure that the outcome is measurable but, at the same time, if it is difficult to achieve or it is not clear then, potentially, another approach may be best. But I am completely concerned in my role that we should start—I think this is work Treasury has done over a period of time; I accept that it has taken a bit of time to get up and running and to get the buy-in from the agencies but I think it is having a significant impact in education—to measure success in the outcomes, not the size of the spend. But, ultimately, there will be discussions from time to time around whether or not those performance measures need to change.

The CHAIR: There is provision for 15 minutes from the Government if they wish.

The Hon. NATALIE WARD: I have two questions, Treasurer. The first is in relation to child care, which, I think you mentioned very early on this morning. My question is in relation to—how many children do you have now, Treasurer?

Mr DOMINIC PERROTTET: Six.

The Hon. NATALIE WARD: Are you leading a one-man Perrottet-population-growth strategy to lead us out of the pandemic?

Mr DOMINIC PERROTTET: I took that whole "one for the country" a little bit too far.

The Hon. NATALIE WARD: Thank you. Treasurer, I would just like to ask if you would kindly take a question on notice. That is to thank all of the people who have worked so very hard with you through this pandemic to keep New South Wales alive and afloat and our children—

The Hon. ROBERT BORSAK: Point of order—

The Hon. NATALIE WARD: It's a question.

The Hon. ROBERT BORSAK: What's the question?

Mr DOMINIC PERROTTET: It's sounding good.

The Hon. NATALIE WARD: Will you thank all of those people behind you who have worked so very hard for us.

The Hon. MARK LATHAM: He thanks them every day, surely.

The Hon. NATALIE WARD: Clearly, I am getting a reaction from Mr Latham. But please, on my behalf, at the very least, thank them for the very hard work they have done and their time today assisting the Committee.

Mr DOMINIC PERROTTET: Thank you, Ms Ward.

The CHAIR: Thank you, Treasurer. You are now finished with your questioning for this morning. We will resume at 2.00 p.m.

(The Minister withdrew.)

(Luncheon adjournment)

The CHAIR: Welcome back, everybody. It is time to commence the afternoon session. We will kick-off with questions from the Opposition.

The Hon. WALT SECORD: Mr Pratt, the Treasurer mentioned that the various State governments were looking at a plan to quarantine international students in Tasmania. How far has that advanced?

Mr PRATT: It is still very early days. We have been exploring options, as the Treasurer outlined, about what we could do. One of them is accommodating the numbers ourselves around our own caps and the Commonwealth criteria. But an option that came up recently is Tasmania looking at being prepared to bring back

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students through Hobart. There is not a lot I can tell you, Mr Secord. We are just investigating at the moment. We thought it was an option worth looking at given the importance of that to the economy.

The Hon. WALT SECORD: Would they be housed for the quarantine period in Tasmania?

Mr PRATT: Correct.

The Hon. WALT SECORD: And then once they have finished their period disperse to whatever jurisdiction?

Mr PRATT: That is right, yes, with the intention of trying to get a bias for New South Wales students in that mix.

The Hon. WALT SECORD: The Treasurer this morning made passing mention to the triple-A credit rating. What is your plan to restore the triple-A credit rating in New South Wales?

Mr PRATT: Look, a couple of things. First of all I would say Moody's comments have been very positive with the half-year update. We are still triple-A with Moody's as I think the Treasurer mentioned this morning. But John Manning, the VP at Moody's, has given the Government a very big tick on that.

The Hon. TAYLOR MARTIN: Righto.

Mr PRATT: S&P, on a number of the key factors, gave us very positive markings in terms of the latest rating result. Where they marked us down was on debt and the increase, as you know, in debt projected over the forwards. That was the issue. In the latest half year we have dropped projected debt for 2024-25 from over 14 per cent to under 14 per cent. I think the number is 13.7 per cent. We look like borrowing \$6 billion less.

The Hon. WALT SECORD: Sorry, there is a third ratings agency, Fitch. Do you engage with Fitch?

Mr PRATT: They do not rate our government rating, no.

The Hon. WALT SECORD: Back to the deficit of \$13.7 billion. I think there was an 87 per cent clearance rate for properties on the weekend. How is that impacting on the State coffers, on State revenue?

Mr PRATT: It will impact in time. It is probably a little early yet, given the sudden jump in sales. But we will see that in stamp duty receipts in time. I would expect that we will see that spike as settlement periods roll off, be they 90 days or 60 days or whatever they are. Yes, it will impact positively on revenue.

The Hon. WALT SECORD: The Treasurer also mentioned efforts to get people back into the CBD. What is the Government doing to get people back at government desk jobs, back at Treasury working in the city again?

Mr PRATT: We may ask Mr Walters to comment on this, Mr Secord, but we have been doing a deep dive, if you like, on the CBD and looking at the economic implications of that. Greater Sydney is around 25 per cent of the Australian economy, so it is critical we get it right. That work will be completed this week but I am happy if Stephen gives you an indication of what we are finding. Then coming out of that work we wanted to make sure before we put policy recommendations to government that we had a sound basis of making good decisions around the economy. If you would like me to, I will get Mr Walters to comment on the work and we will take it from there.

Mr WALTERS: Mr Secord, we have examined some of the reasons why the recovery in the CBD is lagging behind the rest of the State. There are a few unique reasons for that.

The Hon. WALT SECORD: What are those reasons?

Mr WALTERS: One is the absence of overseas tourists. For many overseas tourists there are many highlights of visiting New South Wales within the Sydney CBD: the Opera House, the bridge, The Rocks and the like. So their absence means those people are not here. That is having a big impact on hospitality and accommodation and the like. The other is the working from home—the order last year that people could work from home where possible. CBDs uniquely feature industries that favour working from home; for example, government and professional services like law firms, accounting firms and financial services. So the fact that there is that unique structural feature of the CBD means that until people come back into work then the CBD will be struggling.

There is also evidence from some of the survey material we are looking at that there is still a reluctance among some groups to travel on public transport. There is only so much we can do because there are those large structural reasons, but also the Commonwealth Government controls our international borders, not us. Until the students are back—as you know, a lot of the universities are quite close to the CBD and international students do spend a lot of time in the CBD—in numbers and until migrants are back in and until international tourists are

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back, there is only so much we can do. But there is certainly work going on in terms of options of what we can do to address areas where we can control—

The Hon. WALT SECORD: You mentioned in your answer working from home. Has Treasury done an examination of its workforce? In fact, in regard to productivity, does the taxpayer get benefit out of bureaucrats working from home or is it better to have them in the office? Have you done any research on productivity working from home versus working in the office?

Mr PRATT: There is a lot of commentary on this, Mr Secord, as you know. Let me give you my own lived experience over the past 12 months. Last year obviously when this started to bite with COVID everybody moved to a work-from-home environment quite quickly. Fortunately flexibility has been a core of Treasury now for some time, so to move from the office to home was done very easily, frankly, and went very well. The technology platform—

The Hon. WALT SECORD: Did it predate COVID?

Mr PRATT: It did.

The Hon. WALT SECORD: Did you have staff working from home?

Mr PRATT: Some, yes. Yes, we had flexibility in place. Staff would agree that plan with their manager in terms of what that meant, whether it is work from home or work in a hub or work in another agency, whatever that looks like. But in order to do that effectively, as you would appreciate, you have got to have good technology. We made sure that our platform was sound, laptops were in place et cetera. So the actual transition went smoothly. My judgement would be that in the first three or four months I would say productivity went up.

The Hon. WALT SECORD: In the first few months?

Mr PRATT: In the first few months.

The Hon. WALT SECORD: Did it then fall off?

Mr PRATT: Then it stayed at that level probably for three or four months after that. But what I have been concerned about—probably later in the year last year and into the January holidays—is productivity falling away. We have been going through a phased return-to-office plan. We are on the third phase of that now, which essentially means we are back in the office a minimum of three days a week.

The Hon. WALT SECORD: Is that the directive in Treasury now?

Mr PRATT: That is a directive from me.

The Hon. WALT SECORD: From you? Okay.

Mr PRATT: This has been a 12-month period, obviously, and I was concerned about new work patterns evolving, people getting comfortable working from home, "this is the new life" et cetera. A lot of that has gone well, so I do not want to be critical about productivity in that sense. It has gone very well and people have worked very hard. But what I am saying, if you are going to get the continued benefit of collaboration and of innovation, a lot of that has to happen face to face in my opinion. I cannot talk for the rest of government but in our agency I have said, "You must be in the office a minimum of three days. The other two days, work with your manager around what that flexible plan looks like." Now that is the third phase. The fourth phase will be to revert back to where we were pre-COVID and that will be dependent on government announcements with the rest of the restrictions. So that is where we are.

The Hon. WALT SECORD: So if we continue the way we are now—I think it is almost 50 days now without a locally acquired COVID case—when do you think we will have all of the bureaucrats in Treasury back at their desks?

Mr PRATT: It depends a lot on when the Government makes the next set of decisions. I would expect they will do that in the near term. Once they do that I see no impediment then to revert back to where we were pre-COVID.

The Hon. WALT SECORD: You mentioned earlier in your answer that there was a dip in productivity. What happened? Did you discover that you were trying to contact people and you just could not get a hold of them or were they—

Mr PRATT: No great science to it. Just personal experience really. There has been a lot written on this but just personal experience about trying to get things done at speed with complex issues.

The Hon. WALT SECORD: During COVID did you come into the office or did you work from home?

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Mr PRATT: Yes. I can probably name the number of days I was not in the office. That would be easier. I had a small team. I had my COVID team. All the team that did the work on the COVID response were largely office-based and that was over the 12 months, including weekend work. I just want to give credit to Treasury, Mr Secord, because they did put in a huge amount of work. Other than that though we would have had, roughly speaking, probably around 10 per cent of Treasury in the office last year.

The Hon. WALT SECORD: Did you have to resort to any disciplinary or corrective action against any Treasury officials who were—to quote an old phrase—having a lend?

Mr PRATT: Not personally. I know a couple of my team that may be aware of a couple of instances where people wanted to move well out of Sydney and work from there, but specifically to me, no.

The Hon. WALT SECORD: Where did they want to work from?

Mr PRATT: The Central Coast and Wollongong. That of itself might not be a bad thing. It depends on the circumstances.

The Hon. WALT SECORD: Were they Sydney residents who decided they wanted to—

Mr PRATT: I believe so, yes.

The Hon. WALT SECORD: Oh, I see. So they wanted to work from the holiday home kind of thing.

Mr PRATT: There are many people working from their homes and, frankly, location is becoming less and less relevant but, as I have said, I personally believe if you want innovation and you want good collaboration, you have to be face to face. That may not be five days a week but it is important.

The Hon. COURTNEY HOUSSOS: Thanks for your time, Mr Pratt. Earlier this morning I started asking the Treasurer some questions around privatisation and he started talking about feasibility and scoping studies. With the Lotteries announcement, can you talk me through what the process was, what the genesis is and then the process that it goes through?

Mr PRATT: Certainly. I might get Mr Gardner, who has been overseeing that work, to talk to that.

Mr GARDNER: The processes for something like the Lotteries, as the Treasurer said, it started as a feasibility study and that comes out of a Cabinet decision to undertake a feasibility study. We will appoint an adviser or a small group of advisers to assist us in broadly determining—feasibility is probably a good way to describe it—whether a transaction is feasible. Is there a market for it? What are the legislative or other requirements? What are the regulatory considerations? Would there be any industrial relations considerations? Basically it is a very preliminary short process just to give guidance as to whether or not something is feasible. Then that goes back to the Government, to ERC or whichever Cabinet committee is required, and then that would be at the point at which the Government has confidence that it can make a public statement that market engagement can start to take place and that we could start a process of actually engaging with potential proponents in a particular process.

That scoping study phase is the thing that then goes into more detail on a lot of those criteria: what sort of structure of a transaction, what sort of timing, what sort of protections might need to be put in place, whether it is to ensure stable or improved regulatory environment. If you have got the private sector operating a business potentially, you might want to put financial penalties in place for failure to perform the obligations that they would have, particularly if it is providing services of concession to operate a business. The scoping study then goes back to the Government through ERC for them to make a final decision as to whether or not to proceed with a specific transaction, in which case, as we are currently doing with WestConnex, you then engage the full array of advisers, you start a process of seeking market expressions of interest.

The Hon. COURTNEY HOUSSOS: Are there any other matters? I gave some examples this morning: Ausgrid, Endeavour, Essential Energy, rail maintenance, Sydney Water, Hunter Water, Service NSW, Forestry Corporation. Are any of those at the point of—are you preparing Cabinet minutes on any of those issues, Mr Pratt?

Mr PRATT: None of the ones you have mentioned, no.

The Hon. WALT SECORD: Are there ones that she has not mentioned?

Mr PRATT: No, the two that we have talked about are the two that I am referring to.

The Hon. COURTNEY HOUSSOS: The Lotteries and the WestConnex.

Mr PRATT: That is correct.

The Hon. COURTNEY HOUSSOS: Okay. And how far are we down the road on WestConnex?

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Mr GARDNER: It is a three-stage sale process, so you have a broad registration of interest for those people who would like to get documentation and materials from the transaction. That is a gating process. We have completed that process and there is now a second phase we are into, which is a more detailed expression of interest where proponents provide more details to the Government about their credibility and capability to participate. They also get access to a lot more data in the data room. For WestConnex a lot of it is environmental, traffic-related, technical data around the completion of the project. Then that process will come to an end in the next two or three months. Then we start a final sale process.

The Hon. COURTNEY HOUSSOS: How many organisations participated in the first stage?

Mr GARDNER: I cannot provide any specific information on number of participants in a process, sorry.

Mr PRATT: It is a live transaction at the moment so we cannot talk about the transaction itself, I am sorry.

The Hon. COURTNEY HOUSSOS: Okay. Do you know when it will be moving to the third stage?

Mr GARDNER: Hopefully in the next two or three months, yes.

The Hon. COURTNEY HOUSSOS: Mr Pratt, before lunch I asked you about the university loan guarantees and you took that one on notice. In some of the other estimates hearings we have been able to report back within the day. Do you think you would be able to report back on that one?

Mr PRATT: I checked on this over lunch. I am advised that the university concerned is sensitive information. So I can confirm that we are in discussions with one university but I cannot tell you which one that is.

The Hon. COURTNEY HOUSSOS: Are you able to tell us the five that were being assessed?

Mr PRATT: No, I cannot. No.

The Hon. WALT SECORD: Mr Pratt, there has been a lot of coverage about the Dine & Discover program. There was also some discussion and some community concerns about McDonald's and Subway coming forward to partake in the scheme. Just for clarity, I expressed my view that I did not have an objection to McDonald's or Subway, particularly in western Sydney where in fact it is an opportunity for many young families—the only viable economic option that they can have. Have other fast food chains come forward for the Dine & Discover program?

Mr PRATT: I will need to check that, Mr Secord.

Ms WILKIE: Service NSW administers the program, so we would need to check with them. The businesses need to register with Service to be part of the program. We would need to check with Service NSW.

The Hon. WALT SECORD: There has been criticism of the program. It was announced in October/November, re-announced in November, re-announced in December, then refined in January and then re-announced last month. Is Treasury evaluating or looking at the program's effectiveness?

Mr PRATT: Treasury supported the policy. The implementation, though, is with the Department of Customer Service, not with Treasury. I would say, though, that in a program of this magnitude it is really important we get it right. We touched on fraud earlier and the concerns around some of those issues. So a lot of time has been spent on piloting the program more recently and making sure that we understand what the issues are. The early read though, Mr Secord, as I have been seeing some of the data from the pilot, which is what we want, the citizen has been spending almost double the value of the vouchers. From a stimulus point of view, that is exactly what we wanted.

The Hon. WALT SECORD: Is that what is happening?

Mr PRATT: Yes. That was a core outcome that Treasury was looking for in the policy work.

The Hon. WALT SECORD: Back in the days when Michael Egan was Treasurer of New South Wales, Michael Egan was particularly energetic and exercised about attracting international regional headquarters, or RHQs, to Sydney. We see it happening with American international filmmaking coming to New South Wales because we are seen as a bit of a clean, safe location. Is Treasury or the New South Wales Government doing any work on attracting companies from, say, Hong Kong, which is suffering from instability, Singapore or Tokyo to New South Wales?

Mr PRATT: Yes. I will get Ms Curtain to comment on this in a moment but what I would say is that the feedback I am getting in inquiries, Australia and New South Wales are more attractive than ever, largely led by the COVID response, clearly. But New South Wales specifically, the feedback I get is a reputation for open

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for business. That, combined with the health position, means that we are getting quite a few inquiries. Ms Curtain is leading that work.

The Hon. WALT SECORD: Thank you, Ms Curtain.

Ms CURTAIN: Sorry, it is hard to see you there. Certainly the investment attraction team are receiving a lot of inquiries from across Australia as well as from international jurisdictions about companies wanting to move to New South Wales—partly the economic position that we are in relative to the rest of the world as well as the health response and seen as a safe place to come and do business. This was one of the purposes of the Jobs Plus Program that was launched at the end of last year. We are now working through applications of how we can assist those companies coming in. There are a number of ways in which we are looking to provide assistance, and that is statewide—so, regional areas, as well as Sydney.

The Hon. WALT SECORD: One last question, and maybe you can take it on notice if you are unable to answer. What is the budget allocation to international attraction?

Ms CURTAIN: The Jobs Plus Program has a \$250 million allocation against it but it is not specifically for international companies. It could be a domestic company, say, from Queensland or Victoria or another State looking to move to New South Wales. It could be equally a company that is already here looking to do a new project that brings in new jobs on top of what is already here.

The Hon. WALT SECORD: Can I get a breakdown, then, on Australian national and the international component?

Ms CURTAIN: It is not actually split yet. Each of the proposals will go to Cabinet to approve which projects will receive the funding, so it will be determined as the projects are approved to come through.

The CHAIR: We will come back to this. Ms Boyd?

Ms ABIGAIL BOYD: Thank you, Chair. Good afternoon. I wanted to talk a little bit about coal-fired power stations and the liabilities attached to them, which I know we have discussed in the past. Does Treasury retain any liability or responsibility for the Kerosene Vale, Wallerawang station ash dump in Lithgow?

Mr GARDNER: We do, Ms Boyd, yes. Under the original sale agreement with respect to Wallerawang, we actually did pass the responsibility for the demolition, decommissioning and rehabilitation to the successful proponent but more recently we have entered into an agreement to bring that back into and under the State's control.

Ms ABIGAIL BOYD: Okay. So, in the original agreement did you still have responsibility for the rehabilitation, just not for the decommissioning aspect? Was there a pre-existing contamination liability?

Mr GARDNER: With all of them there is a pre-existing contamination liability. That is correct.

Ms ABIGAIL BOYD: And now you have also taken on the decommissioning aspect?

Mr GARDNER: So, the decommissioning is being undertaken by a third party, which will be contracting to the recent purchasers of the site.

Ms ABIGAIL BOYD: Is that Bettergrow?

Mr GARDNER: Yes, that is correct. But we will be having members of Treasury's team and other independent advisers work with them to ensure that process—so, what we have taken back into the State's control is the remediation of the ash dam. We have an entity called GPM, which will be providing consulting and contracting services to complete that project.

Ms ABIGAIL BOYD: Right, okay. Has that already been accounted for in the budget?

Mr GARDNER: Yes, absolutely.

Ms ABIGAIL BOYD: Has there already been a line item?

Mr GARDNER: Yes.

Ms ABIGAIL BOYD: What is the amount? Can you remind me?

Mr GARDNER: I will have to take that on notice, I am sorry.

Ms ABIGAIL BOYD: Yes, okay. So, Treasury was involved in the handover of the ash dam from EnergyAustralia to Bettergrow as part of that process?

Mr GARDNER: That is correct, yes. We have been closely involved in that process, yes.

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Ms ABIGAIL BOYD: Are you aware of contamination draining from the Kerosene Vale site into Sawyers Swamp Creek and the Upper Coxs River?

Mr GARDNER: I am not aware of that, no.

Ms ABIGAIL BOYD: Could you perhaps take on notice whether that was part of the remediation, or whatever you want to call it, that GPM is undertaking?

Mr GARDNER: I will take that on notice, yes.

Ms ABIGAIL BOYD: Thank you. Is Treasury aware of the extensive contamination of groundwater surrounding the operating ash dumps in New South Wales—the five of them?

Mr GARDNER: To the extent that we have had reports provided to us as part of baseline studies, but that will be principally a matter for the Environment Protection Authority and the particular proponents who are operating and managing those sites.

Ms ABIGAIL BOYD: Has Treasury done any proactive costing of the liabilities that it still retains in relation to those ash dumps?

Mr GARDNER: As far as I am aware, no.

Ms ABIGAIL BOYD: Okay. Will the projected closure of Liddell Power Station trigger Treasury's liability for the site?

Mr GARDNER: On Liddell, it will—the pre-existing contamination aspect of Liddell is already expressed as a contingent liability in the budget.

Ms ABIGAIL BOYD: A quantifiable one or an unquantifiable one?

Mr GARDNER: A contingent liability as yet unquantifiable.

Ms ABIGAIL BOYD: I understand to make it quantifiable you need to have some kind of certainty over the timing and also some idea of the cost.

Mr GARDNER: That is exactly right. We need an idea of the cost and timing, yes.

Ms ABIGAIL BOYD: Yes. So, has the work been done to quantify the cost?

Mr GARDNER: Certainly the baseline studies will have been done, but obviously we will need to do a new study at the point in time when the power stations are basically decommissioned. That obviously will give you the difference that either the State or the operator is liable for.

Ms ABIGAIL BOYD: So, there is no provisioning done of—no preparation for how much that might be that the State is liable for?

Mr GARDNER: From a budget and accounting perspective, our budget teams go through these transactions on an annual basis and work with the post-transactions team to identify if anything particularly has changed that should cause them to be able to meet that threshold in the accounting standards, which is a measurable, known liability. At this stage we have not met that threshold, but we obviously know that that liability is there—the pre-existing contamination liability—and it is expressed as part of a contingent liability.

Ms ABIGAIL BOYD: I understand that. But if you were not a State and you were a company, even though you had something that you did not need to quantify for the purposes of the budget under the accounting rules, you would still want to be preparing for whatever that cost is. If it is an unknown amount, would you not be taking steps to quantify how much you may need to pay as early as 2023?

Mr GARDNER: I think the principle we apply is that we follow the accounting standards on these. We have experts that provide advice to us. We have people independent of me who are making those determinations as to what goes into the budget, so I am confident we have a robust process around expressing liabilities at the appropriate time in the budget.

Ms ABIGAIL BOYD: Is Treasury aware of the extensive contamination in Lake Liddell in the Hunter?

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

Ms ABIGAIL BOYD: Thank you, that would be useful. You will no doubt be aware of the recent reports in relation to the potential closure of various power stations in New South Wales. Has Treasury been doing anything proactively to model the impact that will have on nearby communities?

Mr GARDNER: That is probably not something for me to respond to.

CORRECTED

Mr PRATT: To my knowledge, not at this point. Ms Wilkie?

Ms WILKIE: That is not something I have picked up.

Mr PRATT: No, we have not done, at this point.

Ms ABIGAIL BOYD: Okay, thank you. Can we talk a little bit about the land tax proposal? I understand from my questions earlier that the Treasurer is saying that this is just a proposal and that some of the modelling has not been done yet; however, I assume there is some modelling that underpins the original proposal. Have you done a distributional analysis of that proposal?

Mr PRATT: I will get Ms Wilkie to talk to that.

Ms WILKIE: We have not explicitly done a distributional analysis across socio-economic groups in the way you were asking this morning. We do know that for the proposal that is currently out for consultation, the modelling that we have done—we anticipate that that will increase home ownership in New South Wales in the order of about 5 per cent. Given that home ownership is one of the largest components of household wealth and given that we expect home ownership to grow as a proportion of the population; therefore, that would have a positive impact on wealth equity.

Ms ABIGAIL BOYD: Could you define what you mean by home ownership? Would it apply to, for example, a big property investor having multiple units or are we talking about people using it as their home?

Ms WILKIE: No. That is owner-occupied growth of 5 per cent. In the proposal that is being consulted on at the moment the rates are deliberately set, based on our modelling, at levels that would encourage more home owner-occupiers and less particularly big-end-of-town investment in residential property.

Ms ABIGAIL BOYD: How would you prevent the speculation from those bigger investors who will, without the burden of stamp duty, be able to basically churn through properties in order to play the capital gains aspect?

Ms WILKIE: That happens now, so I guess to the extent whether that does or does not happen—for somebody who is purchasing a residential property as an investment property, under Commonwealth tax legislation they are entitled to a tax deduction for something like stamp duty as they would be entitled to a tax deduction for something like the property tax. So to the extent that that speculation happens now under the existing tax arrangements, it could still happen under the new tax arrangements, should the Government decide to go ahead with them.

We expect transaction volumes will increase significantly, should these proposals go ahead, because one of the benefits of them—and it is the reason why you get increased home ownership and the reason why we expect house prices to fall in the long run—is that people will transact more often in the property market because if you are talking about a couple who has just recently gotten married, they do not have children, they are buying their first home as a couple, at the moment what tends to happen is people will buy a four-bedroom house in anticipation that they are going to have a family.

What we expect would happen now is that they would choose to buy a smaller apartment or a townhouse, a smaller property that better fits their needs at the moment and so, therefore, in a few years' time, if they are then planning to have children, they would purchase another property. So the transaction volumes will go up, and quite significantly, in our modelling under this proposal.

Ms ABIGAIL BOYD: Thank you. I have run out of time.

The CHAIR: Mr Latham?

The Hon. MARK LATHAM: Thanks, Chair. To the secretary, I know it is a big thing inside the Treasury, but what is your pronoun? Do we refer to you as "Mr"—

The Hon. NATALIE WARD: Oh please.

The Hon. MARK LATHAM: —or some other title according to the Wear it Purple Day staff training that outlawed words like "husband", "wife", "guys" and so forth?

Mr PRATT: Mr Latham, I think you are over-exaggerating the emphasis on this issue. One of our core tenets is diversity and inclusion, and I am very pleased that is the case.

The Hon. MARK LATHAM: But have you got a preferred pronoun?

Mr PRATT: Well, it is "Mr".

CORRECTED

The Hon. MARK LATHAM: "Mr", okay. Well, Mr Pratt, as Treasury secretary, do you see yourself as a guardian of the public purse ensuring that the fiscal discipline that the Treasurer spoke about earlier on is enforced across the public sector, most particularly in the role model of the Treasury itself?

Mr PRATT: I have a key role to play in that. I am not the only one of course, but, yes, I do.

The Hon. MARK LATHAM: So why did Treasury commission a \$38,000 painting by Josie Rose to hang in the communal space, supposedly to witness—I do not know how a painting witnesses anything—to all staff "our ongoing commitment to reconciliation"? Some \$38,000 for a painting, is that not just an appalling example to set in the rest of the public sector—indulgence, unnecessary expenditure, encourages others to waste money like this as well?

Mr PRATT: If you look at it in the context of very little spend on reconciliation more broadly, this is an important symbol of our reconciliation action plan that we have implemented in Treasury. It reminds people daily of the commitment that I and others have made to that plan.

The Hon. MARK LATHAM: You could not find a cheaper symbol than \$38,000 of taxpayers' money?

Mr PRATT: I am not an artist. It is not for me to comment on the value of paintings, but this was commissioned for that purpose, Mr Latham.

The Hon. MARK LATHAM: How many of your staff are not committed to reconciliation?

Mr PRATT: Look, I do not know specifically, but I would say the majority are. Certainly, staff surveys—

The Hon. MARK LATHAM: Mr Pratt, this is just a ridiculous indulgence, is it not, to spend \$38,000 at a time when the budget is in massive deficit, you have lost the triple-A credit rating? Can you not see how this encourages other departments to do the same—spend money on themselves instead of legitimate public purposes?

Mr PRATT: I can only repeat: It is an important symbol of what we are trying to achieve here.

The Hon. MARK LATHAM: But why do symbols matter when you are supposed to be the guardian of the public purse? Out there in places where they have unemployment and businesses have closed down, they are not worried about symbols. They are worried about outcomes for the public, the people of New South Wales, not a \$38,000 painting hanging in a common area for staff who would be, essentially, 100 per cent committed to this cause already. It is completely unacceptable, is it not?

Mr PRATT: No, it is not.

The Hon. MARK LATHAM: Do you regard this as a mistake in hindsight?

Mr PRATT: No, I do not. No, I am very supportive of it.

The Hon. MARK LATHAM: You would do it again?

Mr PRATT: I would do it again. I am very supportive of it.

The Hon. MARK LATHAM: Do you think that the public also looks at these PC language training sessions as a waste of public resources: bringing in trainers to tell people not to use words like "husband", "wife", or "guys", to use American terms? If you are going to use Green, Left, PC stuff, at least it should be Australian. American terms like "Welcome, folks" and "Hi, folks"—is this not another gross waste of money on your watch?

Mr PRATT: I have certainly not put any focus behind some of those things that you are suggesting.

The Hon. MARK LATHAM: Why are they in your department?

Mr PRATT: I am not across everything that happens in my department, Mr Latham.

The Hon. MARK LATHAM: Why not? This was organised by a deputy secretary sitting right next to you, and you are saying you are not across it?

Mr PRATT: She has every right to organise things like that if she thinks that is appropriate.

The Hon. MARK LATHAM: But what do you think about it? It is inappropriate and wasteful, is it not?

Ms WILKIE: Mr Latham, I would also like to point out it was a voluntary session, the speaker was not paid, it was held at lunchtime.

CORRECTED

The Hon. MARK LATHAM: What example does it send to the people of New South Wales that your interest is not productivity and economic growth but language control to the absurdity of saying, "You can't use words like 'husband', 'wife' or 'guys'"? Seriously?

Mr PRATT: That completely exaggerates the emphasis. I mean Ms Wilkie has just told you this was a lunchtime event. Let me tell you: The bulk of Treasury time gets focus on the very issues you have just mentioned.

The Hon. MARK LATHAM: Mr Pratt, what is white privilege?

Ms ABIGAIL BOYD: The fact you have to ask.

The Hon. NATALIE WARD: Point of order: I am not sure what this has to do in any tangential way with the New South Wales budget in any sense.

The CHAIR: The question is relevant. It is a matter for the witness how he chooses to answer it.

The Hon. MARK LATHAM: It has to do with the article written by Rick Macourt—

The Hon. NATALIE WARD: Relate it somehow to the budget.

The Hon. MARK LATHAM: —that was liked by the secretary. If he liked it, he must know what he was liking. What is white privilege?

Mr PRATT: Mr Macourt, if my recollection is correct, was pointing out the importance of focusing on Indigenous investment.

The Hon. MARK LATHAM: No, he was critiquing white privilege, and you liked the comment on LinkedIn so you must know what it means.

Mr PRATT: He was critiquing an article, Mr Latham, that you were quoted in just before Christmas in the Telegraph, as I understand it, which I think had very strong racist undertones.

The Hon. MARK LATHAM: In what regard?

Mr PRATT: Well, let me call the article up. Would you like me to read from it?

The Hon. MARK LATHAM: Yes, please do.

The Hon. NATALIE WARD: I am glad all these people are here for this.

The Hon. MARK LATHAM: It says that:

A NSW Treasury push to create two new highly paid public service positions dedicated to "reconciliation" has been criticised for "unnecessary wokeness" and being "an indulgence" during a pandemic.

The point was made that instead of employing people on causes that are addressed elsewhere in the public sector, you might turn your attention to the high levels of unemployment, how we regrow the economy out of a recession and lift productivity. What is racist about that?

Mr PRATT: I will just find the article. The article goes on to say:

... there is always more room at the inn for overpaid, unelected and unaccountable bureaucrats whose mission it is to forever divide Australia by race.

That is completely untrue in respect of Treasury. The two positions that are referred to were under review at the time on my desk. This article goes on to say that everything has been agreed. It had not been agreed. I would also point out that today, if I look at the number of people working on Indigenous matters in Treasury, it is a complement of 10. Not all those positions are filled, but if you look at that in the context of the total Treasury staff, it is less than 1 per cent; it is 90 basis points focused on Indigenous matters. I would argue very strongly that is the work of Treasury. We talked earlier about outcomes. How many times do you read regularly that Indigenous spend has been wasted? So I have put a real strong focus in Treasury on looking at Indigenous spend and what are the outcomes we get for it.

The Hon. MARK LATHAM: You do not regard this concept of white privilege as dividing people on the basis of race? How do you know every person is defined as being privileged just because they have white skin, myself included.

Mr PRATT: I do not support the nomenclature.

The Hon. MARK LATHAM: You do not?

Mr PRATT: No, but—

CORRECTED

The Hon. MARK LATHAM: But you liked it. You gave it approval.

Mr PRATT: I liked the content. I mean, my personal opinion: I do not think a strong Right or Left position on these issues helps anybody. What we are trying to do in Treasury is get the right balance and have people who can monitor spend and make sure we achieve outcomes.

The Hon. MARK LATHAM: So your 10 workers in Indigenous areas, what are they doing about the problems in Walgett, where they have 27 per cent unemployment rate, a year 12 attainment rate of 17 per cent and the local high school is a basket case?

Mr PRATT: I cannot speak specifically about Walgen, but what I would say—

The Hon. MARK LATHAM: Walgett.

Mr PRATT: Walgett. What I would say is that in the budget recently we announced a program for after-school work for year 12, year 11, for trainees to come in and pick up construction jobs. As I understand it—I would have to check this number—I believe the take-up has been quite significant. I am talking about 200 or 300.

The Hon. MARK LATHAM: In Walgett?

Mr PRATT: No, as I said, I cannot speak specifically.

The Hon. MARK LATHAM: Well, see, these are real life. These are not paintings symbolically hanging on a wall; these are real-life problems experienced by Indigenous people. What about Inverell, where the unemployment rate is 32 per cent, the year 12 attainment rate is 20 per cent? What is Treasury doing about that?

Mr PRATT: That is why I want these roles. They are very focused on these sorts of issues.

The Hon. MARK LATHAM: What are the roles doing? You have 10 and a painting on the wall. How does that make any difference to these families suffering in rural New South Wales?

Mr PRATT: Well, five of those are policy-related to look at policy interventions working on closing the gap—policy of government—and the other five are related to outcome measurement to make sure we do get value for the investments that we make.

The Hon. MARK LATHAM: What has Treasury done to close the gap in Inverell and Walgett?

Mr PRATT: I cannot specifically answer that.

The Hon. MARK LATHAM: Well, that is pathetic, isn't it?

Mr PRATT: Well, it is not.

The Hon. MARK LATHAM: That is truly pathetic. You are making out you are caring about these issues. Here are critical areas, important parts of the State where they are living in squalor and you cannot say what your staff are doing to close the gap. You hang the painting on the wall and you cannot do anything to help the people who really need it. Maybe that is white privilege.

Mr PRATT: Well, according to your definition it might be.

The Hon. MARK LATHAM: Too right. What are you doing to close the gap in Walgett and Inverell?

Mr PRATT: You cannot specifically expect that I will know what is going on in those two locations.

The Hon. MARK LATHAM: What about any other locations? What about Taree, where they have 28 per cent Indigenous unemployment and 20 per cent year 12 attainment rate? What about Ashcroft, where I used to live—in fact, where I grew up—where they have 22 per cent unemployment rate and 19 per cent year 12 attainment rate? Can you identify any closing of the gap in any part of New South Wales for Indigenous people?

Mr PRATT: I am sure we can.

The Hon. MARK LATHAM: Can you now?

Mr PRATT: I cannot right now. We have only just—

The Hon. MARK LATHAM: You cannot, as secretary of the department? You hang the painting and spend the money but you cannot address the real-life concerns of Indigenous people.

Mr PRATT: My answer to your question, Mr Latham, is that we have only just set up this unit. Exactly the reasons that you are just raising is why we have done it—to get outcome focused. That is why we put it in place.

CORRECTED

The Hon. WALT SECORD: Mr Pratt, recently the Opposition lodged questions on notice involving public land sales in New South Wales. Since 2011 the Government—the O'Farrell, Baird, Berejiklian governments—sold \$23 billion in public land since coming to office. Then we see recent controversies about compulsorily acquiring homes down in Jannali. What is Treasury's policy on public land sales? Some \$23 billion worth of land has been sold since the Government came into office. That is an extraordinary figure. How does Treasury actually determine what is sold?

Mr PRATT: Targets are set for clusters or agencies. Those targets are expected to be delivered upon to meet budget requirements. So each cluster—or agency within that—will have specific targets for them to achieve with land sales.

The Hon. WALT SECORD: In 2019-20, according to the table, \$627 million of land was sold in New South Wales in one financial year. Again, what do you mean "targets"? Can you go into that for me? What do you mean that a department is given a target to sell public land? Is that part of their KPI for the year?

Mr PRATT: Yes. When the budget is set part of the attainment of that budget is a certain number of land sales, which is agreed with each cluster.

The Hon. WALT SECORD: So does that result in departments selling land that should actually be earmarked for future public use, future government activity?

Mr PRATT: That is for the department to determine. We do not directly get involved in those decisions.

The Hon. WALT SECORD: But if there are set targets to do this then they are compelled to meet these targets. What happens to a department that does not meet the land sale target?

Mr PRATT: In my experience, Mr Secord, I regularly find departments push back on those—they cannot dispose of certain land for this reason or for that reason. That is a regular occurrence. Mr Midha, in his role as head of budget, regularly has those discussions.

The Hon. WALT SECORD: Okay, but you can only push back so much. So if you do not meet your land sale target—a department can only push back against Treasury so much. Mr Midha, could you explain how government land sales occur and what happens when a department pushes back?

Mr MIDHA: We have historically got rid of surplus land. Each department identifies land surplus to their needs and this is not unusual. Over the past, I think going back to 2004 or 2005, on average we have sold about \$633 million worth of land each year. That is going back almost 20 years. I am looking at the half-year results. We have about \$561 million earmarked for 2021. We do acquire land when necessary for building infrastructure projects as required. Over time some land does become excess to capacity or not required or it might have land that was located in the right place for particular infrastructure that may not be true today—the population has moved on and needs have moved on. Those are what agencies are tasked with looking for to make efficient use of our balance sheet. We do not want an asset sitting on our balance sheet that has no use unless it is earmarked, obviously, for future sales. That is also identified as part of strategic land-use evaluation.

The Hon. WALT SECORD: Okay, but you use the phrase "surplus to needs". How do you determine surplus to needs? Maybe I will lead you there. If you are talking about a country area, their surplus needs would be different to an inner-city suburb.

Mr MIDHA: Sure. We do not determine that; the agencies do. For example—a hypothetical example—if Education has a location for a school that is not used anymore—they have a new location—then that might become surplus to needs because a new school has been built et cetera. So that is what then gets disposed of. That is a good process where we look at the balance sheet and we look at assets that the agency determines are surplus to their requirements.

The Hon. WALT SECORD: Would land in places like Parramatta or Liverpool not be at a premium? If you have government land in those areas would you not just hold them because of population growth and need in those areas? Would you not just fiercely hold onto them because it would be a short-term decision to dispose of them?

Mr MIDHA: It is up to the agency to determine when they could foresee a use of the land and whether holding the land for 10, 20 or 30 years is better value rather than recycling the asset and then paying for the land as and when you require at that time. But it is for the agency to determine that.

The Hon. WALT SECORD: You used the word "targets", or maybe the secretary did. Someone used the word "targets". What are the targets that you set for government departments on "surplus to their needs"? What is the target?

CORRECTED

Mr MIDHA: It is in the budget report. Each agency, as I have said, has a number. I do not have the exact page number—we can get you that—but it is in there by each different agency and it does vary. The one with the largest landholding is obviously Transport. For 2021 they have a \$25 million target.¹

The Hon. WALT SECORD: Transport just happened to be, by coincidence, the example that I provided. So Transport disposes of land but then they compulsorily acquire homes in Jannali?

Mr MIDHA: Yes, it makes absolute sense because you may have surplus land in an area that you are not building infrastructure and you need land where you are building infrastructure, so it is just a way of transferring assets into liquid assets and using that money to buy land that you need for the infrastructure.

The Hon. WALT SECORD: You were reading from a document there. Can you possibly get me, on notice, the agencies and the targets?

Mr MIDHA: Yes, sure.

The Hon. COURTNEY HOUSSOS: Perhaps you can come back to us today with that, Mr Midha?

Mr MIDHA: Yes, I will try to.

The Hon. COURTNEY HOUSSOS: Mr Pratt, I wanted to come back to the question of "all roles flex", the question of working from home and working flexibly. I obviously referred to the Government's policy. Can you confirm that all of the infrastructure requirements that are in place—laptops, VPNs or the like—are all going to remain in place post-COVID?

Mr PRATT: Yes, definitely. We were doing this, as I mentioned, pre-COVID. That will continue.

The Hon. COURTNEY HOUSSOS: I will put on record—and I know I have asked a lot of questions about the way all roles flex has worked in the past—that I too support the need for some face-to-face time but I think we have to be very cautious in mandating people coming back to the office full-time. I do not think that is a step forward and I think that is probably in accordance with the Government's policy. Can I come to the question of paid parental leave that the Treasurer talked about earlier and that was in his Budget Speech. That was 14 weeks paid leave for New South Wales public servants if they are the primary carer. Is that correct?

Mr PRATT: I think that is correct.

Mr MIDHA: Yes, it is. I thought it was 12 weeks?

Mr PRATT: Could we recheck that?

The Hon. COURTNEY HOUSSOS: Yes, of course. I am happy if you want to take this on notice but I could not see any reference whether there was any provision for other parent leave or for what we have traditionally called paid paternity leave, so that is person who is not necessarily the primary carer but giving them some paid time off as well. My understanding is that across the public service it is only one week. Is that still the situation?

Mr PRATT: We will check that with an answer to your first question, if that is all right.

The Hon. COURTNEY HOUSSOS: Yes, I appreciate that. I wanted then to come to the question of independent funding of ICAC and that is obviously something that I note my colleague the Deputy Chair on the Public Accountability Committee [PAC] has been quite vocal on. Has ICAC made any additional—I understand they made an application for \$4 million in 2019-20 that was refused. Have they made any applications for additional funding this year?

Mr PRATT: For this current financial year?

The Hon. COURTNEY HOUSSOS: That is correct.

Mr PRATT: Not to my knowledge. That they may have done through DPC, not through Treasury.

The Hon. COURTNEY HOUSSOS: My apologies. The applications go to DPC.

Mr PRATT: In this first instance, yes.

¹ In [correspondence](#) to the committee, dated 7 April 2021, Mr San Midha, Deputy Secretary, Policy and Budget, NSW Treasury provided a clarification to his evidence.

CORRECTED

The Hon. COURTNEY HOUSSOS: Okay. There was a bill that was proposed by the Deputy Chair of this Committee in the Parliament around independent funding and it was also attached to the budget papers but was voted down. Did Treasury do any modelling around that on ways that that could actually be put into practice?

Mr PRATT: Not to my knowledge, no.

The Hon. COURTNEY HOUSSOS: Sorry, Mr Midha. I understand you got distracted momentarily from my questioning so I am happy to say it again. It is whether the Treasury did any modelling on the proposal to have independent funding and if there was any way that that could occur with some oversight from Treasury. Did you do any work on that?

Mr MIDHA: No, we are still looking at a solution. We have taken on board the Auditor-General's report and the PAC report. Work is being done to come up with solutions. That needs to be done by August this year and we have not yet done any modelling on what that would look like.

The Hon. COURTNEY HOUSSOS: So your response will be the response to the PAC inquiry report.

Mr MIDHA: And the Auditor-General's report.

The Hon. COURTNEY HOUSSOS: You are not aware of any additional funding requests made as yet?

Mr PRATT: That is correct. We do not have any at this point.

The Hon. COURTNEY HOUSSOS: How are they assessed? I understand they go to DPC first. What role does Treasury play in that?

Mr PRATT: It comes through the agency, in this case, as you have said, DPC. Under Mr Midha then there is a budget team who are responsible for different agencies. They will sit down with the agency concerned and work through their budget request. Then on the back of that they will provide Treasury advice on the budget proposal.

The Hon. COURTNEY HOUSSOS: They go through the process. There was a series of applications that were rejected. On what grounds were they rejected? There was one in 2013-14, one in 2015-16, one in 2016-17 and one in 2019-20. Do you give a grounds for them being rejected?

Mr PRATT: Yes, we do. We would have to get specific examples off you to follow up on that question. There are many, many bids, as you would appreciate. Not all of them get up.

The Hon. COURTNEY HOUSSOS: I appreciate that bids coming from different agencies are different. But an independent integrity agency applying for more funding and then being refused is particularly interesting. So perhaps you could provide on notice any applications and why they were rejected. I wanted to come to this question of—my colleague was just asking about—land sales. Earlier in estimates last week we heard from the Minister for Skills and Tertiary Education that they gained \$20 million from Health when they gave part of the Randwick TAFE car park to Health to build a new ambulance superstation. Does that money go straight to Skills? How does that process work?

Mr MIDHA: I am trying to get some information. What was the question again?

The Hon. COURTNEY HOUSSOS: We heard in estimates last week that Randwick TAFE sold off part of their car park to build an ambulance superstation at Randwick on part of that site. They are saying that they got \$20 million. Is that just a straight transfer from Health to Skills? How does that work?

Mr MIDHA: If there is an intra-agency asset sale, that will be the case. They would get commercial value paid for by the buying agent.

The Hon. COURTNEY HOUSSOS: It is just a simple land evaluation and then they—

Mr MIDHA: That is right. The asset is transferred and payment is made.

The Hon. WALT SECORD: Mr Secretary, on 25 February Mr Reardon, Secretary of the Department of Premier and Cabinet, said that his cluster had a \$20.3 million efficiency saving target in the last financial year and he also said that he was undertaking a number of voluntary redundancies across the cluster. Does that apply to all of the other clusters?

Mr PRATT: Yes, I understand they will have efficiency targets, definitely. I understand they are all looking at how they meet those targets. Whether they are doing voluntary redundancies or not, Mr Secord, I cannot answer that. A number possibly will be but, regardless of that, they all have targets they need to meet.

The Hon. WALT SECORD: Who determines what the efficiency target is?

CORRECTED

Mr PRATT: That is done through ERC.

The Hon. WALT SECORD: And what is the efficiency target?

Mr PRATT: It is 3 per cent.

The Hon. WALT SECORD: And do you have the same efficiency target for Treasury?

Mr PRATT: Yes, I do.

The Hon. WALT SECORD: To meet the efficiency target, you said there are a number of ways to do it and voluntary redundancies is one of them. What are the other ways that you can meet the efficiency?

Mr PRATT: For a start you can look at what you stop doing, what work is unproductive that you should not be doing. I think that is ongoing and obviously if you stop work, you stop headcount. You do not need that number. So that is certainly another way of doing that. You look at your overall cost mix—your cost base, as such. In Treasury, for example, it is largely people. I do not have a big capex plan, for example. It is largely people related and so I look at structure and I look at what we do not do. I have those discussions with the Treasurer about what is a priority and what is not and then, on the back of that, make some decisions about what our headcount needs to be.

The Hon. WALT SECORD: Are you undertaking voluntary redundancies in Treasury?

Mr PRATT: Not at this point, no.

The Hon. WALT SECORD: Not at this point.

Mr PRATT: But I am looking at structure and cost. I have \$14 million to find at 30 June. So that is work that I am doing, yes.

The Hon. WALT SECORD: You have to find \$14 million by June?

Mr PRATT: That is correct. For the 1 July budget.

The Hon. WALT SECORD: I purposely used the phrase voluntary redundancies. Does the Government go into the area of forced redundancies?

Mr PRATT: It does but as I understand it—and I am happy to take this on notice, Mr Secord, if you wish—the bulk of redundancies in government are voluntary and there are in the mid-90 per cents, the last time I looked, of total redundancies. So yes, the Government does do forced redundancies, but as I understand the numbers the voluntary redundancy is more attractive.

The Hon. WALT SECORD: What is the current state of play for voluntary redundancies?

Mr PRATT: In what way?

The Hon. WALT SECORD: Is it X weeks' salary times the number of years worked? How does it work?

Mr PRATT: I would have to take that on notice. I do not have those numbers with me.

The Hon. WALT SECORD: To meet the 3 per cent efficiency savings, does each cluster have to report to you with a plan of action—a way forward, so to speak?

Mr PRATT: Yes, they do. That will come this year again through the budget process and Mr Midha's team—when I was talking about it to a question earlier—will sit down with every major agency or cluster and work through that plan.

The Hon. WALT SECORD: How many clusters are we down to now?

Mr PRATT: Nine clusters.

The Hon. WALT SECORD: Nine clusters, that is right. Are you in a Treasury cluster or are you part of another cluster?

Mr PRATT: No, a Treasury cluster.

The Hon. WALT SECORD: The nine clusters report to your colleague on their plan of action or way forward?

CORRECTED

Mr PRATT: We work through with the CFOs of those clusters, so it is their responsibility. We do not often get involved agency by agency level because the workload there is just not practical, but we will work with the CFOs of the clusters on those targets and what the settings should be.

The Hon. WALT SECORD: As part of the way forwards, are there certain areas that are no-go zones for redundancies or efficiencies?

Mr PRATT: Not that I am aware of. I mean, there was a restriction at one stage around regional jobs and protecting regional jobs. You would have to ask the regional cluster now on their perspective on that issue. I am not aware of that at the moment, but otherwise, no.

The Hon. WALT SECORD: So generally it is, "Find your 3 per cent", so to speak.

Mr PRATT: Yes.

The Hon. WALT SECORD: Now, excuse my ignorance but do unspent funds in a department's programs get roped into or pulled into efficiency dividends that are going back to Treasury or is that on top of that?

Mr PRATT: It depends what the purpose is. There might be termed-out funding for a certain period, so at the end of that term that funding expires anyway. We look at the overall cost of running the cluster and then we look at efficiency dividends that I have outlined and any other costs savings. The outcome budgeting work that we are doing is starting to shed more light on a lot of that. So we are looking at programs and focusing on the outcomes of those programs as a way to get better rigour in this process.

The CHAIR: You have three seconds.

The Hon. WALT SECORD: I will pass on the three seconds.

Mr DAVID SHOEBRIDGE: Mr Pratt, can you tell me what the current unfunded liabilities in the Home Building Compensation Fund [HBCF] are?

Mr PRATT: I will see if Mr Gardner has that information.

Mr GARDNER: Actually, Mr Harding might.

Mr PRATT: Do you have it?

Mr HARDING: Let us see if I have got it.

Mr PRATT: Let us see if we can find it.

Mr HARDING: The current funding ratio for the Home Building Compensation Fund is 43 per cent.

Mr DAVID SHOEBRIDGE: Okay, so it has got 43 per cent of the funds needed to meet its liabilities. As at when?

Mr HARDING: That would be as at the end of December.

Mr DAVID SHOEBRIDGE: That is at the end of December. Well, we can do it one of two ways: How much has got in it—then I will do the calculations—or what is the extent of the unfunded liability, if you have the figure?

Mr HARDING: I do not have the figure in front of me for the actual dollar value. My understanding is that there are two parts to the Home Building Compensation Fund. There is a pre and post, and it is the post—

Mr DAVID SHOEBRIDGE: Pre- and post-what?

Mr HARDING: Pre- and post-government taking it over and icare taking it over. It might be better to take this on notice, Mr Shoebridge, given it is not an area that I have deeply looked at since arriving. The post element is at a greater level of funding—I think roughly around 70 per cent—whereas the pre elements are still less funded or have a lower rating funding. Why don't I come back to you if you want the actual numbers?

Mr DAVID SHOEBRIDGE: I know that there is a distinction between before and after 1 July to the extent to which Treasury has given a commitment for before 1 July 2018, but that does not distinguish between public and private that I am aware, Mr Harding—

Mr HARDING: No.

Mr DAVID SHOEBRIDGE: —or non-government and government.

CORRECTED

Mr HARDING: It is about the degree to which Treasury is committed to complete it. Let me come back to you and take the question on notice, Mr Shoebridge, rather than trying to answer off the top of my head.

Mr DAVID SHOEBRIDGE: This is a budget estimates hearing and so I would have expected there to have been a briefing that would have given us some details about the size of the deficit in the Home Building Compensation Fund. I would have expected to have some actual numbers. You cannot tell us—

Mr HARDING: I am happy to take it on notice and come back to you.

Mr DAVID SHOEBRIDGE: Well, are you aware that the State Government's liability for the Home Building Compensation Fund grew by \$110 million between June 2019 and June 2020? Are you aware of the scale of the problem?

Mr HARDING: As I said, Mr Shoebridge, I am happy to take the question on notice—

Mr DAVID SHOEBRIDGE: This is a different question, Mr Harding.

Mr HARDING: —and come back to you.

The Hon. TAYLOR MARTIN: He is entitled to take it on notice.

Mr DAVID SHOEBRIDGE: No, but you cannot say, "As I said, I will take the question on notice." I am putting a different question to you, Mr Harding. They are different questions and you cannot refer to taking an earlier question on notice.

Mr HARDING: The questions are of the same content, Mr Shoebridge. But at the moment I do not have that information, so I will have to take it on notice.

Mr DAVID SHOEBRIDGE: Mr Harding, they are about a scheme that, on the most recent data we have, is \$746 million in the red as at the middle of last year, which the taxpayers of New South Wales are on the hook for—\$746 million as at the middle of the last year. Now you are the CEO in charge of this. You have a bunch of staff. I am asking you what the current deficit is and I find it extremely disconcerting that you cannot tell us the scale of the deficit or the size of the deficit. You are the CEO.

Mr HARDING: I have been in the business for six weeks, Mr Shoebridge. There are a lot of details to get across.

Mr DAVID SHOEBRIDGE: How many three-quarter of a billion dollar deficits have you got to get your head around in icare?

Mr HARDING: Mr Shoebridge, I have said to you that I do not have information. There is no point in me trying to make it up for you. I will bring it back on notice.

Mr DAVID SHOEBRIDGE: Mr Pratt, has Treasury been keeping a view of the growing and growing unfunded liabilities in the Home Building Compensation Fund? Have you got a watching brief?

Mr PRATT: Let me see if Mr Gardner may have that information you are seeking.

Mr GARDNER: Look, we have regular updates from the icare senior executive team on the position on all the funds—

Mr DAVID SHOEBRIDGE: You are doing better than me.

Mr GARDNER: —that relate to the State's balance sheet. The answer is, yes, we have regular updates from them.

Mr DAVID SHOEBRIDGE: What is the most recent update that you have got for the Home Building Compensation Fund and what is the current figure for the State's liability in terms of the unfunded liabilities of the scheme?

Mr GARDNER: Like Mr Harding, I have got the 43 per cent. I am just trying to find the capital value of that. That will actually probably sit within the broader Treasury Managed Fund [TMF] exposure, which is why there will not be a—and I will have to just clarify this for you, but we have consolidated a number of these individual balance sheet funds into the TMF so it may be that there is not a specific balance that sits behind the HBCF.

Mr DAVID SHOEBRIDGE: But you have got a standalone scheme with a whole distinct set of claims under it. Surely you are keeping an eye out for the scale of the deficit for that. I mean the people of New South Wales are on the hook for three-quarters of a billion dollars and I think it is only fair that somebody in budget

CORRECTED

estimates is able to give them an update on how much is owed basically to compensate the building industry, because that is what this scheme does: It compensates the building industry by selling underpriced insurance.

Mr GARDNER: But if the State has an aggregate view on how much is the level of funding across all of the schemes that it is responsible for funding, then that is the way we think about the TMF—as providing that overarching pool of funding to support all those. It does not necessarily mean that you need to have a particular pool of assets. We know exactly what the funding ratio is for that, but it does not have to be specifically carved out as a particular pool of money. That would be an inefficient way to manage the overall exposure that the State has.

Mr DAVID SHOEBRIDGE: But to have an understanding about why we have such extraordinary debts, you need to understand what is causing them. You are saying that you do not have a separate report on the amount of money that needs to be chipped in to the Home Building Compensation Fund to make it solvent.

Mr GARDNER: We have a lot of detail around the specific drivers of the net result for the home building fund, so you have got premiums incurred, claims incurred, expenses and underwriting results. You have got all that breakdown—

Mr DAVID SHOEBRIDGE: So what is the net result for the last—

Mr HARDING: Maybe I can help here. I have some updated information for you, Mr Shoebridge, if that is alright. The funding gap you were asking me for is around \$740 million, which you have already highlighted. Of that, \$521 million is pre-2018 and \$193 million is post-2018. And obviously, as you have already said, the Treasury guarantees pre-July 2018 amounts.

Mr DAVID SHOEBRIDGE: So is that as at December, Mr Harding?

Mr HARDING: In terms of the net result that you asked about—

Mr DAVID SHOEBRIDGE: Is that as at December?

Mr HARDING: It is as at December. The net result that you asked about as at December, Mr Shoebridge, is \$32 million positive and I also know from a pricing conversation that we also now have pricing at full breakeven rates, so the scheme is heading in the right direction. But obviously there are some pre-2018 issues still to be resolved.

Mr DAVID SHOEBRIDGE: You say pre-2018, but it went back by \$110 million between June 2019 and June 2020. It went back by about \$130 million between June 2018 and June 2019. This is not just a pre-2018 problem, Mr Harding, is it?

Mr HARDING: Those numbers I will have to look at, Mr Shoebridge, because, again, I do not have that right here, right now. You are talking about last year's data. I will come back to you on that.

Mr DAVID SHOEBRIDGE: Is there still a policy in place to sell these premiums to the building industry below cost?

Mr HARDING: I just said to you before that the premiums are now at their break-even rate.

Mr DAVID SHOEBRIDGE: Is that a policy change?

Mr HARDING: No, my understanding is that we have been moving the premiums over time to the point where they are now, in my understanding, at the break-even rate.

Mr DAVID SHOEBRIDGE: So who is going to pay for the accumulated deficit?

Mr HARDING: The deficit is varying between the amount that is pre-2018 and the amount that is post. The premiums will accumulate that over time in conjunction with investment income.

Mr DAVID SHOEBRIDGE: Sorry, that is your view? The premiums going forward are going to be set at such a level—

Mr HARDING: When we talk about a break-even premium rate that is what we meant.

Mr DAVID SHOEBRIDGE: If you let me finish my question, Mr Harding, I will let you finish your answer. Are you saying the premiums going forward are going to be set at a level to provide a sufficient additional income to pay off the accumulated three-quarters of billion-dollar deficit? Is that your position?

Mr HARDING: What I need to check to be able to answer your question is whether it is relative to the pre- or post-July amounts. Obviously, the break-even premium is set to accumulate to remove the deficit. That is what a break-even premium is.

CORRECTED

Mr DAVID SHOEBRIDGE: Well, we will have to disagree about what a break-even premium is in terms of an historical deficit because I have never heard it described that way, Mr Harding.

The CHAIR: Mr Borsak?

The Hon. ROBERT BORSAK: Historic deficits are hard to replace. The taxpayer is on a hook, like you said.

Mr DAVID SHOEBRIDGE: That is what will happen.

The Hon. ROBERT BORSAK: Mr Pratt, I did not get enough time to question the Treasurer on this earlier, so maybe you can shed some light on some of this for me. Do you know why the Treasurer announced on 4 July last year that the existing Powerhouse Museum at Ultimo was not going to be demolished? It had the net effect of adding \$195 million to the cost of the project. Did he consult with Treasury first before he did that?

Mr PRATT: That is really a question for the Treasurer, Mr Borsak.

The Hon. ROBERT BORSAK: So he did not consult with the Treasury, then, in relation to putting an extra \$195 million impost on the project?

Mr PRATT: I would have to check if there was any request on that.

The Hon. ROBERT BORSAK: When we asked questions in the inquiry, we were continually told that it is all part of secret men's business and business modelling, and I would assume they are working with Treasury very closely in relation to this modelling.

Mr MIDHA: With the Powerhouse, the funding for the Powerhouse has not changed. So the Government commitment still continues unchanged. In terms of Ultimo, a business case is being developed. That will come back later this year for ERC consideration. If funding is required at that time, it will be addressed.

The Hon. ROBERT BORSAK: The nub of the question relates to the assumption in the original modelling, where it would have raised \$195 million if that site had been sold. Now that site is not going to be sold. In fact, based on what you have just said and what Mr Harwin has said, there will be extra money spent on refurbishing the old site. One would assume there is going to be a lot more money spent than \$195 million adding into the cost of this project, which is rapidly rising now towards \$1 billion. So how did you justify that in the modelling?

Mr MIDHA: We do not justify that. The agency will build a case and come back with their proposal. That will then be assessed at that time and that will go up through its normal course. The business case will be assessed by ERC, and we will get a chance to look at the business case and then comment upon it at that time.

The Hon. ROBERT BORSAK: Do you have an insight into what might happen if the project, as currently planned, does not conform to your business model? In other words, it does not go ahead if Willow Grove, for example, is not—well, now it is not to be demolished but to be moved?

Mr MIDHA: The Powerhouse, yes, there are two. I think St George's Terrace has been maintained and Willow Grove will be moved. That is part of the plan. I guess any change to the project will be a matter for the Government to decide on what the alternatives are.

The Hon. ROBERT BORSAK: That is not currently under review in terms of any business model alterations?

Mr MIDHA: Not by Treasury, but obviously the Arts agency will be reviewing its progress, which is being delivered by Infrastructure NSW.

The Hon. ROBERT BORSAK: Mr Pratt, is Treasury concerned at all in relation to the massively and rapidly escalating prices of houses in Sydney, and certainly also in regional areas because Sydney's prices are going up so fast?

Mr PRATT: Yes, it is concerning and we are constantly monitoring the market and the implications of that. I might get the chief economist to talk to this issue, Mr Borsak, because I think it would be of interest to you and specifically to your question.

Mr WALTERS: Mr Borsak, prices are up about 5 per cent in Sydney in the last two months. And as the conversation earlier discussed, clearance rates of around 85 to 90 per cent on auctions that we have seen in the last month or so are consistent with further increases in prices of that sort of rate. Just to put that into context, though, Sydney house prices are at record highs, but they are only about 4 or 5 per cent above where they were pre-COVID. They dipped a fair bit at the outset of the pandemic as people stopped their purchases. They have recovered very quickly.

CORRECTED

One of the main reasons for that is essentially the Reserve Bank is providing very cheap credit to the banks. So it is not surprising at all that people are borrowing more, particularly first-time buyers. Credit to first home buyers is up more than 40 per cent over the last 12 months because access to credit has really improved and become a lot cheaper. There is also an element of pent-up demand. We know people delayed their purchases of homes during the pandemic because they were a little insecure about their jobs. That insecurity has started to ebb away, so those people have come back in and started buying homes again. There is also limited supply. In the same way that demand was constrained, so was supply. So there is limited supply, pent-up demand, very cheap credit. Consumer confidence is up around 20 per cent over the last 12 months, so consumers are feeling much more confident and, as the Treasurer commented earlier, the unemployment rate is back to 6 per cent.

The Hon. ROBERT BORSAK: In your budget models—certainly in your fiscal outlook—are you building in any inflation in the next few years? Certainly not in the next 12 months or maybe two years, but are you building any appreciable inflation into the models?

Mr WALTERS: We do. House price inflation or general inflation?

The Hon. ROBERT BORSAK: First house price and then general inflation because, obviously, it has got a material impact on what your taxation intake is going to be.

Mr WALTERS: With general inflation, we are assuming averages around 1.5 per cent over the next four years. That is well below the Reserve Bank's target rate.

The Hon. ROBERT BORSAK: I was going to say that is well below the Reserve Bank and also, I think, the Federal Government.

Mr WALTERS: I would need to check what the Federal Government's forecasts are but I think they are very similar.

The Hon. ROBERT BORSAK: Are they?

Mr WALTERS: We forecast Sydney CPI whereas the Commonwealth forecasts an eight capital cities average but they are very similar, in my understanding. That is quite low and the reason for that is there is still a lot of spare capacity in the economy, in the sense that even though unemployment has come down, underemployment are still quite high. The Treasurer indicated that we have recovered about 80 per cent of the jobs that were lost during the pandemic. That still leaves 20 per cent of the jobs that have yet to be recovered. So in that sense there is a lot of spare capacity that generally keeps inflation lower and also wages growth quite subdued. We have got wages growth at about the same rate—1.5 per cent.

The Hon. ROBERT BORSAK: And house pricing? What are you looking at there?

Mr WALTERS: Maybe Ms Wilkie can refer to—in terms of what is in the revenue modelling?

The Hon. ROBERT BORSAK: Yes.

Mr WALTERS: We do not explicitly forecast house prices in our macro modelling but we certainly do in the revenue team.

Ms WILKIE: The revenue forecasts take the macro forecasts which, as Mr Walters has just said, do not specifically forecast house prices. In the current half-year of the budget that we have just come up, transfer duty has been revised up a little bit, but at the moment that has been forecast mostly on the expectations for higher transaction volumes. There is not a lot of house price increase driving that at the moment. As Mr Walters said, that is partly because we have only just got back to where house prices were pre-COVID at the moment. It is partly because what goes into the model is not house prices in the way they get reported on, it is the transacted residential property value, which is a slightly different derived calculation.

The Hon. ROBERT BORSAK: So really you are saying that there is no property bubble developing, then?

Ms WILKIE: Property bubble development has been speculated on by various different parts of the media and economists. At the moment there are a lot of different things going on, as Mr Walters has already explained, in terms of things like pent-up demand. You have the Commonwealth HomeBuilder program driving house renovations and house purchases at the moment. That has brought forward a lot of transactions. What we are seeing in the house market at the moment is mostly that pent-up demand and people bringing forward purchases because of things like the HomeBuilder program, which has led to the elevated transaction volumes right at the moment. That means we are seeing people bringing forward purchases rather than seeing additional purchases. We would expect some of the heat to come out over the coming months as stimulus programs like HomeBuilder roll off.

CORRECTED

Mr WALTERS: And "bubble" has connotations of it being irrational exuberance. I do not think we are anywhere near that.

The Hon. ROBERT BORSAK: That is really my question. That is right.

Mr WALTERS: I do not think we are anywhere near that.

The Hon. ROBERT BORSAK: You do not see any of that in your numbers?

Mr WALTERS: No. There is anecdotal evidence, as Ms Wilkie said, of some prices going up in certain cohorts. But across the general market—

The Hon. ROBERT BORSAK: What about the market for units? We have seen a massive build-up in unit development in Sydney in the past five, six or seven years. There seems to be a bit of a differential between houses on real property and units. Can you shed any light? There seems to be some indication that market is cooling.

Mr WALTERS: Unit prices are actually falling, not rising. The average house price that we talk about is principally detached housing, which is going up more quickly than units. One of the main reasons for that is that we do not have international students here to any large extent, or migrants, who typically buy units. Demand for that particular cohort of housing is much weaker, so therefore prices are going down.

The Hon. DANIEL MOOKHEY: Greetings again, Mr Secretary. Through you, Mr Secretary, is it okay if I ask some questions to the icare CEO?

Mr PRATT: Yes.

The Hon. DANIEL MOOKHEY: Thank you. Mr Harding, congratulations on the job.

Mr HARDING: Thank you, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Do you have any further update on the Comensura matter that you can share with us, since this morning?

Mr HARDING: No, I do not, Mr Mookhey. What I have been able to establish at this stage is that those contracts were entered into back in 2017.

The Hon. DANIEL MOOKHEY: Indeed.

Mr HARDING: And it would appear that all of the people who have been associated with that have now left the organisation.

The Hon. DANIEL MOOKHEY: Probably a good thing.

Mr HARDING: I have asked the guys to go back and do a full review so we can understand what the nature of those contracts is and understand the process. If you can bear with me, we will come back to you with an answer on notice. We are looking into it.

The Hon. DANIEL MOOKHEY: I appreciate that, Mr Harding. Given you have only been there for six weeks, I would not expect you to be across that. But if it is possible we can get any of that information this afternoon, that would be useful.

Mr HARDING: If the team finds anything and sends it through, I will relay it.

The Hon. DANIEL MOOKHEY: I appreciate that.

Mr HARDING: But I think we need to spend the time to make sure we get a thorough, holistic answer rather than providing you with pieces along the way.

Mr DAVID SHOEBRIDGE: We do not mind pieces.

The Hon. DANIEL MOOKHEY: We do not mind pieces, but I see it from your perspective. If you do take it on notice, can I ask you to take a couple more on notice in respect of this matter?

Mr HARDING: In respect of this matter, absolutely.

The Hon. DANIEL MOOKHEY: Will you find out who was the group executive who agreed to those arrangements? Were the arrangements signed off by the icare board at any level? That includes the audit and risk committee and the board itself. Was Ms Gill Williams involved in the execution of those leases?

Mr HARDING: I can certainly come back to you.

CORRECTED

The Hon. DANIEL MOOKHEY: If you do not mind taking those three on notice.

Mr HARDING: I am happy to take those on notice.

The Hon. DANIEL MOOKHEY: Mr Pratt, you were on the icare board at the time those leases were entered into, were you not? In 2017 you were still on the icare board.

Mr PRATT: I do not know the date of the leases, Mr Mookhey.

The Hon. DANIEL MOOKHEY: I might be able to help you there. I think it was in the middle of 2017 that they were entered into. You were still on the board.

Mr PRATT: I left in the middle of 2017, at exactly that time.

The Hon. DANIEL MOOKHEY: Maybe I will just cut to the chase. Do you have any recollection whatsoever of them being discussed at a board meeting?

Mr PRATT: No, I do not.

The Hon. DANIEL MOOKHEY: Or in any committee meeting that you participated in?

Mr PRATT: No.

The Hon. DANIEL MOOKHEY: Okay, thank you. Mr Harding, I appreciate that you have been in the position for seven weeks. But in your seven weeks—

Mr DAVID SHOEBRIDGE: It has not been that long a hearing. It was six weeks earlier in the hearing.

The Hon. DANIEL MOOKHEY: Six, sorry. Do you agree with me that icare's return-to-work performance for the Nominal Insurer is unacceptable?

Mr HARDING: It is clear that the return-to-work performance needs to be improved and we have established a program of work since I arrived to try to drive and lift that. It has a number of different elements to it. A new group executive for workers insurance, Mary Maini, will be joining us in a few weeks' time. It will be the key priority that I have asked her to look at when she comes on board.

The Hon. DANIEL MOOKHEY: I will get to Ms Maini and her appointment in a minute, but do you agree that icare's faltering return-to-work rate is the prime reason why its finances have deteriorated?

Mr HARDING: It is one reason why the finances have gone backwards.

The Hon. DANIEL MOOKHEY: Do you think it is the prime reason?

Mr HARDING: There are a number of different reasons over time, including the different amendments or changes to the scheme from 2012 through 2015 and onwards. There are investment income issues, or more particularly interest rate movement impacts that have impacted the funding ratio, if that is what you are getting at.

The Hon. DANIEL MOOKHEY: No, I will just be clear: It is the underwriting loss.

Mr HARDING: Obviously in terms of the performance of the scheme, yes, the return-to-work rate and the ability to get people back to health and back to work is a significant contributor.

The Hon. DANIEL MOOKHEY: I am asking you specifically about the underwriting loss, not the funding ratio.

Mr HARDING: Investment income changes work through the net result.

The Hon. DANIEL MOOKHEY: Sure, but let me finish. Do you agree with the Auditor-General when she attributes \$800-plus million of the Nominal Insurer's \$1.8 billion loss to faltering return-to-work rates? Do you agree with that?

Mr HARDING: It is a significant contributor, yes.

The Hon. DANIEL MOOKHEY: What is your plan to fix it?

Mr HARDING: As I have just said, we have stood up a team of people to create a program of work. The key focus is on driving performance of the scheme agents across the business. We have focuses on different elements of the claims process, from liability acceptance all the way through injury management planning. As I said, Ms Maini will join us in two weeks' time and it is the key priority that I have asked her to take on board and focus on as she starts.

CORRECTED

The Hon. DANIEL MOOKHEY: Let us turn to the appointment of Ms Maini. That was your appointment, was it not?

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: And what will Ms Maini's salary be?

Mr HARDING: Her salary is about \$450,000.

The Hon. DANIEL MOOKHEY: And what is her bonus package?

Mr HARDING: It is 40 per cent of her base remuneration.

The Hon. DANIEL MOOKHEY: And is she being enrolled in the long-term incentive program?

Mr HARDING: The long-term incentive program no longer exists.

The Hon. DANIEL MOOKHEY: That is good to hear. Presumably, therefore, you are not enrolled in that either.

Mr HARDING: No.

The Hon. DANIEL MOOKHEY: Okay, so Ms Maini will get a 40 per cent bonus or at least the ability to obtain a 40 per cent bonus. Is that correct?

Mr HARDING: That is correct.

The Hon. DANIEL MOOKHEY: Is that if she meets certain KPIs?

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: What are those KPIs?

Mr HARDING: She has not started so we have not set them yet. But they will be related to exactly the issues that you have raised, Mr Mookhey, in respect to return to work and return to health and getting injured people back into the workforce.

The Hon. DANIEL MOOKHEY: What are the KPIs for your bonus?

Mr HARDING: I am in the process of establishing those with Mr Robertson as we speak and they will be similarly around those areas: return to health and return to work as they relate to the Nominal Insurer, amongst other measures around customer satisfaction, obviously the financial outcomes of the scheme in terms of the funding ratios and other relevant measures related to the non-core schemes such as Mr Shoebridge raised around HBCF.

The Hon. DANIEL MOOKHEY: When do you anticipate concluding those conversations with Mr Robertson and for those KPIs to be set, I presume by the board?

Mr HARDING: Mr Robertson and I talked about it about a week ago and he and I are due to get together again in about another week and a half, I think, to talk about it. It is in the next few weeks.

The Hon. DANIEL MOOKHEY: Given that you have 21 days, are you in a position to provide us on notice with the precise list of KPIs that are agreed or at least being considered?

Mr HARDING: I do not see why not.

The Hon. DANIEL MOOKHEY: Thank you, I do appreciate that. Mr Harding, can we turn to the pre-injury average weekly earnings [PIAWE] matters? You issued a press release on Saturday, did you not?

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: Have you got a copy of that with you?

Mr HARDING: No, but I know roughly what it says.

The Hon. DANIEL MOOKHEY: I am sorry. I only have one copy.

Mr DAVID SHOEBRIDGE: I have got one.

The Hon. DANIEL MOOKHEY: Do you mind sharing it?

Mr DAVID SHOEBRIDGE: It has got some markings on it, though.

The Hon. DANIEL MOOKHEY: Great. Did you write this press release?

CORRECTED

Mr HARDING: No, clearly not.

The Hon. DANIEL MOOKHEY: But it came out under your name.

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: So I presume you saw it before it went out.

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: You think it is accurate.

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: You see the first sentence, where you say, "icare identified this issue and proactively alerted SIRA to it in February 2020"? How do you define "proactive" in this context?

Mr HARDING: It is my understanding that icare identified the issue and raised it with SIRA. That is proactive.

The Hon. DANIEL MOOKHEY: Did you inquire as to precisely what icare's obligations were at the time?

Mr HARDING: I was not there in 2020, Mr Mookhey.

The Hon. DANIEL MOOKHEY: That is true, but that is not my question. My question is: Prior to issuing this press release, did you inquire into—

Mr HARDING: If you are relating to the fact that the matter had been known for some time—the matter has been known, I think, as the Treasurer pointed out this morning, since 2012, when the legislation was originally formed.

The Hon. DANIEL MOOKHEY: That is not what the Treasurer said. But either way, I agree with you that the matter has been known for some time. Do you have your report, the *Independent Review of icare governance, accountability and culture*, with you?

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: Can you turn to page 55? You have got it?

Mr HARDING: No, I do not actually have it. But I have read it, and I understand it.

The Hon. DANIEL MOOKHEY: This is the chronology. We have gone through this ad nauseam at other inquiries, so I do not want to go too much into this. You are aware that icare has a requirement to report material matters to the regulator within five days of knowledge? Do you know that?

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: Icare became aware of this—at least according to your own report—in March 2019. To be fair to icare, in other forums they have said that they thought there could be a problem earlier than that but by March 2019 they were aware of it. In fact, your own report highlights the fact that icare failed to notify the regulator within the five days. Yet the very first statement you make about the matter says it is proactive. I am struggling to square how it is possible that you as the new CEO can come out and say that icare identified this issue and proactively alerted SIRA to it in February 2020, when that—according to your other report—is at least 11 months later than it should have.

Mr HARDING: My understanding is that there is a number of conversations that were had throughout that period. Icare was attempting to establish what the actual issue was and needed to do more work to get the issue clear. There was a number of different investigations that were being done. We needed to get information from scheme agents. I take your point that there is a significant time lag between when the issue was originally identified and finally raised with SIRA.

The Hon. DANIEL MOOKHEY: The point is that icare—this is not your fault, that icare did not report it within five days. To be very clear: I am not suggesting that it is.

Mr HARDING: I understand the point you are trying to make.

The Hon. DANIEL MOOKHEY: But the point is you are the one who issued the release saying it has proactively alerted and, in doing so, repeated an error icare has been making since this surfaced last budget estimates, which is to gloss over the truth here, which is that lots of people have been underpaid, icare has known

CORRECTED

about it, icare did not report it. I struggle to see how you could be trusted if you are repeating the same error immediately the first time you are even talking about the issue.

Mr HARDING: I take your point about the first sentence.

The Hon. DANIEL MOOKHEY: In terms of the actual reason why 60 per cent of files do not have any records, you have made the point earlier this morning. To be fair to you—Mr Allsop has made that point in other forums as well, which is that the records were not retained. But is it not the case that it is icare's and its scheme agents' responsibility to retain the records that are first provided by employers and workers? Is that not correct?

Mr HARDING: The point I was trying to make this morning, Mr Mookhey, is that the obligation is on the employer and the employee to provide the data. If the scheme agents do not have it, it is because it was not available in the first place.

The Hon. DANIEL MOOKHEY: How do you know that?

Mr HARDING: I alluded this morning to some of the technical issues in actually having that data.

The Hon. DANIEL MOOKHEY: How do you know that it was not provided to the scheme agents and the scheme agents did not lose it?

Mr HARDING: Because it would be there in the file. We are doing full three- or four-hour reviews of file information on these 4,000 files. The information would be available.

The Hon. DANIEL MOOKHEY: I have no doubt that if the information was retained it would be on the file. The issue is why the information was not retained. I accept that there is a theory that says it was not provided, but surely icare must have had some information to provide a first calculation. I presume that icare was paying something to these people at first instance. It is not like they just made up the number and then paid people at random.

Mr HARDING: I think this is a very good conversation because this is exactly the issue with the legislation and the complexity and the calculation as it stands. It is difficult, at the best of times, for an injured person to provide us with the relevant information. I provided some examples of that this morning about leave without pay, about changes to loadings, different shift allowances, changes to your work status et cetera. The list goes on. Part of the problem is it is quite a detailed and long list. It starts with the 52 weeks' payslips of the prior injury, rather than actually just saying, "What is your actual average wage?" That is the fundamental issue. What you are saying is a hundred per cent right. The issue is that at the time at which these things are calculated we are making a best estimate as an initial determination, seeking more information from employers and from injured workers throughout the process.

One of the reasons it takes four to five hours to review a file is because they are not just reviewing that initial determination, they review the file end-to-end to ensure that—the injured worker may well have come and asked for a review. There may have been new information provided at a later date during the process. It is a thorough review we are doing. That is why it takes time. But the issue is the information does not exist. Small employers do not keep that information on their systems. Large employers are a very different issue. We can seek that information from large employers. But in respect to small employers and injured workers, going back and trying to recreate history is not something that is feasible or possible at this point in time, which is why we have talked about developing the plan that the Treasurer spoke to this morning, which is increasing resources to ensure that anybody who brings forward information can get a review done as quickly as we can and increasing advertising to ensure that people who need to have a review done understand it.

Then what is common practice in other regulated industries is, when you have situations like this that are highly technical where you cannot actually find a mechanism to remediate individuals and get money back to individuals, you provide a benefit to that community through a fund or a pool of some kind that can deliver benefits to the community at large. We also are working with SIRA to ensure that we look at how we simplify the calculation and how SIRA can then take that forward as a reform process to simplify the future calculation of PIawe. When I talk to the union movement, the delegates I have spoken to, they all agree with me that this is a very challenging and difficult calculation. What they say to me is, actually, injured people who have had this experience in the past do not want to reopen their workers comp claim and have this conversation. That is why we are getting such low response rates from people in respect to the advertising. It is a complex and challenging process. It is not a simple case of refunding someone money with a known amount. It is quite difficult.

The Hon. DANIEL MOOKHEY: Mr Harding, on notice any further information you wish to provide would be most welcome. Just a couple of things to follow up on that. You make the point about the advertising campaign. How many inquiries did the advertising campaign yield?

CORRECTED

Mr HARDING: My understanding is the advertising campaign yielded very few inquiries. I think it was in the order of 20.

The Hon. DANIEL MOOKHEY: How much money was spent on the advertising campaign?

Mr HARDING: We did a pilot campaign, which we are now, as I said before, just expanding statewide, across the east coast and west coast. We have spent around about a \$100,000-odd on it to date. As I said to you, we targeted specific areas where we know the high injury rates are. It has yielded not a lot in terms of its—

The Hon. DANIEL MOOKHEY: We have spent \$100,000 on an advertising campaign that has yielded 20 inquiries. We are planning to continue with this, are we?

Mr DAVID SHOEBRIDGE: To expand it.

The Hon. DANIEL MOOKHEY: To expand it.

Mr HARDING: I think part of the issue here is making sure that people—there are two issues here. There are a lot of people who do not know that they are entitled to this. We want to make sure that people are aware and have access to get that remediation. That is an important part of the campaign to solve this problem.

The Hon. DANIEL MOOKHEY: How much more are you intending—

Mr HARDING: The fundamental issue here, which was raised this morning—we have spent \$3.5 million, rectifying 4,000 files. Among all of the complexity, it is actually not a cost-effective thing to do, which is why we are exploring this concept of the fund. As I said, it is a very common tool used in other regulatory regimes to find a solution, to recompense the community that has been affected, when you cannot get direct recompense back to individuals.

The Hon. DANIEL MOOKHEY: I accept that is an option that you are developing, but I just want to turn to this: When you say you are expanding the advertising program, how much more are you intending to spend over what period of time?

Mr HARDING: We need to make it statewide so that people across the State can understand it.

The Hon. DANIEL MOOKHEY: It is coming in at \$55,000 an inquiry.

Mr HARDING: I get your point, Mr Mookhey. So it is clearly an ineffective campaign, but I suggest to you that if I turned around and said, "We are going to stop it", you would be equally alarmed about the fact that—

The Hon. DANIEL MOOKHEY: No, I have previously suggested that you should write to people directly. Look, I do not want to re-canvass that because we have canvassed it elsewhere.

Mr HARDING: Understand.

The Hon. DANIEL MOOKHEY: But it is not the case that I am suggesting that you stop it. I am suggesting that you write to the people who you know were affected or who at least had claims in this period of time.

Mr HARDING: Yes, and that is—

The Hon. DANIEL MOOKHEY: But I understand your chair has explained the reasons why you do not think that is a good idea.

Mr HARDING: Can I just be clear? What Mr Robertson did say is that if the campaigns were ineffective we would review that, but I do think we need to take into account both the advice we are receiving from the union movements and delegates that we are meeting with, and the experience on the ground is that people do not want to have these issues reopened.

The Hon. DANIEL MOOKHEY: Sure.

Mr HARDING: And I think that was Mr Robertson's point. Whilst I was not there at the time, having conversations with him I understand what his point is.

The Hon. DANIEL MOOKHEY: To be fair to him, he did not necessarily involve the union movement, but I take your point. Mr Harding, SIRA has just told us in the other room that the underpayments of workers is continuing on current claims. In fact the claims audit that they released last week, undertaken by Ernst & Young, shows a benchmark of 5 per cent of claims are still being subjected to this PLawe underpayment issue. On top of that, SIRA informs us that they have not agreed to this independent plan or this planned honorary payment, which icare has proposed. Is it the case that icare is continuing to underpay workers right now as we sit?

CORRECTED

Mr HARDING: Absolutely, because of the complexity I have just described to you and the fact that the information at its source does not exist.

The Hon. DANIEL MOOKHEY: So you say that it is complex and that the PIawe needs to be simplified, but I recall—as would my upper House colleagues—we voted to simplify this in 2018 after the Law and Justice Committee warned about this in 2017. The Government has simplified the calculation.

Mr HARDING: Well, not—

The Hon. DANIEL MOOKHEY: Just let me finish. The new reform is in place. The Treasurer and the Minister for Customer Service, at the time that they passed that legislation through the Parliament, said, "We need to simplify it. We are simplifying it. This will simplify it." Yet two years later I care is repeating the same error on the new simplified formula. Why?

Mr HARDING: If I come back to the first part of your question, which is about SIRA, we have been speaking with Ms Donnelly and talking with her team. We both are still further investigating. Neither of us have landed on the best approach to finding a way to get this money back to injured workers. Our goal is to do that. It is not like we are sitting here not wanting to do it. It is just a highly complex and difficult task. We have prioritised it across the business and we are increasing that priority, as I said earlier. To your question about the current status, I 100 per cent agree with what you have just said. It was simplified, but not to the degree that was required to make it something that was actually achievable. Post-2019 it has marginally improved. The information still required from injured workers and employers is quite complex and quite difficult. This is not solved. We need to solve it with the simplification that actually deals with the fundamental issues and get something that is straightforward.

The CHAIR: Just before I hand over to Mr Shoebridge, at this point the Committee resolved to invite a break if it was requested, but if we take one now we will come back for an additional 10 minutes at the end. I am in the hands of people in the room.

The Hon. BEN FRANKLIN: It is entirely up to you. If you would like to break for 10 minutes, we can, and then there is 10 minutes at the end.

Mr PRATT: Can we have a five-minute break, Chair?

The CHAIR: Sure. Then we will come back for five.

Mr DAVID SHOEBRIDGE: A compromise.

Mr PRATT: A compromise.

The Hon. DANIEL MOOKHEY: Economising.

The CHAIR: Yes, so a five-minute break now and then will have five extra minutes at the end.

(Short adjournment)

The CHAIR: Before I go to Mr Shoebridge for questions, Mr Pratt, you wanted to provide an answer?

Mr PRATT: I have an answer on the earlier maternity leave question if you would like me to table that for Hansard? So there were two changes in the budget—from 14 weeks' maternity leave to 14 weeks' parental leave for the primary carer and the second change was moving from one week to two weeks for the secondary carer.

Mr HARDING: Chair, I also have some answers if you have time?

The CHAIR: Yes.

Mr HARDING: Mr Mookhey, the group executive who agreed to those contracts was Mr John Nagle. The board signed them off, I believe, in July-August 2017. Ms Gill Williams was not involved. Other than that I will have to come back to you on the rest.

The Hon. DANIEL MOOKHEY: I appreciate that.

Mr DAVID SHOEBRIDGE: Mr Gardner, did you have any updates on the Home Building Compensation Fund?

Mr GARDNER: Thank you, Mr Shoebridge. Yes, I just want to clarify that I made a comment that the shortfall in HBCF is aggregated and it is a team effort. It is not, it is kept separate. But the Government has made a commitment to fund the shortfall over the next several years. So the Government commitment is to making sure that that is fully funded.

CORRECTED

Mr DAVID SHOEBRIDGE: And that funding will come from State—

Mr GARDNER: Treasury.

Mr DAVID SHOEBRIDGE: Treasury revenue, not from future premiums?

Mr GARDNER: That is correct.

Mr DAVID SHOEBRIDGE: Mr Harding, can you provide on notice the briefing that was given to the board when the Comensura contracts—did you say "contracts"? When were they briefed to the board in August 2017?

Mr HARDING: I can certainly have a look.

Mr DAVID SHOEBRIDGE: Did you say both contracts went to the board at the same time?

Mr HARDING: I am not sure. Whatever contracts went in August, we can provide it.

Mr DAVID SHOEBRIDGE: Could you provide us with whatever briefings there were for the two contracts that have now been disclosed? They are not small contracts. One was for \$134 million and one was for \$101 million. Can you provide the briefing for each of those and when they went to the board, Mr Harding?

Mr HARDING: Yes, of course.

Mr DAVID SHOEBRIDGE: Mr Harding, have you had any reports to you about the extent of underpayments in the Treasury Managed Fund?

Mr HARDING: We have done some work in respect of the Treasury Managed Fund in respect of the same issue around average weekly earnings. It is less developed and less progressed than where we are with the work on the Nominal Insurer, but they are related issues and the solutions may well be the same. The differences that we have identified with respect to the Treasury Managed Fund is that of the samples that we have seen so far, in terms of the TMF, it is about 60 per cent where people have received overpayments and about 30 per cent where people have received underpayments. In terms of our remediation approach, and working together with Mr Pratt and his team to develop the plan, clearly that plan—given that as a large employer the Government should have the information available, we are hopeful that that can be done through some kind of data exchange rather than the current manual process that is being applied in the Nominal Insurer.

Mr DAVID SHOEBRIDGE: So do I understand it that icare and TMF paid the right amount of compensation to injured workers in the public sector 10 per cent of the time? They got it right on one in 10 occasions. Is that what your data shows?

Mr HARDING: No.

Mr DAVID SHOEBRIDGE: You could do better throwing a dart with a blindfold on. You get it right one in 10 times. Mr Harding?

Mr HARDING: No, that is not what I am aware of, but I think Mr Pratt has some more information.

Mr DAVID SHOEBRIDGE: We will come to Mr Pratt in a second. I am not the actuary here, but if you overpaid 60 per cent of the claims and you underpaid—

Mr HARDING: No, it is not that we got it 100 per cent wrong.

Mr DAVID SHOEBRIDGE: No, let me finish, Mr Harding. If you overpaid 60 per cent of the claims and you underpaid 30 per cent of the claims, my maths says to me that you got it right—you hit the goldilocks moment—in 10 per cent of claims. Is that right?

Mr HARDING: No, the statistics are not that we got 100 per cent of the claims wrong. What I am saying, of the samples that we took—

Mr DAVID SHOEBRIDGE: I did not say that either. I said you only got 90 per cent wrong.

Mr HARDING: Of the samples that we took where we found errors, the issues were split two-thirds towards overpayment, one-third towards underpayment.

Mr DAVID SHOEBRIDGE: Sorry, Mr Pratt, did you want to—

Mr PRATT: Would you like me to comment?

Mr DAVID SHOEBRIDGE: If you can add value, yes.

CORRECTED

Mr PRATT: I can add a little bit to this because I gave my commitment to Law and Justice that I would follow this up and we have. So there were two samples run. There were 50 claims for larger government agencies and up to another 50 claims for small and medium government agencies. In both cases over 90 per cent of the claims were wrong. To the point that Mr Harding has made, of that 90 per cent, two-thirds of the workers were overpaid and one-third underpaid; small sample size.

Mr DAVID SHOEBRIDGE: So 90 per cent of the claims had an error of either paid too much or paid too little, is that right?

Mr PRATT: Yes.

Mr DAVID SHOEBRIDGE: Mr Harding, I am going to ask you again: That analysis shows, does it not, that you got it right in one in 10 claims?

Mr HARDING: Yes.

Mr DAVID SHOEBRIDGE: That took longer than it needed, Mr Harding, did it not?

Mr HARDING: I misjudged the original question.

Mr DAVID SHOEBRIDGE: Is it the intent to go back to injured workers who have had an overpayment and reclaim any overpayments? Is there any intent to reclaim any overpayments, Mr Pratt or Mr Harding?

Mr PRATT: No, not to my knowledge. Certainly not that I am looking for.

Mr DAVID SHOEBRIDGE: Mr Harding?

Mr HARDING: No.

Mr DAVID SHOEBRIDGE: If 30 per cent of all claims in the TMF have been underpaid, do you have any idea on what the extent of that liability is?

Mr HARDING: As Mr Pratt just said, the sampling has been quite small at this stage. We are now looking to develop the plan for remediation and that will be about working with agencies to get the data in a form that we can use to try to deliver an outcome and get the funds back to injured workers.

Mr DAVID SHOEBRIDGE: Mr Harding, I think most people would be astounded that if an insurer the size of icare, together with an entity the size of the New South Wales Government, when they come together to deal with workers compensation claims only get one in 10 right. They would say that there is a major problem there that icare perhaps should volunteer and tell people about. Yet the first I have heard about icare getting it right one in 10 times is on persistent questioning to you today, Mr Harding. Why are you not voluntarily disclosing this information?

Mr HARDING: We are and the thing I would say is the reason there is one in 10 right are the same issues I have spoken earlier about, about the complexity of the legislation. If you think about the fact that government agencies, which do a lot of the calculations themselves in conjunction with the scheme agents, have that information; it is about the nature of those calculations that causes the issue.

Mr DAVID SHOEBRIDGE: We were told in previous hearings that there was likely to be much less of a problem because government agencies had all the data to hand, had all the detail to hand and knew exactly what the awards were and it was much less of a problem. We now find out, 12 months later, that you are only getting it right in 10 per cent of workers compensation claims for government employees. You cannot have it both ways Mr Harding, can you?

Mr HARDING: I was not there for the previous comments, Mr Shoebridge. What I would say is the same thing I just said to you: The issue lies in the complexity of the calculation and the fact that to your point, if the government agencies do not have the information or cannot get the information to the point where it can be calculated, that is reflective of the issue about the complexity of the calculation itself.

Mr DAVID SHOEBRIDGE: Or it is reflective of the fact that there is something deeply wrong in the way workers compensation is determined under icare's watch, is it not Mr Harding? That is the other conclusion.

Mr HARDING: I have already answered the questions. There is a lot of work to be done to improve the nominal insurer and the performance of the nominal insurer. In regard to the TMS scheme, it is in a better position than the nominal insurer.

CORRECTED

Mr DAVID SHOEBRIDGE: You say that so I am going to ask you again: What is the ballpark for the liability for the underpayments? On the data you have, the best data we have, the only data we have, one-third of claims have been underpaid. What is the scale of it?

Mr HARDING: On the basis of two samples of 50 claims each, it is going to be a ballpark figure that does not have any relevance, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: What was the average underpayment?

Mr HARDING: This is the same process that happened earlier. When icare first identified it, we raised the issue and said there were a large number of people. We then did subsequent work that identified there were less impacted. We need to do more work.

Mr DAVID SHOEBRIDGE: When are you going to have answer on it?

Mr HARDING: We will have an answer when we can get the data and cooperate with the agencies to understand the scale of the issue.

Mr DAVID SHOEBRIDGE: Mr Harding, do you know if your office has been leased back from Comensura or not, your own office?

Mr HARDING: I have already taken that question on notice.

Mr DAVID SHOEBRIDGE: You have not got any further detail on that?

Mr HARDING: You provided the information this morning and I have already answered the question in respect of what has been asked. I have said that we will come back to you with a detailed analysis once we have actually had a review of it.

Mr DAVID SHOEBRIDGE: Mr Pratt, have you had any luck in determining whether or not icare had approached Treasury to seek an increase in its footprint in its office space?

Mr PRATT: No, I have not, no. I will follow up though, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: And if there are any reports or correspondence that shed light on that, could you provide them to the Committee on notice, Mr Pratt?

Mr PRATT: I will, yes.

Mr DAVID SHOEBRIDGE: Mr Harding, I suppose you cannot shed any light on whether the \$134 million that was paid to Comensura on the larger of the two contracts, which include leasing payments, included the leasing of levels 8 and 10 at 421 Kent Street? You cannot shed any light on that.

Mr HARDING: As I said before, we will come back to you with a full analysis. That is the most appropriate way to do it, rather than giving you information speculatively now.

The Hon. MARK LATHAM: Mr Gardner, am I right in saying that you led up the Treasury effort and input into the Government's Electricity Infrastructure Roadmap?

Mr GARDNER: That whole Electricity Infrastructure Roadmap is being led out of DPIE under Minister Kean's directions. I am aware of it. I did not lead Treasury input into the process, no.

The Hon. MARK LATHAM: What work did you do on the roadmap?

Mr GARDNER: Nothing in terms of the formation of the roadmap. I participated in a number of working groups and conversations across Treasury about the merits of the roadmap, including conversations with senior members of the Energy Security Board.

The Hon. MARK LATHAM: Who in Treasury did lead the Treasury input?

Mr GARDNER: We have a range of people across Mr Midha's team and my team who have been participating in a range of working groups and meetings to land a Treasury position on the roadmap. The principal responsibility for the roadmap and the policy that sits behind it sits under the Minister. Our job is to ensure that it has the appropriate fiscal position on the balance sheet, which Mr Midha's team is doing.

The Hon. MARK LATHAM: Did you bring forward an assessment to the Treasurer of the merit or demerit of the roadmap as a big economic reform in New South Wales?

Mr GARDNER: I will pass to Mr Midha on that.

CORRECTED

Mr MIDHA: That has been developed obviously by DPIE or within Minister Kean's area. We are now looking at how they would like to implement the roadmap and we are looking at the fiscal implications of that. That work is currently being undertaken.

The Hon. MARK LATHAM: Did Mr Gardner or Mr Midha examine any of the economic modelling undertaken by Aurora that underpinned the roadmap work?

Mr GARDNER: I did not, no.

The Hon. MARK LATHAM: Did anyone in Treasury examine the economic modelling for this huge reform about power security and affordability in New South Wales?

Mr MIDHA: That is certainly the case at the moment. That work is being done as we speak.

The Hon. MARK LATHAM: No, this is before. There was a release and then legislation to the Parliament. Did anyone in Treasury examine or have any knowledge of the economic modelling that underpinned the roadmap policy release and then legislated?

Mr PRATT: Not to my knowledge, Mr Latham. That work now that Mr Midha is talking about is to look at the fiscal implications, but not in advance, to answer your question. No.

The Hon. MARK LATHAM: Not in advance? No-one in the main economic department had any access to the economic modelling that underpinned this huge reform for the future of the State?

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

The Hon. MARK LATHAM: Obviously the Treasurer did not have any access to the nature of the modelling.

Mr PRATT: He may have done, but I do not know. Not from us is the answer to your question.

The Hon. MARK LATHAM: Not from you? Treasury at no stage furnished the Treasurer with an advice about the strengths of the modelling, the weaknesses, possible concerns or any of those things about the policy either?

Mr PRATT: I certainly have not seen it and Mr Midha and Mr Gardner are the two accountable executives. Neither of you has seen any pre-work on this?

Mr GARDNER: I certainly know we have not formulated a response, an advice to the Treasurer specifically on it.

Mr MIDHA: The submission had gone through ERC. Treasury does provide advice on the submission, but that's for ERC and that is with ERC.

The Hon. MARK LATHAM: So you did provide advice to ERC about the Cabinet submission on the roadmap?

Mr MIDHA: That is right.

The Hon. MARK LATHAM: What did that say?

Mr MIDHA: That is Cabinet in confidence, so that is for Cabinet.

The Hon. MARK LATHAM: As part of that process did you have access to the Aurora modelling?

Mr MIDHA: I will have to take that on notice, but I think the detailed financial modelling is being done at the moment with Treasury. I am not sure what input, if any, we would have had or involvement we would have had for the previous sub-modelling.

The Hon. MARK LATHAM: Right. So, you had no awareness that the Aurora modelling that underpinned this policy was relying on one gigawatt of rooftop solar in New South Wales even though the Government itself, and certainly all the data, shows that we have 3½ gigawatts of rooftop solar in New South Wales already forecast to increase to seven gigawatts in 2040? You did not see any of that kind of detail?

Mr MIDHA: No.

The Hon. MARK LATHAM: And what about the Frontier Economics report that was an audit on the modelling that quite possibly outlined that the road map would bring forward the early closure of the existing coal-fired power generators in New South Wales?

Mr MIDHA: I would have to take that on notice. I do not have any information at that level of detail.

CORRECTED

The Hon. MARK LATHAM: Mr Pratt, this is a stunning oversight, is it is not? The biggest economic reform in New South Wales for a generation had no effective Treasury oversight.

Mr PRATT: In the normal course of events I would expect that we would, Mr Latham, yes.

The Hon. MARK LATHAM: What made this so abnormal that you did not?

Mr PRATT: I am not the person to ask. I was not involved in the formulation of that policy. We are now reviewing it, as Mr Midha said, but it is after the event.

The Hon. MARK LATHAM: After the event? Okay. Well, after the event, the Australian Energy Market Operator has now written to the Australian Energy Regulator saying that under the New South Wales scenario we are going to have multiple early coal-fired generation retirements projected in the next decade. What is plan B here? Is Treasury working on a plan B?

Mr PRATT: Well, Treasury—

The Hon. MARK LATHAM: Just so you can understand what that means, the current things that turn all of these on are projected to close early, most likely before the new system is in place. That means right across the State these things do not turn on. What is plan B?

Mr PRATT: Well, we need to get underneath the policy and understand. To your point around the modelling, we have not done that yet. That is the work that we are doing, as we should do.

The Hon. MARK LATHAM: But this horse has bolted down the track and done a couple of laps, has it not? I mean, it has passed the Parliament. Your work, if it found deficiencies in the policy, would do what? Recommend to the Government to amend the legislation that passed in December?

Mr PRATT: Without doing the work, I really cannot answer that.

The Hon. MARK LATHAM: Wow! That is one of the most amazing things I am ever going to hear in this place. Treasury did not do—you are now doing the background work for a major economic reform that has already passed the Parliament. Okay, okay. And has Treasury got—

Mr MIDHA: Can I answer that?

The Hon. MARK LATHAM: —a response to this issue of the early closure of the generators? Origin Energy CEO Frank Calabria is publicly foreshadowing the early closure of Eraring.

Mr MIDHA: Mr Latham, can I answer your previous question? We have seen the sub that went up to the ERC. We have provided comments for Cabinet. We cannot go into detail on what was in that sub. The strategy was approved and that was announced—the legislative road map—so now we are looking at the implications around implementation and cost. That is what we are doing in more detail.

The Hon. MARK LATHAM: You are doing implementation and cost. You are saying you looked at and you wrote some feedback about the submission that went forward. I just want to clarify this: In the Cabinet submission that you looked at, you are saying you did not have any access to the Aurora economic modelling that underpinned the policy?

Mr MIDHA: I have just got it confirmed that I think we did. I believe we did.

The Hon. MARK LATHAM: You did. So, did you see the assumption of one gigawatt of rooftop solar?

Mr MIDHA: Again, I do not have that level of detail.

The Hon. MARK LATHAM: Can you take that on notice?

Mr MIDHA: We can take that on notice but anything we would have provided—any comments on it would have been provided to Cabinet, and that would be Cabinet in confidence.

The Hon. MARK LATHAM: Yes. But can you, for the purpose of this Committee, give an analysis of why, given that we have got 3½ gigawatts of rooftop solar in New South Wales—that is well established. It is in a Government policy document. Mr Shoebridge said it. The parliamentary library gave me three or four sources where that 3.5 figure is accurate. Can you provide some reflection on notice as to how it is only one gigawatt in the modelling?

Mr MIDHA: I will take it on notice.

Mr PRATT: We will come back, Mr Latham. To my knowledge, we were not involved.

CORRECTED

The Hon. MARK LATHAM: And in the work Treasury is doing now, are you able to provide this Committee with your policy assessment and plan B for what we do about the early closure of the coal-fired power stations?

Mr PRATT: That is the work we should be doing now.

The Hon. MARK LATHAM: And are you doing modelling—that is the work you are doing now?

Mr PRATT: Yes.

The Hon. MARK LATHAM: Great. In that modelling that you are doing now, are you going to look at the ramifications of that—obviously for energy security—but also take a line through the Hazelwood experience, where the early closure of that station in Victoria sent the wholesale electricity prices through the roof?

Mr MIDHA: We will take that on notice.

The Hon. MARK LATHAM: You will take that on notice? Okay. Can you recall, when you looked at the modelling that was in the submission, on what basis the Government was making a claim that household electricity bills would come down by \$130 and \$430 for small business?

Mr MIDHA: That is right, it is \$440 between the year 2023 and 2040. I am aware of that and that is part of the work we are doing, too, to understand how that would be achieved.

The Hon. MARK LATHAM: Okay. In the work that you are doing to look at that, do you understand and accept that it was off the worst-case scenario that could be mounted to calculate those so-called savings—that it was off a "no policy change" Government? The assumption was that the Government would just do nothing, allow the existing generators to close and then, on top of that, this policy only in that worst-case scenario would produce those savings.

Mr MIDHA: So, the legislation is very, very broad. There are lots of different options. What we are working on with DPIE is to understand what is the optimal option to deliver the targets.

The Hon. MARK LATHAM: Can I finally ask: Do you know who required this worst-case scenario to be used to generate what really are dodgy savings figures?

Mr MIDHA: No, I do not, sorry.

The Hon. MARK LATHAM: Can you take that on notice?

Mr MIDHA: I can take that on notice.

The Hon. MARK LATHAM: And you are doing work on all of this going forward now?

Mr MIDHA: Yes, we are working with DPIE on this. That is right.

The Hon. MARK LATHAM: Okay. And, Mr Midha, you are the responsible officer for doing that work—

Mr MIDHA: That is right.

The Hon. MARK LATHAM: —much more than Mr Gardner, is that right?

Mr PRATT: That is correct, yes.

The Hon. MARK LATHAM: Thank you. Thanks for that material on notice.

The CHAIR: Mr Mookhey?

The Hon. DANIEL MOOKHEY: Thank you, Chair. Mr Pratt, I was just hoping to pick up a line of questioning that was initiated by my colleague Mr Shoebridge about the remediation and the TMF issues. Firstly can I just say: Thank you for taking an interest in it and keeping your commitment to us and Law and Justice. It is appreciated that it is getting the attention of the secretary. The one question I have got is: When will the TMF have agreed to a plan to remediate in full the 30 per cent that at least we think might have been underpaid?

Mr PRATT: Between Mr Harding—and SIRA are actively engaged, as well, in this process—

The Hon. DANIEL MOOKHEY: Do you mind using the microphone, sorry?

Mr PRATT: Sorry. Is that better?

The Hon. DANIEL MOOKHEY: Yes.

CORRECTED

Mr PRATT: Sorry about that. We are in the formation stage of a plan working with Mr Harding, icare and in conjunction with SIRA to look at how we remedy this, but also how we adjust the process. One of the concerns that I have got, Mr Mookhey—that I have seen as I have got personally underneath the cover on this—goes somewhat to the issues that Mr Shoebridge was raising. We have a complex process of calculation in a distributed model around government. Now, if you have got complexity that is distributed you are going to end up with the wrong outcome, and that is what we have got. One of the issues I am talking to Mr Harding about is what we do about the process of approval and payment, as well as fixing the current issues. There are two things here to consider.

The Hon. DANIEL MOOKHEY: I appreciate that and I am glad that you are, Mr Pratt; that is good. But when will the last injured worker from the TMF who has been underpaid expect to receive the money that is owed to them? Do we know?

Mr PRATT: Look, I would expect—and this is current discussions between Mr Harding and myself at the moment. But this is obviously different to the NI because we have source data available, or we should, across agencies of government. For me, this is agreeing a process and then putting numbers of people dedicated to this process. I was talking to Mr Harding about this earlier. If you look at what the banking industry did, Mr Mookhey, for example, they put numbers of people on fixing problems. Once we have agreed that process I think we can deal with this in a more rapid way than the NI. I do not want to create unrealistic expectations—we need to work through it—but I do see the fact that we have access to the source data as fundamentally different to the NI.

The Hon. DANIEL MOOKHEY: Yes, I would think you are in a better position to go a bit faster on this as a result, Mr Pratt. I am glad to hear that and I do not wish to be disrespectful on this because I know that you have many things on your plate. But what you are outlining is not substantially different to what we heard in September, which was that you were in talks with SIRA and you were in talks with icare's then-CEO. It has been five months since. It is not unreasonable to ask: When will these conversations with SIRA and icare complete?

Mr PRATT: Well, I would say to you: Very shortly, I hope. We have done the sample size. I have written to all my secretary colleagues of every cluster to ask them to fully cooperate with us in this process. I would expect you would be hearing something from us in the next six to eight weeks, Mr Mookhey, I think.

The Hon. DANIEL MOOKHEY: I appreciate that, Mister Pratt. Yes, I do appreciate that. Mr Harding, just the last question on this PIAWE matter. In the other hearing SIRA has reported that the same complexities to PIAWE have not presented themselves in the specialised insurers; nor, for that matter, have they presented themselves in the self-insurers. The logical implication of all that is that it is unique to the scheme's—or at least icare is more prone than the others for different reasons, which, to be fair to SIRA, they also outlined, that distinguish self-insurers and specialised insurers.

Mr HARDING: Yes.

The Hon. DANIEL MOOKHEY: But it seems like this is a problem that only icare is having at this scale. Do you want to give us an explanation why?

Mr HARDING: I am assuming that Ms Donnelly has said to you the same conversations that she and I have had before, which is specialised insurers and certainly the self-insurers are actually very similar to the conversation we just had about the TMF, where they actually are the employer or they are very close to the employer in certain situations. So they have greater access to the data. Our challenge—and it is no different to what Mr Pratt has just described in respect to agencies—not only do we have decentralised agencies doing it but we actually have 380,000 employers out there that are providing us with information, and that information is not always available. So in some respects the Nominal Insurer is very different to a self-insurer and quite different to the other insurers.

The Hon. DANIEL MOOKHEY: Thank you. Can I just table this so we can complete this line of questioning as well? And can I provide this to Mr Pratt? I am sorry I have not got copies but we only sourced it just then after hearing some previous answers. Mr Gardner might also be in a position to shed light, so I am happy to direct questions to you, Mr Pratt, and to Mr Gardner as well, as you see fit. I apologise that there is only one copy of the document.

Mr PRATT: Thank you.

The Hon. DANIEL MOOKHEY: To be fair, Mr Pratt and Mr Gardner, this is a document we showed you back in the September hearing. It is a list of Treasury's previous experiences. I think if you go down to the third dot point there, Mr Secretary, you see that there is that item about Property NSW in 2016—a request coming from icare to lease space. Do you see that?

Mr PRATT: Yes, I do, yes.

CORRECTED

The Hon. DANIEL MOOKHEY: My understanding is—we did go through this in Law and Justice earlier—icare did make a request for additional office space to house an additional 187 in 2016. That is correct?

Mr PRATT: Yes, that is what it says, yes.

The Hon. DANIEL MOOKHEY: And that was then refused by Treasury and Property NSW. That is what it says?

Mr PRATT: Yes.

The Hon. DANIEL MOOKHEY: It then describes an alternative action that took place. Do you see that?

Mr PRATT: I do, yes.

The Hon. DANIEL MOOKHEY: Then somehow in 2017 we find icare entering into these lease arrangements through Comensura. Does that shed any further light on the line of questioning that I or Mr Shoebridge is asking either to you, Mr Pratt, or Mr Gardner?

Mr PRATT: Not that I can recall, no. I will give Mr Gardner—

Mr GARDNER: No, beyond what was in that letter which we discussed at the last hearings, no.

The Hon. DANIEL MOOKHEY: Does it not appear to you that perhaps this scheme was entered into as a way in which to circumvent Property NSW's and Treasury's intention and refusal?

Mr PRATT: Look, I do not know, Mr Mookhey.

The Hon. DANIEL MOOKHEY: But that is not an unreasonable inference, do you think?

Mr PRATT: I would prefer not to comment, really. I just do not—

The Hon. DANIEL MOOKHEY: Mr Gardner, do you have anything further to add?

Mr GARDNER: It is pure speculation. I have nothing further to add.

The Hon. DANIEL MOOKHEY: Okay, sure. Mr Harding, can we quickly just turn to icare's financial performance? In December your Chief Financial Officer said that icare is projecting to reach a result for the NI 2021 of positive \$401 million. Were you aware that she said that?

Mr HARDING: When did she say it? I do not believe so.

The Hon. DANIEL MOOKHEY: Well, our Law and Justice hearing in December.

Mr HARDING: Right, well, no, I was not around at that stage.

The Hon. DANIEL MOOKHEY: Look, to be fair to you, that is why I am asking if you were aware that the statement was made. What is the current projection for the year to end 2021 for the NI? Not the funding ratio of the—

Mr HARDING: I do not have that right at hand, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Would you mind taking it on notice.

Mr HARDING: I can take it on notice.

The Hon. DANIEL MOOKHEY: Thank you very much.

Mr HARDING: I would say that the CFO said that at the time prior to having received the December year-end valuations, which obviously had a significant impact on the current circumstances.

The Hon. DANIEL MOOKHEY: Well, I can appreciate the prescience, Mr Harding, because the next question I was going to ask is: What was the result at the December valuation?

Mr HARDING: There was a strengthening in the reserving around about \$800-odd million in net terms, and the net result for the Nominal Insurer is a loss of \$66 million at 30 December.

The Hon. DANIEL MOOKHEY: For that six-month period?

Mr HARDING: Yes, for that period to year to date to 31 December 2020.

The Hon. DANIEL MOOKHEY: To 31 December. Sorry, I hope we are not at cross-purposes, but I am asking about the funding valuation as of 31 December; the six-month valuation. Are we talking about the same thing?

CORRECTED

Mr HARDING: Yes, yes.

The Hon. DANIEL MOOKHEY: Okay, and it came back with a negative \$66 million?

Mr HARDING: The net result was negative 66.

The Hon. DANIEL MOOKHEY: Yes, and the funding ratio?

Mr HARDING: The funding ratio is 98 per cent.

The Hon. DANIEL MOOKHEY: When you say a strengthening of reserves of 800—did you say 800?

Mr HARDING: Yes, roughly.

The Hon. DANIEL MOOKHEY: So we have had to put in an additional \$100 million of reserves?

Mr HARDING: That is right.

The Hon. DANIEL MOOKHEY: Against what? Liability?

Mr HARDING: Against a growth in liabilities, yes. A combination of factors, yes.

The Hon. DANIEL MOOKHEY: Yes, got it. I appreciate that, Mr Harding. You have provided written briefs to Treasury and the Treasurer's office ahead of filing your premiums with SIRA. Is that correct?

Mr HARDING: We have, yes, consulted.

The Hon. DANIEL MOOKHEY: And you have provided written briefs?

Mr HARDING: We have provided some, yes.

The Hon. DANIEL MOOKHEY: To the Treasurer's office and to the Treasury?

Mr HARDING: Not to the Treasury.

The Hon. DANIEL MOOKHEY: Okay, to the Treasurer's office, and that is canvassing options for filings of your premiums for the coming year. Is that correct?

Mr HARDING: It is providing the Treasurer with an update on where we are at. The board has not yet considered it, and it is also still ongoing work. We are still doing work on what the required answer is.

The Hon. DANIEL MOOKHEY: Sure. When do you intend to file your premium with SIRA?

Mr HARDING: We will be filing it before the end of March, which is when it is due.

The Hon. DANIEL MOOKHEY: Yes. When is the board going to conclude its discussion and make a decision as to what it is going to recommend to SIRA?

Mr HARDING: There is still more work to be done on that in terms of looking at different options of how it could go about, but it will do it before the end of March so that we can get the filing in before.

The Hon. DANIEL MOOKHEY: That sounds sensible, yes. Are you recommending a premium increase to the board at this point in time?

Mr HARDING: Well, there is still a lot of work to be done. The thing that I would say to you is whilst you have obviously highlighted that our funding ratio is 98 per cent, I do not think there is a need for a knee-jerk kind of reaction to that. I think I have had a conversation with SIRA about that as well. It is about what the right balance is in terms of how we look at the business going forward. So there is more work to be done, is the answer, before we can determine what should happen.

The Hon. DANIEL MOOKHEY: Well, there are 326,000 businesses that would like to know what the premiums are going to be for the coming financial year. When are you going to be in a position to tell them?

Mr HARDING: Once we have filed it with SIRA and SIRA have a determination of it, then we can tell the employers. But SIRA has to go through its process as well as icare making it clear.

The Hon. DANIEL MOOKHEY: Yes. That is true. Mr Harding, your governance and accountability reports: Are you going to be implementing all recommendations in full?

Mr HARDING: Yes, we have already started implementing a large number of them. I said before I stood up a program of work around the Nominal Insurer. We have also stood up a program of work around reviewing the culture and governance findings. We are obviously conscious—

The Hon. DANIEL MOOKHEY: All 76 recommendations are going to be implemented?

CORRECTED

Mr HARDING: Seventy-six.

The Hon. DANIEL MOOKHEY: Sorry, 36.

Mr HARDING: We are obviously conscious that that report makes up a component of Mr McDougall's report, so we are keen to see his recommendations flowing from that so that we can actually implement those because they are the substantive issues, obviously. But, other than that, we have accepted the report. We welcome the report because I think it gives us a very clear road map to how we need to improve the governance, especially around governance and accountability, across icare.

The Hon. DANIEL MOOKHEY: Yes, but operationally, you do not need Mr McDougall's approval to implement all 36 recommendations.

Mr HARDING: No.

The Hon. DANIEL MOOKHEY: Are you going to be implementing all 36 recommendations?

Mr HARDING: Seventy-six.

The Hon. DANIEL MOOKHEY: Seventy-six, sorry. I am now getting more confused myself. All 76 recommendations?

Mr HARDING: The board has accepted the full report. We are accepting the recommendations, and we are moving forward. When we see Mr McDougall's report, we hope that will also shed some light around prioritisation of those to give us further guidance, but it is a great road map for us in terms of building a program of reform to drive the future of icare.

The Hon. DANIEL MOOKHEY: Okay. Are you intending to make any further changes to your group executive?

Mr HARDING: Not at this point in time.

The Hon. DANIEL MOOKHEY: Okay. What about the other 200 executives who are general manager and above?

Mr HARDING: My goal has a number of areas of focus, right? One, of course, is lifting risk and governance, the other is the Nominal Insurer—both of which we have talked about. The third is around creating an open, constructive and accountable culture. To me, we need to remove—there is a whole lot of complexity and duplication across icare that we really need to focus on and simplify the business back to basics. Part of that to me is actually getting focused on schemes and scheme outcomes. That is partly what my structure change has been about, actually getting alignment of accountabilities to scheme outcomes, which I think is fundamentally important because if you do not have a point person to be able to go to say, "That person is the accountable person for that scheme", then it makes it very difficult to manage those accountabilities.

Back to your question about the 200 executives, in reducing complexity and reducing the duplication across the organisation, part of my focus is on getting the decision-making layers of the organisation closer to both our customers and to injured people in the organisation. As we go through the shift in accountabilities from where they have been passed to the scheme-based accountabilities, I have asked my team to look at that and to look at how they can reduce the layers in the organisation and get that focus right.

The Hon. DANIEL MOOKHEY: Okay. I presume that those 200 executives are not going to be paid a bonus for the coming year?

Mr HARDING: At the moment that is a conversation yet to be had with the board but, based on the current targets, I would agree with you.

The Hon. DANIEL MOOKHEY: Okay, good. Icare is in the process of remediating incorrect disclosures in its annual reports process. I appreciated that last year's annual report included an update to your travel, which I presume is accurate, but contracts and consultants remediation of reports I do not believe was done in the annual report. Are you going to be going back and fixing annual reports or providing an update to that, given that they were incorrect?

Mr HARDING: There are a number of processes for remediation going on, including an overall remediation around the procurement processes. In working with Mr Pratt and Mr Gardner we have seconded in an expert from the public sector to our procurement team who is helping us with that and doing an excellent job. We were just talking about the fantastic individual that we have been able to secure, which makes a huge difference. We have been working steadily to remediate the GIPAA disclosures around contracts as part of that

CORRECTED

and we have been regularly putting up regular contracts and revising their disclosure. If there is further need for updates in the annual report as it comes forward, we will certainly do that.

The Hon. DANIEL MOOKHEY: Your predecessors have previously made the point that they are not going to be updating the GIPAA disclosure log for pre-2018 contracts. They provided a rationale at the time that simply said it was not worth it. But the Information Commissioner says that that does not give you an excuse. Can you undertake to look into disclosing the pre-2018 contracts on the GIPAA log and therefore becoming compliant with the law?

Mr HARDING: We can certainly look into it. The issue is that at the moment we are disclosing all active contracts, regardless of their date.

The Hon. DANIEL MOOKHEY: Yes, that is my point—this is inactive contracts from pre-2018.

Mr HARDING: I think the question there—and I am happy to take advice and come back to you, which is probably the best answer—is the value of disclosing contracts that are now finalised and finished and have been terminated is—

The Hon. DANIEL MOOKHEY: Well, it is the law.

Mr HARDING: I understand but it is a bit like PIAWE: There is a cost to going through and remediating back through that. I take your point on and we will come back to you with advice.

The Hon. DANIEL MOOKHEY: I appreciate that but you can expect that we would interrogate that given what type of contract practices were in place at that time. We can talk more about that into the future.

Mr HARDING: Understood.

The Hon. DANIEL MOOKHEY: Mr Treasury Secretary, can I ask you about the review, firstly, the activation of the Net Asset Level Holding Policy [NALHP] that saw the first transfer of \$2 billion last year? Do you recall that?

Mr PRATT: Yes, I do.

The Hon. DANIEL MOOKHEY: And you recall that where we left it was that you were going to make a decision, or the Treasurer was going to make a decision, towards the end of last year as to whether the next \$2 billion needed to be transferred? Do you recall?

Mr PRATT: Yes, we did tag \$4 billion, Mr Mookhey, as optional. The \$2 billion was put in, as you know. The other \$2 billion we have not moved on at all.

The Hon. DANIEL MOOKHEY: And that option still remains?

Mr PRATT: Look, it remains on the table but it is not something we are actively looking at now.

The Hon. DANIEL MOOKHEY: Has there been any other or like request to the Crown Finance Entity akin to this?

Mr PRATT: From icare?

The Hon. DANIEL MOOKHEY: From anyone.

Mr PRATT: We might need to take that on notice. Not that I am aware of.

Mr GARDNER: Not that I am aware of.

The Hon. DANIEL MOOKHEY: The Treasurer also asked for the NALHP to be reviewed when he gave approval of the \$4 billion in total. I think he asked for that review to be completed by December last year. Was that review undertaken?

Mr GARDNER: Yes, we have actually had an extensive period of a number of different reforms to the NALHP. It is sort of just the decision-making around what level it is. As I mentioned before—erroneously mentioned—there had been aggregation of HBCF but we have aggregated some of the other individual schemes that sat outside of team, which were inefficient to have, like the Construction Risks Insurance Fund, outside of that. So we have aggregated a few.

The Hon. DANIEL MOOKHEY: On notice, can you provide us with the outcome of that review and the changes that resulted?

Mr GARDNER: We can provide that, yes.

CORRECTED

The Hon. DANIEL MOOKHEY: Thank you, Mr Gardner, I appreciate that. On an unrelated matter, is Treasury still engaging with Qantas around the retention of its property at Mascot?

Mr PRATT: We are in active discussions with Qantas, yes.

The Hon. DANIEL MOOKHEY: When do you anticipate that those discussions will conclude?

Mr PRATT: I do not have a firm date, Mr Mookhey, but I would expect in the near term would be my answer. I do not have a date I can give you.

The Hon. DANIEL MOOKHEY: Who is leading those discussions with Treasury?

Mr PRATT: Ms Curtain is leading that discussion.

The Hon. DANIEL MOOKHEY: Okay. Well, either to you or Ms Curtain—however you see fit, Mr Secretary—what exactly is the package that Treasury is offering Qantas?

Mr PRATT: Well, it is commercial in confidence so at this point I really cannot talk about that.

The Hon. DANIEL MOOKHEY: Has Qantas expressed a preference as to what type of arrangements they are? You do not need to tell me what they are, but have they put forward a request?

Mr PRATT: It is in active discussion. They have been exploring options, as they have with a number of States, not just us.

The Hon. DANIEL MOOKHEY: Is the decision-making required for this—does that require Cabinet approval for any arrangement that would be entered into?

Mr PRATT: It will require Cabinet approval, yes. I am talking ERC, I am sorry.

The Hon. DANIEL MOOKHEY: ERC approval?

Mr PRATT: Yes.

The Hon. DANIEL MOOKHEY: Is it ERC then Cabinet or just ERC?

Mr PRATT: ERC. Look, it will be up to the Treasurer and Premier whether it goes to Cabinet. But it would certainly require ERC approval.

The Hon. DANIEL MOOKHEY: Has Qantas set a timeline to conclude these negotiations?

Mr PRATT: I will just check with Ms Curtain. Has a date been set?

Ms CURTAIN: Not a specific date. I think at the moment they say in the next month or so but the timeline is being led by Qantas.

The Hon. DANIEL MOOKHEY: On notice, can we please get the costs to Treasury of the negotiations to date if that is possible? And can we also get on notice the costs for Treasury engaging with the Virgin process, specifically whether Mr Carapiet was remunerated at all for his service and, if so, how much? Is that possible?

Mr PRATT: Yes, we will. That is fine.

Ms CATE FAEHRMANN: I have an email in front of me building on the questions I asked the Treasurer earlier, which were in relation to the funding of Wyangala Dam. I have an email in front of me from Peter Miller. Are you aware of Peter Miller within Treasury?

Mr PRATT: Yes.

Ms CATE FAEHRMANN: What is Peter Miller's position?

Mr PRATT: He works in Mr Gardner's team.

Mr GARDNER: He is a director in our commercial assets area, so he has a role in sort of what we call the investment management team overseeing the financial and governance aspects of the State-Owned Corporations [SOCs], including WaterNSW.

Ms CATE FAEHRMANN: Okay. Would you describe Peter Miller as a junior Treasury official?

Mr GARDNER: He is a senior executive so, no.

Ms CATE FAEHRMANN: Mr Jim Betts described him as that several times during our hearing last week, so that is to put that on record and correct that. Peter Miller is not a junior Treasury official; he is part of the senior executive.

CORRECTED

Mr GARDNER: He is a member of the senior executive, yes.

Ms CATE FAEHRMANN: He has written an email to a range of other Treasury officials that say that the difficulty is that these dams—and this is not just Wyangala but also potentially Dungowan and Myall River—are proposed to be built with no impact on the State budget. "I cannot see how that is possible given WaterNSW's current financial position." Are you aware of that within—

Mr GARDNER: Yes, I am absolutely aware of that position Mr Miller would have expressed because the reality of it is that WaterNSW only has a certain amount of capacity to fund things off its balance sheet through debt until its credit rating would be compromised. That is a critical thing from our perspective as Treasury and the shareholder perspective. We will very adamantly make that case to Treasury, ERC and others that WaterNSW should not bear the burden of that. As the Treasurer and the secretary said this morning, however, there are mechanisms to fund either directly to WaterNSW or directly to the project that would enable the project to be delivered if the business case stacks up and the Government makes a decision to go ahead without compromising WaterNSW's credit rating.

Ms CATE FAEHRMANN: Okay. Without compromising WaterNSW's credit rating, what are the mechanisms to build these dams without impacting the State budget? Or is that where it gets tricky? You have to impact the State budget if it is not about—

Mr GARDNER: I think that is what Mr Miller is reflecting in that email.

Ms CATE FAEHRMANN: Yes.

Mr GARDNER: He is questioning whether or not it could be done without impacting on the State's financial position.

Mr PRATT: Can I just provide further clarity on that comment?

Ms CATE FAEHRMANN: Yes, please.

Mr PRATT: The rating agencies look at general government sector debt, but they also look at total debt and, to Mr Gardner's point, if we were to put an equity injection into WaterNSW that would go to the total debt of Government when they borrowed to fund those dams, so these are the issues that we would need to work through. But the point I would make overall is that we, Treasury, have still not seen a business case.

Ms CATE FAEHRMANN: I am not sure anybody has seen a business case.

Mr PRATT: No. There is a rigorous process, which starts with: Does this proposal meet the criteria of strategy of Government and the policy of Government. If it does then the next stage gate is option analysis, which we have not seen.

Ms CATE FAEHRMANN: There has not been an option analysis?

Mr PRATT: No. The next stage is a strategic business case, which is funding. Now we have not seen either of those two, so it is very difficult for us to make any comments about funding and quantum because we have not been involved in any of that at this point.

Ms CATE FAEHRMANN: It is rather strange then or is this just a usual standard practice when you have said all that, but all of the materials that you see from WaterNSW—the fact sheet for example from WaterNSW, Wyangala Dam Raising—seem to suggest that it is 100 per cent going ahead? The communication from WaterNSW does not say, "We are investigating options", or "We are looking at the feasibility of doing this dam." They say that it is \$1 billion, which we now understand is probably going to be a fair bit more than \$1 billion, and that is with Commonwealth and State governments; that the Prime Minister Scott Morrison and the Premier announced a jointly funded package of around \$1 billion for the planning and delivery of three new or augmented dams. So a lot of the rhetoric, if you like, is coming out as though it has already happened, but the Treasurer was quite clear that it needs to go to the Expenditure Review Committee before it is ticked off.

Mr PRATT: That is correct and the Treasurer will obviously seek our advice once we have that proposal. But we have not seen it yet.

Ms CATE FAEHRMANN: Okay. Is it being discussed whether WaterNSW will own the dams at the end, if they do get built or is this still— ?

Mr PRATT: I am not aware of what that position is. Mr Gardner, are you aware? Because we have not seen any of the detail, I am sorry.

CORRECTED

Mr GARDNER: I think that would obviously flow through the business case and the funding and where the funding is directed to determine that. So it is possible that they could sit with WaterNSW, but a lot of it has to be determined before that would be determined.

Ms CATE FAEHRMANN: Okay. I understand that the water Minister had to make changes to the direction that she gave to WaterNSW as a State-owned corporation—changed the wording of the direction, one of which was that WaterNSW had to be guaranteed that they would be reimbursed for all sunken costs if the project does not go ahead. Are you aware of that change that was made to the direction?

Mr GARDNER: I do not have specific recollections around it, but it would be consistent with the way we approach—we have got a CSO policy around community service obligations where businesses that are non-financial activities get compensated by the Government from the relevant agency. So that would be consistent with that philosophy and approach we take.

Ms CATE FAEHRMANN: Do you know what the cost is that you have committed to as sunken costs? For example, this morning I raised the fact that the business cases themselves have potentially increased to \$200 million. Some consultants are getting a hell of a lot of money out of this Government. But it would be more than \$200 million then because there are the pre-works, pre-construction works and early works that have also been part of the sunken costs. So do you have a final figure on what the taxpayer may be up for paying as a result of an election party commitment that was based on no business case at all?

Mr MIDHA: At the moment, as I said this morning, it is about \$245 million is what the Government has committed and that includes some money for the business case. I do not have the exact money. I think it is around \$50 million-plus. But there is also, yes, there are some pre-construction works and there are some what has been defined as early no-regrets works for these project. So it is not work that would be completely useless if the projects did not go ahead.

Ms CATE FAEHRMANN: Except that the business cases do not investigate alternatives.

Mr MIDHA: Yes.

Ms CATE FAEHRMANN: Okay, so \$245 million. There has been the announcement that was made in October 2019 by the Premier and the Prime Minister that talked about \$1 billion. That was for three projects, I understand it—Mole River Dam feasibility plus building Dungowan and building Wyangala.

Mr MIDHA: Yes, that's \$1.2 billion, yes.

Ms CATE FAEHRMANN: Sorry?

Mr MIDHA: It was around \$1.2 billion, yes.

Ms CATE FAEHRMANN: So \$1.2 billion, but a capital works summary document that I have discovered through a call for papers by DPIE last November 2020 has said that just Wyangala itself is potentially \$1.2 billion—potentially up to \$2.1 billion—and then we have Mole River Dam and then we have Dungowan. The \$245 million that the Government is talking about, if that is the business case and the early works how much of that \$1.2 billion, minus the \$245 million, does the Government think is for the rest of construction? If you take out the Commonwealth Government's bid, there is only—in that \$1.2 billion—\$400 million or \$500 million. Do you understand the question? The maths really do not add up. They think they can build dams. I do not know how that got a figure.

Mr MIDHA: Just to clarify, Mole River is only funded for a business case.

Ms CATE FAEHRMANN: For \$24 million, yes.

Mr MIDHA: So the business case if there is a need to build a dam there that is a completely different funding matter it is not covered by this amount. Of the balance that is left, yes, 50 per cent is being contributed by the Commonwealth in totality for the business cases, early works and the construction of the dam. So there is only \$600 million left for the Government contribute if the dams were to be built.

Ms CATE FAEHRMANN: Interesting.

The Hon. MARK LATHAM: . Mr Midha, could I just clarify, the work you are doing now on the electricity roadmap, do you now have access to the Aurora economic modelling and the Frontier economic audit of that modelling?

Mr MIDHA: I believe the team does. I can come back and clarify exactly—

The Hon. MARK LATHAM: Can you take on notice when that access to the modelling and the audit was first provided to you?

CORRECTED

Mr MIDHA: Sure.

The Hon. MARK LATHAM: And just to backtrack, Mr Pratt, to the policy oversight role of Treasury for major economic reform, when did you first become aware that the energy section of DPIE was planning to replace the current power generation system with renewable energy zones in the western districts of the State.

Mr PRATT: It would have been around the time of the announcement and ERC. I am not sure of the exact—

The Hon. MARK LATHAM: Announcement of the roadmap?

Mr PRATT: No. The announcement, but through ERC. I am not sure. I would have to check the ERC timing.

The Hon. MARK LATHAM: So you are not aware that for three or four years they have been working up these renewable energy zone proposals?

Mr PRATT: I am aware that they have been working on it, Mr Latham, but I have not had line of sight of it, no.

The Hon. MARK LATHAM: And at no stage did you think it was appropriate to jump in and say, "Hang on. This is a massive economic reform that goes to the whole future of energy, security and manufacturing in the State. Treasury needs to have policy input and oversight."?

Mr PRATT: We try to engage as we can. Yes, is the answer.

The Hon. MARK LATHAM: But you did not engage on this to the point of input to the roadmap?

Mr PRATT: I did not personally, no

The Hon. MARK LATHAM: And no one in Treasury did by the sound of it, other than—

Mr PRATT: Through the ERC process

The Hon. MARK LATHAM: —the ERC and the comment on submission that went to Cabinet.

Mr MIDHA: Just to confirm, we have never received the model. We have received the output of the model as part of the process

The Hon. MARK LATHAM: And when do you intend to give scrutiny to the Aurora modelling? I have just explained to you it is out by 2½ gigawatts on rooftop solar calculations at least.

Mr MIDHA: So that is the data that has been provided to us as part of the work that we are doing currently, but we do not have the detailed reports. We have the outputs of it.

The Hon. MARK LATHAM: Do you think it is appropriate that you get that detailed report to do the work properly and thoroughly in the public interest?

Mr MIDHA: We will. Obviously, I will check with the team on that.

The Hon. MARK LATHAM: And the Frontier economic audit?

Mr MIDHA: We do not have the details for both the reports.

The Hon. MARK LATHAM: And you do not have both the reports.

Mr PRATT: But we will follow up.

The Hon. MARK LATHAM: Okay. Does Treasury have any input on the appointment of members of the Renewable Energy Sector Board to boost manufacturing and jobs in New South Wales?

Mr PRATT: That is not a board that I think we cover. Mr Gardner, is that correct?

Mr GARDNER: No.

Mr PRATT: No.

The Hon. MARK LATHAM: No? Is Treasury aware that the co-chair of this new board supposedly to boost manufacturing and jobs in New South Wales is—

The Hon. BEN FRANKLIN: Point of order: The witnesses have already stated that this is not a board that they have any involvement with or that comes under their auspices so these questions are not relevant to this inquiry.

CORRECTED

The Hon. MARK LATHAM: They were about manufacturing jobs.

The CHAIR: Yes, the witnesses can answer in whichever way they choose and I note that those are the answers that they have given, but Mr Latham can pursue questions.

The Hon. MARK LATHAM: Having second thoughts about that legislation you sponsored through the upper House. Treasury, could you give your assessment of this comment by the co-chair of the new board to boost local manufacturing and jobs, Mr Craig Memery, who has put out last month that, "We must abolish Mondays immediately to slash emissions by one-seventh." What would be the impact in New South Wales of this guy seriously putting out the suggestion that we close down the economy every Monday?

Mr PRATT: Well, I do not think it is something that I would jump at supporting, Mr Latham, I would have to say.

The Hon. MARK LATHAM: That is good to hear. Where do these lunatics come from?

Mr PRATT: That is not for me to comment. Look, I do not know the individual and I do not know the context of that comment.

The Hon. BEN FRANKLIN: Nice try though.

The Hon. MARK LATHAM: Mr Pratt, on other matters that we covered earlier, the \$38,000 painting, where does that hang in the communal area in the Treasury offices?

Mr PRATT: It is in the main kitchen and main eating area.

The Hon. MARK LATHAM: You bought a \$38,000 painting for a kitchen?

Mr PRATT: Well, it is the main communal area. It is where people gather regularly, whether they are eating or there are functions or whatever it might be.

The Hon. MARK LATHAM: Okay. It will take me weeks to get over today, I must say. Can I turn to Mr Walters and your comments about the importance of restoring confidence in public transport. You said that was one of the drags on the CBD economy here. Are you aware of the health advice that over the past 12 months on New South Wales public transport—country trains, city trains, ferries and buses—we have not had a single confirmed COVID transmission?

Mr WALTERS: I am not, Mr Latham, no.

The Hon. MARK LATHAM: Okay, well, I am telling you that is the case from an answer that the health Minister has given me on the parliamentary *Notice Paper*. Given that, would it not be wise for the Government to try and restore confidence in public transport and say it is safe and put that information out—that we have not had a single confirmed transmission and for the sake of the economic health and our society getting back to normal that it is safe to be on public transport?

Mr WALTERS: I am not a health expert, but I agree that getting people back onto public transport would aid our initiative to get people back into the CBD and therefore aid growth in the economy, yes.

The Hon. MARK LATHAM: Mr Pratt, the Premier and Treasurer on 4 October said that we are going to bring the public servants back to the Sydney CBD. What proportion of your Treasury staff are now working here in the CBD as opposed to working from home?

Mr PRATT: Based on what I mentioned earlier, we are around about 60 per cent on three days a week.

The Hon. MARK LATHAM: Sixty per cent on three days a week? And the other 40 per cent—

Mr PRATT: As a minimum.

The Hon. MARK LATHAM: —are on no days a week? They are all working from home.

Mr PRATT: They might be less than three days. I do not have that breakup with me but certainly as a minimum that is the position, yes.

The Hon. BEN FRANKLIN: Did you not say all staff need to be there for three days a week?

Mr PRATT: Three days a week as a minimum.

The Hon. BEN FRANKLIN: Yes, sorry, just to make it clear.

The Hon. MARK LATHAM: All staff need to be there for three days a week.

Mr PRATT: As a minimum, yes.

CORRECTED

The Hon. MARK LATHAM: And the 60 per cent figure relates to?

Mr PRATT: Just total staffing in terms of that ratio of three days a week. So they are there, if you like, three-fifths of the week.

The Hon. BEN FRANKLIN: At least.

Mr PRATT: At least.

The Hon. MARK LATHAM: So how does that calculate for overall staff days? It sounds like a minority are in the CBD and a majority are working from home.

Mr PRATT: No, they have got to be in the office a minimum of three days per week.

The Hon. MARK LATHAM: Right. Everyone?

Mr PRATT: Everyone, yes.

The Hon. MARK LATHAM: Why do you say 60 per cent?

Mr PRATT: Well, I am looking at the full week.

The Hon. MARK LATHAM: Oh, it is 60 per cent of the week, not 60 per cent of the staff entitlement?

Mr PRATT: Yes.

The Hon. MARK LATHAM: When will you move to 100 per cent to fulfil the promise given on 4 October that coming back to normal arrangements will boost the CBD economy?

Mr PRATT: I would think in the very near term. I think some of the questions that you have just asked around public transport, for example, will be addressed very shortly. That would be a logical point then to make that next call.

The Hon. MARK LATHAM: Mr Harding, in taking over icare, were you made aware of the \$5 million imaginarium?

Mr HARDING: I am aware of it. I am aware of the previous conversations about it, yes.

The Hon. MARK LATHAM: What have you done with it?

Mr HARDING: It is still there. It actually would cost a lot more to remove it, Mr Latham, but it does actually perform a function in terms of enabling our customer- and human-centred design people to hold events where they can have customers come into the company and share their experiences with us so we can try to improve the outcomes for those people and get them back to health and work.

The Hon. MARK LATHAM: That is how you are using it now, but is that different to the original functions of the imaginarium? I was told it was an area where staff could go and imagine a better world.

Mr HARDING: I cannot actually comment on the past, Mr Latham.

The Hon. BEN FRANKLIN: We all want a better world, Mr Latham.

The Hon. MARK LATHAM: Well, I do but not with the Hare Krishna.

Mr HARDING: To me, it is not an uncommon design tool for human- and customer-centred design labs to be using. The real challenge is to get the value out of it.

The Hon. MARK LATHAM: So you see it as a lab?

Mr HARDING: Well, that is what they call it generally.

The Hon. MARK LATHAM: Is it? So you have abandoned this sort of wacky idea of people reflecting on a better world when your core function is to process workers compensation claims and make payments? Now you have changed this room to a customer service type room.

Mr HARDING: It is a room for research and design around our core processes to help ensure we can improve them. That is the whole purpose of it. That is my understanding of it. That is how we are using it. Customer-centred design is about bringing customers in and asking them to share their experiences, whether that is customers or injured workers, employers or injured workers. We also have other customers, as we have talked about, like HBCF. But your point about the \$5 million is kind of sunk costs. How we get value out of it now is probably the best discussion that I am trying to have. We need to focus and use it for—

The Hon. MARK LATHAM: Do you think in hindsight the \$5 million was a ridiculous investment?

CORRECTED

Mr HARDING: I am not going to—I am not to pass comment on what the intent was back then.

The Hon. MARK LATHAM: But you would not have done something like that. Please tell us you would not have built a \$5 million imaginary.

The Hon. ROBERT BORSAK: Please tell us.

Mr HARDING: I think there are plenty of opportunities to continue to simplify and reduce the complexity within icare and that is probably one of them.

The Hon. BEN FRANKLIN: Nice answer.

The Hon. MARK LATHAM: In my remaining time, Mr Pratt, I might ask you about the accountability and performance measures in place for the new Indigenous staff unit of 10 that you are employing. I know one of them has been there for at least nine months. How does this relate to the work that is performed by Aboriginal Affairs NSW, where they have substantial staffing, budget and land rights responsibilities, and the Premier's priorities in Indigenous affairs—two very important ones there? Hopefully they will be realised. Where have your staff come from and how do you measure their performance given this overlap with responsibilities discharged at Aboriginal Affairs NSW and inside the Premier's department?

Mr PRATT: Five of those positions are with Ms Wilkie and the other five are with Mr Midha, so I might get both of them to talk to that and what they are doing, if that is all right with you.

Ms WILKIE: Five of the staff sit in the Aboriginal Economic Wellbeing Branch, which is in my group. The work that they undertake is an extension of the work undertaken by the Centre for Evidence and Evaluation, so they are responsible for specifically taking the broader evaluation and evidence frameworks that clusters are required to meet or to adhere to in terms of putting together projects and proposals or evaluating projects and proposals, and looking at specific extensions of that where projects impact on Aboriginal members of our community or on Aboriginal communities. So looking at, for example, an evidence base to be able to more fully quantify costs and benefits of a particular proposal. It is an extension of work that Treasury traditionally has done.

They are also then, like the Centre for Evidence and Evaluation, responsible for building capacity and capability across clusters. They do not in fact duplicate work that is done in other clusters. It is an extension of work that Treasury has always done, looking at a particular cohort where there is reason to be putting an extra emphasis on it at the moment. In relation to performance for that team, their performance is managed and monitored in the same way that all staff across Treasury are—through performance development plans and conversations with managers.

The CHAIR: This is the final round so it will be split six minutes to the Opposition—

The Hon. MARK LATHAM: We had Mr Midha.

The CHAIR: I am happy to come back to it. It is six minutes to the Opposition—

The Hon. MARK LATHAM: On notice?

The CHAIR: —and then six minutes split between the crossbench. Sorry, I am not trying to cut them off, but we are just at the end of time.

The Hon. WALT SECORD: Mr Secretary, what has been the impact of COVID on gaming revenue in New South Wales?

Mr PRATT: I will get Ms Wilkie to give you the numbers but it has gone up.

The Hon. WALT SECORD: Yes. I think in June 2020 compared to the same period in 2019 there was a 7 per cent increase.

Mr PRATT: I will get the numbers for you now, if you just bear with me for one moment.

Ms WILKIE: Revenue from gambling taxes in the half-year review was forecast to be \$2.8 billion in 2020-21, which is an increase of 27 per cent since 2019-20. That is from all gambling taxes. The increase comes from a number of different sources: partly due to temporary increases in disposable income as a result of the Commonwealth Government's stimulus measures; partly as a result of delayed consumption following the lockdowns being released, so when those gaming venues were not open in the earlier part of last year and therefore gaming revenue was not being collected; and also limited options for other forms of discretionary and leisure spending mean that people have possibly shifted from other leisure spending activities into gaming.

The Hon. WALT SECORD: Into gaming, right. Has Treasury done any work or any modelling on the impact of Minister Dominello's proposed reforms on problem gambling?

CORRECTED

Ms WILKIE: We have not done any economic or revenue modelling on those, to my knowledge. It would normally be something that is done in the relevant cluster, which we then review in terms of a specific policy proposal.

The Hon. WALT SECORD: But the measures that he has proposed or floated would have an impact on Government revenue. Would you agree with that?

Ms WILKIE: I would have to take that on notice. It is highly dependent on what the impact is likely to be on economic activity more broadly and activity within the gaming sector.

The Hon. WALT SECORD: Given that Crown Casino will not be allowed to operate a casino licence in New South Wales, what impact has that had on any revenue that the Treasury was expecting to receive?

Ms WILKIE: Because the decision of the regulator was made available to us or was announced publicly before the half-year review forecasts were finalised, it meant we were actually—the revenue forecasts are made on the basis of two things. They are predominantly dependent on the economic forecasts, but we then also adjust those on the basis of existing Government policy. Because the regulator had made the announcement that it had, any potential income that derived from Crown Casino duties was then excluded from our forecast.

The Hon. WALT SECORD: So you excluded the forecast, right.

Ms WILKIE: We excluded the Crown forecast.

The Hon. WALT SECORD: Thank you. Mr Secretary, I would like to take you to the land tax stamp duty proposal of the Treasurer. I think it is 22 March that submissions close, is that correct?

Ms WILKIE: It is 15 March.

Mr PRATT: It is 15 March, yes.

The Hon. WALT SECORD: Oh, 15 March. Have you been tracking how many submissions you have received so far?

Mr PRATT: Yes, we have. Ms Wilkie will give you the numbers but I think it is over 100 now.

Ms WILKIE: I do not actually have the specific number of submissions that we have received so far. They have started coming in, but we know a couple of the ones that we are particularly anxiously waiting on have told us they will not be arriving until 15 March so we would expect to get a rush of them this week. But in terms of some of the consultation that has been undertaken, as with any consultation program of this nature, submissions are just one process by which we are getting feedback on the proposals. There is the Have Your Say website. There have been over 17,000 visits to that website. There is a quick poll on there as well as a survey. In combination, there have been over 5,000 responses to those. We have had user group testing, so there have been 29 different discussion groups with almost 180 participants. We had a NSW Treasury survey.

The Hon. WALT SECORD: Can I stop you for a second? Are they private or public discussion groups?

Ms WILKIE: Yes, they are private discussion groups. Through communications and market testing and market sentiment firms, we have been doing user group testing on specific elements of the proposal.

The Hon. WALT SECORD: What elements is that testing?

Ms WILKIE: It tests things like—to some extent it is a qualitative set of research that expands on the same sorts of questions that we ask in a survey. Some of the survey questions are things like, "Are you aware that you need to pay stamp duty if you purchase a house?", "Are you intending to purchase a house?" and "Would you be interested in paying property tax rather than a stamp duty?" Those are some of the questions that we ask in the surveys and those questions are then replicated to get a discussion so that we can get more qualitative information in a user group.

The Hon. WALT SECORD: Who do you share this research with?

Ms WILKIE: At the moment that research is being used by the policy team to refine policy proposals that will be put to Government. Some of it at a very high level has been shared with the Treasurer. However, as we have just said, the consultation process does not finish until 15 March so it has only been a summary update. We need the full range of feedback, coming from the channels I have just mentioned, as well as one-on-one meetings with stakeholders. We have had over 100 of those. All of that needs to be brought together before we finalise policy proposals to Government.

The Hon. WALT SECORD: I am mindful of time. Could you take on notice what is the total cost of those discussion groups?

CORRECTED

Ms WILKIE: I can take that on notice.

The Hon. WALT SECORD: And what steps are taken—are they in fact shared with the Treasurer's ministerial staff and the Liberal Party and The Nationals? I would like on notice a full list of who that information is shared with.

Ms WILKIE: Sure. Just to clarify, in terms of the return of the information, the cost of the user groups is contained within the broader contract that we have with KPMG.

The Hon. WALT SECORD: Okay, but I would like you to drill down.

Ms WILKIE: I can specify that.

Ms CATE FAEHRMANN: Sorry, I only have four minutes.

The CHAIR: Ms Faehrmann.

Ms WILKIE: In terms of whom the information has been shared with, do you want included in that all of the Treasury staff and KPMG staff who would have access to that information?

The Hon. WALT SECORD: Yes, please, as well as ministerial and Premier's ministerial staff. Sorry, Cate.

The Hon. BEN FRANKLIN: After taking appropriate advice about privacy and legal and other issues.

Ms CATE FAEHRMANN: That is okay. Thank you. I will just go back to the funding situation for Wyangala and Dungowan. I have a briefing paper in front of me to the water Minister that is around the direction that was issued to WaterNSW. It says in here that Treasury has indicated it does not support the scope of the direction on the basis that it results in substantial expenditure commitments before final business cases are completed and that options exist to scale back the scope and therefore estimated cost of the works included in the direction—see supporting analysis. Has that changed since Treasury gave the advice that it does not support the scope of the direction?

Mr PRATT: Not to my knowledge, no. Is that correct, Mr Midha?

Mr MIDHA: No.

Mr PRATT: Who has quoted that in Treasury? Directionally I am not surprised by those comments but—

Ms CATE FAEHRMANN: I gave this to the Treasurer this morning. This is a briefing policy that has been provided to Minister Pavey about the direction. WaterNSW were not happy with what was first proposed. That was changed, I understand. But it does say in here, as I have just read out, that firstly options exist to scale back the scope. But, importantly, Treasury does not support it on the basis that it results in substantial expenditure commitments before final business cases are completed. Are you saying that is still the situation?

Mr PRATT: That is exactly aligned to what I said earlier, yes.

Ms CATE FAEHRMANN: Okay, but the direction was issued, as I understand, to WaterNSW by Minister Pavey?

Mr PRATT: I do not know.

Mr GARDNER: That is correct.

Ms CATE FAEHRMANN: So it was issued, but was it changed to address Treasury's concerns? I understand that the Treasurer has to approve that direction.

Mr MIDHA: No. The Minister is entitled to do so without our support.

Ms CATE FAEHRMANN: Under section 20P of the State-Owned Corporations Act, the Treasurer must approve the direction. Is that correct?

Mr GARDNER: You have got two elements of this. You have got the approval. You have got the direction, which—in your words—you said was amended so that Water NSW would be compensated for sunken costs.

Ms CATE FAEHRMANN: Yes, that is right. The sunken costs, which have been agreed to.

Mr GARDNER: That is one leg of it. The other leg of it was the rural funding was approved through ERC. So the two sort of square away. But Treasury can still give advice along the lines of what you see there.

CORRECTED

Ms CATE FAEHRMANN: I see. Treasury officials have given advice, but the ERC made the decision, anyway, to spend \$200 million on business cases, but your advice was that that is a substantial expenditure commitment before final business cases are completed.

Mr MIDHA: Just to clarify, Treasury advice is different to—the Minister can get support without Treasury. That direction that went from the Minister would have had Treasurer's support but not Treasury.

Ms CATE FAEHRMANN: Okay. There is an email here from Russell Rahman. What is his position?

Mr GARDNER: He is a junior Treasury official.

Ms CATE FAEHRMANN: He will get there, though.

Mr GARDNER: By virtue of not being a senior executive.

Ms CATE FAEHRMANN: He has written to Peter Miller, who I mentioned earlier, saying that \$200 million appears to be a lot of money to spend while not pre-empting an investment decision, no business case, no passing of Infrastructure NSW gates yet. "Even \$80 million raised eyebrows for this." Are you aware of that figure raising eyebrows?

Mr GARDNER: I am aware of that email. I was not in the conversation where that \$80 million figure raised eyebrows.

The Hon. BEN FRANKLIN: You will be delighted to hear that the Government has no questions.

The CHAIR: Thank you, everybody, for attending today. We appreciate your participation and the work that you do. The secretariat will be in touch with any questions that were taken on notice and any supplementary questions.

(The witnesses withdrew.)

The Committee proceeded to deliberate.