

PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE

Wednesday 5 March 2025

Examination of proposed expenditure for the portfolio area

TREASURER

CORRECTED

The Committee met at 9:15.

MEMBERS

The Hon. Jeremy Buckingham (Chair)

Ms Abigail Boyd

The Hon. Dr Sarah Kaine

The Hon. Mark Latham

The Hon. Cameron Murphy

The Hon. Bob Nanva

The Hon. Chris Rath (Acting Deputy Chair)

The Hon. Damien Tudehope

The Hon. Natalie Ward

PRESENT

The Hon. Daniel Mookhey, *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**

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The CHAIR: Good morning, everyone. Welcome to the fourth hearing of Portfolio Committee No. 1 - Premier and Finance for the additional round of the inquiry into budget estimates 2024-25. Firstly, I acknowledge the Gadigal people of the Eora nation, the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respect to any Aboriginal and Torres Strait Islander people joining us today.

My name is Jeremy Buckingham. I am the Chair of the Committee. I welcome Treasurer Mookhey and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of Treasurer. I ask everyone in the room to please turn their mobile phones to silent. Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants. I encourage Committee members and witnesses to be mindful of these procedures. Treasurer, I remind you that you do not need to be sworn as you have already sworn an oath to your office as a member of Parliament. I also remind Mr Coutts-Trotter that you do not need to be sworn as you've already been sworn before this Committee during this inquiry.

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Mr MICHAEL COUTTS-TROTTER, Secretary, NSW Treasury, on former oath

The CHAIR: I welcome all the witnesses. Thank you for making the time to give evidence again. Today's hearing will be conducted from 9.15 a.m. to 5.30 p.m. We are joined by the Treasurer for the morning session from 9.15 a.m. to 1.00 p.m., with a 15-minute break at 11.00 a.m. In the afternoon we will hear from departmental witnesses, with additional witnesses from 2.00 p.m. to 5.30 p.m., and a 15-minute break at 3.30 p.m. During these sessions there will be questions from Opposition and crossbench members only, then 15 minutes is allocated for Government questions at 10.45 a.m., 12.45 p.m. and 5.15 p.m. We will now proceed with questions from the Opposition.

The Hon. DAMIEN TUDEHOPE: Treasurer, there is a methodology review occurring in respect of the distribution of GST. Has that been completed?

The Hon. DANIEL MOOKHEY: Are you referring to the methodological review being undertaken by the Commonwealth Grants Commission?

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: The Commonwealth Grants Commission is undertaking that methodological review. They do that every year but, because that is obviously a Commonwealth agency, I'm in no position to let you know where they're up to in that respect. What I can say is that, of course, the Commonwealth Grants Commission and the determination process is currently underway.

The Hon. DAMIEN TUDEHOPE: I take it that Treasury has made a submission to that review process.

The Hon. DANIEL MOOKHEY: Treasury makes a submission every year to the Commonwealth Grants Commission. Treasury is certainly arguing for more for New South Wales. As you know, that is a submission that touches on a great degree of both technical detail as well as principal detail. I'm certainly going to make the point here that the entire system is absurd and in dire need of reform.

The Hon. DAMIEN TUDEHOPE: I think we've had that discussion before.

The Hon. DANIEL MOOKHEY: We might have it again.

The Hon. DAMIEN TUDEHOPE: Treasurer, I'd be happy to sign submissions on your behalf or with you in relation to that. I take it that, as a result of the submission, Treasury would have formed a view about how that review was occurring, would they not?

The Hon. DANIEL MOOKHEY: I don't know what you mean, sorry. What's your question?

The Hon. DAMIEN TUDEHOPE: In the half-yearly review, the GST revenue take was revised down by \$212 million.

The Hon. DANIEL MOOKHEY: Which part of the half-yearly review are you referring to?

The Hon. DAMIEN TUDEHOPE: The GST distribution.

The Hon. DANIEL MOOKHEY: Yes, but which part? Multiple parts are covered.

The Hon. DAMIEN TUDEHOPE: Do you accept, as a principle, that the GST—and perhaps Mr Coutts-Trotter can assist you if you need assisting—was revised down by \$212 million?

The Hon. DANIEL MOOKHEY: In the revenue outlook of the half-yearly review—is that what you're asking?

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: That's different to a methodology review.

The Hon. DAMIEN TUDEHOPE: I understand that.

The Hon. DANIEL MOOKHEY: It's different to a submission.

The Hon. DAMIEN TUDEHOPE: I understand that.

The Hon. DANIEL MOOKHEY: Are you asking me whether or not, in the half-year review, we adjusted our GST forecast? Is that what you're asking?

The Hon. DAMIEN TUDEHOPE: Yes.

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The Hon. DANIEL MOOKHEY: We adjust our forecast at every budget. Yes, in this half-year review statement, of course, the revenue adjustments were made, as you would expect.

The Hon. DAMIEN TUDEHOPE: And they were revised down by \$212 million.

The Hon. DANIEL MOOKHEY: For which year?

The Hon. DAMIEN TUDEHOPE: Did that reflect, in the half-yearly review—

The Hon. DANIEL MOOKHEY: But you know, Mr Tudehope, there's forward estimates. Which year are you referring to when you say that it's been revised down by \$212 million?

The Hon. DAMIEN TUDEHOPE: For 2027-28.

The Hon. DANIEL MOOKHEY: So the fourth year of—

The Hon. DAMIEN TUDEHOPE: I think for 2027-28 it's revised down by \$358 million.

The Hon. DANIEL MOOKHEY: I'm looking at GST for 2027-28. I'm looking at the revenue reconciliation. It's on table 3.3. It's showing me not that.

The Hon. DAMIEN TUDEHOPE: What does it show you?

The Hon. DANIEL MOOKHEY: Have you got it in front of you?

The Hon. DAMIEN TUDEHOPE: No, I don't. What does it show you?

The Hon. DANIEL MOOKHEY: I'm looking at the revenue reconciliation. 2027-28 is showing a revision upwards of \$705 million.

The Hon. DAMIEN TUDEHOPE: Is that consistent with what you—do you say that, for 2024-25, the estimate is revised up, or down?

The Hon. DANIEL MOOKHEY: I only invite you to read it. The revenue reconciliation on table 3.3 shows, unless I'm misreading this, an \$85 million upwards revision for the 2024-25 number, which reflects the fact that there's slightly more consumption expenditure in the economy than there was in the budget.

The Hon. DAMIEN TUDEHOPE: Yes. Did you get a letter from the Commonwealth Grants Commission on 28 February?

The Hon. DANIEL MOOKHEY: Which was what? Last week?

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: I'll find out. We'll find out whether or not. I personally got a letter? Or the Treasury got a letter?

The Hon. DAMIEN TUDEHOPE: It's probably addressed to you but may have been delivered to Treasury. But it would have been a decision in relation to the GST relativities for 2025-26.

The Hon. DANIEL MOOKHEY: We are at that time of the year where there is back and forth going between the Treasury and the Commonwealth Grants Commission around relativity.

The Hon. DAMIEN TUDEHOPE: But they made their decision, did they not?

The Hon. DANIEL MOOKHEY: No, they haven't made their decision. Their decision is not due until mid-March. What you're describing is the ordinary communications between the Commonwealth Grants Commission and the Treasury as they finalise their position.

The Hon. DAMIEN TUDEHOPE: I need a copy of the budget papers.

The Hon. DANIEL MOOKHEY: Which one would you like?

The CHAIR: The marked-up copy.

The Hon. DAMIEN TUDEHOPE: The marked-up ones. That'll do.

The Hon. DANIEL MOOKHEY: You're getting No. 01, and you're getting No. 02.

The Hon. DAMIEN TUDEHOPE: In relation to the letter which you potentially got, with the final decision of the Commonwealth—

The Hon. DANIEL MOOKHEY: It's not a final decision, Mr Tudehope. We get a final decision from the Commonwealth Grants Commission in March. We usually find out a day before.

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MICHAEL COUTTS-TROTTER: And it's a recommendation to the Commonwealth Treasurer.

The Hon. DANIEL MOOKHEY: And it's a recommendation to the Commonwealth Treasurer, under that system.

The Hon. DAMIEN TUDEHOPE: What was the recommendation to the Commonwealth Treasurer in respect of the distribution to New South Wales?

The Hon. DANIEL MOOKHEY: I wouldn't know, because I'm not responsible for the Commonwealth Grants Commission. The Commonwealth Grants Commission answers to the Federal Treasurer.

The Hon. DAMIEN TUDEHOPE: No. But have they written to you, providing you advice about what they have recommended to the Treasurer?

The Hon. DANIEL MOOKHEY: No. They don't advise me of what they recommend to the Treasurer. In fact, the way the process works is they will publish their report, they will then write to us to see whether or not there are any final variations and then, generally, the Commonwealth Treasurer writes to me to see whether I have any further input to add.

The Hon. DAMIEN TUDEHOPE: But the terms of reference of the commission require, do they not, that the commission write to State Treasurers by 28 February?

The Hon. DANIEL MOOKHEY: The engagement with the Commonwealth Grants Commission is usually year round. There are multiple points of input.

The Hon. DAMIEN TUDEHOPE: Yes, but the term of reference of the Commonwealth Grants Commission require, on 28 February each year, that the Commonwealth Grants Commission write to you and advise of their recommendation to the—

The Hon. DANIEL MOOKHEY: No. They write to us to provide us advice about their draft determination, I believe, what you're making the point.

The Hon. DAMIEN TUDEHOPE: And have you received that letter?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: Can you tell us what the recommendation is?

The Hon. DANIEL MOOKHEY: No, I can't.

The Hon. DAMIEN TUDEHOPE: Can you give us at least a thumbs up, whether it's good news? Is it bad news?

The Hon. DANIEL MOOKHEY: No. I can't give you—you're going to have to wait to budget 2025-26 and the reports that are published therein. But what I will say to you, Mr Tudehope, is, regardless of whether the result is good or bad, the system remains absurd. The fact that New South Wales lost \$12.6 billion in GST last year is an affront to the State but also a sign of the fact that we as a State are carrying the Federation when it comes to supporting the other States. I think it's a very good thing that here, at a bipartisan level, both your side of politics and my side of politics agree that New South Wales needs change. We need a system that is far more built on population share than the current system. A scenario in which a suburb near the Illawarra is classified as a major city but Darwin is not and New South Wales loses money, that's a problem. When Coffs Harbour goes from being rural to semi-regional and, as a result, we lose money, that's absurd. Coffs Harbour has been there for millennia. It has not changed its status. It's a great place to visit, but I think it was a surprise to the people of Coffs Harbour to realise that they've been utterly reclassified. Equally, in a scenario in which Melbourne—

The Hon. DAMIEN TUDEHOPE: Is that what's contained in the letter?

The Hon. DANIEL MOOKHEY: I'm just going to point out these are the absurdities that we deal with every single year. In a scenario in Melbourne where an SA-level, a Statistical Area Level 1—

The Hon. DAMIEN TUDEHOPE: Treasurer, we're on the same page here.

The Hon. DANIEL MOOKHEY: They decide that it's cheaper to provide public transport in Sydney than it is in Melbourne and therefore Victoria gets more money. It's absurd. Neither you nor I can look at any of our constituents in the face and say that this system is rational, that this system is explicable or that this system makes sense, let alone that this system is in the national interest.

The Hon. DAMIEN TUDEHOPE: So you're not going to tell us the figure?

The Hon. DANIEL MOOKHEY: Definitely not. You're going to have wait until the budget.

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The Hon. DAMIEN TUDEHOPE: But is it better or worse than Treasury guessed?

The Hon. DANIEL MOOKHEY: I'm not going to speculate. But I will simply say that—

The Hon. DAMIEN TUDEHOPE: Treasury is—

The Hon. DANIEL MOOKHEY: Mr Tudehope, I know that you're excited about the prospects of the next budget, as am I.

The Hon. Dr SARAH KAINE: We all are!

The Hon. DANIEL MOOKHEY: We are all excited about what the next budget will say but, technically, we are here to discuss the last budget.

The Hon. DAMIEN TUDEHOPE: But we need to know whether the estimates contained in the last budget—

The Hon. DANIEL MOOKHEY: When we're back around this table and when we regather in September, you can push me hard as to whether or not the forecasts were right.

The Hon. DAMIEN TUDEHOPE: —and the manner in which that Treasury officials have been able to make those estimates, in terms of the previous documents, that are contained—

The Hon. DANIEL MOOKHEY: I'll just say, Mr Tudehope—I hope you're enjoying my budget papers.

The Hon. DAMIEN TUDEHOPE: I'm coming back to that, by the way.

The Hon. DANIEL MOOKHEY: The other point, I will say, is Treasury methodology before the 2024-25 budget was exactly the same that was applied when you were the finance Minister. The exact same methodology was used ahead of last year's determination as they were the year before and the year before that. Now, undoubtedly the case—I'm really glad that the Treasury has, since the revenue shock that the State was subjected to last year, looked to see what it could do better when it comes to GST forecasting. I'm proud of the fact that that work was undertaken by the secretary and the revenue team of Treasury, and I think they've done a good job.

But I would make the point that every single State is having to, effectively, guess what happens in the forward estimates years because of the absurd system that we have. I, well and truly, will continue to argue the case for wholesale change. But until we get wholesale change, there's a lot of retail change that can happen, which includes the Commonwealth Grants Commission itself publishing forward estimates. Every other part of our revenue base, we have guidance about what's likely to happen beyond the budget year.

The Hon. DAMIEN TUDEHOPE: One of the things that changed—

The Hon. DANIEL MOOKHEY: The Commonwealth Grants Commission should be publishing forward estimates for New South Wales and for every other State so all States don't have to, effectively, compare notes with each other, best-guess efforts and look at all the data that has been submitted in order to effectively predict what the Commonwealth Grants Commission has to decide. I think that's a reasonable suggestion that the Commonwealth Grants Commission should take up.

The Hon. DAMIEN TUDEHOPE: Well, absolutely fine, but I'm just putting to you what you are faced with is what you've got at the moment.

The Hon. DANIEL MOOKHEY: Which is an absurd system.

The Hon. DAMIEN TUDEHOPE: But it has been going on for a long period of time. Generally, Treasury officials should be able to work with the absurd system, as you have identified, and make estimates about the GST allocation to New South Wales.

The Hon. DANIEL MOOKHEY: Treasury does make estimates about the GST allocation to New South Wales.

The Hon. DAMIEN TUDEHOPE: And using the methodology which is adopted by the grants commission.

The Hon. DANIEL MOOKHEY: Sure. But, Mr Tudehope—

The Hon. DAMIEN TUDEHOPE: And they either get it right or wrong.

The Hon. DANIEL MOOKHEY: Mr Tudehope, to be fair to Treasury, the Treasury under my stewardship and yours previously—you would know that there are thousands of inputs that go into that calculation, and that's my point about it being inexplicable to most people. The whole point about allocating on population

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share and then using the balance of the Federal grants system to re-weight for the smaller States, and also the States that have got real difficulties in doing service delivery, is a much better system than the one we have now. But I think that, Mr Tudehope, for you to be criticising Treasury officials is slightly, dare I say, just as absurd, given that the methodology that they used in preparing the 2024-25 budget was the exact same methodology they used to prepare your last budget.

The Hon. DAMIEN TUDEHOPE: Did they get it nearly as wrong?

The Hon. DANIEL MOOKHEY: Are you suggesting that the fault here is with Treasury or with the Commonwealth Grants Commission?

The Hon. DAMIEN TUDEHOPE: I'm saying the methodology is wrong. I am saying that Treasury officials should be able to estimate it. Using a faulty methodology—

The Hon. DANIEL MOOKHEY: You're enrolling in team New South Wales and then you are undermining the efforts of the Treasury, which is doing exactly the same as they did when you were the finance Minister.

The Hon. DAMIEN TUDEHOPE: What I want to make sure is that the budget papers accurately reflect the finances of the State, Treasurer.

The Hon. DANIEL MOOKHEY: Are you suggesting that they don't?

The Hon. DAMIEN TUDEHOPE: I'm suggesting that, to the extent that they get the estimates significantly wrong, potentially they do.

The Hon. DANIEL MOOKHEY: But, Mr Tudehope, we went through a whole budget estimates round on this.

The Hon. DAMIEN TUDEHOPE: Have you got the half-yearly review in front of you?

The Hon. DANIEL MOOKHEY: I do. Do you need my copy as well?

The Hon. DAMIEN TUDEHOPE: It would be handy, if you have another copy of that.

The Hon. DANIEL MOOKHEY: We'll get you one.

The Hon. DAMIEN TUDEHOPE: Can you go to page 19 of that document?

The Hon. DANIEL MOOKHEY: I can.

The Hon. DAMIEN TUDEHOPE: One paragraph states, "In the interim, the CGC published its draft report in July 2024 and its significant changes." There are material movements for New South Wales. Do you see that?

The Hon. DANIEL MOOKHEY: I see the box.

The Hon. DAMIEN TUDEHOPE: Do you now accept from me that the Commonwealth Grants Commission, and your half-yearly review, have revised down?

The Hon. DANIEL MOOKHEY: No.

The Hon. DAMIEN TUDEHOPE: You don't? These changes are forecasted. The paragraph says, "To decrease New South Wales GST revenue by—

The Hon. DANIEL MOOKHEY: Mr Tudehope, you're identifying one part of a whole series of complex calculations. The better way for you to look is at table 3.3, which is the actual revenue reconciliation that takes into account all the movements that are taking place as well through GST. You're focusing on one aspect of the methodological changes that are to do with the relativity score. As you would know, even within that methodological score there are a bunch of movements that are taking place. The reason that I suggest that perhaps you should look at table 3.3 is that that is actually the revenue forecast. That is the revenue forecast.

The Hon. DAMIEN TUDEHOPE: Why include that at all?

The Hon. DANIEL MOOKHEY: Because we like to share information with the public about how these systems work. We use the budget papers as an opportunity—

The Hon. DAMIEN TUDEHOPE: The half-yearly review provides, "The changes are forecasted to decrease New South Wales GST revenue by \$212.0 million in the four years to 2027-28."

The Hon. DANIEL MOOKHEY: Why don't I invite the secretary to comment.

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MICHAEL COUTTS-TROTTER: The factors that determine how much GST we get are, firstly, the level of consumption and how much is in the pot, an updated estimate of our share of the national population and then the black box voodoo element, which is the relative fiscal strength of one State versus another. And then there are changes to the methodology as an input to the black voodoo box. What the section of the half-yearly report you're calling out deals with is but one element of that, which is the Commonwealth Grants Commission five-yearly review of its methodology.

We sought, through that process, to make several arguments in New South Wales' interest. The chief one being that the Commonwealth Grants Commission viewed the coal market as a single market when, in actual fact, Queensland, which produces a great deal more metallurgical coal than thermal coal, has a higher value natural resource. We're arguing for a differentiation between the two. We had some wins and we minimised some losses along the way. We don't know quite yet what the final result is, but this is an iterative process where they deal with the various arguments of the various States. This was a snapshot at a point in time.

The Hon. DANIEL MOOKHEY: But I should say, Mr Tudehope, where I do agree with you is that there is absolutely a risk that New South Wales loses more through methodological reviews. Absolutely, there is that risk. That is because, again, we are dealing with an absurd system. But if you take one big step about what is the principal absurdity, the principal absurdity is that they treat States with coal differently than they treat States with iron ore. Even within coal States, they have market distinctions—

The Hon. DAMIEN TUDEHOPE: I'm sure you have made that submission, have you?

The Hon. DANIEL MOOKHEY: Both publicly, privately, in commission form, here in estimates and publicly in the House. I will continue to point out that right now, in a scenario where Queensland and New South Wales experience a coal boom, we share it with the Federation. But the system we now have is, if Western Australia gets an iron ore boom, they effectively keep most of it.

The Hon. DAMIEN TUDEHOPE: I understand that argument entirely.

The Hon. DANIEL MOOKHEY: As this methodological review goes through, you are right to say that there is absolutely a risk that New South Wales goes backwards even more.

The Hon. DAMIEN TUDEHOPE: Good. So do I understand from that that the letter—

The Hon. DANIEL MOOKHEY: That is the risk that you are going to have to manage if you ever find yourself in the Treasurer position, and I have to manage.

The Hon. DAMIEN TUDEHOPE: So do I understand that the letter of 28 February is going to suggest that we're going back further?

The Hon. DANIEL MOOKHEY: Again, I respect your attempt to ask this question for the fifth time but my answer will be the same as the first five, which is you'll just have to wait until the CGC publishes its report, the Treasurer makes his decision and we publish the next budget.

The Hon. DAMIEN TUDEHOPE: In fact, it's going to be made public on 14 March, isn't it?

The Hon. DANIEL MOOKHEY: Probably, yes. I suspect that's—

The Hon. DAMIEN TUDEHOPE: So that's a week away. Just give us a hint.

The Hon. DANIEL MOOKHEY: I could. I won't, but I could.

The Hon. DAMIEN TUDEHOPE: The "no worse off" guarantee—that agreement has been signed?

The Hon. DANIEL MOOKHEY: Yes, I signed it, actually, now that you mention it.

The Hon. DAMIEN TUDEHOPE: I think in November you signed it.

The Hon. DANIEL MOOKHEY: No, actually. Let me tell you what happened.

The Hon. DAMIEN TUDEHOPE: I understand what happened.

The Hon. DANIEL MOOKHEY: No, you don't, actually. I guarantee you do not know what happened, but I'll tell you.

The Hon. DAMIEN TUDEHOPE: I shouldn't have asked him this question.

The Hon. DANIEL MOOKHEY: What happened was we all gathered at the CFFR meeting in December and it was all circulated for us to sign. I refused to sign it because they spelt my name wrong. So I sent it back, it had to get redone and then I effectively signed it a couple of weeks ago, I believe. It's signed on behalf of the

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people of New South Wales, but you're right to say that, in three years time, we will be once more having conversations with the Commonwealth at the time to ensure that the "no worse off" guarantee stays in place.

The Hon. DAMIEN TUDEHOPE: Did you take the view at any stage that it should be legislated?

The Hon. DANIEL MOOKHEY: It is legislated.

The Hon. DAMIEN TUDEHOPE: Yes, but the legislation—

The Hon. DANIEL MOOKHEY: The extension of it.

The Hon. DAMIEN TUDEHOPE: Yes, the extension of it.

The Hon. DANIEL MOOKHEY: I absolutely do think that it would be wise for the Commonwealth to permanently legislate it.

The Hon. DAMIEN TUDEHOPE: They didn't, though, did they?

The Hon. DANIEL MOOKHEY: They didn't, no.

The Hon. DAMIEN TUDEHOPE: You signed this agreement, and agreements are always subject to their provisions, are they not? In the same way that the legislation was sure and certain, this legislation—

The Hon. DANIEL MOOKHEY: No, it wasn't, because it expired. The point about the legislation is that the legislation expired in '26.

The Hon. DAMIEN TUDEHOPE: If you extended the term, it would've been sure and certain, would it not, Treasurer?

The Hon. DANIEL MOOKHEY: No.

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: No, for the very simple reason that if legislation was a permanent solution, I wouldn't be signing a renewal.

The Hon. DAMIEN TUDEHOPE: It would've been a simple matter for the expiry date of the "no worse off" guarantee to be extended by legislation to expire—

The Hon. DANIEL MOOKHEY: Sure, and my preference is for the Commonwealth to make it permanent.

The Hon. DAMIEN TUDEHOPE: Thank you for having agreed with me.

The Hon. DANIEL MOOKHEY: But, Mr Tudehope, again, dare I invite you to look at a record that was earlier than 2023. When Mr Perrottet got this secured with Treasurer Pallas and the Treasurers at the time, it was a very good thing, but they did not secure a permanent "no worse off" guarantee. I would've much preferred that they did.

The Hon. DAMIEN TUDEHOPE: Of course that's right, but you're the Treasurer now.

The CHAIR: Thank you, Mr Tudehope. Ms Boyd.

Ms ABIGAIL BOYD: Treasurer, you were having a bit too much fun in that last session. Can we talk instead about something less fun, which is the mutual gains bargaining framework. It's quite clear it's not working, isn't it?

The Hon. DANIEL MOOKHEY: That's not true. We've got 70 per cent agreement with the public service workforce. We've managed to increase essential wages and decrease the deficit. In addition to that, we have got real wages growing in New South Wales by 1.1 per cent. We have public sector wage growth and private sector wage growth taking place, with more than a three in front of it. You say it's not working. Compared to what? Bear in mind, under the previous policy—

Ms ABIGAIL BOYD: I'm not comparing it to the previous policy.

The Hon. DANIEL MOOKHEY: —we had real wage decline by 1.2 per cent.

Ms ABIGAIL BOYD: That's something you can raise with the Opposition; it's not something you can raise with me.

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The Hon. DANIEL MOOKHEY: But I will absolutely make the point that our mutual gains bargaining is the reason why New South Wales teachers are the best paid in the country. It's the reason why New South Wales police officers are now the best paid as well.

Ms ABIGAIL BOYD: I'm glad you mentioned the police. Can we just talk about that.

The Hon. DANIEL MOOKHEY: We can.

Ms ABIGAIL BOYD: Let's talk about the nurses versus the police.

The Hon. DANIEL MOOKHEY: Sure.

Ms ABIGAIL BOYD: I understand from a discussion I had, I think with Ms Dobbins, at the Industrial Relations estimates earlier this week, that there's a bit of confusion. What did you call it—the voodoo black box?

MICHAEL COUTTS-TROTTER: Yes.

Ms ABIGAIL BOYD: I feel like that's where productivity improvement negotiations are going in this framework. When we talk about the police getting their pay rise, there was a lot made of the insurance scheme changes, which we helped you pass through the Parliament, as somehow being the reason that they were entitled to a pay increase, and yet the nurses and midwives, apparently, are supposed to try to find some sort of fat in their system to trim in order to get a pay rise. But when they've been so under-resourced and so underfunded for so long, as opposed to the police, under the previous Government, how on earth are nurses supposed to find productivity improvements that will satisfy your Government?

The Hon. DANIEL MOOKHEY: Firstly, when it comes to nurse wages, we respect very deeply our nursing workforce, which is part of the reasons why nurses' remuneration has gone up even under our base offer to the best it's been in a decade. That doesn't require any trade-offs. The fact is that, under the previous approach of the last five years, nurses got 2½, 2½, 2½, 0 and 2½. Under our first policy it was 4½ and under our offer it would continue to be an additional 10 per cent. In addition to that, when it comes to nursing conditions, we are very proud to have implemented safe staffing levels in partnership with the Nurses and Midwives' Association. We've hired—

Ms ABIGAIL BOYD: I'm glad you mentioned ratios, because I think—

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: Can I just finish the answer? We also have hired 2,500 additional nurses since March 2023 and we didn't allow 1,200 of them to be fired this year. That would have otherwise taken place on 1 July. But, in terms of your comparison to police and the police wage deal, the key factor there to recall is that that was funded—the previous scheme required a contribution of police wages too. That's the nexus between the bargaining system between the police and why we were in a position to afford it. The fact is that police death and disability scheme was costing the State of New South Wales \$4 million in 2012-2013 when we were signed up. The premium renewal was going to be a billion dollars. That has always been key to police remuneration.

Ms ABIGAIL BOYD: Can I bring you back—

The Hon. DANIEL MOOKHEY: They bargained for their death and disability scheme. I do want to congratulate the New South Wales Police Association for using the mutual—

Ms ABIGAIL BOYD: You are now just talking a lot in response to my question.

The Hon. DANIEL MOOKHEY: You asked. You are now using the mutual gains bargaining system to—

Ms ABIGAIL BOYD: That's not what I asked.

The Hon. DANIEL MOOKHEY: —solve a problem for the State and achieve a good remuneration outcome.

Ms ABIGAIL BOYD: And that's why we helped you pass it, Treasurer.

The CHAIR: Order! Let's just allow the Treasurer to answer.

The Hon. DANIEL MOOKHEY: When it comes to the nurses, I also make the point that we're not requiring the nurses to trade-off. The other point, which perhaps, Ms Boyd, I'm sure you haven't forgotten, is that we brought back an independent umpire for this very scenario. We've said to the nurses, "You aren't required to reach agreement with us. You have every right to bring your case to the Industrial Relations Commission." We're really proud we brought back an independent umpire so they have that right. As I understand it, to be fair to the nurses, they're making a pretty good case and a strong case down there. We're going to leave to it the independent

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umpire to work through the detail. That is the key point, which is our mutual gains bargaining versus the system it replaced. Mutual gains bargaining is there to be used if it can work. In the circumstance where it cannot succeed or is not acceptable to the workforce, we respect their right to take that into the Industrial Relations Commission. Far from respecting it, we fought for it.

Ms ABIGAIL BOYD: Treasurer, you are very clever and very confident. You do not need to talk out your answers. I would really appreciate if you could answer my questions.

The Hon. DANIEL MOOKHEY: But, Ms Boyd, this is a very important matter.

Ms ABIGAIL BOYD: Can I ask the question?

The Hon. DANIEL MOOKHEY: I am absolutely going to provide the facts to you.

Ms ABIGAIL BOYD: That's fine, but I haven't got an answer to my question because I haven't actually been able to ask a question. If I could ask my next question—

The Hon. DANIEL MOOKHEY: Sure.

Ms ABIGAIL BOYD: I see that we helped you get that great saving through that everybody wanted and didn't seem to be an imposition on pretty much anybody. That's great. That was a great change.

The Hon. DANIEL MOOKHEY: No—

Ms ABIGAIL BOYD: Wait, I haven't finished. I haven't got to my question. But, in a similar vein, we helped you pass the changes that allowed you to bring the private health insurers back to the table. I'm really pleased that that worked and that you've got an extra \$490 million so far in the half-yearly review that you've added to the budget. Why on earth can the nurses not get the benefit of that because of some arbitrary mutual gains bargaining framework in the same way the police got the benefit from the changes we passed for them?

The Hon. DANIEL MOOKHEY: Ms Boyd, firstly you are right to say—and, again, I do appreciate the fact that you and other members of the Committee did support those changes to the health insurance levy. It was the right thing to do. I have got some additional information on the amount of money we collected on that since the changes have been introduced in January, which I can provide you now or later. But, to get to the guts of your question, that additional revenue that is coming from the health insurance levy is going to the health workforce. It's not just nurses. Nurses are half of the health workforce. There is a whole complete other half. That is part of the reasons why we are in a position to, without requiring any trade-offs, make the best offer to nurses and to other healthcare workers for the three-year round that we did.

Ms ABIGAIL BOYD: But that's not bargaining.

The Hon. DANIEL MOOKHEY: But, Ms Boyd, the base from which you commence bargaining is a lot higher. That's the key point here. Under the previous policy—it's not like we set the wage offer at 1 per cent and said, "Find the difference." We've set the wage offer at the highest level it's been set for multi-year agreement in more than a decade. The fact that the floor in the bargaining is high is a good thing.

Ms ABIGAIL BOYD: Sure. But why have the bargaining then?

The Hon. DANIEL MOOKHEY: And the fact that, without any additional bargaining, the New South Wales nurses and health workers will get real wage growth each year of the agreement is very important—and that doesn't require any trade-off. We're proud that we have effectively said that we can increase essential service wages. We aren't requiring people even to go from 2½ to 3 per cent to be able to go through a mutual gains bargaining process. But we have said, "If you wish to go above this offer, we mutual gains bargain, and if that doesn't succeed, you have a right to go to the independent umpire."

Ms ABIGAIL BOYD: Where has the mutual gains bargaining framework been successful? Who has it been used with?

The Hon. DANIEL MOOKHEY: The NSW Police Force, the Public Service Association and the New South Wales teachers agreement. The fact that teachers have gone from being the worst paid to the best paid is a transformative change. It's the reason why we have now halved the number of cancelled and merged classes in our public schools and we've halved the number—maybe not halved, but we've substantially reduced the number of vacancies.

Ms ABIGAIL BOYD: But just because, again, you're going off—

The CHAIR: Order! Let's avoid interjecting while the Treasurer is giving an answer.

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The Hon. DANIEL MOOKHEY: But you asked me about where mutual gains bargaining has succeeded—that's the first. Secondly, the fact that we now have record enrolments at Goulburn academy—since we announced the police deal, we have 67 per cent higher applications to be a member of the police.

Ms ABIGAIL BOYD: You are now straying.

The Hon. DANIEL MOOKHEY: The third thing you asked me is that, when it comes to the PSA agreements that we reached for the general public service, the fact that we are now able to redeploy public servants rather than making them redundant is a very important issue. It has meant that we were in a position to support an additional 0.5 per cent to that workforce.

Ms ABIGAIL BOYD: Back to my questions—

The Hon. DANIEL MOOKHEY: Some 70 per cent of the New South Wales public service has reached agreements with us. Sure, we have four disputes that, as I say, are outstanding—one of which is in the Federal system that was not subject to this framework in the first place—but that's also the reason we have an independent umpire.

Ms ABIGAIL BOYD: Sorry, if I could just ask my questions. Ms Dobbins was saying that there are no prescribed rules around what types of productivity improvements can be included in the—

The Hon. DANIEL MOOKHEY: Yes, we've allowed for a flexible framework.

Ms ABIGAIL BOYD: That's right. Then it fits, really, within Treasury to make those decisions, yet there has been speculation that that's an incredibly arbitrary space. Are you responsible for signing off on what can be included in that bargaining as an improvement?

The Hon. DANIEL MOOKHEY: No.

Ms ABIGAIL BOYD: You're not involved at all?

The Hon. DANIEL MOOKHEY: We don't set preconditions for bargaining.

Ms ABIGAIL BOYD: But when a union comes to you and says, "Can we include—

The Hon. DANIEL MOOKHEY: We assess them, yes.

Ms ABIGAIL BOYD: Who is "we"?

The Hon. DANIEL MOOKHEY: The Treasury.

Ms ABIGAIL BOYD: Right. So do you sign off on those?

The Hon. DANIEL MOOKHEY: No. That advice comes from Treasury to the ERC or to the Government decision-making body.

Ms ABIGAIL BOYD: And do you issue a guidance? Is there any kind of guidance or policy as to what type of improvements should be considered?

The Hon. DANIEL MOOKHEY: Ms Boyd, there's no general policy that we are just speculating, for the very specific reason that a mutual gains bargaining framework does need to allow people to be able to exchange ideas and test ideas. But you are absolutely right to say we are rigorous about it.

Ms ABIGAIL BOYD: I didn't say that.

The Hon. DANIEL MOOKHEY: Okay, sure.

Ms ABIGAIL BOYD: I said it was arbitrary.

The Hon. DANIEL MOOKHEY: I will say we are rigorous about it. A good example, actually, is the nurses negotiations. In the course of last year we did, at the recommendation of the NSW Industrial Relations Commission, embark upon a process that we reported back to them on, in which there was intensive bargaining. In that intensive bargaining period I made sure that my office and the NSW Treasury were made available. I do seek to have Treasury's technical analysts available to support bargaining. To be fair, we do seek to exchange information with our counter-parties so they see how it's been scored and not. To be fair to our counter-parties, often they want to see that because their view is that, in the event that the Government is obtaining more value than they think, they would like to know.

A very similar process has been embarked upon with rail. Dare I say, it was actually described by the rail unions, despite our rather heated dispute with them, as being one of the excellent parts of the process that they did get access to Treasury independent of Transport, for example, and the capacity to talk to Transport. Part of what

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we are noticing as we roll this framework out—Ms Boyd, you're quite right to call us on this because we are going to have to modify, I think, into future—is that there is definitely a view that we need to make sure that there's more compatibility between the methods by which Treasury cost policies and agencies do. Often we are being told by unions and by others that either they disagree with or they don't understand what they're being told by their agency, and they're actually requesting the ability to go to Treasury separately. I do make the point it's unusual. I did not expect that unions would clamour for Treasury involvement; that's generally not what happens. But it has been one of the learnings that we have picked up from the first round of mutual gains bargaining, and you are quite right to say this is something we'll have to look at.

The Hon. MARK LATHAM: Thank you, Treasurer, and your notable paucity of extra advisers here, which is most welcome. Can I ask you about a strategic question of Treasury analysis and response to what economists are now describing as unique economic circumstances for Australia and also for New South Wales—a very rare combination of full employment with unusual reliance on public sector employment growth, above-target underlying inflation, falling productivity and negative growth in per capita GDP? What analysis has Treasury made of this circumstance and what response are you making for the State economy?

The Hon. DANIEL MOOKHEY: It's a voluminous analysis that's undertaken by Treasury on each of those component parts that you referred to. I'm happy to go into specific detail and specific components if you wish. I think the first category, dare I say, thematically falls within macro-economic conditions, which is more to do where employment growth is taking place at aggregate levels. The second aspect is—you were talking about the long-term drivers of prosperity, which is productivity. In terms of the first, Treasury's macro-economic forecasts are in the budget in the half-year review.

You're right to say, and Treasury also agrees, that right now incremental growth in the economy is coming from the public sector, both Commonwealth and State. And you are right to say that we are dealing with two macro-economic conditions, which are lower household consumption and lower business investment, which is the more private sector parts. There are a variety of things that we are pointing out on that, but the core of Treasury's analysis is that's to be expected when you run interest rates at the level that you have. And that is actually the point of running interest rates well above their neutral rate; you are meant to slow down household consumption growth and business investment to allow the economy supply capacity grow.

On the question of productivity, there's a variety of work we've been doing on productivity. To cut to the chase of how is it framing our strategy, there are three things I'm going to say in terms of productivity that we're going to have to do. In the short term we're doing infrastructure reform, and at a national level I'm partnering with the Federal Treasurer to revive competition policy. In the medium term, there's a lot of work we're doing around education standards and innovation. But in the long term—and this is the big one—the one lever that States have that no-one else really does is land use planning. We have got work ahead of us as a Parliament to embark upon further reforms to our planning system to fundamentally speed up decision-making and reduce the time value of money in New South Wales.

The Hon. MARK LATHAM: Which of those things is going to lift private sector investment?

The Hon. DANIEL MOOKHEY: Infrastructure investment is definitely a key part of what we're screening for, in terms of which projects we're building and why. It's part of the reasons why we are, for example, looking at various parts of the road network. That's really to deal particularly with the pressures that are on industrial land in New South Wales right now. The second aspect is absolutely land use planning. Put it this way, one of the things I did since the last estimates is I asked the planning department, with Treasury, to identify the top 25 private sector business investments that are currently in the planning system and then screen them for productivity growth—which ones are most likely to boost productivity? It came back with some interesting results, namely that most of them are energy projects but then there are other issues like data centres.

In fact, in the top 25 that are currently being proposed, four of them are data centres. That's obviously crucial in terms of building out the digital economy and the digital infrastructure. So I am pretty focused on saying why does it take 30 months to get a decision from the New South Wales planning system, whereas in Victoria it ranges between 18 to 24? That 12 months to 14 months difference costs a lot of money. It jacks up financing costs, exposes people to a lot more construction risks. Even just getting speedier decision-making will assist business investment. In terms of people who are making private sector business investment decisions, the number one thing I hear back from all of them is that New South Wales has everything going for it except for the fact that it takes a lot of time to get a decision out of the planning system. I'm glad that the planning Minister, the Premier and myself are absolutely on to what we can do to speed that up.

The Hon. MARK LATHAM: What lessons can we draw from the American economy? There is a lot of commentary about American economic policy, but they are the stellar example of improved productivity. Australian productivity, unfortunately, has gone back to 2016 levels, and obviously New South Wales is a big

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part of this. There was a nearly 3 per cent drop in labour productivity in 2022 to 2024. This drives down our living standards, which have fallen by 10 per cent over the last three years. The Americans are the mirror opposite of this with a 15 per cent increase in productivity since 2018 and a 13 per cent increase in living standards, of which we should be very envious. Isn't the example there that less regulation and less taxes are a very simple formula for driving productivity improvement?

The Hon. DANIEL MOOKHEY: That's one theory. I will slightly quibble with one of your figures. I think you're quite right to point out the 2022 to 2024 productivity numbers, which I presume are the national economy.

The Hon. MARK LATHAM: It is 2.7 per cent.

The Hon. DANIEL MOOKHEY: Actual productivity growth—the decline stems back a bit earlier than that, and 2017 was really when there was a noticeable change in the Australian productivity rate. It's an issue we've been dealing with prior to COVID and beyond. To go to the core of your question about the US productivity, yes, there are interesting lessons to learn from the US productivity. I recently had the opportunity to visit the United States to talk to a lot of people there about what is going on with US productivity growth. Frankly, the US productivity growth is also a function of the fact that they were prepared to tolerate exceptionally high levels of unemployment during the recession, through the pandemic, which allowed labour to re-sort itself quicker as well, and to match labour to its more productive use at the time, as I guess the economists would put it. But that had huge social costs.

That spike in unemployment that took place in the wake of COVID is definitely one of the interesting factors that the US economist community is looking at as being a reason why there has been a sharp uptick in US productivity since that period of time. You can point to regulation, you can point to various tax settings as being the reason, but I actually think the picture in the US is more nuanced. The other issue that you are right to point out, though, is that one thing which the US has certainly done—I would agree with you—is that they've done what economists would describe as capital deepening, which is deploying more technology for their workforce to use.

I think there is a lesson in terms of how we deploy business investment. There is a slight nuance in the US economy versus the Australian economy. Theirs is lot more capital intensive as an economy because ours is a much more service-based economy, which requires fundamentally slightly less capital intensity than one that is a bit more manufacturing, as they are still. There are nuances. Mr Latham, you are right to say there are lessons to be learnt. The final point I make is that US productivity growth has been impressive in the last few years, but Poland has had the world's greatest productivity growth since 2010, I believe. There are interesting lessons coming out of that part of Europe, for what it's worth.

The Hon. MARK LATHAM: I'm not too sure we're as comparable to Poland as we are to the United States.

The Hon. DANIEL MOOKHEY: You'd be surprised.

The Hon. MARK LATHAM: The United States notwithstanding, the great Robert Borsak, who participates here—

The Hon. DANIEL MOOKHEY: The Polish economy—there are a few things we have in common with Poland.

The Hon. MARK LATHAM: You made an interesting comment about the labour market sorting that they had in the United States, and now the huge productivity benefits they're gaining from that. Do you look back and think that the decisions during COVID here to freeze our labour market, sorting through programs like JobKeeper and others, were a long-term mistake?

The Hon. DANIEL MOOKHEY: No, because, as we have learnt, if you tolerate mass unemployment, you are internalising a hell of a lot of other problems for the economy and for public balance sheets, as well as for private living standards. I will never celebrate high levels of unemployment. I would also make the point that the Australian policy set-up is not built—it would have a whole variety of cascading effects which I don't believe the Australian people or the New South Wales people would welcome.

The Hon. MARK LATHAM: Well, now we're stuck with falling productivity. Are you embarrassed, Treasurer, that the New South Wales Government, in its own arrangements, has got productivity measures in place that are deliberately driving down public sector productivity, like putting drivers on driverless metro?

The Hon. DANIEL MOOKHEY: No. I know that's the line you've used, Mr Latham, but we haven't done that. What I think you are referring to is the decision by the New South Wales Government to ensure that the metros that are under construction will have the same labour arrangements that the previous Government

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imposed on the City and Southwest line—that is, the cross things. I would make the point that if you go and use the metro to Chatswood and you go out there, you will see staff on the stations that are there to assist passengers and to deal with developments that take place on the railway. Mr Tudehope didn't put drivers on driverless trains, and nor have we. All we have done is apply the same policy that Mr Tudehope did when it comes to the metro. It would be absurd if, for example, on the city to Sydenham link you have staff on the station, but on the west metro you don't.

The Hon. MARK LATHAM: Can I come to what you mentioned earlier about the teacher pay increase? Why, in that arrangement, have you classified people over the age of 55 as requiring self-care in the same categories as those with a disability, and those teachers over 55 can take self-care days off work? Isn't the lesson of an ageing society that people need to be more active and work longer and productively, instead of this incredibly generous arrangement where over-55 teachers are classified as "self-care" in a form of weird Teachers Federation concession that is, in fact, ageism?

The Hon. DANIEL MOOKHEY: Did you say 55?

The Hon. MARK LATHAM: Yes.

The Hon. DANIEL MOOKHEY: Out of a workforce of 80,000?

The Hon. MARK LATHAM: It's an aged workforce in teaching. Over-55s are classified as "self-care". Why?

The Hon. DANIEL MOOKHEY: Or over 100,000 workforce—I don't know, Mr Latham. Let me take that on notice and get some detail. You are right to point out that our teaching workforce is ageing and that we need to attract more people into the profession. One of the upsides of the agreement that we reached with New South Wales teachers is that we now have record enrolments in teaching degrees in our universities, which is a good thing in terms of responding to the demographic challenges to the teaching workforce. To answer your specific question, this will be the first question I'm taking on notice. I'll take it on notice.

The Hon. DAMIEN TUDEHOPE: In relation to the agreement which you signed—

The Hon. DANIEL MOOKHEY: Mr Tudehope, we have your half-year review.

The Hon. DAMIEN TUDEHOPE: In relation to the agreement which you signed on 29 November—

The Hon. DANIEL MOOKHEY: Which one?

The Hon. DAMIEN TUDEHOPE: The "no worse off" guarantee agreement.

The Hon. Dr SARAH KAINE: He just signed it.

The Hon. DANIEL MOOKHEY: I signed it earlier this year, after my name was spelt correctly.

The Hon. DAMIEN TUDEHOPE: You signed it on 29 November, if the date next to your signature means anything. Perhaps you retrospectively—

The Hon. DANIEL MOOKHEY: Let me double-check.

The Hon. DAMIEN TUDEHOPE: Do you want to take that on notice too?

The Hon. DANIEL MOOKHEY: No, it's okay.

The Hon. DAMIEN TUDEHOPE: Have you got a copy of that agreement with you?

The Hon. DANIEL MOOKHEY: I actually probably do.

The Hon. DAMIEN TUDEHOPE: Do you want mine?

The Hon. DANIEL MOOKHEY: Let's swap notes. Have you got your questions on that as well?

The Hon. DAMIEN TUDEHOPE: Would it surprise you that paragraph 3 of the agreement—and this is effectively what now binds New South Wales—provides that "the parties do not intend any of the provisions of this agreement to be legally enforceable"? Did you agree to that?

The Hon. DANIEL MOOKHEY: It's a Commonwealth agreement.

The Hon. DAMIEN TUDEHOPE: Did you agree?

The Hon. DANIEL MOOKHEY: Mr Tudehope, come on. Are you seriously suggesting—

The Hon. DAMIEN TUDEHOPE: I'll come to the next part.

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The Hon. DANIEL MOOKHEY: Let me point out that you signed agreements: the education agreement, the health agreement and the GST agreement itself that gives us access to 20 per cent. That is because this is a principle that was resolved in the 1910s. The Commonwealth and State governments cannot enter into—

The Hon. DAMIEN TUDEHOPE: The provision then goes on to provide—

The Hon. DANIEL MOOKHEY: You want to revisit constitutional history from the earliest parts of the Federation, Mr Tudehope?

The Hon. DAMIEN TUDEHOPE: It goes on to provide that payments are to be made under section 9 of the Federal Financial Relations Act 2009, does it not?

The Hon. DANIEL MOOKHEY: That is how the Commonwealth has legal authority to give us money for our schools—

The Hon. DAMIEN TUDEHOPE: Correct. Don't give me a lesson on this. I understand.

The Hon. DANIEL MOOKHEY: I think you might need one.

The Hon. DAMIEN TUDEHOPE: Just agree with me that—

The Hon. DANIEL MOOKHEY: I necessarily disagree with you.

The Hon. DAMIEN TUDEHOPE: The payments are subject to a debit limit set in the Commonwealth's Appropriation Act. Is that correct?

The Hon. DANIEL MOOKHEY: Yes, because the Commonwealth cannot pay money that they can't appropriate.

The Hon. DAMIEN TUDEHOPE: Correct. So what is the current debit limit?

The Hon. DANIEL MOOKHEY: Pick up the Commonwealth Appropriation Act.

The Hon. DAMIEN TUDEHOPE: Do you know or don't you?

The Hon. DANIEL MOOKHEY: No, I don't know what the Commonwealth appropriation limit is.

The Hon. DAMIEN TUDEHOPE: If I told you that it was \$5 billion—

The Hon. DANIEL MOOKHEY: Per year for each State. Are you seriously using budget estimates to ask me about Commonwealth appropriations law?

The Hon. DAMIEN TUDEHOPE: I'm asking you to accept that this agreement is significantly more deficient than the legislated agreement that the previous Government put in place.

The Hon. DANIEL MOOKHEY: I don't accept that. I'll tell you why: The legislation expired. Even if there was legislation that was continued—

The Hon. DAMIEN TUDEHOPE: The previous legislation gave certainty to the arrangement, to the payments which would be made and to the formula which was to be used.

The Hon. DANIEL MOOKHEY: Your position would have force if your Government secured that legislation permanently.

The Hon. DAMIEN TUDEHOPE: The position now is that you didn't act in the interests of New South Wales to ensure that it was extended for a period of time where certainty was given in respect of the formula to be used.

The Hon. DANIEL MOOKHEY: To be fair—

The Hon. DAMIEN TUDEHOPE: Not to be fair—

The Hon. DANIEL MOOKHEY: Okay, not to be fair. Sorry for suggesting that fairness matters. I would say, any accusation you are making about me in this respect, you also have to make against, I guess, Michael Ferguson, who was the Tasmanian Treasurer at the time of your party. You're looking at the signatures.

The Hon. DAMIEN TUDEHOPE: I am.

The Hon. DANIEL MOOKHEY: But that signature was also attested to by a Liberal Treasurer.

The Hon. DAMIEN TUDEHOPE: Correct.

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The Hon. DANIEL MOOKHEY: Is it your criticism as well that Michael Ferguson from the Tasmanian Liberal Government has signed up to a deficient agreement?

The Hon. DAMIEN TUDEHOPE: What I'm saying to you is you're the Treasurer of New South Wales and a preferable position would be to have extended the legislation.

The Hon. DANIEL MOOKHEY: No, the preferable position would be never to need a "no worse off" guarantee.

The Hon. DAMIEN TUDEHOPE: I accept that.

The Hon. DANIEL MOOKHEY: But that's a key important point.

The Hon. DAMIEN TUDEHOPE: In the absence of that, Treasurer, can we just have an understanding—

The Hon. DANIEL MOOKHEY: So—

The Hon. DAMIEN TUDEHOPE: Just wait!

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: No. I reject your attack altogether. I would simply say, Mr Tudehope, I don't see Angus Taylor running right now on an election promise to extend that legislation permanently. I haven't seen the New South Wales Liberal Party demand that of him. Nor have I seen you—

The Hon. DAMIEN TUDEHOPE: You're the Treasurer acting in the interests of New South Wales and when—

The Hon. DANIEL MOOKHEY: Yes, but we are at an important inflection point in our nation right now, and, again, your attack would have a lot more force if you secured a permanent piece of legislation. But, if you can't do that, where is your press release demanding Angus Taylor commit to that right now? Where is your press release saying that that is something—

The Hon. DAMIEN TUDEHOPE: My press release is demanding—

The CHAIR: Order! Mr Tudehope, please stop interjecting.

The Hon. DANIEL MOOKHEY: —that you will insist comes from Mr Taylor should he find himself as the Treasurer?

The Hon. DAMIEN TUDEHOPE: My suggestion to you is, Treasurer, if you're acting in the interests of the people of New South Wales, you would have got a legislated outcome. But let me move on.

The Hon. DANIEL MOOKHEY: My response to you is I reject that in its entirety.

The Hon. DAMIEN TUDEHOPE: Good. There were two other aspects which were agreed at the National Cabinet meeting of 6 December 2023 besides the "no worse off" guarantee. I want to ask you about the fifty-fifty funding of the foundational supports for people with disability, supports not covered by the NDIS. Firstly, is there any provision for this funding in the 2024-25 budget papers as updated by the half-yearly report?

The Hon. DANIEL MOOKHEY: There is obviously funding for foundational supports in the New South Wales budget, yes.

The Hon. DAMIEN TUDEHOPE: Where do I find those?

The Hon. DANIEL MOOKHEY: In both the education, health and community justice appropriations.

The Hon. DAMIEN TUDEHOPE: So there's no clear delineation of foundational supports?

The Hon. DANIEL MOOKHEY: It's appropriated in the ordinary way in which it's appropriated, and it's reported in the budget in the ordinary way in which it is appointed. This is a very important point, Mr Tudehope, which is New South Wales—and this is a credit to the State and, frankly, it's also a credit to your Government—has been doing foundational supports. We have been doing foundational supports, and we obviously want those foundational supports to be recognised under any arrangement we reach with the Commonwealth. We also have been making more investments in foundational supports with some other comparable jurisdictions. Part of the point that we're making at a national level is that we obviously want that to take into account the fact that New South Wales has been making investments under both your Government and ours, and we want that picked up and recognised.

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The Hon. DAMIEN TUDEHOPE: Part of the reason why the National Health Reform Agreement hasn't been signed yet is because no agreement has been reached in relation to the fifty-fifty foundational supports, has it?

The Hon. DANIEL MOOKHEY: I wouldn't say "no agreement". I would say that you are right to say that the rule-making function required has certainly meant that there's not sufficient clarity for New South Wales to sign up.

The Hon. DAMIEN TUDEHOPE: In terms of the work which has been done in relation to the contributions to those foundational supports, what does Treasury say is the potential impact on the budget of—

The Hon. DANIEL MOOKHEY: We don't know without the rules. That's the point. What we're asking for particular clarity around rule-making functions is two parts: firstly, the cohort sequence that is being sought by the Commonwealth but also—

The Hon. DAMIEN TUDEHOPE: What are they seeking?

The Hon. DANIEL MOOKHEY: They're seeking obviously to be able to include people, I think, on both ends of the age spectrum in terms of the first—

MICHAEL COUTTS-TROTTER: The agreement was we would begin with a cohort of children under the age of nine. That's the first cohort, largely developmental delay autism.

The Hon. DANIEL MOOKHEY: And then also the cohort sequence, which is what happens after that cohort, and that's the part with the rule-making function we want clarity on. The second component I would say is, also in the future any further attempts by the Commonwealth to redefine cohorts—States obviously want to have a say in that, and that is a part of the points which, to be fair, Premier Malinauskas and the Premier of Tasmania, Premier Rockliff, did succeed in getting the Senate to legislate as a new mechanism as well, and that's good.

The Hon. DAMIEN TUDEHOPE: Have you done any work in relation to the additional cohort?

The Hon. DANIEL MOOKHEY: Yes, plenty.

The Hon. DAMIEN TUDEHOPE: What impact will that have on the budget?

The Hon. DANIEL MOOKHEY: It depends on the scenario. That is the point—

The Hon. DAMIEN TUDEHOPE: In respect of the zero to nine cohort, which the secretary identified.

The Hon. DANIEL MOOKHEY: Again, we think that right now—it goes back to the first point I was making, which is, frankly, we've been providing foundational supports to that cohort for a while now.

The Hon. DAMIEN TUDEHOPE: Why have you not been able to reach an agreement?

The Hon. DANIEL MOOKHEY: For the other reasons that I mentioned. We are not signing up to an agreement unless we have further clarity around the cohort sequence. We also need further clarity around the future rule-making functions of the NDIS.

The Hon. DAMIEN TUDEHOPE: Do we have any areas where we are in agreement? Is the zero to nine cohort agreed?

The Hon. DANIEL MOOKHEY: It's a work in progress. Mr Tudehope, to be fair to everyone here, this is a very complex reform. It is high stakes, particularly for the people who require support. There is a good position that has been reached with the Commonwealth. We will continue working on it. In the meantime, we have agreed to a one-year extension of the previous NHRA. That means that New South Wales is gaining an additional bit of money for the coming budget year. That work will continue. That is fair enough. Again, when it comes to a reform this complex, the Commonwealth and the States are working through it. The other point I would make is that each State has different challenges in terms of service delivery. We have challenges in delivering some of these foundational supports in areas like Wilcannia. We do need to make sure we have a service model that we can roll out.

I would also point out that other States have similar examples. I do think it is reasonable and fair that each State has the opportunity to work with the Commonwealth on both what we have in common and also some of the unique challenges that State has to deal with. I'm not going to suggest to you for a second that the priority is to reach a quick agreement if that results in a bad agreement. Clearly, we have demonstrated that we will happily make the point that New South Wales is doing a lot and will do a lot. We are prepared to make additional investments if needed. But it has to be proportionate to our tax base and it has to be proportionate to the additional investment we need in our health system.

CORRECTED

The Hon. DAMIEN TUDEHOPE: One of the issues that your colleague the health Minister has indicated to nurses seeking pay rises is that because of the failure to come to an agreement with the Commonwealth in relation to the National Health Reform Agreement, there is an inability to find extra funding for their pay demands. Is he right or wrong?

The Hon. DANIEL MOOKHEY: I think you have mischaracterised him, which I am not surprised by. You can make that point about the Commonwealth, but you voted against the changes we introduced to private health insurance. Ms Boyd is quite right to hold me to account for that because she voted for that law. You did not.

The Hon. DAMIEN TUDEHOPE: She was wrong and I was right.

The Hon. DANIEL MOOKHEY: You were wrong. You can't sit here and say we don't have money to pay nurses when you voted against additional revenue for health to protect the profits of private health insurers. Some of the wild claims you made about that policy change really mean that your attack on nurses pay does not have much force. You spent your time in Parliament defending the profits of private health insurance.

The Hon. DAMIEN TUDEHOPE: Thank you for that assessment. Now, go back to answering my question.

The Hon. DANIEL MOOKHEY: I answered your question.

The Hon. DAMIEN TUDEHOPE: Was your colleague right or wrong?

The Hon. DANIEL MOOKHEY: I answered your question. I think you mischaracterised the health Minister.

The Hon. DAMIEN TUDEHOPE: If, in fact, he did say that, he is wrong. Is that what you are saying?

The Hon. DANIEL MOOKHEY: He didn't say that.

The Hon. DAMIEN TUDEHOPE: If he did, he was wrong?

The Hon. DANIEL MOOKHEY: He did not say that. I don't need to speculate on your hypothetical. I will make the point that when it comes to private health, you said that the Government's efforts to persuade the funds to cover the full fee have so far not succeeded. You have a habit of prematurely calling these things out before negotiations are completed. Dare I suggest, you might be making the same mistake with the National Health Reform Agreement as you did with private health insurers when you chose to protect private health insurer profits at the expense of New South Wales public health.

The Hon. DAMIEN TUDEHOPE: Can you outline for us, in some more detail, the things that are currently impediments to the signing of the National Health Reform Agreement and entering into an agreement in respect of the fifty-fifty agreement in respect of foundational supports?

The Hon. DANIEL MOOKHEY: No, I think I've answered that.

The Hon. DAMIEN TUDEHOPE: I understand that what you have indicated is the cohorts to be covered and the rules surrounding the manner in which the fifty-fifty would be interpreted. What else is outstanding?

The Hon. DANIEL MOOKHEY: They are the major issues.

The Hon. DAMIEN TUDEHOPE: What rules do you say—

The Hon. DANIEL MOOKHEY: Mr Tudehope, I said the rule-making function. But you asked me to shed further detail. I've answered your question, but I would also say that you said that I portrayed the private health insurers as being the greedy big end of town and that is an absurd proposition. These are your words:

He is suggesting that the Opposition, by opposing the bill, are backing in the big end of town.

The Hon. DAMIEN TUDEHOPE: Treasurer, this is not responsive to my question.

The Hon. DANIEL MOOKHEY: My point is—

The Hon. DAMIEN TUDEHOPE: Point of order: This is not responsive to my question.

The CHAIR: I think the Treasurer's being relevant to the question.

The Hon. DAMIEN TUDEHOPE: What do you say is relevant about that answer?

The Hon. BOB NANVA: To the point of order: Chair, wide latitude is provided at budget estimates. House procedures don't strictly apply during estimates, and I suggest that the Treasurer was being relevant.

CORRECTED

The Hon. DAMIEN TUDEHOPE: Further to the point of order: He's answering a question about foundational supports by referring to premium increases. That is not responsive to my question.

The CHAIR: I believe it's generally relevant to what you've been saying in the context of the other questions that you were asking as well. Please allow the Treasurer to conclude his answer.

The Hon. DAMIEN TUDEHOPE: You can't be serious?

The Hon. DANIEL MOOKHEY: I was just saying, Chair, that I'd answered the shadow Treasurer's first part of his question, but he asked me to shed further detail. I'm shedding further detail on the fact that under his policy—

The Hon. DAMIEN TUDEHOPE: I didn't ask you for further detail. I asked you for detail relating to the fifty-fifty foundational supports, Treasurer.

The Hon. DANIEL MOOKHEY: Under his policy, there is less money available for nurse pay, as there is for hospital cleaner pay, as there is for allied health pay, but there is greater private health insurer profits because he voted to protect the private health insurer profits at the expense of NSW Health.

The Hon. DAMIEN TUDEHOPE: Are you going to answer my question?

The Hon. DANIEL MOOKHEY: I answered your question.

The Hon. DAMIEN TUDEHOPE: No, you didn't.

The Hon. DANIEL MOOKHEY: I did.

The Hon. DAMIEN TUDEHOPE: I asked you—

The Hon. DANIEL MOOKHEY: You asked me what the major outstanding issues are. I said, they're the sequence of the cohorts and now the rule-making function.

The Hon. DAMIEN TUDEHOPE: What I understand as your answer to the question is that there is a dollar issue which attaches to the fifty-fifty foundational supports.

The Hon. DANIEL MOOKHEY: No.

The Hon. DAMIEN TUDEHOPE: So there's no dollar issue?

The Hon. DANIEL MOOKHEY: No. Again, I would refer you to my earlier answer, Mr Tudehope. Again, I would encourage you to listen to it, which is to do with—

The Hon. DAMIEN TUDEHOPE: I'd encourage you to answer the questions.

The Hon. DANIEL MOOKHEY: —as I said, the cohort sequence and the rule-making function. They are complex issues which are not to do necessarily with quantum but rather to do with expectation and risk.

The Hon. DAMIEN TUDEHOPE: Give us some insight into the complex issues which need to be resolved.

The Hon. DANIEL MOOKHEY: Mr Tudehope, sorry, but you have to ask me a more specific question than that.

The Hon. DAMIEN TUDEHOPE: You've identified that there are complex issues. What are they?

The Hon. DANIEL MOOKHEY: Yes, the issue is the cohort point of entry into a foundational supports system.

The Hon. DAMIEN TUDEHOPE: You've told us that.

The Hon. DANIEL MOOKHEY: Yes.

The Hon. DAMIEN TUDEHOPE: Tell us the rule-making issues.

The Hon. DANIEL MOOKHEY: The rule-making function, again, turns on the question about the capacity of the Commonwealth to exit other cohorts from the NDIS with an expectation of foundational supports entry. That is, the Commonwealth has exclusive prerogative to determine who can be eligible for the NDIS with our consent. That mechanism has changed. But what we are wanting to do is to make sure that there is similar capacity available for States to have a say and for the Commonwealth to obtain State consent should any future Commonwealth government decide to further exit personnel from the NDIS, either as service delivery or from eligibility. But I might ask the secretary if he wishes to comment.

CORRECTED

MICHAEL COUTTS-TROTTER: There are collections of rules that are being reviewed collaboratively between the Commonwealth and the States and Territories under the process and the mechanism agreed between Premier Malinauskas and Premier Rockliff and the Commonwealth Government. There's a schedule of work that assumes those rule changes will take place between now and September this year. From the States and Territories perspective, and the perspective of participants and their families, obviously, rules that change the way in which people do or don't get access to the scheme, rules that change the way the planning process works, rules that change the way the value of individual packages are assembled are all important. They're the high-priority rule changes happening between now and September.

The Hon. DAMIEN TUDEHOPE: Thank you for that answer.

MICHAEL COUTTS-TROTTER: Getting to the detail of that is—

The Hon. DAMIEN TUDEHOPE: That was a clear answer and demonstrates someone who knows what they're talking about.

The Hon. BOB NANVA: Point of order—

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: If you ask a general question, you'll get a general answer, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: When do you expect the agreement to be reached?

The Hon. DANIEL MOOKHEY: We will see. There is a Federal election that's impending. That's obviously an important consideration in terms of when we will reach an agreement with the Commonwealth Government.

The Hon. DAMIEN TUDEHOPE: How far progressed are they, Secretary?

The Hon. DANIEL MOOKHEY: The Federal election is due.

The Hon. DAMIEN TUDEHOPE: Are you going to announce it?

The Hon. DANIEL MOOKHEY: No, that is above my pay grade, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: It's been 15 months since this issue was first canvassed. When will we expect—

The Hon. DANIEL MOOKHEY: I will simply make the point that I'm seeking the right agreement; I'm not seeking a quick one.

The Hon. DAMIEN TUDEHOPE: Given that South Australia and Tasmania have successfully negotiated this—

The Hon. DANIEL MOOKHEY: No. All States signed up to a one-year extension of their NHRA.

The Hon. DAMIEN TUDEHOPE: I thought in evidence earlier you suggested that—

MICHAEL COUTTS-TROTTER: No.

The Hon. DANIEL MOOKHEY: No, that was a separate question. That was separately to do with the legislation that was put through as part of the Commonwealth Government's NDIS reforms. That's not the health agreement.

MICHAEL COUTTS-TROTTER: Those two Premiers were acting on behalf of all State and Territory first Ministers.

The Hon. DANIEL MOOKHEY: Premiers, yes.

The Hon. DAMIEN TUDEHOPE: The Premier said on 6 December 2023—

The Hon. DANIEL MOOKHEY: Premier Minns?

The Hon. DAMIEN TUDEHOPE: Yes, Premier Minns. I assume he was the Premier on 6 December 2023.

The Hon. DANIEL MOOKHEY: He was, but you were referring to multiple Premiers, so I just wanted to be sure.

The Hon. DAMIEN TUDEHOPE: He was very upbeat about the National Cabinet. He said:

CORRECTED

But if you look at the NDIS, the GST, if you look at changes to health reform, I think we have achieved more in the last two days than many thought would be possible. And it gives the states certainty in relation to the GST and the health system so that we can tackle challenges in the NDIS.

Was he being a bit optimistic?

The Hon. DANIEL MOOKHEY: No, he was being spot-on, for the very simple reason that at that National Cabinet there was a trilateral set of issues that had to be dealt with: Of course, there was the future of the "no worse off" guarantee; in addition to that, there was the National Health Reform Agreement negotiation process that had to be embarked upon; and, on top of that, there was the question around NDIS reform and its interaction with NSW Health. I make the point, Mr Tudehope—and I think you'd agree with me—that there is obviously a nexus between service delivery with the NDIS and service delivery to the health system and education system.

The CHAIR: Treasurer, have you been attending the COAG Treasurers' Forum on Population?

The Hon. DANIEL MOOKHEY: I think it's now called the CFFR, the Commonwealth Council on Federal Financial Relations, which is the successor to COAG. I don't think I attended the forum but, absolutely, at CFFR meetings we have had discussions around population policy, as we were meant to do as a result of a previous National Cabinet decision.

The CHAIR: What are those discussions? What are the issues that are emerging in those discussions?

The Hon. DANIEL MOOKHEY: The discussion, from recollection, took place in 2023 at the Brisbane meeting. Frankly, that forum was more of a technical exercise around population projections than anything else. Of course, in that particular forum what is often canvassed there is Commonwealth population growth assumptions and the capacity for States to then also have a bit of buy-in as to those assumptions. I think at that Brisbane meeting we then published, as we were required to do—was it trilateral? I think it was three years, but it was a period-of-time population review. We can get some more information for you on that.

The CHAIR: Yes, it's a three-year review. There are two working groups; they are the regional analysis and data forecasting working groups. How is Treasury feeding New South Wales data into those working groups?

The Hon. DANIEL MOOKHEY: Over to the secretary.

MICHAEL COUTTS-TROTTER: My colleague Joann Wilkie will be here this afternoon, Mr Buckingham. She's the full bottle on it. I'm sorry that I can't give you a detailed answer now, but she can this afternoon.

The CHAIR: What does "the full bottle" mean?

MICHAEL COUTTS-TROTTER: Meaning she is responsible for the team that is working with other Commonwealth and State officials through those two processes.

The CHAIR: In those processes, is it now incumbent on New South Wales to develop its own population plan to feed into that COAG process?

MICHAEL COUTTS-TROTTER: Probably, I think, more accurately, our own forecasts of population, which of course are a function of levels of immigration, which is an input from the Commonwealth, assumptions about intrastate immigration, which is something we need to have a view on, and, of course, the question of what the fertility rate is. And, as you would know, we are doing quite a bit of work on all those three things as part of the upcoming intergenerational review, to be released in 2026.

The CHAIR: I met with Treasury officials about the intergenerational review. I have got to say I was concerned at their optimism around fertility rates.

MICHAEL COUTTS-TROTTER: I think they're, by nature, sceptics, so I would be interested in your view about why you think we are a bit optimistic.

The CHAIR: Their view was that our fertility rates would remain relatively high and that any impact on low fertility, in terms of consumption and potential population decline, would be offset by immigration and, essentially, would stabilise. Yet we've seen a continued reduction in New South Wales fertility rates. So—

MICHAEL COUTTS-TROTTER: Yes. It is being worked through at the moment, but I was talking to the team the other day, and there's a lot of academic literature on this. I think the starting point assumption is that the New South Wales fertility rate would continue to fall over time.

The CHAIR: Yes. But we've seen the fertility rate in Australia and New South Wales drop from 1.8 to 1.5 very rapidly, which is essentially very close to what they define as ultra-low fertility. So a massive—

CORRECTED

The Hon. DANIEL MOOKHEY: That's factored into our forecast, that it's coming down. I guess what you're suggesting is we should be forecasting it will come down even lower.

The CHAIR: Yes, potentially, with the implications there. I appreciate that. Thank you. I will raise those with the officials this afternoon.

Ms ABIGAIL BOYD: Treasurer, I'm just coming back to the mutual gains bargaining and finishing off on that topic, just coming down to the nuts and bolts. If a union makes a suggestion of a productivity improvement that goes to the capital expenditure side rather than a recurring expenses side of things, that can still count, can't it?

The Hon. DANIEL MOOKHEY: No, because capital expenditure is not current.

Ms ABIGAIL BOYD: That's not what we were told in the Industrial Relations estimates, that's all. So you're saying no capex—

The Hon. DANIEL MOOKHEY: There is, obviously, a nexus between capital expenditure and recurrent expenditure. Without having specific propositions—some capital investments, yes, you can do. For example, if you're building a new—Ms Boyd, the general proposition is, in principle, no, but you are right to say that there are areas in which applying that principle in practice is hazy.

Ms ABIGAIL BOYD: Workers are experts often, most of the time, in the industries that they work in. If they come to you and say, "We've got this great idea for something that's going to save the Government X million dollars in capital expenditure", surely they can include that in bargaining.

The Hon. DANIEL MOOKHEY: Yes. There's been two categories of that which I can recall. We've had cohorts of the public sector workforce come forward and say, "Make a capital investment", and we've had other parts of the workforce come back and say, "Don't make a capital investment", so it turns on the context.

Ms ABIGAIL BOYD: Which of those can they include?

The Hon. DANIEL MOOKHEY: They can put both up, but it doesn't necessarily mean we'll accept it under the mutual gains bargaining framework.

Ms ABIGAIL BOYD: But at the beginning when I asked you, you said no.

The Hon. DANIEL MOOKHEY: The general proposition is that capital expenditure is on a different part of the budget. For example, I guess, another way of putting it is it's entirely open for a workforce to come to us and say, "Why don't you cancel an infrastructure project and pay us instead?" That's not allowed. That has been a common—dare I say there has been suggestions we have had.

Ms ABIGAIL BOYD: But, if there was a suggestion that different functions were merged and there were going to be savings in operational costs and—

The Hon. DANIEL MOOKHEY: Yes. All that is absolutely allowed to be put through. That is what my point is, which is often a capital investment then triggers other changes that need to take place, for which, yes, it is entirely possible for workforces to come forward with suggestions.

Ms ABIGAIL BOYD: Good. One-offs? For example, if you got efficiencies from something like that merger between different operations and it was going to make savings in a one-year or two-year frame but then, after that, no additional savings, could that still be included in bargaining?

The Hon. DANIEL MOOKHEY: That can be considered, yes.

Ms ABIGAIL BOYD: Good.

The Hon. DANIEL MOOKHEY: Just to stress "considered", not necessarily agreed.

Ms ABIGAIL BOYD: Sure, but it's not just excluded from consideration.

The Hon. DANIEL MOOKHEY: Yes.

Ms ABIGAIL BOYD: The idea that the ERC approves an envelope within which the agency can work, and there's an offer made at the lower range of that envelope and then the idea is, as is my understanding, that you perhaps have productivity improvements to get up higher—

The Hon. DANIEL MOOKHEY: No, I don't necessarily accept that is a natural sequence.

Ms ABIGAIL BOYD: Okay, that's good. Does that mean, then, that if productivity improvements are identified that would go way above something that has been envisaged at the beginning of the process, that can still be included?

CORRECTED

The Hon. DANIEL MOOKHEY: Yes.

Ms ABIGAIL BOYD: There's no tap maxing out of—

The Hon. DANIEL MOOKHEY: Yes. I can point you to specifics on this, Ms Boyd. As part of the agreement last year we reached with the Health Services Union, the Health Services Union came to us and said that they would like to do award modernisation. They have 33 awards. Some of those classifications are for, dare I say, occupations that existed last time, which was intense, was in the 1980s. They've come to us and said that there are real savings there around simply modernising the awards. We then agreed with them on a process to allow award modernisation to take place, using a mutual gains bargaining framework, which, granted, we haven't resolved it but they're months into it. We've also made pretty clear, from our perspective, that through the course of that process, should other savings be identified and other efficiencies be identified, we would absolutely look to include that in a pool that's available to the workforce, because the principle is that we do want to share the benefits of reform with the public and better services and with the workforce that provides them.

Ms ABIGAIL BOYD: The final one on this is just the idea that there is any consideration of what other bargaining processes are going on when we're considering a particular bargaining. The example that keeps coming up is—I don't know what the Premier was trying to say, but what was reported was that we couldn't offer more to, for example, rail workers because then nurses would want more. That's not relevant, is it? What's going on in that bargaining processes with nurses is not relevant to the bargaining process with rail workers?

The Hon. DANIEL MOOKHEY: It is insofar as—so long as the rules that are applied for mutual gains bargaining are consistent between both bargains. And that is the point. We apply the same level of scrutiny to propositions on mutual gains bargaining that comes forward from one worker to another so, basically, everyone is being treated with consistent principles. But the application of—I think what the Premier was referring to was the base offer.

Ms ABIGAIL BOYD: The base offer but, again, not that absolute window of where they could—

The Hon. DANIEL MOOKHEY: This is an important point, Ms Boyd, and you're right to ask it. Part of the reasons why we've reached agreement with 70 per cent of the workforce—which, by definition, means we have not reached agreement with 30 per cent—is because even after the completion of the mutual gains bargaining process for that 30 per cent cohort, there's still a significant difference between the parties in terms of their positions. Now, it's entirely fair for you to say that the Government should look at that, and the Government needs to make sure that its position is being reasonable in good faith and testing. But the reality is, particularly in some of these disputes, that the gulf is wide, and I can't pretend otherwise, which also means that the other counterparty to these negotiations obviously are taking the opportunity to reflect on their positions too.

The Hon. MARK LATHAM: Treasurer, earlier we discussed where the jobs are coming from. On Monday the Federal Treasury said that last year 82 per cent of the employment growth came in what they call the non-market sector, which is the public sector. Now, weirdly, economists are referring to a care economy, where all the jobs are in child care, aged care and disability care. Do you agree that that's unsustainable financially and that we need to reboot private sector investment and employment growth?

The Hon. DANIEL MOOKHEY: I don't necessarily agree that it's unsustainable. It depends on a wide variety of different settings. But I would make the point that you are right to say that's where the employment growth is coming from.

The Hon. MARK LATHAM: You've got no problem with 82 per cent of new jobs being in the public sector, funded by debt?

The Hon. DANIEL MOOKHEY: Well, I want more jobs. There have been 210,000 new jobs created in New South Wales since March 2023, at a time of high interest rates, which is encouraging. You're right to say that a lot of that is taking place in those industries that you mentioned. I would also just say, Mr Latham, you're right to point it out. It definitely is something which we have to look at, because we do want more private sector jobs in the market sector as we do in the non-market sector. But I would just point out that a lot of that employment growth is happening as a result of demographic change. Frankly, we have a lot more older people that require more care.

The Hon. MARK LATHAM: Are you classifying over-55s as self-care? That's just crazy, isn't it?

The Hon. DANIEL MOOKHEY: Mr Latham, surely you agree with me that the demographic weight is shifting towards the older—frankly, the baby boomer generation.

The Hon. MARK LATHAM: That doesn't mean that we shift into a public sector employment economy, surely?

CORRECTED

The Hon. DANIEL MOOKHEY: Not necessarily, that's right. It doesn't necessarily follow that you do. But it's pretty obvious that if you were to compare Australia to all countries with similar demographic profiles, all countries are noticing a shift in employment growth away from the market sector to the non-market sector. The only other point I would make on that, Mr Latham, is that another part of the issue is that market sector economic output is taking place—growth is taking place more through technological change. That is, you're capable now of growing private sector enterprise with less labour. You're still getting growth in that sector; it's just not as labour intensive.

The Hon. MARK LATHAM: It's productivity, which is the core economic challenge. The solution to all these issues is improved productivity, and our performance has gone dramatically backwards. We discussed earlier the United States, where I think you agreed that less tax and less regulation has driven their success story. What are you doing on those two fronts?

The Hon. DANIEL MOOKHEY: I'm not sure I did, but I would simply say it's one factor that needs to be looked at.

The Hon. MARK LATHAM: I think you'd be economically naive not to agree that less tax and less regulation has helped their economic success story. That's obvious, isn't it?

The Hon. DANIEL MOOKHEY: It's certainly an issue that you have to look at, for sure. I absolutely agree that it's definitely a factor.

The Hon. MARK LATHAM: What are you doing on those two fronts?

The Hon. DANIEL MOOKHEY: Tax?

The Hon. MARK LATHAM: Less business tax and less regulation.

The Hon. DANIEL MOOKHEY: Emergency service levy reform. That is something which is very important for the Parliament to grapple with this year. That is, we are the only State who fund their emergency services through insurance premiums, which is a cost that's internalised by households and business. That is an area in which we do have to have good conversations about whether or not there's a better way. That's the first one when it comes to tax. The other component that we have to look at when it comes to business conditions in New South Wales is we are going to need to look at workers compensation too.

The Hon. MARK LATHAM: Last week, small business Minister Kamper committed to a full productivity commission review of red tape and compliance costs for small business in New South Wales.

The Hon. DANIEL MOOKHEY: Did he?

The Hon. MARK LATHAM: Upon my excellent suggestion, he agreed with it. You're responsible for the productivity commission. Wouldn't that be a very good idea over the next 12 months—to fully review red tape and compliance costs for small business in New South Wales, again trying to get away from a public sector employment growth economy to one that's sustainable with private sector growth?

The Hon. DANIEL MOOKHEY: I always look to see if we can eliminate red tape. I again go back to the point I was making in the earlier session: A lot of the red tape is to do with land use planning. That is absolutely an issue with small business, as it is with medium business, as it is with large business. That is something that we are going to need to look at, yes. So far as whether the NSW Productivity and Equality Commissioner should be looking at it, that is something which I will take on notice.

The Hon. MARK LATHAM: Do you support Minister Kamper's commitment?

The Hon. DANIEL MOOKHEY: I certainly support his outlook on this.

The Hon. MARK LATHAM: What's the difference between supporting his outlook and his commitment?

The Hon. DANIEL MOOKHEY: Minister Kamper always strives to eliminate any hurdle towards small business growth. He is right to identify that there are ways in which the Government interacts with small business which we can improve. There are also requirements we impose on small business which we need to review, always. But the point I make is that Minister Kamper is right to point this out. I do say that that is part of the reason why, when we do look at rule changing in general, that function actually needs to belong to the agencies. You can't simply just turn up every five years and do a productivity commission review, as valid as that could be. We also want to make sure that, when we are making decisions around regulations, we're taking into account the perspectives of small business.

CORRECTED

The Hon. MARK LATHAM: You've given a heavy emphasis this morning, Treasurer, on speeding up housing development approvals in New South Wales. What of the view put on the weekend by business leaders with regard to the TODs that the cost of doing the developments is prohibitive? You've got not just slow approvals in New South Wales but also hugely prohibitive costs. What's your solution to that?

The Hon. DANIEL MOOKHEY: I point you to the work of the NSW Productivity and Equality Commissioner, who published an excellent report last November, I think it was, or thereabouts. He identified the cost make-up and inputs, for which there are two factors that he pointed out that are the big ones. The first is material cost, the second is declining productivity in the construction sector and the third is time taken for decision-making. Actually, the reason why I'm pointing that out is that the commissioner, from memory, identified that the costs that are imposed by government, I think, make up effectively somewhere like 1.7 per cent to 2 per cent.

MICHAEL COUTTS-TROTTER: State Government is 2.5 per cent.

The Hon. DANIEL MOOKHEY: That's 2.5 per cent of the cost of an apartment.

The Hon. MARK LATHAM: We know that's nonsense. The Urban Taskforce has pointed out that the cost of BASIX, biodiversity and the national code adds \$120,000 to the cost of a new home in New South Wales.

The Hon. DANIEL MOOKHEY: But we have looked at that. We took the suggestions from the Urban Taskforce—and, frankly, a few others—and therefore got the productivity commissioner to look into it to see whether or not those cost claims are accurate.

MICHAEL COUTTS-TROTTER: In respect to mid-rise apartments. That was the focus.

The Hon. DANIEL MOOKHEY: In mid-rise apartments, yes. I think they're talking—

The Hon. MARK LATHAM: What about detached dwellings?

The Hon. DANIEL MOOKHEY: Detached dwelling is a different category. I think the Urban Taskforce point is more about the high-rise.

The Hon. MARK LATHAM: No, they've got data about detached dwellings, which are still pretty important—the great Australian dream.

The Hon. DANIEL MOOKHEY: You mean about the urban fringe components of it. We'll check on whether or not there's a difference in the data between that component and that. Again, you're talking about the TOD policy. The TOD policy is in a different category because it's the infill component. Those were the comments from business leaders on the weekend, which were more to do with the infill component than necessarily the greenfield component. I refer you to the fact that these claims are obviously contested, and I'd make the point that obviously property developers want to pay less in charges. That's a given. That's the reason why we have a Productivity and Equality Commissioner—to look at these issues.

The Hon. MARK LATHAM: Obviously major housing development companies are saying they'd rather invest in Queensland than New South Wales. On that front, if you want to speed up the time for development approvals, why don't you abolish the Independent Planning Commission and put time limits on rezoning and development applications?

The Hon. DANIEL MOOKHEY: I haven't got any policy announcements in that respect. I do make the point, as part of the reason why we are looking to simplify administration of planning as much as we are simplifying the rule-making parts of the function—we did abolish the Greater Cities Commission. We brought that function back in house to the planning department as part of the changes we were wanting to do. I know that you've argued the case pretty strongly that you think the IPC should be abolished as well. I'll leave it to the planning Minister to resolve that particular policy question.

The Hon. MARK LATHAM: Are you frustrated, Treasurer? You've got lots of rhetoric but no implementation to actually help the growth of the New South Wales economy.

The Hon. DANIEL MOOKHEY: I'm absolutely frustrated that it does take a lot of time to build houses. I would have much preferred to inherit a pipeline of developments that were far further along in the planning system than where they were. When we got here, we had housing approvals coming down dramatically, let alone completions coming down dramatically at the same time. What really frustrates me is that the people who pay the price of that are fundamentally young people. What I love about this State and this city—and what I love about all our cities—is that you can come with nothing and you can get ahead. In large part that's because you had the security of being able to own your own home.

CORRECTED

I absolutely am frustrated with the fact that turning around a planning system at the same time we're dealing with the most challenging conditions in the marketplace for housing construction is a really hard challenge. That absolutely does frustrate me. I will say that when it comes to my frustration, I'm glad we spent the last two years delivering the biggest rezoning that the city has had in a generation and the biggest set of planning reforms we've had, which were opposed in large part by the Opposition, when it comes to TODs. Equally, that means that as interest rates normalise, we are in a position where we should be seeing an uptick in construction.

The Hon. MARK LATHAM: On a related issue, a huge micro-reform would be to improve urban mobility in Sydney, improving urban efficiency, productivity and easing congestion. One in four Sydney households are stuck because of stamp duty in a location that's no longer suited to them, in a house that's probably too big for them. Will you revisit your decision to abolish stamp duty choice to try to improve this mobility?

The Hon. DANIEL MOOKHEY: No, I'm pleased that the policy we took to the election has meant that we're now helping, I think, a factor of four times the number of first home buyers that were helped under the previous setting.

The Hon. MARK LATHAM: I'm asking about mobility. These are existing home buyers stuck in a home that's no longer suited to them in location or size. Stamp duty keeps them stuck there.

The Hon. DANIEL MOOKHEY: But the previous policy that I replaced didn't help them at all. That was only eligible for first home buyers. You said will I revisit my decision. That previous policy did nothing for that problem.

The Hon. MARK LATHAM: But the original plan was to extend it to every home owner and prospective home buyer. Will you revisit that?

The Hon. DANIEL MOOKHEY: We'll always look to see what we can do to ease mobility and to redistribute the housing stock to its best use.

The CHAIR: Treasurer, are you aware of what the largest footprint land zoning in New South Wales is?

The Hon. DANIEL MOOKHEY: Sorry—a proposal?

The CHAIR: What is the largest land zoning in terms of footprint across the State.

The Hon. DANIEL MOOKHEY: No, I'm not.

The CHAIR: It's RU1, rural lands. Are you aware—

The Hon. DANIEL MOOKHEY: Sorry, I thought you meant a proposal, not classification. Yes, of course. Most of the State is zoned as rural land, yes.

The CHAIR: On those rural lands, you can start a coalmine, a piggery, have a racecourse, a farm. But you can't build a second dwelling, and subdivide it and sell it. Are you aware of that?

The Hon. DANIEL MOOKHEY: No.

The CHAIR: Unless, of course, that second dwelling is on a minimum lot of, in most cases, 100 hectares.

The Hon. DANIEL MOOKHEY: I'm not aware of that.

The CHAIR: Do you think that's a massive disincentive for farmers who may have capital to spend, be asset rich to actually build second or third or fourth dwellings?

The Hon. DANIEL MOOKHEY: It could be.

The CHAIR: Is it something that you think we should look at in terms of land use planning in this State?

The Hon. DANIEL MOOKHEY: I'll always look at good ideas.

The CHAIR: Do you think that sounds like a good idea?

The Hon. DANIEL MOOKHEY: It definitely sounds like something we should look into.

The CHAIR: Thank you very much, Treasurer. In the absence of Government questions—they're continuing to bank those, building those up—we'll have a break. We will be back at 11.15 a.m.

(Short adjournment)

The CHAIR: We're back.

CORRECTED

The Hon. DANIEL MOOKHEY: Chair, I have some additional information arising from the morning session which I'm happy to provide the Committee now. If you want to take it from Government time, that's fine.

The CHAIR: Fire away. Provide the information.

The Hon. DANIEL MOOKHEY: Mr Latham asked me about self-care provisions that apply under the new teachers award. I have some additional information. The self-care provisions of the new award are part of our effort to assist in the transition-to-retirement initiatives which were written into the most recent award in an effort to retain teachers closer to retirement age a bit longer. We have had a lot of success in getting retired and retiring teachers to come back or to stay in the workforce, but they often don't want to teach full-time. These provisions were put in place to try to retain their expertise for as long as possible. I should just say that they mirror the flexible work arrangements that are in the Fair Work Act.

The Hon. CHRIS RATH: Good morning, Treasurer.

The Hon. DANIEL MOOKHEY: Good morning, Mr Rath.

The Hon. CHRIS RATH: Do you stand by your election promise to remove 9½ thousand poker machines by 2028?

The Hon. DANIEL MOOKHEY: I think the Minister yesterday explained that we've listened to the advice of our expert panel, which has suggested that that is not a good use of public money.

The Hon. CHRIS RATH: So you're jettisoning your election commitment?

The Hon. DANIEL MOOKHEY: No, we are listening to the advice that we had. It's an important point, Mr Rath, that the other part of the election commitment was that we were going to establish an independent panel and that we were going to be led by the evidence. It would be a break of our promise if we were to commission an independent panel and then ignore their views. There's a lot that panel agrees on; there's a lot that the stakeholders disagree on. But what was interesting is that, basically, those who wish to see poker machine removal did make the point that that is not a wise use of public funds relative to other initiatives which could be taken to curb problem gambling than to remove poker machines.

In large part, that arises from the fact that there are thousands of unused entitlements, which you would have to take out of the system before you eliminate machines in practice. That's the distinction. The distinction is between poker machines that are operating and the entitlement to operate poker machines. That spread is quite large. So their view that they put was that, therefore, use of funds for that purpose might not be as impactful as the Government intends it to be. I will just make the point that we will listen to the experts when it comes to these questions.

The Hon. CHRIS RATH: If you are listening to the experts, why aren't you implementing mandatory carded play, which the experts are recommending?

The Hon. DANIEL MOOKHEY: Again, we haven't responded to the report.

The Hon. CHRIS RATH: So you stand by Minister Harris's comments yesterday?

The Hon. DANIEL MOOKHEY: No, I'm making the point that I think is the point that Minister Harris was making.

The Hon. CHRIS RATH: Well, Minister Harris said, "When you actually get into government and then you've got all the power of the departments and you've got Treasury advice and you've got a whole lot of other things, you may find that some of the commitments you made are no longer relevant." That's quite extraordinary, isn't it, Treasurer? It's basically saying any commitment that you made before the election can be overturned because of some advice you got from the department.

The Hon. DANIEL MOOKHEY: No, that's not what he said. That's not how I read his comments. Again, I go back to the point, Mr Rath, that the announcements we made in opposition were as a package. A key part of that package was the establishment of an independent panel to be led by the evidence. The point that I am making is that it would be unwise for the Government to have committed to establishing an independent panel and then not take their views seriously. On this particular point, there was a consensus that was reached that there are better ways in which to use public funds than that. I would argue that it would be a mistake that—if there is a consensus and there's a compelling evidence base, then humble governments should listen to that advice. Certainly I make the point, as we made the point clear in opposition, that there's a lot of complexity in this area, which is why we want to be guided by the experts.

CORRECTED

The Hon. CHRIS RATH: Before the election in February 2023, you stated in a Sky News interview, "Under the plan that we have released, we reckon that we can get 9,500 of them out of the State within five years." You went to great lengths to say that unlike the Coalition, who would buy back just 2,000 poker machines:

... it's quite clear that one of the key differences in the approach between Labor and the Liberals in this election is that our policy sets to deliver fewer machines faster than Mr Perrottet.

Treasurer, why did you lie?

The Hon. DANIEL MOOKHEY: I didn't. I also make the point, Mr Rath, it's fascinating that you mention the Coalition's pledge to remove 2,000 poker machines. When I got here as Treasurer I asked, "Where is the money set aside for 2,000 buybacks?" Not one dollar was set aside by the Coalition to buy back 2,000 machines. So when you come in here and say that we lied, your own record here suggests that you have questions to answer as well, because you did not put aside a single dollar to remove poker machines. Instead, you had a blancmange commitment to do something about it in the future which will be worked out in government. So while I well and truly accept you're asking a legitimate question, the issue is, again, your position would have a lot more force if you matched your rhetoric with funding commitments, which you did not do.

The Hon. CHRIS RATH: Treasurer, you promised 9½ thousand. How many have been removed to date?

The Hon. DANIEL MOOKHEY: Again, I would refer you to the Minister who has responsibility on the actual administration of the policy. But the other issue that you, of course—

The Hon. CHRIS RATH: So you don't know, Treasurer?

The Hon. DANIEL MOOKHEY: Mr Rath, let me finish my answer. The other point I'm making is the other difference between our two respective positions is it does turn on the level of turnover of machines. The other key distinction that sits behind that policy, or sat behind it at the election, was that you promised to use public funds to buy back machines but never put aside the money. Our policy was to make sure that actually clubs that are transacting in the marketplace pay to remove poker machines. That's the second part of the principle as well. It's fascinating that is the point—you, I'm sure, are aware that when it comes to poker machine entitlement forfeiture rules, that was the point that sat behind the policy.

The Hon. CHRIS RATH: We're not in government—

The Hon. DANIEL MOOKHEY: Clearly you're not.

The Hon. CHRIS RATH: —and you don't know what a potential future budget may have looked like had we been.

The Hon. DANIEL MOOKHEY: No, I do, because I picked it up.

The Hon. CHRIS RATH: But, Treasurer—

The Hon. DANIEL MOOKHEY: I picked it up.

The CHAIR: Order!

The Hon. CHRIS RATH: Treasurer—

The Hon. DANIEL MOOKHEY: It wasn't a future potential budget.

The Hon. CHRIS RATH: I'm asking the question.

The CHAIR: Order! Treasurer, while I enjoy the robust exchange, let's have questions and answers rather than yelling at each other.

The Hon. CHRIS RATH: Treasurer, the number of pokies has gone up 570 after your commitment to reduce it by 9,500.

The Hon. DANIEL MOOKHEY: You're confusing poker machines with entitlements. You're doing it deliberately, Mr Rath. You know the difference. Are you seriously suggesting there's been an issuance of additional entitlements?

The Hon. CHRIS RATH: I'm asking the questions, Treasurer, but—

The Hon. DANIEL MOOKHEY: You're distorting the question, because you know there is a difference between entitlements and poker machines. You know that with the position you left us in government there were, I think, 97,000 entitlements for poker machines, for which there were 84,000 in use. That's the distinction that you're deliberately obscuring here and that you should be bringing to the attention of the Committee if you're going to make an assertion like that.

CORRECTED

The Hon. CHRIS RATH: Treasurer, you've turned your back on your election commitment. How can we believe any of the election commitments that you made prior to the election if you're going to so readily jettison one of these commitments that you made on Sky News?

The Hon. DANIEL MOOKHEY: Mr Rath, you're welcome to make political assertions as you wish, but it was a mistake for you to then assert a mistake.

The Hon. CHRIS RATH: I might move on to a different issue. Treasurer, does any taxpayer funding go to organisations with links to terrorist groups or to promote antisemitism?

The Hon. DANIEL MOOKHEY: Clearly, if you are a prescribed terrorist group, my expectation is no.

The Hon. CHRIS RATH: And promoting antisemitism?

The Hon. DANIEL MOOKHEY: You asked me about "if you're a prescribed terrorist group".

The Hon. CHRIS RATH: But I said "promote".

The Hon. DANIEL MOOKHEY: To the best of my knowledge, obviously we do not want to fund antisemitism in any form.

The Hon. CHRIS RATH: Treasurer, should any taxpayer funding go to individuals or organisations that promote social division, hatred or antisemitism?

The Hon. DANIEL MOOKHEY: It's not our policy to provide organisations that are terrorist groups with funding.

The Hon. CHRIS RATH: Treasurer, will you commit to a review of funding of grants—

The Hon. DANIEL MOOKHEY: What would you like me to review and which groups are you concerned about, Mr Rath?

The Hon. CHRIS RATH: In particular I'd suggest that you undertake to do a review of funding arrangements or grants received by signatories to the United Muslim Community, in particular in reference to their statement—as signatories to their statement.

The Hon. DANIEL MOOKHEY: Sorry, which group?

The Hon. CHRIS RATH: United Muslim Community and the signatories to their statement. You made some comments about it in the House.

The Hon. DANIEL MOOKHEY: Okay, you're referring to that statement. I can give you some further information. I said we would have a look into it. As I understand it, there has been a \$6 million grant to the Lebanese Muslim Association for aged-care services. That was announced by Mark Coure in 2019.

The Hon. CHRIS RATH: Will you commit to revoke any funding for organisations that support the views in the United Muslim Community Statement?

The Hon. DANIEL MOOKHEY: Revoke funding? Sorry, that's a different proposition altogether. I can also say that I've asked—

The Hon. CHRIS RATH: The first question was "Will you review?"; the second question is "Will you revoke?"

The Hon. DANIEL MOOKHEY: I can say that we've already begun reviewing the statement. I asked Treasury to look into it in response to the concerns that were raised in the House. The first—in terms of the organisations that were signatories to that statement—that it has identified is the LMA. It was a \$6 million grant for aged-care services. It was a decision made by then Minister Mark Coure.

The Hon. DAMIEN TUDEHOPE: Treasurer, there has been a significant blowout in relation to the conversion of the south-west metro. Are you aware of that?

The Hon. DANIEL MOOKHEY: Yes.

The Hon. DAMIEN TUDEHOPE: What is going to be the cost of that blowout?

The Hon. DANIEL MOOKHEY: At this point that is being worked through by Sydney Metro. As you know, it takes a bit of time to establish what the costs were. I'm sure you are aware of that, because the similar delays to the Sydney Metro Southwest took place as a result of the industrial dispute which you were party to as well.

CORRECTED

The Hon. DAMIEN TUDEHOPE: In a statement issued today by the transport Minister, he says, "The Government has always said this is a complex and difficult project and may take longer than one year. We need to let the people know that over 130 days of work have been impacted by industrial action, which means that this project will not complete in 2026." Have you not been following the—

The Hon. DANIEL MOOKHEY: No, that's not what he said.

The Hon. DAMIEN TUDEHOPE: I've got a copy of his statement in front of me.

The Hon. DANIEL MOOKHEY: So do I. You're missing the first paragraph.

The Hon. DAMIEN TUDEHOPE: I'm looking under "Minister for Transport John Graham said".

The Hon. DANIEL MOOKHEY: Yes, "The complex extension of Sydney Metro services from Sydenham to Bankstown will be completed in 2026."

The Hon. DAMIEN TUDEHOPE: You're not reading from the statement he issued.

The Hon. DANIEL MOOKHEY: I'm fairly positive I am. Let me double-check. That's the best information we have available to us, but I'll double-check for you in respect to that. But I think you're right to say that there are obviously delays as a result of the industrial action, and it is 130 days.

The Hon. DAMIEN TUDEHOPE: And Treasury has done no work in relation to the cost of those delays?

The Hon. DANIEL MOOKHEY: No, we have.

The Hon. DAMIEN TUDEHOPE: No?

The Hon. DANIEL MOOKHEY: We have.

The Hon. DAMIEN TUDEHOPE: You have?

The Hon. DANIEL MOOKHEY: Yes.

The Hon. DAMIEN TUDEHOPE: So what do you say—

The Hon. DANIEL MOOKHEY: I'm not going to tell you.

The Hon. DAMIEN TUDEHOPE: Why?

The Hon. DANIEL MOOKHEY: Because it's commercial in confidence and we're working through a whole variety of different issues to do with whether or not we can mitigate it.

The Hon. DAMIEN TUDEHOPE: Don't you think the people of New South Wales are entitled to know what the cost of industrial action is to New South Wales?

The Hon. DANIEL MOOKHEY: The cost of industrial action to New South Wales, or this particular project? There's a difference there.

The Hon. DAMIEN TUDEHOPE: To this project and, ipso facto, to the people of New South Wales.

The Hon. DANIEL MOOKHEY: Again, we're working through the particular costings as a result of the 130 days of impact. I should also point out it would be premature for us to reach a conclusion on it because Sydney Metro is mitigating it and they're doing a lot to mitigate it in terms of its impact. That is what you would expect them to do. As you know, fundamentally, the issues that create costs stem from possessions and when you can actually take control of the railway.

The Hon. DAMIEN TUDEHOPE: Correct.

The Hon. DANIEL MOOKHEY: Then, equally, the timetables of construction that sit on it. That's complex. That does need time to be worked through. My expectation is that Sydney Metro will work through that the same way they did in response to the earlier industrial dispute which took place while you were the industrial relations Minister. I'm expecting them to use the same methodology and the same mitigation measures which they did then in response to this latest bout of industrial action. Of course, we care a lot about the impacted communities and the fact that there are going to be people who are going to be impacted longer than what we thought. But there was a specific reason why we also made the point that it is a very complex project. I'd also make the point that it's undoubtedly the case that your Government would have probably cancelled the project had you been re-elected, when it comes to the south-west metro. This has been a program that we've had to, in our first two years, stabilise and rescue and provide additional funding for to deal with the fact that we inherited it in a state of some distress from your Government.

CORRECTED

The Hon. DAMIEN TUDEHOPE: I think, from your answer, you do have the costings, but you're not prepared to disclose them.

The Hon. DANIEL MOOKHEY: No, that's not what I said.

The Hon. DAMIEN TUDEHOPE: Are you aware of whether any action has been taken by Sydney Metro to mitigate the industrial action taken by the ETU by an application in the Fair Work Commission?

The Hon. DANIEL MOOKHEY: The first point is that's not what I said—to the first claim that you made. The second point is that actions to mitigate the industrial action have been taken by Sydney Trains as the employer who is party to the industrial agreement from which the agreement arose. This was a key component of multiple actions that the Government has taken in the Fair Work Commission, including the recent action we took which saw the successful grant of a 425 application.

The Hon. DAMIEN TUDEHOPE: That was not in relation to the ETU's ongoing—

The Hon. DANIEL MOOKHEY: Yes, it was.

The Hon. DAMIEN TUDEHOPE: No, it wasn't.

The Hon. DANIEL MOOKHEY: Yes, it was.

The Hon. DAMIEN TUDEHOPE: The protected industrial action which has been taken by the ETU in relation to work stoppages, was that—

The Hon. DANIEL MOOKHEY: That was part of the application that we made to the CRU, of which the ETU are members. The ETU has now lodged an appeal so, yes, it was. The fact that the ETU is appealing it is also a pretty strong indication that that was the action.

The Hon. DAMIEN TUDEHOPE: So it is your view that the decision under section 425 prevents the ETU from continuing protected industrial action?

The Hon. DANIEL MOOKHEY: Insofar as the actions that they were taking on the metro were authorised by that protected action ballot and application.

The Hon. DAMIEN TUDEHOPE: Are there any which are not?

The Hon. DANIEL MOOKHEY: Again, we can take that on notice and take advice to see whether there is any other industrial action that has been taken by the ETU elsewhere that is impacting on the metro, but that is the main one that has.

The Hon. DAMIEN TUDEHOPE: Are you sure that's the case?

The Hon. DANIEL MOOKHEY: To the best of my knowledge, yes.

The Hon. DAMIEN TUDEHOPE: I'm glad you've taken it on notice.

The Hon. DANIEL MOOKHEY: The other point is that you're talking about last year's broader ETU campaign in respect to the other electricity distributors as well. I think that's what you're referring to. Again, we can take advice about whether or not ETU actions, in respect of those industrial campaigns, have impacted on the metro.

The Hon. CHRIS RATH: Who made the decision to walk back your commitment to remove 9,500 poker machines?

The Hon. DANIEL MOOKHEY: Again, I'd refer you to the evidence that Minister Harris has made in that respect. I'd also make the broad point that we haven't, as a government, finalised our response to that report.

The Hon. CHRIS RATH: Were you overruled by the Premier?

The Hon. DANIEL MOOKHEY: No.

The Hon. CHRIS RATH: So why are you telling porkies on pokies?

The Hon. DANIEL MOOKHEY: Take this as a point of advice, from an expert at estimates: If you're going to launch that, you're wiser to have people with cameras in the room if you're trying to launch that particular attack.

The Hon. CHRIS RATH: It was a spontaneous point of theatre, Treasurer.

The Hon. DANIEL MOOKHEY: I respect the craft, Mr Rath. I used to sit in that very position, but I would come up with things that were slightly more than just alliteration.

CORRECTED

The Hon. CHRIS RATH: How important is the public native forestry industry to communities like Nowra, Bega, Eden and Narooma on the New South Wales South Coast?

The Hon. DANIEL MOOKHEY: I'm sure, like all industries that are taking place in the area, it's important to the people who work within it.

The Hon. CHRIS RATH: Have either of those members down there, the member for Bega or the member for South Coast, raised any native forestry issues with you since being in government?

The Hon. DANIEL MOOKHEY: Sorry, which two members?

The Hon. CHRIS RATH: The member for South Coast and the member for Bega.

The Hon. DANIEL MOOKHEY: Yes.

The Hon. CHRIS RATH: What were those issues?

The Hon. DANIEL MOOKHEY: They were conversing with me about various issues to do with Forestry Corporation. Particularly with the south-west, it's to do with a lot of the recovery in response to some weather events and the like that have taken place in the wake of the Black Summer bushfires. They're pretty strong advocates in that respect.

The Hon. CHRIS RATH: Treasurer, you're one of the three shareholder Ministers in—

The Hon. DANIEL MOOKHEY: There are two shareholding Ministers.

The Hon. CHRIS RATH: Two shareholder Ministers in Forestry Corporation. You have been in government for two years. In that time, you have not signed a new wood supply agreement for the South Coast. Why not?

The Hon. DANIEL MOOKHEY: Because we're undertaking a forestry industry action plan process right now.

The Hon. CHRIS RATH: How long is that going to take?

The Hon. DANIEL MOOKHEY: Government will make decisions on that policy when we're ready to do so. Equally, the wood supply agreements that apply, most of them are valid until 2028, so they're not even at the point of renewal. It would be rather premature to get into the territory of wood supply agreements renewal at this point.

The Hon. CHRIS RATH: Another review? Are you tracking how many reviews this Government is doing?

The Hon. DANIEL MOOKHEY: Yes, and I have to say they are leading to good changes for the State of New South Wales.

The Hon. CHRIS RATH: Doesn't it send a bad signal to other businesses investing in New South Wales that you haven't signed a new agreement?

The Hon. DANIEL MOOKHEY: No, I haven't heard that feedback from businesses. Obviously businesses will always campaign for various decisions at various points in time. But, no, I haven't heard that concern.

The Hon. CHRIS RATH: It doesn't erode confidence in the business sector down there?

The Hon. DANIEL MOOKHEY: The South Coast economy is a very robust, strong and diverse economy. There is no doubt that forestry and native forestry are an important component of it. But, no, I have not had the South Coast business community raise that concern with me specifically.

The Hon. CHRIS RATH: Treasurer, do you endorse the improved native carbon method proposed by the National Parks and Wildlife Service of seeking carbon credits for the cessation and deferral of public native forestry?

The Hon. DANIEL MOOKHEY: I am going to leave the methodology to the experts to be assessed, because I am not an expert in the methodology. But the need for carbon credits for the New South Wales economy is crucially important. Under the Safeguard Mechanism that we have, if you are serious about making sure that a facility like BlueScope can continue, if you are serious about making sure that a facility like Tomago has a future, and if you are serious about making sure that mining can take place in the Hunter, then it is absolutely crucial that we do get a viable carbon credit market.

CORRECTED

The Hon. CHRIS RATH: Are you aware that the Tasmanian Minister responsible for forestry, Eric Abetz, has written to Minister Sharpe stating that under no circumstances will Tasmania participate in this method?

The Hon. DANIEL MOOKHEY: Yes.

The Hon. CHRIS RATH: Doesn't that hold up the whole thing?

The Hon. DANIEL MOOKHEY: No.

Ms ABIGAIL BOYD: The Premier made some pretty clumsy stigmatising comments in relation to reforming the workers compensation system at a business event last week. It does appear he has flagged changes to the workers compensation system that will potentially follow Victoria and drastically pare back access to psychological care and claims. Why was that not consulted on prior to that announcement by the Premier?

The Hon. DANIEL MOOKHEY: I have the Premier's remarks. Can I ask you a few points of clarification so I can answer? Which particular parts do you think are stigmatising?

Ms ABIGAIL BOYD: I don't have it in front of me, but you do.

The Hon. DANIEL MOOKHEY: I do.

Ms ABIGAIL BOYD: He said words to the effect of, "I'm not saying that anyone is faking. However, there seems to be quite a lot of young people making claims against the system." You might read them out, if you have got them.

The Hon. DANIEL MOOKHEY: I do have them. I didn't read them as stigmatising, but I take your point that he certainly did make the point that there are higher numbers of claims from young people who are claiming a particular payout as well. The broad point that you are making is that the Premier made an announcement. Firstly, the Premier hasn't made an announcement. Secondly, you are right to say that consultation needs to take place. Consultation will take place. Thirdly, yes, there is a need to tackle the challenges with the workers compensation system, in large part because, as we know, there is a series of pressures on the system.

We had the operational issues to do with icare. We had the governance issues to do with icare. We are now at a point where it is pretty evident that the system, which is predominantly built for physical injury, is not the best way to respond to psychological claims. We need to shift, in my view, our primary response to psychological injury to the workplace health and safety system, as opposed to the workers compensation system. That is because the principle that we should be operating on is prevention, not compensation. That is a change that we as a government need to make.

Ms ABIGAIL BOYD: We can agree on that. You said "putting pressure on the workers compensation system". Which fund in particular?

The Hon. DANIEL MOOKHEY: Both. There are two funds for the workers compensation system, predominantly under the care of icare. Then, of course, there are a lot of self-insurers. But it is putting huge pressure on all of them. Specifically, it is putting immense pressure on the Nominal Insurer and it is putting a lot of pressure on the TMF as well.

Ms ABIGAIL BOYD: In the comments that the Premier was making, he did say something along the lines of—and, again, I am verballing, and you have it in front of you—"We will need business support for these reforms." That implies that we are talking about the Nominal Insurer rather than the TMF. Yet I am looking at a great report—which I only discovered yesterday—that was released in December last year but is dated April 2024. It is from SIRA. It is called the *Treasury Managed Fund Review Report*. Page 8 states:

The public sector makes up approximately eight per cent of workers covered by workers compensation in NSW, yet accounts for 20 per cent of all workers compensation claims. While the TMF is performing better than the system on a range of indicators for non-psychological injury claims, it is performing worse than the system for psychological injury claims, and accounts for 46 per cent of all new psychological injury claims in the NSW workers compensation system.

The Hon. DANIEL MOOKHEY: That's true.

Ms ABIGAIL BOYD: That implies to me that the problem here then is the public sector.

The Hon. DANIEL MOOKHEY: No, it's pretty universal. Ms Boyd, you're right to say that that report does make it clear that the TMF is facing challenges too. That's absolutely the case, but it doesn't mean the Nominal Insurer is not.

CORRECTED

Ms ABIGAIL BOYD: No, but you are the employer of these public sector workers. To the extent that they are suffering burnout from under-resourcing and having a pretty hard time—I know, as we have talked about, that you inherited a lot of that from the last Government, but this is now your watch.

The Hon. DANIEL MOOKHEY: True.

Ms ABIGAIL BOYD: SafeWork has only just released its strategy for reducing those psychological injuries within the public sector. It's got a two-year time frame to it. Are you prioritising prevention or are we going to be faced with—

The Hon. DANIEL MOOKHEY: Yes, we are going to need to, absolutely. You will see in the reforms we outline that we do need to equip the public sector with more tools, but we also have to install more mechanisms that hold the public sector to account as well. You're absolutely right. This is the point: The system needs modernisation. You're absolutely right to say that we need to invest more in prevention; you're absolutely right to say that we need structures that hold the public sector, as the employer, accountable to workers. There's no disagreement whatsoever. But that is not happening under the status quo. The status quo is diverting a lot of resources to the wrong end of the spectrum for intervention. That redirection does need to take place for the public sector. But I'd also make the point, which the Premier made too, that that's also a big reason why there are premium pressures on the private sector. The Premier's comments, in context, were to do with that component of it.

Ms ABIGAIL BOYD: But where is the evidence then that, from the Nominal Insurer perspective, we've got—

The Hon. DANIEL MOOKHEY: I can tell you the claim numbers. We can show you that the claims growth from the Nominal Insurer is exponential as well.

Ms ABIGAIL BOYD: It is, but I'm yet to see evidence that the Nominal Insurer is having a huge exponential growth that isn't tapering off when it comes to particularly young people claiming psychological injury.

The Hon. DANIEL MOOKHEY: To the cohort analysis, I can accept that we'll get you some more detail on what's happening with the Nominal Insurer when it comes to age. If you look at the liability reports that come out from the Nominal Insurer and are published every six months, it does show that there's a huge spike in workers compensation claims.

Ms ABIGAIL BOYD: No-one's disagreeing.

The Hon. DANIEL MOOKHEY: Psych claims with the Nominal Insurer are rising at close to 10 per cent a year, relative to physical injury claims. I think the differential between physical injury claims and psychological injury claims in the Nominal Insurer—the growth in psych claims versus physical claims is easily a factor of three or four.

MICHAEL COUTTS-TROTTER: Yes.

Ms ABIGAIL BOYD: To be honest—I'll come clean with you—what's bothering me here is the perceived amalgamation of the TMF with the Nominal Insurer. We had the previous Government bailing out business by basically paying into the Nominal Insurer when it shouldn't have been. It should have been relying on businesses to pay premiums or to reduce those risks to workers. We've had this comment from the Premier, trying to get support for the overall workers compensation reforms, when their only concern is that bit.

The Hon. DANIEL MOOKHEY: I see your point.

Ms ABIGAIL BOYD: Are you thinking of merging the TMF and Nominal Insurer?

The Hon. DANIEL MOOKHEY: No, definitely not. We're not. With the TMF and the Nominal Insurer, there's no policy to merge them at all. We're not thinking about it, we're not commissioning any work around it and we're not doing that.

Ms ABIGAIL BOYD: Good.

The Hon. DANIEL MOOKHEY: I can absolutely rule out any merger between the TMF and the NI.

Ms ABIGAIL BOYD: Good.

The Hon. DANIEL MOOKHEY: That's not going to happen. Ms Boyd, by way of contest—to be fair, I don't want to defend the previous Government when it comes to the use of NI, but I think they were criticised for attributing the operational costs of the TMF to the NI and, equally, the NI attributing costs to the TMF. That was wrong. I'm not aware of any previous Government bailing out the NI—as in, there was no cash transfer into the NI. I'm fairly positive I would have found it, exposed it and made a big song and dance about it. The Nominal

CORRECTED

Insurer's liability does not sit with the State, and that's written into the Act. But the point you're making around whether we're conflating two issues, it's not the intent to do so. But I will simply say psychological injury is creating immense pressure on the NI and the TMF because neither system was—the workers compensation law was not built for it. That's why we need to modernise it.

Ms ABIGAIL BOYD: Sure. But far more for the TMF. If you have got 48 per cent of psychological claims in TMF and just 10 per cent in the Nominal Insurer for psychological claims—

The Hon. DANIEL MOOKHEY: Yes, Ms Boyd, but bear in mind it depends which period of time you're looking at, because there's an argument to say that the NI internalised those costs earlier than the TMF. That is, if you look at the NI's results between 2019 and 2022, you will see that there was a big spike in psychological injury claims. I make the point back then that's also because the way in which the claims operating model was being applied by the NI—and that's, basically, you have one company doing 100 per cent of the book—meant you didn't have speciality in it.

To be fair to the previous Government—they did the last tenders for who actually runs the EIA—Mr Tudehope did bring in a specific specialist in psychological injury for the NI. Only now is that being rolled out to the TMF side of the equation. It's too early to say whether that's going to make a difference, to be frank. But also, to be fair, even the best-case scenario of applying psychological injury specialists on the TMF is not going to deal with the fact that the growth is exponential, which is—we go back to first point, which is why we need to shift to a prevention culture. And you're absolutely right that, when the Government turns up, we're going to show people how (a) we're putting more investment in prevention, (b) we're also exposing the public sector to external scrutiny and giving workers the right to—

Ms ABIGAIL BOYD: Just on that—I have only got a few seconds left in this round—if we allowed unions to prosecute, that would actually help to keep a safer work system.

The Hon. DANIEL MOOKHEY: Yes. It may. It might.

Ms ABIGAIL BOYD: So are you in support of that change?

The Hon. DANIEL MOOKHEY: We're consulting. You're right to say that that is an argument that's been made, that whether or not unions have the right to bring prosecutions would help in building that prevention culture. I definitely think, though, that—we're looking at a few of the different models in other States. South Australia, Queensland and Victoria are three States that looked at this in various different ways and reached different conclusions. But there's other changes that—you're right to say that if you start to locate the external response to a workplace in an industrial relations system then you do need to look at what rights you're giving each party. Yes, we do notice that right now unions have more rights in the Fair Work Act than they do under the New South Wales Industrial Relations Commission. That's an important thing that we need to consult on.

The CHAIR: Just before I go to you, Mr Latham, if I could just ask a couple of questions. The point of consumption tax in the State is forecast to, basically—for online gambling—is flatlining in the forward estimates.

The Hon. DANIEL MOOKHEY: In revenue?

The CHAIR: In revenue. There's very little growth—it's at about 3.8 per cent, I think, out to 2027-28—which is surprising, considering the growth in that sector over the previous decades. How does the Treasury and Revenue actually assess where online wagering occurs? Does it gather its own information? Or does it rely on information provided by the companies?

The Hon. DANIEL MOOKHEY: Both. The enforcement mechanisms that sit around the POCT law does require there to be data disclosures, people to register that they're providing online betting in the Australian marketplace. They are subject to information powers by Revenue NSW, I believe. Or Liquor and Gaming?

MICHAEL COUTTS-TROTTER: Liquor and Gaming, I think.

The Hon. DANIEL MOOKHEY: Liquor and Gaming. Yes, there are audits. And, yes, we have increased—I think, in the last budget or the budget before, we actually did provide Liquor and Gaming with more staff to do auditing and to do enforcement of point of consumption taxes, amongst others. But also we do our own independent assessments as well. The independent assessments turn more on consumption patterns in the economy than they do, necessarily, specifically on each company. That is, if interest rates go up, people spend less, which means that there's a retraction in the amount of money that is spent.

The CHAIR: I understand that. People spend less if they've got less. But are you assured that that system has integrity? The companies themselves, if the wager is made in the Northern Territory, are only subject to a 5 per cent POCT, compared to 15 per cent here. In the NT, the total revenue to the Territory is capped at \$1.418

CORRECTED

million per annum. There's a massive incentive for those wages to—I'm not making the allegation that there's corruption there, but if the wages were directed through the NT—

The Hon. DANIEL MOOKHEY: Yes, I'm concerned.

The CHAIR: So you're concerned?

The Hon. DANIEL MOOKHEY: Yes, of course. When it comes to all taxes, I'm always concerned with base shifting and base erosion, yes. So I am concerned about that. When it comes to gambling taxes or online taxes, constant vigilance is always called for. That is part of the reasons why we did enhance Liquor and Gaming's collection budget on this.

The CHAIR: There's an inquiry underway at the moment. There have been some questions raised about the integrity of the system, with the Northern Territory racing commission having a lot of—

The Hon. DANIEL MOOKHEY: Which inquiry are you referring to?

The CHAIR: There's a Federal inquiry at the moment. Do you commit to look into that issue of the integrity of the reporting?

The Hon. DANIEL MOOKHEY: Yes.

The CHAIR: So Liquor and Gaming have significant powers in that area?

The Hon. DANIEL MOOKHEY: Yes, they do. But, yes, I will happily commit to having a look into it and provide you with further information.

The CHAIR: Do Liquor and Gaming report those audits or those investigations of online gaming companies?

The Hon. DANIEL MOOKHEY: I don't know. I'll have to take that on notice as to what they report.

The Hon. MARK LATHAM: Treasurer, what assessment has the Treasury made of the productivity impact of work from home?

The Hon. DANIEL MOOKHEY: I'll invite the secretary.

MICHAEL COUTTS-TROTTER: Mr Latham, really, the only serious work that was done on that was done in 2022, from memory. The conclusion then, at a point in time, was that it could be potentially slightly productivity enhancing, but there was a big caveat to that—that while it may enhance productivity in the short run, it may not in the longer term. There could be some immediate benefits that—

The Hon. MARK LATHAM: Well, we've got to the medium term now, three years on. Isn't it time to update the research and take account of what I think is now the conventional wisdom, probably in the public sector as well as the private sector, that it's reducing productivity and we're missing out on the impact of collaboration, cooperation and association with other employees in the workplace? Can you update the research?

MICHAEL COUTTS-TROTTER: I'll take that on notice. There could be people looking to do that already. Obviously the Government—through the Premier and the head of his department—in requiring all of us to work principally in a public sector workplace, is recognising precisely the issues you raise. There's a cost—

The Hon. MARK LATHAM: Will you take account of exploitation of the system? I've got a confirmed case of someone who has been to her workplace three times in the past five years. One of the ways she avoids it is not go to the Parramatta office by telling them she's traumatised in going to Parramatta because her grandmother passed away at Westmead Hospital.

MICHAEL COUTTS-TROTTER: Right.

The Hon. MARK LATHAM: There are examples like that which just demonstrate, under the banner of flexible work arrangements—it's a standing joke in the community, the amount of taxpayers' money that's being wasted here and fraudulent claims that are being made where people stay at home and don't do a lot of work.

The Hon. DANIEL MOOKHEY: Insofar as, I guess, the request as to whether Treasury can update its research, we'll take that on notice to see if we can, just to be clear—

MICHAEL COUTTS-TROTTER: We'll take it on notice.

The Hon. MARK LATHAM: Have you got data on the extent of abuse and exploitation of this system?

The Hon. DANIEL MOOKHEY: Are you talking about the public sector or the private sector or both?

The Hon. MARK LATHAM: The public sector is what you're responsible for.

CORRECTED

The Hon. DANIEL MOOKHEY: We'll find out what we have. We'll strive to see what we can give you in terms of, I guess, allegations of abuse of the policies that are in place. I do make the point that the Government has updated the requirements that you are actually at work. In large part, it's because we do agree that there are the benefits of collaboration and there are the benefits of proximity that are appropriate for people to be at work. But we will absolutely see what further information we can provide you about allegations of abuse.

The Hon. MARK LATHAM: Have you got any public servants who have come back since the Premier's edict?

The Hon. DANIEL MOOKHEY: Yes, the Treasury has, I believe.

MICHAEL COUTTS-TROTTER: The Premier's Department issued a circular on this, requiring us to update our flexible work policies to ensure they reflect the requirement that people's principal place of work is a public sector workplace. We've done that, put that in place from mid-December, and we're implementing it. If you want an ongoing flexible work arrangement, you have to formalise that arrangement. It has to be agreed by a manager and it has to be formally reviewed at least twice a year.

The Hon. MARK LATHAM: Treasurer, during the period 2020-21, the former Government shovelled out a huge amount of so-called COVID emergency money. How much of those funds have you now recovered that were unspent?

The Hon. DANIEL MOOKHEY: Unspent?

The Hon. MARK LATHAM: Yes, because of the pace and lack of process in shovelling this money out.

The Hon. DANIEL MOOKHEY: To households and business or within the public service?

The Hon. MARK LATHAM: Both. What checking mechanism has there been to see that these extraordinary grants were actually spent for the purpose and created the jobs?

The Hon. DANIEL MOOKHEY: The Department of Customer Service, predominantly, is responsible for audit requirements, around audit of compliance with grant terms. There has been a series of reviews undertaken since 2020 to 2021. You are right to say that a lot of money did go out the door. There has been, overwhelmingly, I think—most of the money was spent. There are instances of fraud that have been detected and referred to police, for which a police taskforce has been established. And, of course, we are taking ongoing advice now about where we are in the audit program and where we are heading in terms of audit direction.

The Hon. MARK LATHAM: How much money have you recovered that was unspent?

The Hon. DANIEL MOOKHEY: I don't believe any of the money was unspent.

The Hon. MARK LATHAM: I can give you an example. Bathurst race club received a grant of \$3.7 million—and I itemised this yesterday with the racing Minister—where they only spent \$1 million. That's \$2.7 million there that was unspent. Are you saying that you can't find a single example of recovering unspent money such as this \$2.7 million?

The Hon. DANIEL MOOKHEY: We're happy to look into it. But, bear in mind, without knowing the actual contract term for that \$3.7 million, we don't—I'll double-check to see when it was all meant to be spent by as well, which is the other aspect of the grant programs that we are still acquitting.

The Hon. MARK LATHAM: After five years, isn't it time to recognise that if it's not spent now it's never going to be? These were public announcements made by the local member, Paul Toole, and the then racing Minister, Kevin Anderson, that are all on the public record. The track hasn't been widened and certain stables, walkers and treadmills haven't been delivered.

The Hon. DANIEL MOOKHEY: I'm very happy to look into the capacity to recover unspent money in the event that there's a reasonable prospect that it won't be spent.

The Hon. MARK LATHAM: Can you look into this Bathurst race club grant of \$3.7 million?

The Hon. DANIEL MOOKHEY: Yes, happy to.

The Hon. MARK LATHAM: Treasurer, if someone buys a property for near a million dollars and then seven months later sells it for one dollar, what happens there in terms of stamp duty recovery?

The Hon. DANIEL MOOKHEY: You charge the first stamp duty at a million dollars. There are two incidences of stamp duty. You charge the first for the first million and then you charge whatever the stamp duty is for the dollar, which presumably is below the threshold. But you're charging for the \$100,000 transaction.

The Hon. DAMIEN TUDEHOPE: No, you don't. You charge on the value of the property.

CORRECTED

The Hon. DANIEL MOOKHEY: Yes, but the incidence of the charge falls in each transaction.

The Hon. MARK LATHAM: You charge stamp duty on one dollar?

The Hon. DAMIEN TUDEHOPE: No, you charge it on the value.

The Hon. DANIEL MOOKHEY: No, you wouldn't charge it on a dollar because I'm fairly positive there's a threshold.

The Hon. MARK LATHAM: What is your answer, Treasurer?

The Hon. DANIEL MOOKHEY: Again, I'm not here to give tax advice, but I presume each event of purchase and sale—presumably, there are two parties to the first purchase; there is a seller and a buyer in the first purchase. The stamp duty is levied in accordance with stamp duty law in each transaction event.

The Hon. MARK LATHAM: What was your expectation for the second transaction selling for a dollar? What would be the stamp duty on that?

The Hon. DANIEL MOOKHEY: I believe, unless there are any exceptions, it's probably below the threshold, off the top of my head. It would be well below the threshold.

The Hon. MARK LATHAM: So you think there's no stamp duty paid on it?

The Hon. DANIEL MOOKHEY: It depends on the type of land. Have you got further details on the type of land you are asking about?

The Hon. MARK LATHAM: I can provide those to you.

The Hon. DANIEL MOOKHEY: Happy to look.

The CHAIR: We might do that in the next round.

The Hon. MARK LATHAM: I can do that just by handing over the title deeds.

The Hon. DAMIEN TUDEHOPE: Treasurer, how much is currently invested in the NSW Master Fund?

The Hon. DANIEL MOOKHEY: The TCorp master funds? Which master fund are you talking about? There is a series of them.

The Hon. DAMIEN TUDEHOPE: The TCorp master fund. The one we recently legislated.

The Hon. DANIEL MOOKHEY: You mean OneFund.

The Hon. DAMIEN TUDEHOPE: It's called master fund in the legislation.

The Hon. DANIEL MOOKHEY: Yes, in the legislation it is. We can get you the number. Mr Deverall will be here this afternoon as well. He can give you more update-to-date information about the changes.

The Hon. DAMIEN TUDEHOPE: Of those funds, how much is attributable to icare and their statutory responsibilities?

The Hon. DANIEL MOOKHEY: Again, we can take that on notice and give you some more detail. Just on that question, you said under their statutory responsibilities. We'll provide you the TMF, just to let you know, as well, because that's part of it.

The Hon. DAMIEN TUDEHOPE: I was coming to the next question, which was the TMF.

The Hon. DANIEL MOOKHEY: We can get you balance updates, if you wish. We'll get you balance updates that have been provided as of the TSSA.

MICHAEL COUTTS-TROTTER: While past performance is no prediction of future performance, the performance of OneFund as at 31 January, in five months—it was established 31 August—has produced a return of 5.4 per cent on the money invested, against an investment objective of 2.8 per cent for the period. So right now it's performing extremely well but—

The Hon. DANIEL MOOKHEY: US equities are always an interesting outlook.

MICHAEL COUTTS-TROTTER: Yes, there's inherent volatility in it but so far so good.

The Hon. DAMIEN TUDEHOPE: Is the net asset holding policy still in place?

The Hon. DANIEL MOOKHEY: No, it's under review.

The Hon. DAMIEN TUDEHOPE: What has it been replaced by?

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The Hon. DANIEL MOOKHEY: It's still in force until we replace it. But it's fair to say, as you know, under that policy decision-making that arises from it is a matter for me.

The Hon. DAMIEN TUDEHOPE: Notwithstanding the policy still exists, you've elected not to make any decisions relating to the implementation of obligations relating to—

The Hon. DANIEL MOOKHEY: No, at various points in my time as Treasurer, I've made various decisions under that policy.

The Hon. DAMIEN TUDEHOPE: What are they?

The Hon. DANIEL MOOKHEY: In my first two years I had to top it up.

MICHAEL COUTTS-TROTTER: To the tune of about \$1.5 billion.

The Hon. DANIEL MOOKHEY: To the tune of about \$1.5 billion. In fact, Mr Tudehope, when I inherited the position of the TMF, the TMF was, under the NAHLP, already in breach. The liability was below the threshold. One of the first decisions I had to make as Treasurer was what to do at that point in time. I would have much preferred my predecessor to be more candid about the state of the TMF at that point in time. The first decision I made under the NAHLP policy was to provide an additional insertion of \$1.4 billion. A cumulative injection of \$1.4 billion over two years is my understanding of what I've had to do.

The Hon. DAMIEN TUDEHOPE: You've made it a significant sport in this forum—

The Hon. DANIEL MOOKHEY: I did. That's because—

The Hon. DAMIEN TUDEHOPE: —of obligations which arose under the net asset holding policy.

The Hon. DANIEL MOOKHEY: Yes, that's because, if you were look at the history of the policy since 2010, in 2015 Treasurers were withdrawing money out of the TMF to supplement the budget, because the TMF assets exceeded its liabilities by billions of dollars.

The Hon. DAMIEN TUDEHOPE: That was the policy.

The Hon. DANIEL MOOKHEY: Indeed, but then over a series of years, it was decline, decline, decline, decline.

The Hon. DAMIEN TUDEHOPE: Because of claims and liability claims.

The Hon. DANIEL MOOKHEY: Yes, and at that point in time it might have been a wise time to intervene to see what was going on. In fact, as you say, Mr Tudehope, I did make a sport of it. I wouldn't put it in those terms, but I spent a lot of time highlighting the fact that the TMF was under serious pressure.

The Hon. DAMIEN TUDEHOPE: So now that you are—

The Hon. DANIEL MOOKHEY: Then I also exposed the fact that your Government had to make a last-minute injection of funds to meet a financial year deadline, without telling anyone, that exceeded what I've had to put into it. You covered it up. I happily brought that to the forefront, as that is a reason why—

The Hon. DAMIEN TUDEHOPE: But your criticism was often predicated on the fact that you were just implementing the policy, which is the net asset holding policy, were you not?

The Hon. DANIEL MOOKHEY: Yes, the net asset holding policy applied to the TMF. In fact, you're making a good point. Again, Mr Tudehope, you having left the problem to fester required us having to respond. So my short-term response—

The Hon. DAMIEN TUDEHOPE: What is the problem you say was left to fester?

The Hon. DANIEL MOOKHEY: It went from a liability ratio on accounting terms of about 120 per cent to negative—

The Hon. DAMIEN TUDEHOPE: And the liability ratio was caused by what?

The Hon. DANIEL MOOKHEY: You!

The Hon. DAMIEN TUDEHOPE: What?

The Hon. DANIEL MOOKHEY: The way in which you managed the workers compensation system was a big reason as to why it happened.

The Hon. DAMIEN TUDEHOPE: The review you're doing now in relation to workers compensation, which has been highlighted by Ms Boyd—

CORRECTED

The Hon. DANIEL MOOKHEY: That's separate to the NAHLP policy. The NAHLP policy was redundant the moment we formed OneFund. The point about OneFund was that was a response to the fact that the TMF liability was unlikely to recover in short order. Part of the reason why we are now having to run, effectively, the funds as a pool—apart from the fact that it does mean we can get better investments returns for our money without changing the risk profile—is because our calls on the TMF were unsustainable. It was not possible for any Treasurer—

The Hon. DAMIEN TUDEHOPE: And why were they unsustainable?

The Hon. DANIEL MOOKHEY: Because you left it in a state of disarray that required constant bailout.

The Hon. DAMIEN TUDEHOPE: Thank you for the gratuitous—but why was it unsustainable in its previous form?

The Hon. DANIEL MOOKHEY: Because you allowed a balance to run down from 120 per cent.

The Hon. DAMIEN TUDEHOPE: Because of the liabilities which existed. Isn't that the case?

The Hon. DANIEL MOOKHEY: No, because the manner in which claims were being both—

The Hon. DAMIEN TUDEHOPE: And they were the workers compensation claim liabilities.

The Hon. DANIEL MOOKHEY: Mr Tudehope, you should let me answer that.

The CHAIR: Order! Mr Tudehope, please allow the Treasurer to answer. It's very hard for me and it must be very hard for Hansard to follow this exchange.

The Hon. DANIEL MOOKHEY: Take one step back. Back in 2015, the fund was at a funding ratio of 112.5 per cent.

The Hon. DAMIEN TUDEHOPE: Correct.

The Hon. DANIEL MOOKHEY: It had dropped year after year after year for close to a decade whilst your Government was in charge. There was no response from your Government to the underlying causes of that issue, and in fact—

The Hon. DAMIEN TUDEHOPE: What were those underlying causes?

The Hon. DANIEL MOOKHEY: Just let me finish. The introduction of your claims handling model in 2018 and icare was a pretty significant one—the fact that, again, having pared back benefits to workers, when you introduced your 2018 changes to the claims handling model at icare, you saw a massive decline in the NI's financial viability, which was worse than the TMF's. Part of the reason why the TMF didn't feature as much in public debate at that time was because the Nominal Insurer's funding ratio decline was far more dramatic. I remember sitting in this room with an icare CEO telling me that the NI was funded at 130 per cent. Four years later it was negative. The reason the TMF didn't stand out was because that bushfire was a lot bigger.

I would have much preferred—in fact, I spent a huge amount of time in opposition trying to get your Government to take action. Your Government did not take action. Then, when we got here, we've had to both stabilise icare operationally and start the process of overhauling the NAHLP. Part of the reason why we created OneFund was to allow us to manage the TMF's financial position in the context of total funds under management because the NAHLP was not sustainable in its previous form. You're quite right to say that, because OneFund is in place, there is a question as to whether or not you have a like policy for OneFund like the NAHLP. My issue is I've not yet reached a view on that.

The Hon. DAMIEN TUDEHOPE: What is the process currently in place for suggesting what the replacement would look like?

The Hon. DANIEL MOOKHEY: Again, you are looking at your future liabilities versus your future claims but the difference—what OneFund allows us to do is, rather than manage that exclusively to the TMF, we can take in account the broader position. That also means that, for example, the Debt Retirement Fund, which you established, can be taken into account in terms of managing the cash calls on the TMF. That's an important point.

The Hon. DAMIEN TUDEHOPE: Just explain that to me.

The Hon. DANIEL MOOKHEY: Cash calls on the TMF—there's a difference.

The Hon. DAMIEN TUDEHOPE: Explain that to me—

The Hon. DANIEL MOOKHEY: You know the liabilities of the TMF are future liabilities, right?

The Hon. DAMIEN TUDEHOPE: Yes.

CORRECTED

The Hon. DANIEL MOOKHEY: In 30 years time we expect to be paying more for the insurance claims we're incurring today. That's the way insurance works. You take the float, which is effectively the payment you provide now through premiums, but the liability rises into the future and you're guessing how big the liability is relative to the float and the investment return on the float. By pooling the funds, you allow yourself to take into account the broad position in meeting the immediate needs of the TMF. Obviously, when it comes to the TMF, people who are claiming against it need to be paid out today. You're taking into account the cash position of the Government to be able to meet the immediate liability while you're relying on the broader asset posture to manage your future liabilities.

The Hon. DAMIEN TUDEHOPE: How do you get reinsurance for that sort of scheme?

The Hon. DANIEL MOOKHEY: To be fair, the TMF reinsurance arrangements are slightly different, but that's why we've kept the TMF as legally distinct. It's not legally abolished. It is capable of getting reinsured as a liability that is separate. But that's because, again, Mr Tudehope—

The Hon. DAMIEN TUDEHOPE: So the net asset holding policy remains in place so you can get reinsurance?

The Hon. DANIEL MOOKHEY: With insurance, you separate assets from liabilities. You reinsure your liabilities, not your assets. So long as you can legally separate your liabilities from your assets, you can get reinsurance for them.

The Hon. DAMIEN TUDEHOPE: And you've sought that reinsurance, have you, under this new model?

The Hon. DANIEL MOOKHEY: I'm sure we can find out where we are with the reinsurance, but that's not disturbed by the formation of OneFund.

MICHAEL COUTTS-TROTTER: No, it's not, and the reinsurance tends to target the very rare, very unlikely but very consequential risk rather than paying for cover for everyday risk.

The Hon. DANIEL MOOKHEY: But I'd also make the point—

MICHAEL COUTTS-TROTTER: And the market's still there for that.

The Hon. DANIEL MOOKHEY: You're quite right to say there is a pretty big change in reinsurance markets in general. Frankly, what's creating pressure on TMF reinsurance has far more to do with exposure to climate change.

The Hon. DAMIEN TUDEHOPE: And other, I suppose, disasters and—

The Hon. DANIEL MOOKHEY: It's the fact that the TMF is also responsible, for example, for picking up liability for Black Summer and floods. The TMF does more than just workers comp; it self-insures all the State's liabilities. Where the pressure is on reinsurance markets on the TMF, it's coming from the fact that worldwide reinsurers are re-risk-rating all countries in terms of their exposure to climate change.

The Hon. DAMIEN TUDEHOPE: I just want to take you back to the observation you made in relation to the DRF. You're suggesting, if I understand you correctly, that the DRF can be used as—

The Hon. DANIEL MOOKHEY: No, that's not what I said.

The Hon. DAMIEN TUDEHOPE: Well, what did you say?

The Hon. DANIEL MOOKHEY: I said the fact that you pool it means that you can take into account the total State position in deciding immediate decisions to do with the TMF. Incidentally, the DRF—because the funds are now managed as a single liquidity pool, you're able to manage cash calls on each fund collectively. That's the big change in OneFund. It means, in essence, the DRF is invested for the long term. That's good, because therefore you can change your risk profile in terms of which assets to invest in.

The Hon. DAMIEN TUDEHOPE: You've changed your view in relation to the DRF, haven't you?

The Hon. DANIEL MOOKHEY: No, I haven't changed my view on it. The view that I hold to is that the DRF at its existing balance is fine. Your plan to borrow money to put into it was my problem.

The Hon. DAMIEN TUDEHOPE: We had that inquiry.

The Hon. DANIEL MOOKHEY: We did.

The Hon. DAMIEN TUDEHOPE: Treasurer, the half-yearly review revised total employee expenses, including superannuation expenses, up a further \$3 billion over four years to \$228 billion.

CORRECTED

The Hon. DANIEL MOOKHEY: That's picking up higher liability claims on our workers compensation scheme. That's the issue Ms Boyd was asking me about. That's how it's reported. So you'll see—

The Hon. DAMIEN TUDEHOPE: Total employee expenses?

The Hon. DANIEL MOOKHEY: Yes, that's reported under employee expenses. If you look at the half-year review expense outlook, table 3.5, you will see that the actual revision is from 3.2 per cent projected growth at the budget to 3.4 per cent at half-year review, so it's a 0.2 per cent variation. That is stemming from the fact that the latest valuation of the State's outstanding liabilities in the TMF is reflected in that budget line.

The Hon. DAMIEN TUDEHOPE: So it doesn't include any additional employee expenses in relation to wage increases?

The Hon. DANIEL MOOKHEY: The incremental change?

The Hon. DAMIEN TUDEHOPE: Yes, the incremental.

The Hon. DANIEL MOOKHEY: So the variance? The variance is overwhelmingly attributed to the change in workers compensation, which is mentioned. Let me find out as to whether or not it's picking up anything else, smaller changes. I suspect it is going to pick up the additional incremental costs we paid in respect to the agreement we reached with the Public Service Association.

MICHAEL COUTTS-TROTTER: Yes, it would.

The Hon. DANIEL MOOKHEY: That's probably the only other variation we've reached. Between budget and half-year we reached agreement with the PSA. We reached a good agreement with the PSA, which effectively saw them obtain about an additional 0.5 per cent, and that will be reflected in that number too. That's helpful because we've also, elsewhere in the budget, been able to resolve outstanding liabilities to do with some taxation issues. We've also been able to resolve issues around redeployment of public service workers. We think that's a pretty fair outcome for the State.

The Hon. DAMIEN TUDEHOPE: I want to go back to that issue relating to the replacement of the net asset liability—there is, I understand, a taskforce who are coming up with recommendations about how it should be looked at.

The Hon. DANIEL MOOKHEY: No, it's not a taskforce; it's the ALCO committee, the Asset and Liability Committee.

MICHAEL COUTTS-TROTTER: That's the one.

The Hon. DANIEL MOOKHEY: Our ALCO committee is responsible for the NAHLP, for both administering it and ensuring that it remains fit for purpose. I have certainly tasked them to look at what it should look like in the context of OneFund. It's not a taskforce.

The Hon. DAMIEN TUDEHOPE: And do you have a view in relation to that?

The Hon. DANIEL MOOKHEY: I have multiple views in relation to that, but I'm awaiting their advice.

The Hon. DAMIEN TUDEHOPE: Tell me what your views are.

The Hon. DANIEL MOOKHEY: I look forward to them working out the complex requirements as to, firstly, what is the need for an NAHLP across a multiple fund structure. But I'm not going to pre-empt that decision-making process yet.

The Hon. DAMIEN TUDEHOPE: Has the Essential Services Fund been exhausted?

The Hon. DANIEL MOOKHEY: Has the Essential Services Fund been exhausted?

The Hon. DAMIEN TUDEHOPE: That's the question I asked, if you're repeating the question.

The Hon. DANIEL MOOKHEY: I'm just trying to understand—

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: —you're not talking about a different fund. You're just jumping between your funds, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: I'm just moving to another—

The Hon. DANIEL MOOKHEY: The ESF funds have now been reflected in the budget lines. I wouldn't use the verb "exhausted". I would use the verb "it's been reflected in government decision-making because we've now reached agreement with 70 per cent of the New South Wales public service".

CORRECTED

The Hon. DAMIEN TUDEHOPE: But has the fund allocated to the Essential Services Fund all been—

The Hon. DANIEL MOOKHEY: The fund has been used to support the fact that we now are paying essential service workers more—

The Hon. DAMIEN TUDEHOPE: No, I understand that.

The Hon. DANIEL MOOKHEY: —in accordance with the agreements we've reached, so obviously the amount for the workforces that are covered by that fund for the lives of these agreements, yes. But in terms of the balance of the funds for the outstanding workforces—that is the three or four areas, the 30 per cent that we haven't reached agreement with—notionally that is still within the ESF. We've budgeted for the fact that there is an expectation that they will be used to support the Government's wage position.

The Hon. DAMIEN TUDEHOPE: How much do you say is still to be allocated from the ESF for future wage negotiations?

The Hon. DANIEL MOOKHEY: It turns on the outstanding disputes.

The Hon. DAMIEN TUDEHOPE: So it's only notionally that moneys are left in that?

The Hon. DANIEL MOOKHEY: The ESF was established in the 2023-24 budget, ahead of the wage round. It was put aside there to be able to support the Government's wage position and our base offer. I do make the point that is what has allowed for there to be real wage growth across the life of the agreements. Then, as we've reached agreements with each workforce through the 2024 calendar year, we've obviously drawn down those funds. For the disputes that remain outstanding, of course the allowances are still there within the budget, to allow that to be supported in terms of the Government's base offer.

MICHAEL COUTTS-TROTTER: There's a central provision that, as awards are struck, it gets allocated to agencies to meet the cost of those award changes.

The Hon. DAMIEN TUDEHOPE: A risk to the budget, of course, is if the 10.5 per cent which you have forecast as being the wages outcomes, which you anticipate arriving at, is increased; is that right?

The Hon. DANIEL MOOKHEY: Yes. That's on page 61 of our half-year review, where we disclosed upcoming industrial relations bargaining, that there is absolutely a risk to the forward estimates in the event that there are decisions that are made above the Government's wage position. But we are managing that risk. I also make the point that is just one form of litigation risk to which the State is exposed. We're exposed to multiple forms of litigation risk in general. It's in our contingent liabilities disclosures. It's in our operating disclosures that we made.

The Hon. DAMIEN TUDEHOPE: In its reasons for the decision on the section 425 application, the Fair Work Commission directed Sydney Trains and the CRU to continue negotiations based on what the commission accepted had been agreed between the bargaining representatives on 13 February. Do you recall that was—

The Hon. DANIEL MOOKHEY: That was a part of the Fair Work's full bench decision, yes.

The Hon. DAMIEN TUDEHOPE: They go on: namely, 4 per cent in year one, back paid to May 2024; 5 per cent in year two; and with the Government offer of 3.5 per cent for year three not yet accepted by the unions. Did you agree to that offer?

The Hon. DANIEL MOOKHEY: It's a matter of negotiation. I think the point you're making—

The CHAIR: Sorry, what was that, Treasurer?

The Hon. DANIEL MOOKHEY: It's a matter of negotiation. The agreement hasn't been finalised. But I absolutely have supported the offers that the Government has made through the course of those negotiations.

The Hon. DAMIEN TUDEHOPE: So it's true, then, that the Government's current position is 4 per cent in year one; 5 per cent in year two—

The Hon. DANIEL MOOKHEY: No, that's not the position. That is the position it was as of 13 February, and it's going into negotiation.

The Hon. DAMIEN TUDEHOPE: But in giving his reasons for judgement, didn't the Deputy President—

The Hon. DANIEL MOOKHEY: I thought it was the President.

The Hon. DAMIEN TUDEHOPE: Didn't the President make an observation that the starting position from which you would start the negotiations—

CORRECTED

The Hon. DANIEL MOOKHEY: I don't believe that was in the judgement. I'll get the judgement, but I'm fairly positive that wasn't in the judgement. Have you got the paragraph in the judgement?

The Hon. DAMIEN TUDEHOPE: I don't have it in front of me.

The Hon. DANIEL MOOKHEY: I don't think it was in the judgement. I think you might be referring to some of the evidence that was being led in the proceeding by both sides—which, can I also say, is contested. It is contested; it's part of the reason why we're in dispute.

The Hon. DAMIEN TUDEHOPE: But those two things are not contested, is it?

The Hon. DANIEL MOOKHEY: No, it is contested.

The Hon. DAMIEN TUDEHOPE: It is contested?

The Hon. DANIEL MOOKHEY: Yes, of course. The unions are also asking that they want more in other years too. But the point is what the commission is doing is what the commission does, which is to try to narrow the scope of dispute.

The Hon. DAMIEN TUDEHOPE: But they were saying that the starting position was as I've identified.

The Hon. DANIEL MOOKHEY: Maybe the way I should answer is, Mr Tudehope, through the course of the 10 months of negotiations we've had with the combined rail unions, we absolutely have found ways in which we can do things better. As we said we would, we would share the benefits of that with the workforce. So, yes, I do expect that the Government will be paying more than our base offer, because we've found ways to pay for it. That is what you do in negotiations. From my perspective as Treasurer, I'm not worried about there being slight variations in each of the wage settlements, so long as we've identified the offsets, we've identified the savings that will pay for it. In fact—

The Hon. DAMIEN TUDEHOPE: In the negotiations, what offsets have you identified?

The Hon. DANIEL MOOKHEY: Again, I'm not going to negotiate through estimates. I'm going to respect the fact that the Fair Work Commission is now engaged, and I'm going to absolutely respect the fact that they are currently in conciliation, probably as we speak. I'm certainly not going to step outside of that bound. I'm the first to say we are having an intense dispute with the combined rail unions, but I've also got to say the combined rail unions have come to the table with good ideas. You will see some of them implemented in the agreement we reach. That is the point. We are working through a dispute in which we expect to deliver a fair outcome for the workers but be in a better position to deliver public services for the public. Yes, we will absolutely, if we can, make sure that some of that shared benefit is going to the workforce that is helping us provide it.

The CHAIR: Treasurer, online gaming companies that are licensed in New South Wales—how do they establish where wagerers are making their bets from?

The Hon. DANIEL MOOKHEY: I don't know.

MICHAEL COUTTS-TROTTER: I don't know either, but we can tell you this afternoon.

The Hon. DANIEL MOOKHEY: We'll find out for you.

The CHAIR: I'm registered with an online gambling company and you don't have to provide any evidence of where you live, other than filling in an address.

The Hon. DANIEL MOOKHEY: I think my understanding of the POCT—it takes into account where the bet is made, but also the location of the event that you're betting on as well, I'm fairly positive, under the point of consumption changes. Let me come back to you on that.

The CHAIR: Sorry, what was that? Where the event—

The Hon. DANIEL MOOKHEY: As in the event that you are betting on, if that's taking place in a jurisdiction—I'm sure that's a factor as well. That is, if there's a rugby league game that's being played in New South Wales—they have to reconcile the two, but I don't want to speak—

MICHAEL COUTTS-TROTTER: Yes, we'll give you good information this afternoon.

The CHAIR: The reason I raise it is because there's a possibility that if you were a major gambler and you were registering with a gambling agency, it's no skin off your nose to move your operation to WA or have an address in WA that you can rely on, and then the company avoids a massive amount of tax.

The Hon. DANIEL MOOKHEY: As in a person who is betting would set up—

The CHAIR: Yes.

CORRECTED

The Hon. DANIEL MOOKHEY: Yes, I guess that's theoretically possible. I think it's theoretically possible.

The Hon. MARK LATHAM: But you give an address when you register with the betting agency, and that can be—

The CHAIR: That can be anywhere. It could be a post-office box.

The Hon. MARK LATHAM: But it can also be checked against the electoral roll and other documents.

The CHAIR: But is it?

The Hon. DANIEL MOOKHEY: I haven't had reports of that being a mass problem, but I'll check.

MICHAEL COUTTS-TROTTER: I don't know.

The Hon. MARK LATHAM: Let's find out.

The CHAIR: This is the thing. Could you come back to me with some information on how that is established?

The Hon. DANIEL MOOKHEY: Sure.

MICHAEL COUTTS-TROTTER: We will.

The CHAIR: I'd really appreciate that.

Ms ABIGAIL BOYD: Treasurer, in this reform of the workers compensation scheme that is being worked on, will you confirm that there are no moves to remove or degrade entitlements for workers?

The Hon. DANIEL MOOKHEY: Those are subjective terms. I mean, there are absolutely proposals that we are likely to bring around benefit structures, some of which will be positive, some of which some people may disagree with. But, no, I can't give you such an assurance unless you're better able to define what you mean by that.

Ms ABIGAIL BOYD: Are you going to make it harder for people to claim for psychological harm?

The Hon. DANIEL MOOKHEY: We are looking at changes that have been made in other States. Yes, they are on the table in terms of us being able to align with some of the standards that apply in other States.

Ms ABIGAIL BOYD: Have you read the TMF review report from SIRA that I was referring to earlier—the one that was published in December?

The Hon. DANIEL MOOKHEY: The 2024 report?

Ms ABIGAIL BOYD: It was dated April 2024, but it wasn't published until December.

The Hon. DANIEL MOOKHEY: Have I read the report in full? I recall seeing it, because I'm a fan of TMF and SIRA reports.

Ms ABIGAIL BOYD: Yes.

The Hon. DANIEL MOOKHEY: But do I have any specific recall of it? I do have a bit, but not much.

Ms ABIGAIL BOYD: It's pretty scathing and it has a lot of recommendations for the Government, including for the Treasury. For example, on page 10 it says that the return to work outcomes for the TMF have deteriorated. Deterioration for psychological claims is worse and fell by 23 per cent in the TMF compared to 16 per cent in the system. It says the TMF is performing particularly badly because government agencies are not responding appropriately. It says a very low percentage of public sector workers are given a return to work plan, despite all the evidence showing that return to work plans increase—

The Hon. DANIEL MOOKHEY: I don't contest any of that, Ms Boyd.

Ms ABIGAIL BOYD: Given all these recommendations and everything that we've been talking about today, can you at least give assurance that you will implement the recommendations in relation to psychological claims for the TMF and see them through before making changes to entitlements?

The Hon. DANIEL MOOKHEY: I can't commit without necessarily seeing them all in point, but I can absolutely say, yes, we will respond to the report in this reform process.

Ms ABIGAIL BOYD: But will you let the reforms that come out of this report, and other recommendations to the system that will make the system healthier, play out before making cuts to entitlements?

CORRECTED

The Hon. DANIEL MOOKHEY: I'm not describing them as cuts; I'm describing the whole system modernisation. What you'll see is that the Government is wanting to propose a modernisation of the system that does actually expand rights under workplace health and safety laws and under industrial relations laws. Ms Boyd, you're focusing on one of the three systems that responds to these issues, and it's very important that you do. I don't disagree that workers compensation is an important part of it, but I'm starting from the in-principle view that we're asking our workers compensation system to do too much and our workplace health and safety system to do too little. In order to achieve that re-shift, particularly in the public sector, we need to then bring in the industrial relations component on that point, because we're interested in engineering a change towards prevention. I can't make guarantees on workers compensation in isolation from the other two systems.

Ms ABIGAIL BOYD: Are you going to be bringing the workers compensation reforms in the first half of this year?

The Hon. DANIEL MOOKHEY: Yes, I hope so.

Ms ABIGAIL BOYD: Will you be bringing the other parts of the reforms in the first half of the year?

The Hon. DANIEL MOOKHEY: Yes, I hope so too. Again, it's a matter for government to make decisions. There's a whole series of modernisations that we have to do in all three systems. I also make the point that I'm interested to see the establishment of a workers compensation scheme for gig workers. There are going to be changes to the scheme, which is why I'm describing it as a "modernisation". The system was effectively built for most people to be working in an employer-employee system in, frankly, physical labour. The economy has changed dramatically in terms of not just the patterns of work that people do but also the legal arrangements by which that's reflected. We have the world expert, Dr Kaine, sitting with us right now.

The Hon. Dr SARAH KAINE: You might be slightly overstating it, but I'll take it.

The Hon. DANIEL MOOKHEY: She's done huge work on this issue. We are suggesting that there's going to be a series of modernisations, but I invite you to consider it as a triangle—IR interacting with WHS interacting with workers compensation. We are absolutely looking to rebalance the system so that the resources go to the prevention side of the spectrum more than the compensation side of the spectrum.

Ms ABIGAIL BOYD: Are we going to get three separate bills in this half of this year or are we just getting the workers compensation one?

The Hon. DANIEL MOOKHEY: You will get a series of changes, I hope, but it's a matter for the Government to make decisions. We haven't made decisions on that yet.

Ms ABIGAIL BOYD: Call me cynical, but we both sat on the opposition side together for a while. We know what governments tend to do in these areas. They tend to bundle good stuff with bad stuff. I'm very concerned that we're going to end up with this "modernisation", as you call it, where we're bringing things up to speed, with technology and all the rest of it, but then we also have some nasty cuts to entitlements in there as well. Can you assure us that's not going to happen?

The Hon. DANIEL MOOKHEY: No. What one person considers to be a nasty change, another person considers to be a necessary one.

Ms ABIGAIL BOYD: Something that makes it harder for workers.

The Hon. DANIEL MOOKHEY: I am sitting here going yes, there are going to be changes. Some of them are going to be positive for workers and some of them workers will perceive as not being positive to them.

Ms ABIGAIL BOYD: Will you at least be implementing the election commitments that you committed to? I'm looking at the injured workers pledge that talks about—

The Hon. DANIEL MOOKHEY: Yes, we're looking to see what we can do over what period of time. There's a whole series of changes that we want to do that will reflect some of the work we've done since government. But, no, we haven't made decisions about the two particular areas that you've identified.

Ms ABIGAIL BOYD: About whether or not you're going to go back on that commitment?

The Hon. DANIEL MOOKHEY: No, we haven't made decisions on that yet.

Ms ABIGAIL BOYD: Would you support an inquiry into whatever bill gets brought forward so that we can all properly look at this?

The Hon. DANIEL MOOKHEY: I haven't made a decision on that but, no, my general view is that the Parliament has been engaging with workers compensation issues for multiple years. From my perspective, there is a need to reform. I'm also mindful, in terms of timetable, that it's particularly important—the reason why the

CORRECTED

first half of the year matters is for two reasons. It matters a great deal, firstly, to be able to establish new systems—particularly in the workers compensation area—that there is clarity generally by 1 July, because that then coincides with the operational planning that needs to be done by them to build the new systems that are required.

The second aspect is that of course if you happen to be one of the small businesses that pays into the system, that premium cycle, which is determined now, matters a great deal. The third aspect is that if you're rolling out changes to the public sector, 1 July start dates are important. That's not to suggest that every change will start, but the reason why I'm saying quite candidly that the Parliament is going to need to take this issue up is because we have been introducing a series of changes over the past two years to do with this—icare changes and industrial relations changes.

Ms ABIGAIL BOYD: Very minor ones.

The Hon. DANIEL MOOKHEY: We have got additional reforms that people want through.

Ms ABIGAIL BOYD: Okay, so Labor's going to be Labor and bring us a really important piece of legislation that we've all had input into discussions on over the past however many years—you're going to bring it to us in a real big hurry just before 1 July and try and pressure us to pass it, with changes that haven't been properly consulted on, even with the unions yet.

The Hon. DANIEL MOOKHEY: But, Ms Boyd, I'm asking the Parliament to do its job of considering legislation, and I respect Parliament in how it deliberates over these matters.

Ms ABIGAIL BOYD: Then you will support an inquiry into the bill and you will be bringing us that bill early on. We'll have that bill early enough that we don't end up with that pressure, where we can accurately look at it, assess it and get proper consultation on.

The Hon. DANIEL MOOKHEY: We haven't hidden the fact that we need to make changes to the workers compensation scheme. In fact, we made a very big deal of the fact that the system needs serious reform.

Ms ABIGAIL BOYD: But you're just unilaterally deciding how you're going to change it without consulting.

The Hon. DANIEL MOOKHEY: I'm not unilaterally deciding. In terms of what the Government proposes, we are consulting, so I don't necessarily accept your premise, Ms Boyd, there. But I take your point: The Parliament is going to want to consider matters. I'm, as a Government Minister, going to make the point that change needs to happen.

Ms ABIGAIL BOYD: You would never have accepted it in opposition.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: That's not true, to be fair.

The Hon. MARK LATHAM: Treasurer, just turning to the cost of doing business in New South Wales, particularly energy costs, last month the CEO of Rio Tinto, the majority owner of the Tomago Aluminium smelter in the Hunter Valley, said that moving from the current coal-based electricity contract to renewables in 2028 will see the smelter pay twice as much for its electricity needs and, to quote him, "I can't give you an assurance on Tomago today. If you can't get competitively priced electricity, you cannot have smelting." How do you respond to that? Are we witnessing the deindustrialisation of New South Wales because of these increases in electricity prices?

The Hon. DANIEL MOOKHEY: It's a very good question. I think the point that the CEO was making at the time about Tomago was that the very long-term contract that is in place for Tomago is due for renewal in 2028. The second part of that is that contract, I believe, has been in place in some form or another since 1979 but it was predominantly struck when power was publicly owned. The issue that Tomago is having to resolve is, now that power has been privatised, when the expiry of that contract, which I believe is with AGL, comes into a place, there is a question mark as to how Tomago is going to secure its power. It's a bit more nuanced than simply saying it's because of the changes that have been made in terms of the source of power generation. In essence, what's happening in Tomago is that there is obviously going to be the expiry of a contract as well.

The broader point you make about "are we witnessing the deindustrialisation of New South Wales?" the answer to that is no, we're not, but we will always look to ensure, for example, that world markets stay open to New South Wales goods. Right now there is a pretty big change in global trade policy that's being led by the world's biggest economy. We're obviously paying close attention to that. That has a real bearing on whether or not industrial facilities can remain viable across the world but including in New South Wales. The third point I'd make is that when it comes to what we can do as a State government, that's why it's so important that we bring

CORRECTED

back domestic train manufacturing, and that's part of the reasons why we have committed to build the Tangara fleet replacement here in Australia.

The Hon. DAMIEN TUDEHOPE: Not New South Wales?

The Hon. MARK LATHAM: With the forthcoming budget, are you preparing a significant cost saving by abandoning the myth of green hydrogen? Particularly with the announcement today in *The Australian* newspaper that 99 per cent of the supply pipeline has failed to progress beyond concept stage, and the author of the national plan, Alan Finkel, the former Chief Scientist, saying, "There's not a lot of likelihood of demand for hydrogen in transport or energy storage because of the extraordinary improvements in batteries", why is New South Wales continuing to subsidise something that's not happening?

The Hon. DANIEL MOOKHEY: The short answer to that question is, like all forms of public spending, it's always under review and we'll always look to make sure whether or not it remains effective for its purpose. I don't wish to give you the same answer I gave to Mr Tudehope, but budget decisions will be announced at the budget time. I can't really pre-empt that process. But you're right to say that I will obviously be applying a close lens to whether or not such policies—and other policies—remain relevant to the conditions in which they're in.

The Hon. MARK LATHAM: Is this, in your eyes, Treasurer, another example of the failure of government to pick technologies and winners, and is it any surprise that the market forces knew more about market reality than Chris Bowen and Penny Sharpe?

The Hon. DANIEL MOOKHEY: Penny Sharpe knows a lot about markets—first point. The second point I would make—

The Hon. MARK LATHAM: What kind of markets does she have experience in, other than roller derby?

The Hon. DANIEL MOOKHEY: The energy markets. She is pretty expert at energy markets, dare I say. The other point I would make is that when it comes to hydrogen, the biggest investor in this technology is Japan. When you're looking at the future of the Port of Newcastle, for example, a big part of their business plan is also about linking to Japanese supply chains to do with hydrogen. The views of the market are, dare I say, a bit mixed. Actually, you are seeing the most advanced industrial economy in terms of industrial production, which is Japan, investing very heavily in hydrogen research. It is looking to partner with New South Wales and looking to partner with particularly our regions on this development theory. I think it is still a bit early to declare that the market has answered the question. I meet with Japanese businesses a lot. They come to talk to me about the fact that they are looking to get access to New South Wales land, New South Wales water and New South Wales energy to be able to do hydrogen production.

The Hon. MARK LATHAM: Japan is a different circumstance because their only viable renewables are offshore.

The Hon. DANIEL MOOKHEY: Yes, and that is the opportunity for us.

The Hon. MARK LATHAM: You don't get the point. They are relying heavily on green hydrogen and they don't have success stories yet, because their topography rules out solar panels and onshore wind farms.

The Hon. DANIEL MOOKHEY: You are absolutely right to say that land intensity in Japan is a big issue when it comes to other forms of renewable power. To be fair to the Japanese, they have obviously made a change around the use of nuclear in their grid as a result of what has happened there. They are looking at green hydrogen to see whether or not—

The Hon. MARK LATHAM: Moving on to another energy policy to save the planet, do you stand by your electric vehicle sales take-up rate of 30 per cent in just two years time, given it has now fallen to 6.5 per cent?

The Hon. DANIEL MOOKHEY: To be fair, I don't necessarily describe it as "mine". Those are the settings I inherited.

The Hon. MARK LATHAM: You don't support them anymore? That's good to hear.

The Hon. DANIEL MOOKHEY: No, we are keeping a close eye on it, particularly because it applies to the thresholds to do with the road user charging system that was legislated under the previous Parliament. It is fair to say that Federal incentives in the area certainly took a spike. But yes, you're right to say that it has normalised in terms of take-up. Again, it remains to be seen what will happen in the next period of time.

The Hon. MARK LATHAM: I know you regard yourself as realistic. You are not expecting to get to 30 per cent in 2027 off a base of 6.5 per cent.

The Hon. DANIEL MOOKHEY: Yes, I am realistic about that, Mr Latham. It is fair to say that is true.

CORRECTED

The Hon. MARK LATHAM: Having abandoned the target, what implications are there for the funding of the charging stations that you have taken on as your main responsibility? If we haven't got as many of these electric vehicles being purchased, is there a saving to be made in the rollout of charging stations?

The Hon. DANIEL MOOKHEY: We re-baselined that policy when we got here in budget No. 01. At the time, you welcomed that change and the fact that we actually did—

The Hon. MARK LATHAM: It was better than subsidising people on the North Shore, sure.

The Hon. DANIEL MOOKHEY: Yes, we got rid of the subsidies. We directed that more towards the supply. I think that policy remains valid. Part of the reason why there isn't take-up is that there aren't enough charging stations.

The Hon. MARK LATHAM: Turning to one of your productivity measures about infrastructure—I think Ms Boyd raised this issue in the summer break—there was a very disturbing report that you were watering down the requirements of new business case policy announcements to fast-track them. Treasurer, I thought it was the policy that you articulated in opposition that there should be public transparency around benefit-cost ratios, particularly in light of what we now know about the new airport site, where former Minister Stokes and former Minister Ayres have admitted that they knew in government that there was a higher benefit-cost ratio for the extension of the Leppington line than the white elephant St Marys line, which is now being built. Shouldn't we have a policy of rigorous benefit-cost analysis for every major investment and the publication of all those ratios and business cases for every alternative project?

The Hon. DANIEL MOOKHEY: We do have a policy for rigorous benefit-cost ratios when it comes to business case development. That remains in place. The changes I introduced were designed to effectively deal with business case bracket creep. The policy that was put in place set a threshold of \$10 million back in 2012. That is what qualified as a major project. Clearly, it has been capturing a lot of projects that should not have been captured. Just to give you some very specific examples, there were incidents where we had school upgrades around toilet blocks, COLAs and the like that found themselves captured by that framework, with a requirement to invest a lot of money in business case development. Therefore, that framework needed a big tune-up because it was slowing down service delivery. It is also a big reason why we are saving money in consultants, particularly with the big four firms. There were a lot of consultants making a lot of money basically copying and pasting business cases.

The third issue that I introduced with those changes is to get rid of business cases for fantasy projects. The amount of business cases that were produced for the park on the Cahill Expressway—wild. The amount of business cases that were used to produce Barnaby Joyce's preferred dams—wild. We spent \$184 million on collective business cases on various water projects that were inspired by Barnaby Joyce but didn't actually build any additional water infrastructure. From my perspective, Mr Latham, you're quite right to say that we have to balance these considerations, but you would hit me very hard if I was wasting money on superfluous business cases.

The Hon. MARK LATHAM: I agree with COLAs and so forth, but how have you changed the criteria? What's the threshold on that?

The Hon. DANIEL MOOKHEY: We've changed the threshold. I think it has now gone up for the two processes.

MICHAEL COUTTS-TROTTER: From 10 to 20.

The Hon. DANIEL MOOKHEY: It's gone from to \$10 million to \$20 million, which is capturing that. Then, in addition to that, for the smaller cases we've put in place a Treasury template business case. That means a lot of it is consistent format, standard format with standardised information for Treasury business case assurance, which is also covering the rise.

The Hon. MARK LATHAM: That's a welcome change. I can understand that. But why is any public sector project over \$10 million needing to undergo a gender impact assessment? What is the gendered nature of a COLA?

The Hon. DANIEL MOOKHEY: Firstly, gender impact assessments are a policy, again, that we inherited from Mr Kean, and I support. It has led to, for example, quite a lot of examinations. I will give you some examples of some of the policy changes that we are getting from the gender impact assessments. We trialled it in last year's budget in respect of 30 different policies. We are looking forward to the analysis it's going to provide us. Here are some of issues that it was very helpful for us in establishing some of the policy changes that we need to work through. For example, the gender impact assessment was very important for us to understand the proper design of the portable rental bond scheme, because who is a renter is heavily correlated with gender.

CORRECTED

The one that is particularly important, which it has played a big role in, is in terms of how we designed our record investment of \$5.1 billion to expand the public housing stock by 8,400. The reason we're giving priority for half of that stock to domestic violence victim-survivors is because it was informed by that gender impact assessment. Another issue, of course, is to do with consumption growth in the New South Wales economy, because people who are internalising risk tend to be gendered—as in, the lower you are on the income spectrum, the more likely it is that your outcome in the labour market will be reflected in your gender. That's an important analysis which helps us develop good policy for economic growth but also to invest public money.

The Hon. DAMIEN TUDEHOPE: Treasurer, in June last year you said that the greatest threat to the New South Wales economy was the election of Donald Trump as President of the United States. Do you stand by that position?

The Hon. DANIEL MOOKHEY: I certainly make the point that the policies of the new administration are what we would describe as creating the—are certainly contributing to the geopolitical environment in which we make budgets. And, in fact, if you look at the budget statement that we provided, another one of the key risks we pointed to was geopolitical risk. And I certainly make the point that, when it comes to the trades policies of the new administration, I will consistently argue for the right for New South Wales to sell its goods and services to the world, and people who want to close markets are absolutely a risk to our ability as a trading State and a trading nation to sell our goods to the world.

I just remind you, Mr Tudehope, Australia accounts for 0.34 per cent of the world's population. We produce 0.97 per cent of the world's global economic output. Our per capita production is three times, which means we need to sell to the world. There are a lot of people's jobs who turn on that. And there's a lot of people whose opportunities turn on that. So I'm on Team New South Wales and Team Australia when it comes to the right for us to sell our goods and services to the world, and I'm glad heretofore that's been a bipartisan position.

The CHAIR: Treasurer, who at Treasury, if anyone, assesses the IPCC's assessment reports, AR6, the latest one? Does anyone do a comprehensive assessment to build an understanding of their methodology or to look at the methodology they use, to ensure it has integrity?

The Hon. DANIEL MOOKHEY: The comprehensive assessment of that particular modelling is undertaken in the first instance by the department of climate change and energy and water, and the Treasury has input through that process.

The CHAIR: Do you believe that those models do have integrity?

The Hon. DANIEL MOOKHEY: They're very complex climate models. I have no reason to withdraw any confidence, and I'm not a scientist personally, so I have no concerns about the integrity of them. I think, if you're asking about the accuracy of them, to be fair to people who forecast complex weather events, it's not easy.

The CHAIR: Unfortunately, we're out of time.

Ms ABIGAIL BOYD: Can I have the last 39 seconds?

The CHAIR: Sure.

Ms ABIGAIL BOYD: Thank you. I understand that SIRA is currently reviewing the self-insurance and specialised insurance framework, with a view to increasing the pool of specialised insurers. Is that part of your workers compensation overhaul?

The Hon. DANIEL MOOKHEY: No. It's not featuring in that. That's a matter for SIRA and the Minister responsible.

The CHAIR: Thank you very much, Treasurer. That concludes, in the absence of any Government questions—you're happy? You're very quiet over there, I have to say.

The Hon. CAMERON MURPHY: No Government questions.

The CHAIR: Thank you very much, Treasurer. That concludes the questions. We'll now break for lunch and reconvene at two o'clock. Thank you very much for your attendance.

(The Treasurer withdrew.)

(Luncheon adjournment)

Ms MARINA van der WALT, Deputy Secretary, Financial Management and Services, NSW Treasury, on former oath

CORRECTED

Ms LIZ LIVINGSTONE, Deputy Secretary, Policy and Budget, NSW Treasury, on former oath

Ms JOANN WILKIE, Deputy Secretary, Economic Strategy and Productivity, NSW Treasury, on former affirmation

Ms SONYA CAMPBELL, Deputy Secretary, Commercial, NSW Treasury, on former oath

Ms DONNA AWAD, Executive Director, Tolling Reform, NSW Treasury, on former oath

Mr DAVID DEVERALL, Chief Executive, NSW Treasury Corporation, on former affirmation

Mr TOM GELLIBRAND, Chief Executive, Infrastructure NSW, on former oath

Mr SAID HIRSH, Head of Strategy, Planning and Innovation, Infrastructure NSW, on former affirmation

The CHAIR: Welcome, everyone, to the Portfolio Committee No. 1 hearings into budget estimates 2024-2025. Before we commence with questions from the Opposition, I note that there are witnesses in the overflow seating area. If you are asked a question, please come forward and bring your nameplate with you, for the benefit of Hansard. We'll now commence with questions from the Opposition.

The Hon. NATALIE WARD: Thank you, Chair. Before we do, I might ask Ms Awad to come forward.

The Hon. MARK LATHAM: Has everyone sworn in?

MICHAEL COUTTS-TROTTER: That's a good question.

The CHAIR: I was told everyone was sworn in.

MICHAEL COUTTS-TROTTER: On the basis I am, my colleagues at the table definitely are.

The Hon. NATALIE WARD: I will need Ms Campbell and Ms Awad.

The CHAIR: Everyone has been sworn in.

The Hon. NATALIE WARD: Thank you for coming today and for your service. My questions, I think, are to Ms Awad, but correct me if there's somebody else you'd like to refer them to. Ms Awad, what is Allan Fels' current salary or estimated amount payable under his current contract?

DONNA AWAD: Allan Fels and Dr David Cousins were engaged by Treasury for the Independent Toll Review, which concluded last July, so his total costs have now been paid. The total costs paid to Professor Fels in terms of both remuneration and expenses—

The Hon. NATALIE WARD: Sorry, I understand he is still retained.

MICHAEL COUTTS-TROTTER: He is.

The Hon. NATALIE WARD: I'd like to understand his current salary and his current amount payable.

MICHAEL COUTTS-TROTTER: He is not engaged by Treasury. He is engaged by Transport for NSW.

The Hon. NATALIE WARD: Sure. Do you have that amount or the current contract amount payable?

MICHAEL COUTTS-TROTTER: No. I'm not aware—

DONNA AWAD: That is a question for Transport.

The Hon. NATALIE WARD: Are you able to take that on notice?

MICHAEL COUTTS-TROTTER: We can, of course, Ms Ward, but we'd be referring it to our colleagues from Transport.

The Hon. NATALIE WARD: Certainly. If you would, I'd be appreciative.

MICHAEL COUTTS-TROTTER: No problem.

The Hon. NATALIE WARD: Thank you. What is his specific role currently?

MICHAEL COUTTS-TROTTER: Again, we'd need to take that on notice.

The Hon. NATALIE WARD: All right. Thank you. Ms Awad, when a toll road concession ends, it returns to public hands. That's correct, isn't it?

DONNA AWAD: That's right, yes.

CORRECTED

The Hon. NATALIE WARD: That's similar to the Sydney Harbour Tunnel in 2022, as a principle?

DONNA AWAD: Yes.

The Hon. NATALIE WARD: Does where the revenue goes from the Sydney Harbour Tunnel, which is obviously under public hands, currently differ from, say, the Cross City Tunnel?

DONNA AWAD: The Cross City Tunnel is currently under a concession, so it's actually in private hands. The revenue would go to the owners of the Cross City Tunnel.

The Hon. NATALIE WARD: Exactly. So the Sydney Harbour Tunnel is in public hands. Public money goes to public hands. The Cross City Tunnel, private, goes to private hands—not controversial. Based on current Government policy settings, what happens in 2035 when the Lane Cove Tunnel concession ends? Is that returned to the public?

DONNA AWAD: All concession roads, when they end, return to public hands.

The Hon. NATALIE WARD: Thank you. Ms Campbell, if I might direct some of these to you.

SONYA CAMPBELL: Yes, of course.

The Hon. NATALIE WARD: Is it correct that you were on the steering committee for the toll review?

SONYA CAMPBELL: That is correct.

MICHAEL COUTTS-TROTTER: I am too.

The Hon. NATALIE WARD: Thank you, Mr Coutts-Trotter. I'll get to you, if needed. The more the merrier. Is it correct that you participated in discussions, Ms Campbell, during the review concerning extending toll road concessions?

SONYA CAMPBELL: There are a range of options, Ms Ward, where we've looked at for the Government, but no decisions have been made around that.

The Hon. NATALIE WARD: I understand that, but—and I think it has been publicly reported, so it's not a trick question.

SONYA CAMPBELL: Yes, as part of the independent review.

The Hon. NATALIE WARD: Sure. But you participated in discussions during that review concerning extending toll road concessions as one of the options?

SONYA CAMPBELL: Yes, Mrs Ward.

The Hon. NATALIE WARD: And that's on specific toll road concessions?

SONYA CAMPBELL: Yes.

The Hon. NATALIE WARD: Thank you. Why did you brief ratings agencies concerning the Government extending toll road concessions to fund toll reform?

SONYA CAMPBELL: I wasn't part of those briefings. I might refer to either Ms Awad or Ms van der Walt, who's responsible for the direct engagement with the rating agencies.

DONNA AWAD: I actually presented to the rating agencies on the Independent Toll Review. We presented to them on the recommendations that came out of the Independent Toll Review and what Government was doing in terms of considering those recommendations. It was quite early days; it was around the time that the final report came out. At that stage Government was considering, and it continues to be considering, a number of the recommendations in the report. There was no discussion about anything that was not in public information in terms of the final report at that stage.

The Hon. NATALIE WARD: Is Government looking at using concession extension to fund toll reform?

DONNA AWAD: It is one of many funding options that Government is currently considering.

The Hon. NATALIE WARD: So they're on the table. Has the department provided advice to Government or modelled the value of concession extensions in regard to toll reform?

DONNA AWAD: Yes.

The Hon. NATALIE WARD: Have you personally seen financial modelling concerning the value of concession extensions?

CORRECTED

DONNA AWAD: Other than the modelling that government has done?

The Hon. NATALIE WARD: Yes.

DONNA AWAD: There is only the modelling that government has done. We have not seen any other valuations or anything like that, if that's what you're asking.

The Hon. NATALIE WARD: Has there not been financial modelling done about the value of concession extensions, given that's on the table and given it's part of the options?

DONNA AWAD: Yes, that's part of the financial modelling that has been done.

The Hon. NATALIE WARD: So there has been some financial modelling concerning the value of those concession extensions?

DONNA AWAD: That's right.

The Hon. NATALIE WARD: Have you seen that?

DONNA AWAD: Yes.

The Hon. NATALIE WARD: Again, if it's to be privatised, what is it worth? What is the value that would be on the table?

DONNA AWAD: The modelling wasn't done on the basis of privatisation. The modelling was done basically assuming that certain leases would be extended by a period of time.

The Hon. NATALIE WARD: Concession extensions, yes. So there is a value placed on extending concessions. You have seen modelling placing a value on that concession extension?

DONNA AWAD: Yes.

The Hon. NATALIE WARD: What is that value?

SONYA CAMPBELL: That would be commercially sensitive in negotiations.

MICHAEL COUTTS-TROTTER: We couldn't and shouldn't disclose that. Government has made no policy choices here but, obviously, if that is an option, we wouldn't want to reveal to the counterparties, the tollway concessionaires, what we think that's worth.

The Hon. NATALIE WARD: That's a very predictable answer. Does the financial modelling or other modelling exist within Treasury concerning using concession extensions as part of that toll reform?

MICHAEL COUTTS-TROTTER: The modelling has been done. Do we hold the model? No, I don't think so.

DONNA AWAD: We have a financial adviser who has assisted us with those calculations.

MICHAEL COUTTS-TROTTER: It's not like there is a standing model within Treasury.

DONNA AWAD: No.

The Hon. NATALIE WARD: So it doesn't exist, or it does and it hasn't been used?

DONNA AWAD: It exists.

The Hon. NATALIE WARD: It must exist.

DONNA AWAD: It exists, but it has been done by our financial adviser.

The Hon. NATALIE WARD: But with that existing, the toll road concession, essentially, gives—it's not an argument; it's just facts. It's not controversial. For the toll road, you would have copies of that modelling, surely, within Treasury.

DONNA AWAD: Yes.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. NATALIE WARD: You would have to, so that exists. You have that and that is part of the toll reform program—it's one element of it.

DONNA AWAD: We actually were asked by Professor Fels and Dr David Cousins as part of the Independent Toll Review to consider how government would fund toll reform. This was one of the many options that we provided advice to Professor Fels and Dr David Cousins on.

CORRECTED

The Hon. NATALIE WARD: Financially extending the private contract provides a benefit to private companies. That is correct, isn't it?

DONNA AWAD: Yes, but it also provides a benefit to government in the sense of value.

The Hon. NATALIE WARD: But the fact is that placing a value on it and extending the concession provides a value to those private companies. That is correct? It's not controversial.

DONNA AWAD: Yes.

The Hon. NATALIE WARD: In relation to the toll reform and direct dealings, I understand the Government in New South Wales and the concessionaires have started negotiations under the direct deal framework.

DONNA AWAD: That's right.

The Hon. NATALIE WARD: Under that, does the Government have a record of justification for direct dealings as required by the direct deal framework?

DONNA AWAD: Yes, it does.

MICHAEL COUTTS-TROTTER: Yes, it does.

The Hon. NATALIE WARD: Can you provide that to us?

MICHAEL COUTTS-TROTTER: That was advice to Cabinet, so we will need to take that on notice, Ms Ward.

The Hon. NATALIE WARD: I'm not asking for the advice in relation to that specific deal. I'm asking about the record of justification for direct dealings—that is, the governance framework around it, which is required under the direct deal framework. I'm wondering if you can provide that to the Committee so we understand the framework. I'm not looking for the details of the direct negotiation.

MICHAEL COUTTS-TROTTER: No, I understand that, but the justification, as is required under policy, was prepared and was provided to Cabinet. That's advice to Cabinet, so we'd need to take on notice what, if anything, we could provide to the Committee. Just to confirm, that justification—

The Hon. NATALIE WARD: What can you provide?

MICHAEL COUTTS-TROTTER: I'd take it on notice and take advice, if that's okay.

The Hon. NATALIE WARD: All right. As at today there would be a governance framework that is required, as set out.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. NATALIE WARD: It's not controversial. Are you able to provide that to the Committee in whatever form?

MICHAEL COUTTS-TROTTER: As I said, the complication is that we provided it in the form of formal advice to Cabinet.

The Hon. NATALIE WARD: There might be a way in which you could—

MICHAEL COUTTS-TROTTER: There might be.

The Hon. NATALIE WARD: —take out any particular specifics but provide what is the framework that exists for it.

MICHAEL COUTTS-TROTTER: Sure.

The Hon. NATALIE WARD: Thank you. Does the Government have a robust and fit-for-purpose governance framework, including a risk assessment and risk management strategy?

MICHAEL COUTTS-TROTTER: Yes, we do.

DONNA AWAD: Yes.

The Hon. NATALIE WARD: Will you take on notice to provide that robust and fit-for-purpose governance framework?

MICHAEL COUTTS-TROTTER: Yes.

CORRECTED

The Hon. NATALIE WARD: Who is the chair of the steering committee under the direct dealing framework?

SONYA CAMPBELL: I am a co-chair with my colleague Deputy Secretary Trudy Mares in Transport.

The Hon. NATALIE WARD: So you're co-chairs?

SONYA CAMPBELL: Yes.

The Hon. NATALIE WARD: Terrific—two women driving it. Under that, who are the members of the committee for the direct dealing negotiations with Transurban?

SONYA CAMPBELL: The other members are Secretary Coutts-Trotter; Camilla Drover, who is a deputy secretary in Transport; and Marcus Ray, who is a deputy secretary in the Cabinet Office.

The Hon. NATALIE WARD: So it's those three and you and Ms Mares?

SONYA CAMPBELL: That's correct.

The Hon. NATALIE WARD: So it's five. Does that body have terms of reference?

SONYA CAMPBELL: It does.

The Hon. NATALIE WARD: Can you take on notice to provide the terms of reference?

SONYA CAMPBELL: I can.

The Hon. NATALIE WARD: How many times has the steering committee met this year specifically on the direct deal?

MICHAEL COUTTS-TROTTER: It seems like an awful lot. We'll take it on notice and give you the exact number.

DONNA AWAD: It was meeting fortnightly last year but it's currently meeting monthly.

The Hon. NATALIE WARD: So this year, we're in March. You've met twice?

DONNA AWAD: Twice, yes.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. NATALIE WARD: Can you provide the dates?

MICHAEL COUTTS-TROTTER: Yes, we can.

SONYA CAMPBELL: Yes, we can.

DONNA AWAD: Yes.

The Hon. NATALIE WARD: The dates that you've met and—that would be helpful. So that's now monthly, proposed for the rest of this year?

SONYA CAMPBELL: Currently, or as needed.

The Hon. NATALIE WARD: Has the steering committee been presented with modelling concerning tolling road concession extensions?

SONYA CAMPBELL: It would have been presented, at least with summaries of modelling but perhaps not the detailed modelling that sits underneath it.

The Hon. NATALIE WARD: Why wouldn't the detailed modelling be provided to Treasury, which is the steering committee?

SONYA CAMPBELL: Because that's very extensive. But there have been workshops facilitated for steering committee members to do deep dives into that modelling.

The Hon. NATALIE WARD: Have all committee members attended those deep dives?

SONYA CAMPBELL: I would have to take that on notice, as to which committee members have.

The Hon. NATALIE WARD: If you would, that would be helpful—and when that happened.

SONYA CAMPBELL: Yes.

The Hon. NATALIE WARD: Who specifically is on the negotiation team with Transurban?

CORRECTED

DONNA AWAD: That is myself. I'm the lead State contact for the direct dealing with the concessionaires. On the negotiation team with me is Samantha Brewer, who's an executive director in Transport; Chris Saxon, who's our lead negotiator; and we're supported by our financial adviser and our legal adviser.

The Hon. NATALIE WARD: Who are the financial adviser and legal adviser?

DONNA AWAD: The financial adviser is RBC—

MICHAEL COUTTS-TROTTER: Royal Bank of Canada.

DONNA AWAD: —and the legal adviser is Ashurst.

The Hon. NATALIE WARD: There's one representative of those, or teams, essentially, on those?

DONNA AWAD: In the meetings with the concessionaires, it's generally just one or two of those people who are asked to attend meetings.

The Hon. NATALIE WARD: On how many occasions this year has that negotiation team formally met with Transurban to discuss the toll reform?

DONNA AWAD: I'd have to take that on notice. We do meet regularly, like, probably about fortnightly, but I'll have to count the number of meetings and get back to you on the number.

The Hon. NATALIE WARD: You don't know for this year?

DONNA AWAD: We've been meeting, obviously, since last year, but as of this year I can give you the number. I can take that on notice.

The Hon. NATALIE WARD: Sure. Once or twice? Is that also monthly or is it fortnightly or—

DONNA AWAD: No, it's fortnightly. There has often been other meetings that are a smaller team meeting if it's specific issues that needed to be addressed, like traffic modelling, for example.

The Hon. NATALIE WARD: If you could outline those and the committee—I'm just looking for the governance here of what the process is and who has been meeting. If there have been meetings outside of that steering committee for those deep dive briefings or for understanding particular modelling aspects, that would be helpful as well, if you're able to provide that. How long do those meetings go for?

DONNA AWAD: We generally schedule them for two hours. It just depends on whether we fill that time or not, depending on the agenda for that day.

The Hon. NATALIE WARD: On how many occasions has the steering committee provided formal advice to the Government this year?

MICHAEL COUTTS-TROTTER: This year; we'd need to take that on notice. Formal advice—

The Hon. NATALIE WARD: Off the top of your head? Once or twice?

SONYA CAMPBELL: Is the question to a committee of Cabinet?

The Hon. NATALIE WARD: Two-hour meetings and there's only been five of them.

MICHAEL COUTTS-TROTTER: There are advices to the two relevant Ministers, Minister Graham and the Treasurer. Then there are advices to Cabinet and/or its subcommittees. We'd need to take that on notice.

DONNA AWAD: I don't think there has been any advice to Cabinet this year, but there may have been to Minister Graham and the Treasurer.

The Hon. NATALIE WARD: Of those meetings—it seems that it's not moving particularly quickly. But some advice might have been provided or there might be more opportunity for advice once some work is done?

MICHAEL COUTTS-TROTTER: Happy to take it on notice. I wouldn't agree with the characterisation that things aren't moving particularly quickly. I think things are moving as rapidly as something as complex as dealing with 10 counterparties across legal contracts running to over 10,000 pages can move.

The Hon. NATALIE WARD: But it seems that there have been two-hourly meetings on five occasions. That's 10 hours of negotiation this year.

MICHAEL COUTTS-TROTTER: Yes, but there are, as my colleagues were describing, workshops outside of that. But we're happy to respond on notice as we've agreed to.

CORRECTED

The Hon. NATALIE WARD: If you don't agree with me that it's moving slowly and you think it is moving quickly, when will a deal be done?

MICHAEL COUTTS-TROTTER: Just taking as a yardstick the privatisations of the roads, WestConnex 1 took more than two years from start to finish.

The Hon. NATALIE WARD: Sure, but that's setting up a whole infrastructure, Mr Coutts-Trotter.

MICHAEL COUTTS-TROTTER: The M7—

The Hon. NATALIE WARD: I have limited time. I'm going to bring you back to the proposal and the deal. When will a deal be done, if it's moving quickly?

MICHAEL COUTTS-TROTTER: That's not known. We've got a process through the direct dealing framework to work through. We've got a complex set of issues to work through.

The Hon. NATALIE WARD: I know all of that. I'm well aware.

MICHAEL COUTTS-TROTTER: We appreciate how important it is to the community and we're working through it. But you don't want to sacrifice the taxpayers' interests in this and motorists' interests just to meet an arbitrary time frame. We're working quickly and we're being driven very hard to work quickly.

The Hon. NATALIE WARD: Are Allan Fels' proposals in the toll review final report the proposals currently being used in the direct deal?

DONNA AWAD: The direct deal is one of his recommendations. One of the recommendations of Professor Fels was that the toll road owners had provided a letter to the independent reviewer suggesting that they had a proposal they thought they could negotiate and implement with Government in a short space of time.

The Hon. NATALIE WARD: Yes, but the pricing structure. Is the pricing structure provided by Allan Fels in his final report currently being utilised in the direct deal?

DONNA AWAD: It is one of the options that is being considered by the Government.

The Hon. NATALIE WARD: Is the declining distance based toll with infrastructure charges one of those options?

DONNA AWAD: It is one of the options. In fact, at the end of last year the first part of the direct dealing process, which we call stage 1B, where we were trying to come up with a process to find the appropriate model for Government, we actually provided the Independent Toll Review's declining distance method, as well as other options that Transport had also been working on, to the concessionaires to provide their feedback on those options.

The Hon. NATALIE WARD: So that's in? That's one of the options, as you say?

DONNA AWAD: Yes.

The Hon. NATALIE WARD: A declining distance based toll with infrastructure charges is a possibility in the direct deal?

DONNA AWAD: Yes.

The Hon. NATALIE WARD: Who is on the evaluation panel to assess the deal?

DONNA AWAD: We had an evaluation panel set up for what we call the stage 1B proposals.

The Hon. NATALIE WARD: Who is on that?

DONNA AWAD: It comprised members of Treasury and Transport and the TCO.

The Hon. NATALIE WARD: Who?

DONNA AWAD: That's now closed off and we will need to set up a similar panel in a short time for what we call stage two of the process.

The Hon. NATALIE WARD: So it hasn't been set up? There's no evaluation panel at this point?

DONNA AWAD: No.

The Hon. NATALIE WARD: Who would be on the direct deal evaluation team, then?

DONNA AWAD: I think it would be similar to what we did last time. We had sort of director-level personnel from Transport, Treasury and the TCO.

CORRECTED

SONYA CAMPBELL: And it would be fair to say, Ms Ward, that those individuals would be separate from the details of the actual day-to-day process of the direct dealing.

The Hon. NATALIE WARD: Who are the independent parties that would be on that evaluation panel?

SONYA CAMPBELL: Typically, the Cabinet Office provides an independent central agency view on these types of processes.

The Hon. NATALIE WARD: So who was on the previous one?

SONYA CAMPBELL: We'd have to take that on notice, I think.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. NATALIE WARD: All right, but an independent party is required as part of that evaluation team? It's not rocket science.

MICHAEL COUTTS-TROTTER: There would be a probity adviser as well.

DONNA AWAD: Yes, there is a probity adviser.

MICHAEL COUTTS-TROTTER: Obviously the steering committee would consider and approve of an evaluation framework within which the evaluation committee would do its work.

The Hon. NATALIE WARD: Is it correct that the concession extensions that provide the greatest uplift in the value of the concession extensions are the ones ending sooner rather than those ending later?

DONNA AWAD: That's right.

The Hon. NATALIE WARD: Why is that?

DONNA AWAD: Basically, the value of a concession extension is the value of the revenue, I suppose, to the concessionaires. For example, WestConnex, that's ending in 2060. Because they're not going to receive the value of any of that revenue until after 2060, when you discount that back now to current dollars, it isn't as valuable as something that's more short term.

The Hon. NATALIE WARD: So the concessionaire will earn more if you extend the roads that are ending sooner.

DONNA AWAD: They'll value it now in today's dollars, at a higher rate.

The Hon. NATALIE WARD: Thank you, that's helpful.

Ms ABIGAIL BOYD: Can I just pick up on some of the questions from Ms Ward just then. RBC, I understand, are providing financial and commercial advisory services for the toll review—\$4.18 million for a yearlong contract. Is that right?

DONNA AWAD: It's a little bit longer than a year. We engaged RBC, I think, at the end of September or early October, and the scope of work we provided for them was until the end of this calendar year.

Ms ABIGAIL BOYD: So about 13 months?

DONNA AWAD: A little bit longer than that, yes.

Ms ABIGAIL BOYD: The eTender record states 20 November 2024 to 31 December 2025, so just over 13 months. What is it that they are doing exactly?

DONNA AWAD: As our financial adviser, they obviously have been responsible for the financial modelling of the various funding sources for government; concession extensions is one that we talked about earlier today. But they're also helping us develop and consider the valuation impacts for the concessionaire. We can do some analysis ourselves in terms of financial modelling, but they will be able to provide that expertise in terms of how the concessionaires themselves will value it when they look at their capital structures, impacts on equity, as well as debt and other factors. They are quite complex financing arrangements, the concession extensions. But they're also assisting us with the program for the direct dealing. They're assisting us with the process of how we get to here, at the end of stage two, which is a binding offer from the concessionaires on the preferred toll structure.

There's a lot of work that needs to be done in terms of developing how will government assess value for money for the particular proposal that we get from the concessionaire. We obviously need to test what the concessionaires are suggesting to us in terms of what they are offering and what compensation is required from government, if any compensation is required, and how we pay for that. There's actually quite a lot of work to do

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to have that robust process to make sure that we're challenging the concessionaires to provide a proposal that will meet the evaluation criteria that will be in our direct dealing. That's a normal requirement of any direct dealing. It's really because there is no competition, obviously, in a procurement of this nature, so we've got to develop that sort of competition or leverage within the framework we follow. We follow a very strict evaluation criteria with strong valuation principles. We normally do a lot of benchmarking to make sure the returns that they're suggesting are within the benchmark for market players in that area. We also test to make sure that what they're saying their return is reflects what they are actually receiving.

Ms ABIGAIL BOYD: That one was an open tender. Who else was in the running to get that contract?

DONNA AWAD: I can't tell you off the top of my head. I think at least eight or nine people applied. I can probably confirm that afterwards. There were eight or nine people that applied. One of the difficulties, I think, in this tender is, one, the complexity of the work limits who is appropriate to do the work. Also, conflicts of interest are really quite important, because quite a number of other people that could have done the work have done work, or recently have done work, with any of the concessionaires which sort of rules them out from contention.¹

Ms ABIGAIL BOYD: RBC has worked with Transurban as well. They recently were part of a group of refinancers. How did that conflict of interest work? Was it just because they hadn't been doing the advisory work with Transurban?

DONNA AWAD: My understanding was they were working for a party—not Transurban. We did do our conflict check. Our understanding was they weren't advising Transurban, but I'm happy to go away and check that.

Ms ABIGAIL BOYD: I'm just looking at this article. When was this? This was some time ago. But they have been, in the past, part of the debt facilities for Transurban's Westlink project. I do understand that it's hard to find anyone who's not had any past work with Transurban but—that's interesting.

DONNA AWAD: I think we were looking more at structuring the toll road concessions themselves rather than necessarily debt financing advice, which is relatively generic.

Ms ABIGAIL BOYD: So we're looking at about \$8 million of contracts with Chris Saxon, Ashurst and RBC for this stage two. Is that it? Are there more to be appointed or is that it for this stage?

DONNA AWAD: At this stage that's all we have engaged and all we're planning to engage. We may need to get additional support but it really is a question we're discussing with Transport. At the moment we're relying on Transport to provide the traffic modelling advice, and we may need some additional support in that area as the negotiations continue.

Ms ABIGAIL BOYD: Just back on RBC, how many are on that team?

DONNA AWAD: The two key people that attend the negotiation direct dealing team—there are two senior people in RBC that attend that and come to all the relevant meetings. There are four or five others that are in the background, I think probably doing the legwork to support them.

Ms ABIGAIL BOYD: And they are advisory structuring style people, not—I'm trying to think of what part of the bank they would be from.

DONNA AWAD: They're providing advice as well as financial modelling expertise.

Ms ABIGAIL BOYD: I'm going to turn to something totally different. Secretary, you're the first person I've come across who seems to know anything about foundational supports, so I'm going to ask you about it. There has been mass confusion amongst the disability community, including with advocates, as to what exactly is a foundational support in terms of what has been agreed to between the Commonwealth and the States. Are you able to give any more detail?

MICHAEL COUTTS-TROTTER: I really feel like I'm trespassing without any competence on colleagues' portfolio areas. In terms of the process of developing service model design or designs for foundational supports, that's still a work in progress. The interaction with the NDIS rule changes is quite important because, obviously, the extent to which access to the scheme or the nature and extent of supports within the scheme for the cohort of children we're talking about changes, that influences the kind of service support they might need outside the scheme through foundational supports. The task of designing those services will take some time and will need

¹ In [correspondence](#) to the committee dated 1 April 2025, Ms Donna Awad, Executive Director, Tolling Reform, NSW Treasury provided a clarification to her evidence.

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to be informed by the final form of the rule changes that are set to take place between now and September. That's quite important.

Ms ABIGAIL BOYD: The Treasurer was saying earlier that we're better than the other States and Territories in foundational supports, and that we're quite well developed in foundational supports. To your understanding—

MICHAEL COUTTS-TROTTER: Foundational supports, as they are described in the agreement coming out of National Cabinet, anticipate a set of changes to the NDIS that mean some participants will get less or no support from the scheme at some point in time, and then it's the foundational support services that are available to those in the first instance, children and families, that we're talking about. But, at the same time, I think the Treasurer was describing a lot of the services that are already provided within mainstream health, education and other public services that attempt to meet the needs of people who aren't eligible for the NDIS. Of course, as you know well, that's 90 per cent of people with disability.

Ms ABIGAIL BOYD: We are actually just guessing at this point, but is it things like OTs? Is it everything from those kinds of specialist services—you mentioned autism before—that you might have for a person with autism, like speech therapy, as well as advocacy services and other things?

MICHAEL COUTTS-TROTTER: I would have assumptions about that, but knowing how closely advocates, families and others follow the detail of this, I shouldn't just give you my view.

Ms ABIGAIL BOYD: Fair enough.

MICHAEL COUTTS-TROTTER: I'm happy to take it on notice and seek from colleagues any kind of update that they can provide on that.

Ms ABIGAIL BOYD: Could you take on notice what the Commonwealth's agreement defines foundational support as?

MICHAEL COUTTS-TROTTER: It really doesn't in any level of—if you were a family thinking about the service you may receive, reading the agreement will give you no clarity at all. The work has to be done.

The Hon. MARK LATHAM: Secretary, in light of the Treasurer's comment this morning that it's not realistic to achieve the 30 per cent EV take-up rate, what is the amount that Treasury would realistically model and expect over the next five years?

MICHAEL COUTTS-TROTTER: That's a really good question, and I think we would be updating those forecasts for the 2025-26 budget. I don't think they've been updated since we last published. The 2027-28 financial year, which is the first year of the road user charge anticipated to come in in New South Wales, is getting closer and closer. That's a longwinded way of saying I'd have to take that on notice.

The Hon. MARK LATHAM: Is it possible, any time in the next five years, to get over 10 per cent? These are just Australian realities, aren't they, that we have the highest take-up rate in the world of rooftop solar, but a reluctance to go into EVs for a range of reasons?

MICHAEL COUTTS-TROTTER: To the points raised by the Treasurer, obviously people's concerns about whether there's a charging facility available to them is a big impediment to take-up—also pricing. But, of course, when you've got a 110 per cent tariff in the US on Chinese-produced vehicles, they're looking for alternative markets and we're starting to see the price of new EVs and, of course, the secondary market price of EVs fall as Chinese production goes looking for a market.

The Hon. MARK LATHAM: Sure. But do you think it's realistic to get over 10 per cent some time in the next five years?

MICHAEL COUTTS-TROTTER: I'd be talking beyond my competence, so—

The Hon. MARK LATHAM: You'll take that on notice and give us some updated projections?

MICHAEL COUTTS-TROTTER: I'll take it on notice, Mr Latham.

The Hon. MARK LATHAM: Is the Treasury aware of a desire by Tabcorp to pay out the New South Wales Government and be treated like any other corporate bookmaker?

MICHAEL COUTTS-TROTTER: The Government received a proposal from Tabcorp, which is now being considered within a direct dealing process, so we are somewhat constrained about the kind of commentary we can provide on that.

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The Hon. MARK LATHAM: What is that? A USP? What do you mean by direct dealing if it is not an unsolicited proposal?

MICHAEL COUTTS-TROTTER: I'm not sure whether it was actually termed a USP.

SONYA CAMPBELL: The process is under the direct dealing framework.

MICHAEL COUTTS-TROTTER: A USP can find its way into a direct dealing process, but I think this one was dealt with as a direct deal from the get-go.

SONYA CAMPBELL: Correct.

The Hon. MARK LATHAM: When are you expected to finalise a response to that?

MICHAEL COUTTS-TROTTER: I'll turn to my colleague, but we've got to produce advice to government about whether to go into the next phase of the direct dealing process, from memory.

SONYA CAMPBELL: Yes. There will be decisions for the Government ahead of the budget. Obviously, those are matters that will need to be considered by the Government.

The Hon. MARK LATHAM: On the other matter that the Treasurer raised this morning—the gender impact assessments on 30-odd projects, plus some of the lingering Matt Kean gender statement initiatives from his last budget—has the Treasury got some projections or real-life data on the impact that has had on female labour force participation rates in New South Wales?

MICHAEL COUTTS-TROTTER: I think it'd be way too early to draw that link. Female participation rates are at all-time highs and have risen pretty significantly in the last couple of years. The link between projects that filled in a gender impact assessment and female participation is unclear, but I'm happy to take that on notice.

The Hon. MARK LATHAM: One would expect, in a cost-of-living crisis with near full employment in New South Wales, that's the reason why female labour force participation rates have gone up. Are you able to strip those out to give us an assessment of the impact of those State government initiatives, past and current?

MICHAEL COUTTS-TROTTER: We'd be looking at that. Many of them have evaluation attached to them at the time they were funded and are being implemented. I'm happy to take on notice what will be subject to formal evaluations that we would, in due course, publish.

The Hon. MARK LATHAM: My memory of the 2022 budget forecasts was that it was a very small impact. If you can update that in terms of reality—

MICHAEL COUTTS-TROTTER: Sure.

The Hon. MARK LATHAM: —that would be appreciated. On productivity, Ms Wilkie, the Treasurer mentioned competition policy reforms that he has been working on. What do they involve?

JOANN WILKIE: Sorry, the National Competition Policy reforms?

The Hon. MARK LATHAM: Yes.

JOANN WILKIE: There are five reforms in the first tranche around commercial zoning.

MICHAEL COUTTS-TROTTER: They're making it easier to achieve commercial zoning. There was and is concern that that is too constrained and that limits competition, for example, in the supermarket sector.

The Hon. MARK LATHAM: Is that it? That's the extent—

JOANN WILKIE: No, there are four more. They're lowering barriers to modern methods of construction—so looking at modular construction and that sort of thing and whether that's allowed in planning and other regulation. They're lowering barriers to the adoption of overseas standards in regulation. Other countries, like in the EU and the US, have often gone through quite extensive evaluation processes of regulation. In Australia, we then go through the same process. We're seeing to what extent we can adopt other regulation. We're removing barriers to the right to repair. This is a particular issue, for example, with agricultural equipment or vehicles where you have to go to a certain dealership for something to be repaired. There's often software or other blocks in machinery and that sort of thing, and it has to go to a dealership. There are special keys and that sort of stuff. We're removing those sorts of barriers. The final one is improving labour mobility for human services.

The Hon. MARK LATHAM: What does that last one mean?

JOANN WILKIE: For example, in other trades, we have automatic mutual recognition across Australia. It's looking at whether those sorts of care checks, working with children checks and those sorts of things can be nationalised.

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The Hon. MARK LATHAM: As people move interstate. When is it expected that this new round of National Competition Policy will be completed?

JOANN WILKIE: This is the first tranche. The State jurisdictions are all working on the implementation plans for these five reforms now. Those will be agreed in the first half of this year, and then implementation will start. Once the Council on Federal Financial Relations starts meeting again following the Federal election, they will be looking at the second tranche of reforms. There'll be an ongoing series of reforms.

The Hon. MARK LATHAM: The Treasurer also mentioned infrastructure reforms to boost productivity. What are they involving?

JOANN WILKIE: Some of those are referred to in what I've just mentioned, particularly around the commercial zoning and that sort of thing.

MICHAEL COUTTS-TROTTER: To your point earlier in the day, Mr Latham, our infrastructure program is enormous. It drives about 70 per cent of our debt. So it's needed but we need to make sure, if we're adding to it, we get the best possible bang for the buck, so really looking hard at the productivity benefits that may come from one infrastructure project versus another.

The Hon. MARK LATHAM: On a final matter, Treasury has been a pioneer—and I suppose I was critical of this at various times in the last term of Parliament—of the attitude of political programs in the workplace and the outlook of "bring your whole self" to the workplace. Is there now a recognition, perhaps in the public service, including Treasury, that, after those two nurses at Bankstown hospital brought their whole self and their Palestinian political views to the workplace, we're better off with what had been the public service tradition of apolitical and meeting the demands of many workers—that they just do their job instead of bringing their whole self or anything else, including those Middle Eastern political views, to the workplace?

The CHAIR: Order! Mr Latham, I think that's an unfair question.

MICHAEL COUTTS-TROTTER: I'm delighted to answer it.

The CHAIR: You are?

MICHAEL COUTTS-TROTTER: I think "bring your whole self to work" is one of those phrases that just sounds like a clanger now. But really what does that mean? It means in practice in Treasury I don't want someone to be embarrassed that they have a same-sex partner and feel that they have to cover that up in the workplace. I don't want people to think that because they have responsibilities caring for an aged parent that they can't share that information in the workplace, or that they have a history of poor mental health that might require some workplace adjustment. It's not about encouraging divisive political statements. It is about ensuring we get the most talented people and that when they come to work we get the best out of them by making them comfortable in the workplace.

The Hon. MARK LATHAM: Where is the line crossed? I'm the last person to defend those nurses at Bankstown hospital, but they might say, "We heard all this rhetoric to bring our whole self to work. We did that and now everyone's outraged."

MICHAEL COUTTS-TROTTER: I think bringing your whole self to work doesn't involve being charged with Commonwealth offences.

The Hon. MARK LATHAM: What about bringing Middle Eastern political views to the workplace as they did, short of being charged? Is that something that's acceptable?

MICHAEL COUTTS-TROTTER: The whole point of an inclusive workplace is to ensure that people are respected within the workplace, and there are obviously points of deep division among some people and communities that should not be brought to the workplace because it's a place of work.

The Hon. MARK LATHAM: So there is a line that can be crossed?

MICHAEL COUTTS-TROTTER: Yes, clearly.

The Hon. MARK LATHAM: I warned back in the day you were playing with fire, and we see what the fire ignites.

MICHAEL COUTTS-TROTTER: But if you look at the new code of conduct for public servants, it could not be more explicit about some of those responsibilities.

The Hon. MARK LATHAM: Yes, I know it does. It says to be apolitical.

CORRECTED

The Hon. DAMIEN TUDEHOPE: Mr Coutts-Trotter, I'd also like to continue asking about foundational supports. The Commonwealth Department of Social Services is suggesting that some supports may be available from the New South Wales Government by September 2025. Is that realistic?

MICHAEL COUTTS-TROTTER: Again, it would just be a personal view, to some extent beyond competence, and it's probably much more fairly directed to my colleague Michael Tidball, whose agency is doing the work on the service design.

The Hon. DAMIEN TUDEHOPE: If they were to be in place by September 2025—

MICHAEL COUTTS-TROTTER: A lot of things would have to happen. Everything would have to go right.

The Hon. DAMIEN TUDEHOPE: To the extent that it would need to be included in the budget, has any work been done to—

MICHAEL COUTTS-TROTTER: The sequence would have to be that there is an agreement on a five-year National Health Reform Agreement, that there's an agreement on the nature and then the rollout of foundational supports, and, as I was touching on earlier with Ms Boyd, there'd have to be agreement and satisfaction at State and Territory level about the changes to core so-called category A—as in important—NDIS rules. Looking at the introduction of the National Disability Insurance Scheme itself, of course you'll recall that it began in locations. It didn't happen all at once, everywhere at once. It started in the Hunter and was built out slowly. I think realistically that experience would tell you that's likely to be the pattern with foundational supports as well.

The Hon. DAMIEN TUDEHOPE: Going back to my original question, though, the modelling would have to be done on potentially a whole range of options about how we would fund that in the next budget.

MICHAEL COUTTS-TROTTER: We would need to assess, during the process of supporting the Government to put together the 2025-26 budget, a view about the likely time frame to begin foundational supports and then, potentially, have some discussion about a provision for that or some other mechanism. I make the total mistake of public servants getting into hypotheticals and speculating, so I will stop there.

The Hon. DAMIEN TUDEHOPE: In terms of the speculation, it's not likely to happen by September, is it?

MICHAEL COUTTS-TROTTER: That would be a personal view. I'd rather not offer it here, thank you.

The Hon. DAMIEN TUDEHOPE: Earlier, I asked the Treasurer some questions. I appreciate your elucidation. Did you get a chance to investigate how much is currently invested in the NSW Master Fund?

MICHAEL COUTTS-TROTTER: Yes, we did. Although, it is for 31 December.

DAVID DEVERALL: I can give you 28 February.

MICHAEL COUTTS-TROTTER: You trumped me, Mr Deverall.

DAVID DEVERALL: It was \$51.3 billion.

The Hon. DAMIEN TUDEHOPE: Can you give me a breakdown of that by fund?

DAVID DEVERALL: I can. The Treasury Managed Fund is \$21.8 billion. The NSW Generations Fund or the Debt Retirement Fund is \$18.4 billion. The NSW Infrastructure Future Fund is \$5.0 billion. The Long Service Corporation Investment Fund is \$2.5 billion. The Snowy Hydro Legacy Fund is \$1.9 billion. The Social and Affordable Housing Fund is \$1.7 billion. That should all add up to \$51.3 billion.

The Hon. DAMIEN TUDEHOPE: If the Treasurer makes a transfer between funds, as he is entitled to do—

MICHAEL COUTTS-TROTTER: With some constraints, of course.

The Hon. DAMIEN TUDEHOPE: I'm happy to accept that qualifier. Where and when will it be reported?

MICHAEL COUTTS-TROTTER: The transfer?

The Hon. DAMIEN TUDEHOPE: Yes.

MARINA van der WALT: Each of the underlying funds and the legislation around them are still in place. Each fund is required to produce their own set of financial statements. It would be reported there.

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The Hon. DAMIEN TUDEHOPE: That a transfer has been made? Is there any requirement for the Treasurer to advise, for example, the icare board before transferring money out of any of the funds managed by them into another fund not managed by them?

MICHAEL COUTTS-TROTTER: Sorry, a fund managed by them, by which you mean the TMF? We are working on a contributions and transfer framework. That is probably a live question in that process.

MARINA van der WALT: Also, icare would have access to that information through discussions at the assets and liabilities committee that the Treasurer referred to this morning. They are a member of the committee.

MICHAEL COUTTS-TROTTER: I would take that knowledge to icare as a new member of the icare board.

The Hon. DAMIEN TUDEHOPE: Does that constitute formal acknowledgement?

MICHAEL COUTTS-TROTTER: No, not necessarily.

The Hon. DAMIEN TUDEHOPE: Does the transfer between funds then create a debt on the fund? Is that how I would see a transfer between the funds? Would it be recorded as "amount owing"?

MARINA van der WALT: We have developed a framework, which is yet to be considered by the Government. We are expecting it to be considered before the end of the financial year at 30 June and for it to be operationalised by 1 July. It's too early to provide—

The Hon. DAMIEN TUDEHOPE: In terms of accounting practice, if money is moving from one fund to another fund, you would expect that it would be recorded as a debt from one fund to another?

MARINA van der WALT: By pure accounting entries?

The Hon. DAMIEN TUDEHOPE: Yes.

MARINA van der WALT: Yes, one account will need to be debited.

The Hon. DAMIEN TUDEHOPE: Yes, and the other one credited.

MARINA van der WALT: That's right.

The Hon. DAMIEN TUDEHOPE: It would show as a debt owing by one fund to the other?

MARINA van der WALT: I am not sure. It would depend on the parameters and the principles contained in the framework.

The Hon. DAMIEN TUDEHOPE: We might be dealing with other people's money here.

MARINA van der WALT: Some of the funds have been ring fenced.

MICHAEL COUTTS-TROTTER: Any fund that contains a contribution from a third party or to the benefit of a third party—lifetime care, dust diseases—they're ring fenced from transfer. That's to the issue you raised when the legislation came through. Obviously the Debt Retirement Fund itself is legislatively ring fenced to reduce debt.

MARINA van der WALT: And all the other funds are contributions made by government.

The Hon. DAMIEN TUDEHOPE: You're not sure whether it will actually create a debt situation. That was my next question, about whether it would bring with it any agreement in terms of payment of interest by one fund to another, in terms of the amount transferred.

MARINA van der WALT: We are not in a position to provide more detail at this stage. I'll be speculating about what government is yet to approve in terms of those journal entries.

MICHAEL COUTTS-TROTTER: We'd be looking to be as transparent as possible without creating a needlessly elaborate set of arrangements for funds that are wholly government funded.

The Hon. DAMIEN TUDEHOPE: Just going through those funds you identified earlier, Mr Deverall, which one of those funds do we say are wholly government funded?

MARINA van der WALT: Do you want me to take that?

DAVID DEVERALL: Yes, you go for that.

CORRECTED

MARINA van der WALT: We've got the NSW Generations Fund, the Social and Affordable Housing Fund, the Treasury Managed Fund, the Snowy Hydro Legacy Fund and the New South Wales infrastructure fund. The New South Wales infrastructure fund was funded from the asset recycling proceeds.

The Hon. DAMIEN TUDEHOPE: Each of those funds, though, would have their own objects.

MARINA van der WALT: That's the change that the master fund structure has brought about. Each of those funds now have the same investment parameters and risk settings.

The Hon. DAMIEN TUDEHOPE: That's true—under Mr Deverall's wise guidance, no doubt—but in terms of the creation of the fund, which it had a particular object to achieve, surely those objects remain in place, do they not?

MARINA van der WALT: The objects and the purpose of the funds do remain in place, but the investment objectives themselves have changed, and that was not legislated.

The Hon. DAMIEN TUDEHOPE: Yes, I understand. This is the question I'm putting to you: If you transfer funds out of one fund to another fund, how do you ensure that the objects of the fund remain intact?

MARINA van der WALT: I'll be able to provide more details once government has approved the framework, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: So I can take money out of a fund, which has specific objects in place for the purposes of the creation of that fund and the funding of the fund, and I can put it into another fund and still satisfy the objects of the fund.

MICHAEL COUTTS-TROTTER: As has been the case with contributions in and withdrawals out of the TMF over years.

The Hon. DAMIEN TUDEHOPE: Give me an example of that.

MICHAEL COUTTS-TROTTER: When the NAHLP policy applied, there were years when the fund needed to be topped up, and there were years when it was decided—as you touched on earlier—that the fund was in surplus against that test, and so money was taken out.

The Hon. DAMIEN TUDEHOPE: But that was a component of the manner in which the fund was created. Taking money in and out of a fund—

MICHAEL COUTTS-TROTTER: But it does illustrate that you can take money in and out of a fund and still maintain a fund's objective. Your point is a valid one: We need to make sure that the arrangements that that we're recommending to government meet that test, but I think that test can be met.

MARINA van der WALT: We won't be breaching any legislation.

The Hon. DAMIEN TUDEHOPE: I trust you won't.

MICHAEL COUTTS-TROTTER: We're keen on that. It's not so important elsewhere in the world, but we're keen on it here.

The Hon. DAMIEN TUDEHOPE: This morning it was suggested that—this is reasonably technical and complex—reinsurers in the commercial market are only interested in the liability side of the TMF. Is that true?

MICHAEL COUTTS-TROTTER: I see—in terms of assessing whether they want to take the risk on and the price they want to put on that risk?

The Hon. DAMIEN TUDEHOPE: Correct.

MICHAEL COUTTS-TROTTER: Given that we're a triple-A, double-A-plus counterparty—we stand behind that fund—I think that would make sense. They would presumably take the view that the TMF is a triple-A fund.

The Hon. DAMIEN TUDEHOPE: And, on that basis, they would say that it's only the extent of liabilities that they would need to be concerned about.

MICHAEL COUTTS-TROTTER: That would be my assumption, but I'm happy to take on notice and come back to you if I'm wrong in that view.

The Hon. DAMIEN TUDEHOPE: I understand that the current reinsurance of the TMF with Guy Carpenter and Company runs out in 2025. Where are we up to in terms of the renegotiation of that reinsurance?

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MICHAEL COUTTS-TROTTER: That's managed through icare, and they are engaging with reinsurers, both domestically and internationally, at the moment. I think they are actually planning a face-to-face meeting with a number in Europe quite soon.

The Hon. DAMIEN TUDEHOPE: Ms van der Walt, you were dobbled in yesterday by Sonya Campbell as being—I appreciate the reference—the source and fount of all knowledge in relation to how the Net Asset Holding Level Policy was going to be revamped.

MARINA van der WALT: I think the Treasurer touched on that this morning and that he's asked the Asset and Liability Committee to review that. The Net Asset Holding Level Policy is a policy of the former Government. It looks at the ratio of assets to liabilities, and it provides a guidance to government as to when to top up the TMF, as you know, and currently that is set at 105 per cent.

The Hon. DAMIEN TUDEHOPE: I'm aware of all that. What proposals or alternative proposals are there to replace that?

MARINA van der WALT: We indicated in the budget last year that we are developing a contributions framework for the whole-of-State fund—OneFund, the Master Fund—and the TMF will be a part of that contributions framework, which will be considered by Government before financial year end.

The Hon. DAMIEN TUDEHOPE: What does that look like?

MARINA van der WALT: I'm not in a position at this stage to provide more information.

MICHAEL COUTTS-TROTTER: We have consulted with a variety of parties, including the Audit Office, on the proposal that Marina's team are putting to Government. Government, through the Treasurer, hasn't yet considered it. Sorry, that implies we're waiting on him. We're not. We're yet to put a final form proposal to him.

The Hon. DAMIEN TUDEHOPE: And to have the Audit Office sign off on it?

MARINA van der WALT: We don't need their sign-off. They will be auditing the financial statements of icare and, of course, we've discussed the proposal with them to assess whether there would be any potential adverse audit findings because we're very conscious of that.

MICHAEL COUTTS-TROTTER: But, obviously, as an auditor, they won't give you confirmation ahead of their audit.

The Hon. DAMIEN TUDEHOPE: Conceptually, under the net asset holding policy, you went with a position that Government would top up the TMF to bring it back to 105 per cent of net assets. How do you foresee that changing in terms of the Government's obligations to top up the TMF to reach that assets-to-liabilities holding?

MARINA van der WALT: We will have to consider the whole-of-State fund and the impact of the total assets that are under management, which Mr Deverall mentioned is currently \$51.8 billion, in context of the State's total liabilities. That is the proposal, and that is what the Treasurer referred to this morning as well—to determine whether it makes sense, on an individual fund basis, to move money into the TMF or whether there are other sources available to defer contributions.

The Hon. DAMIEN TUDEHOPE: To defer or to move money into the TMF?

MARINA van der WALT: That's right, yes.

The Hon. DAMIEN TUDEHOPE: From other sources? What would those other sources be?

MARINA van der WALT: It would be the sources within the whole-of-State fund, except for those that have been ring fenced, which includes the Long Service Corporation.

The Hon. DAMIEN TUDEHOPE: I think I'm getting the picture. I think I understand, potentially, where this is going. Can I just ask now some other questions in relation to the New South Wales police?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: What is Treasury's estimate of the annual cost to the budget of the wages deal done with the police?

MICHAEL COUTTS-TROTTER: There's a gross cost, and then there's a net cost, which takes account of the impact of the abolition of the Police Blue Ribbon Insurance scheme and the actuarially valued both savings and avoided cost. But the key for the mutual gains approach with the police association was the actual savings associated with the change.

CORRECTED

The Hon. DAMIEN TUDEHOPE: That's the premium, is it not?

MICHAEL COUTTS-TROTTER: I'm happy to take on notice the gross cost, but the net cost is zero, based on those actuarial valuations.

The Hon. DAMIEN TUDEHOPE: Well—

MICHAEL COUTTS-TROTTER: It pays for itself.

The Hon. DAMIEN TUDEHOPE: By replacing the wages—the wages deal is offset totally against the premiums saving.

MICHAEL COUTTS-TROTTER: Yes, that's right. So it's the changes to the scheme design. It's also changes to the way, within police, they're seeking to manage the new arrangements.

The Hon. DAMIEN TUDEHOPE: How is the new insurance arrangement for police managed? There has to be some sort of insurance scheme.

MICHAEL COUTTS-TROTTER: Obviously there's the legislation establishing the details of the Police Officer Support Scheme. I think there's the power to make regulation, and regulations are made to operationalise aspects of it, and there is a fund within TMF into which police will make contributions, and they will be making contributions sufficient to meet the liabilities of the Police Officer Support Scheme over time.

The Hon. DAMIEN TUDEHOPE: So there's a cost associated with that, though, isn't it?

MICHAEL COUTTS-TROTTER: There's a cost associated with that, but there's a saving associated with the closure of the Police Blue Ribbon Insurance scheme.

The Hon. DAMIEN TUDEHOPE: So, really, the cost of the wages deal and the cost of the new insurance provision, you're telling us now, is completely offset by the premium—

MICHAEL COUTTS-TROTTER: The changes produce an offset that pays for the pay rise, and that includes the cost of the changed arrangements, yes.

The CHAIR: There you go.

The Hon. DAMIEN TUDEHOPE: I'm not sure, but I'm happy to go on.

The CHAIR: No, no. Ms Boyd.

Ms ABIGAIL BOYD: I do have a little bit. I don't know if I'll go the full time, but we'll see how we go. I wanted to ask about the banking tender project, which I understand has now come to a close, and we've got—

MICHAEL COUTTS-TROTTER: Phase one, Ms Boyd, of the so-called core banking services contracts.

Ms ABIGAIL BOYD: Looking at eTendering again, as I love to do, I see about \$3 million worth of contracts for advice in relation to that—so KPMG, Ashurst, HWL Ebsworth, and H & L Vickers as well. Is that for something else?

MICHAEL COUTTS-TROTTER: That's an individual, who's a former general counsel of—I think she was most recently general counsel at Transport for NSW, or Transport as it probably then was. We have a relatively small internal legal team that, for major projects, has to be enlarged. One mechanism is to hire external firms, but we have a recourse to a couple of key individuals who have deep experience of government legal work, Ms Vickers being one of them.

Ms ABIGAIL BOYD: Thank you. That's useful. What is phase one, then, versus the other phases?

MICHAEL COUTTS-TROTTER: Stage one is all of the major services we get from our banking partners. Fundamentally, in commercial terms, one of the key issues for us is the premium above a market rate that we get paid for our cash at bank. That's the core commercial element. But for the provision of payment cards and credit cards, I'm happy to take that on notice and provide a full list of services within the core contract.

Ms ABIGAIL BOYD: So it's basically retail banking.

MICHAEL COUTTS-TROTTER: It's basically retail banking, yes.

Ms ABIGAIL BOYD: And then what will phase two be?

MICHAEL COUTTS-TROTTER: Phase two is payment platforms. This is really testing in the market an internal payment platform provided through the Department of Customer Service. It's a platform that enables other forms of payment to be offered by providers to agencies. And then the third element is a so-called—

CORRECTED

Ms ABIGAIL BOYD: Sorry, can you explain that bit again?

MICHAEL COUTTS-TROTTER: Not especially well. You've got my best explanation.

Ms ABIGAIL BOYD: That's okay. So payment platforms for agencies?

MICHAEL COUTTS-TROTTER: Yes. Whether you're paying online, whether you're paying at a terminal, whether you're paying by PayPal or whether you're paying by PayID, it's all of those payment forms. And, of course, they are evolving all the time. We are looking for a base platform onto which those services can be linked and provided for agencies.

Ms ABIGAIL BOYD: Is that then the customer-facing side? Is that things like Service NSW?

MICHAEL COUTTS-TROTTER: Yes, absolutely. It's the high-volume transactions for particularly Service NSW, but a lot of other agencies take them as well.

Ms ABIGAIL BOYD: That's quite a complicated piece.

MICHAEL COUTTS-TROTTER: Technically, yes.

Ms ABIGAIL BOYD: I say that having spent way too many hours looking through the merchant fees SO 52 and seeing all of the very complicated legal advice on various aspects of merchant fees and surcharges, but also which aspects of that GST is payable on et cetera. I can understand how complex that gets.

MICHAEL COUTTS-TROTTER: It's that but it's also, actually, the technology platform that we choose to use. Our objective there is to try to have as competitive a market for emerging payment services as possible. As new services emerge, could the Wild Dog Destruction Board easily take on that payment mechanism? That's the problem we're trying to solve. We're trying to make it, over time, as competitive as possible for government agencies and therefore for the people we serve. The more payment mechanisms the better, provided they all are secure, reliable and low cost.

Ms ABIGAIL BOYD: Tell me if this is something I should raise with Minister Houssos in Finance, but in terms of fixing that legal issue around surcharges, is there going to be a bit of legislation coming to fix that?

MICHAEL COUTTS-TROTTER: In terms of the policy question, it is a question for Minister Houssos. What I can tell you is that every agency has taken legal advice on whether their underpinning legislation allows them to lawfully charge merchant fees, and any agency with legal advice saying it's unlawful has stopped doing so.

Ms ABIGAIL BOYD: I suspect that's probably all of them, then, from what I understand of the law.

MICHAEL COUTTS-TROTTER: I think there were a couple of agencies that clearly did, in their foundational legislation, have the ability to charge merchant fees.

Ms ABIGAIL BOYD: I'm aware of one small one in relation to something to do with—I can't remember now. But there was a particular aspect of something to do with sheriffs. Anyway, whatever. Yes, the vast majority of them probably need a little bit of—

MICHAEL COUTTS-TROTTER: The vast majority have stopped doing it because it's not lawful.

Ms ABIGAIL BOYD: Good. Sorry, I interrupted you. Phase three?

MICHAEL COUTTS-TROTTER: Phase three is a so-called innovation component. The aim here is to get agencies to articulate a particular problem that we can then take, essentially, to the New South Wales and Australian fintech sector and say, "Here's a use case. Can you help our agency solve this problem?" The format for doing that is relatively novel; I think DCS has been doing this kind of thing for a couple of years. Essentially we'd be holding day-long sessions with a range of fintech firms to explain the nature of the agency's problem and work with them to ensure that they have enough information to come back to us with, hopefully, fresh, innovative ideas on how that problem could be solved.

Ms ABIGAIL BOYD: I think I read something about—this is probably that then—some sort of discussion around, for example, financial abuse and solutions to financial—

MICHAEL COUTTS-TROTTER: Yes, so we're asking agencies to articulate the problems they see as the most significant affecting the people they serve.

Ms ABIGAIL BOYD: I heard it reported that on that phase one piece there had been some savings. I think it was around \$40 million, maybe, in total.

CORRECTED

MICHAEL COUTTS-TROTTER: Yes, it breaks down. Mid \$20 million of that are process savings—more efficient processes, reducing costs to agencies. Five of that is because we've engaged with the banks in a different way that enables us, within the current arrangements, to more rapidly run fresh bids for pricing on services rather than undertaking the cost of a full begin-from-scratch tender process. The last element is a range of the banks offered so-called innovation funds of one kind or another. In other words, they're putting money on the table to be spent improving aspects of the service they provide to different agencies, subject to agencies putting proposals to use that money. The total value of those three things comes to \$40 million. As I say, the chief commercial element for us, in a sense, was ensuring that we maintained a healthy premium paid on the cash at bank compared to normal commercial rates, because we're such a large provider of liquidity.

Ms ABIGAIL BOYD: Just on that, you've reminded me of one of the issues that was discussed in the merchant fees SO 52. As I say, I learnt a lot from it. It was in relation to the rate of surcharge and, again, when you talked about New South Wales being so large, you would expect that we would get some sort of better deal on that. Is that going to be a phase two project?

MICHAEL COUTTS-TROTTER: Through the payment platform process, yes, absolutely. As part of the core banking services contract, I think not, but I can take that on notice and confirm that for you.

Ms ABIGAIL BOYD: Previously I have asked how much in banking fees we've been paying each year. I think when I asked maybe four years ago, it was around \$40 million or something in terms of actual fees, without savings included et cetera.

MICHAEL COUTTS-TROTTER: Yes. I don't have that figure to hand but, again, I'm happy to take that on notice and respond to you, Ms Boyd.

Ms ABIGAIL BOYD: If you could take it on notice, that would be excellent. You've got five banking partners now.

MICHAEL COUTTS-TROTTER: We do.

Ms ABIGAIL BOYD: There was talk in the articles I read about there being savings through the competition of having more, I guess, to play with.

MICHAEL COUTTS-TROTTER: Over time, definitely. Under the previous contract we had two banking providers—Westpac and ANZ. Now we've got all four majors putting in sufficiently compelling offers for us to engage with all of them. While it takes a bit for an agency to move from one banking provider to another, we are going to work over the coming years to make that switching—product by product, service by service—easier so there is, in essence, more dynamic competition within the arrangements. One of the major competitive benefits of the current process is that Transport had a single provider for its Opal transactions and that was the Commonwealth Bank. While the Commonwealth Bank for the moment maintained that business, they did face competition in this process and responded to it in the pricing they provided to Transport. Simple proposition—the credibility of competitive pressure causes people to respond.

The Hon. DAMIEN TUDEHOPE: Mr Coutts-Trotter, just to go back to the police's gold ribbon insurance, I think you told me in your last answer that it was a zero balance between the wages deal and the—I think the new scheme is the Enhanced Police Support Scheme?

LIZ LIVINGSTONE: Police Officer Support Scheme.

MICHAEL COUTTS-TROTTER: Yes, the POSS.

The Hon. DAMIEN TUDEHOPE: If you can do this on notice for me, it might be helpful: the gross cost of the wages deal with the police for 2024-25; the cost of the Police Blue Ribbon Insurance scheme for 2023-24—and I think there is a figure for that; and the cost determined for continuing in 2024-25, and what the then projected cost of the Enhanced Police Support Scheme for 2025-26 is. I won't hold you to a dollar value of zero, but—

MICHAEL COUTTS-TROTTER: No, but we had a very close look at the actuarial work and the reforms meet the tests of the Government's wages policy. There is no doubt about it.

The Hon. DAMIEN TUDEHOPE: I'm sure that's right. Can I just come to an issue of land tax? In relation to the changes to the land tax which were introduced in the 2023-24 budget under the rubric of correcting historical error in calculations by the Valuer General, is it true that this has resulted in an additional land tax of \$544 for every land taxpayer for the 2024 land tax year and \$752 for 2025?

MICHAEL COUTTS-TROTTER: I'd have to take that on notice unless my colleague has that information. I don't know, but we're happy to respond on notice.

CORRECTED

The Hon. DAMIEN TUDEHOPE: If that's not the case, can you also potentially take on notice what the additional amount of land tax per taxpayer for 2024 and 2025 is to correct that historical error?

MICHAEL COUTTS-TROTTER: We'll take that on notice.

The Hon. DAMIEN TUDEHOPE: You don't want to answer—

MICHAEL COUTTS-TROTTER: No, I'm just separating—obviously land tax rises in line with rises in the value of land. You're looking to—

The Hon. DAMIEN TUDEHOPE: Correct. In relation to the freezing of the land tax threshold, now the re-indexed 2024 rate—you're probably taking this—

MICHAEL COUTTS-TROTTER: We'll take that on notice because we would have had an estimate at the time of the half-year review but it would have preceded that change.

The Hon. DAMIEN TUDEHOPE: Would you agree that the indexing of the land tax threshold this year has added a further \$1,360 to each land tax bill for the 2025 land tax year? Again, that may be an average figure.

MICHAEL COUTTS-TROTTER: That would be an average figure and I wouldn't agree with it on principle.

The Hon. DAMIEN TUDEHOPE: You wouldn't agree with it. But, based on valuations and the like, which need to be taken into account—if not again, what would you say was the average land tax increase?

MICHAEL COUTTS-TROTTER: We'll take that one on notice.

The Hon. CHRIS RATH: I'm going to start on some questions on inflation—so maybe through you, Mr Coutts-Trotter.

MICHAEL COUTTS-TROTTER: Yes, thank you, Mr Rath.

The Hon. CHRIS RATH: Does Treasury do modelling on inflation forecasts for New South Wales or do you rely essentially on the Feds or Reserve Bank et cetera?

MICHAEL COUTTS-TROTTER: We'd take our own view, but we consult widely, particularly with the Reserve Bank.

JOANN WILKIE: That's correct.

The Hon. CHRIS RATH: So do you do modelling per se, or you're informed more by the—

JOANN WILKIE: No, we do our own modelling. Then we have a review board, essentially, that has Commonwealth Treasury, Reserve Bank and private sector financial market economists on it to test our forecasts.

The Hon. CHRIS RATH: How have we been comparing to the other States on inflation for the last year or two?

JOANN WILKIE: I'm not sure which other jurisdictions—obviously, apart from the Commonwealth—do their own inflation forecasts. I'd have to take that on notice. I'm therefore not sure what the accuracy would be. Not all jurisdictions forecast all of their own macro.

MICHAEL COUTTS-TROTTER: Are you going to forecasting accuracy or actual outcomes?

The Hon. CHRIS RATH: I'm more just interested to know where New South Wales sits with our inflation figures, I suppose both historically and in the future forecasting, in terms of comparison to the other States. Are we sort of middle of the pack? Are we much higher inflation, much lower? I take your point that the other States might not have the capacity to model as well as NSW Treasury does, but maybe if you take it on notice and provide some comparisons.

JOANN WILKIE: I don't have the other jurisdictions, but I do have our forecasts relative to the Reserve Bank and Commonwealth Treasury. For example, on headline CPI, in the half-yearly review for the year ended June 2025, the NSW Treasury forecast was 2.9 for New South Wales. For Australia, it was 2.8, and then the RBA's forecast was 2.4.

The Hon. CHRIS RATH: For Australia or for New South Wales?

JOANN WILKIE: For Australia. They do not forecast for the State. Sorry, I thought I had Commonwealth Treasury, but I just have Reserve Bank.

The Hon. CHRIS RATH: And are you able to provide anything on notice about comparisons to other States, to the extent that you might have it?

CORRECTED

JOANN WILKIE: Yes, we can provide that on notice.

The Hon. CHRIS RATH: That would be great. Has Treasury done any modelling on the impact on inflation of the 2024-25 budget?

MICHAEL COUTTS-TROTTER: Modelling, no, but we asked ourselves the question and we concluded, basically, the impact was neutral.

The Hon. CHRIS RATH: What about with regards to public sector wage increases? Does the Treasury look at what impact that would have on State-based inflation?

MICHAEL COUTTS-TROTTER: I don't know if we've done any formal modelling on it.

JOANN WILKIE: When we do the macro forecasts, one of the things that we look at, as the budget process goes through and ERC is making decisions, is the expected level of government expenditure coming through that process and, therefore, whether that would then have a material impact on the macro-economic variables that we forecast. We do it as the budget process is going on. Separately, through the industrial relations processes that are going on, we've been asked to look at things on a case-by-case basis as well.

The Hon. CHRIS RATH: But obviously some spending might have more of an impact. It's not just the quantum of spending; some types of spending might have more of an inflationary impact than others, like wages versus infrastructure.

JOANN WILKIE: Yes, that's right. The marginal propensity to save or consume is different across different cohorts. We kind of stress-test, so to speak, what we look at. But the thing that also then makes the biggest difference is just the level of money and level of demand in the economy. We essentially look at that first, and then we would stress-test it by looking at, "Is this predominantly going into consumption or investment?" and, therefore, whether that might have a varying difference.

The Hon. CHRIS RATH: Does Treasury have a working definition of productivity offset?

MICHAEL COUTTS-TROTTER: I think the best expression of that is in the wage fixing principles articulated by the NSW Industrial Relations Commission, and we made some submissions to that. At wage fixing principle 11.2 they say:

Productivity or efficiency improvements in the public sector could arise from:

- (1) delivering the same service (quality or quantity) with fewer inputs;
- (2) delivering a better service (quality or quantity) with the same inputs;
- (3) achieving a large reduction of inputs, with a relatively slight reduction in service quality/quantity; and/or
- (4) achieving a large improvement in service quality/quantity, with a relatively small increase of inputs.

You can see conceptually how they're thinking about it. Our advice on this is to test and perhaps stress-test the assumptions of some of our colleague agencies about the costs and benefits of their proposals. As the Treasurer said this morning, it's framed in a fairly open and flexible way. But the view put by the commission in that wage fixing principle, I think, gives you the boundary of the kind of things you could consider and those that you couldn't.

The Hon. CHRIS RATH: Thank you, that's very helpful. Is there a list of productivity offsets?

MICHAEL COUTTS-TROTTER: No.

The Hon. CHRIS RATH: Is there a working list within Treasury or in each department?

MICHAEL COUTTS-TROTTER: No, but I think one of the by-products of having a legislated Public Sector Wages Policy was that perhaps both sides of the industrial relationship—both employers and employees, and their representatives—probably lost some of the skills that used to be there in being able to identify and take into mutual gains bargaining ideas for productivity improvements. I think we've all been through this last round realising that we collectively, as employers, need to think harder and work a bit harder to identify some opportunities for negotiated changes with industrial counterparties that add to productivity. Police blue ribbon was actually a terrific example.

The Hon. CHRIS RATH: When we hear terms like productivity dividend, productivity saving and productivity offset, are they essentially all the same terms used interchangeably or is productivity saving more about finding reductions in costs rather than a more efficient use of inputs? If I can differentiate the—

JOANN WILKIE: I don't know whether, Liz, your—

MICHAEL COUTTS-TROTTER: Yes, Liz!

CORRECTED

The Hon. CHRIS RATH: Sorry to be so academic. It's almost an economics textbook.

MICHAEL COUTTS-TROTTER: In football it's known as the hospital pass.

LIZ LIVINGSTONE: I guess it comes to the intent of the person using the phrase. I do think people tend to use them loosely. We would usually differentiate between a productivity benefit and a cost. We'd call a cost saving a cost saving. Sometimes they arise from an improvement in productivity; sometimes there's another way to achieve a cost saving. Those three terms you listed, I imagine people use them differently all the time, and it would be the intent of the person using it that you'd have to examine.

JOANN WILKIE: To go to the final part of your question, Mr Rath, in the context of a public service agency, often when you're talking about a productivity dividend or savings or offset, it is most likely technically to be an efficiency, just given the nature of the way productivity is measured.

The Hon. CHRIS RATH: What is the impact of having public sector wage increases without those productivity offsets? That would be to some extent inflationary, I would assume.

JOANN WILKIE: The modelling we've done so far indicates it really depends on two things—or three things. The first is the extent to which you see those wage increases or the lack of productivity offsets spreading across the economy. The further the spread, then the more likely there would be inflationary pressures—and it's pressures; it's not necessarily resulting in an actual increase in inflation. That's number one. The second thing is the macroeconomic conditions at the time. There are two aspects to that. One is the spare capacity in the economy: how much slack there is between aggregate demand and aggregate supply. The less spare capacity there is, the tighter the conditions in the economy, then the more likely a spillover of wage increases across the economy is to lead to inflationary pressures and therefore to inflation. The other one is what inflationary pressures exist in the economy already. If you've already got a high inflation environment, then you're more likely, with wage increases spreading across the economy, to get inflation.

The CHAIR: It being 3.30 p.m., it is now time for a recess.

(Short adjournment)

The CHAIR: Welcome back, everyone. The time being 3.46, we will recommence with questions from the Opposition.

The Hon. CHRIS RATH: I wanted to ask about the emergency services levy, if someone could provide an update about where it's at in terms of the process.

MICHAEL COUTTS-TROTTER: Sure. I might turn to Joann Wilkie, if that's okay.

JOANN WILKIE: That's fine. It must've been November 2023 that the Premier announced the Government's intention to look at the ESL reform. In the time since then, we've done a consultation paper and an initial series of consultation. As I'm sure you're aware, Mr Rath, there have been various pieces of legislation that have gone through to enable us to collect data and that sort of thing. Where we are at the moment is processing the data that we have collected or been provided with through those various processes. We are pulling advice together for the Government's consideration to go to the next stage of the process.

The Hon. CHRIS RATH: And Treasury is still working towards a time frame of getting this done by 2027?

JOANN WILKIE: Yes. At the moment, we're working towards that sort of time frame.

The Hon. CHRIS RATH: The IPART, which has been engaged as the insurance monitor, is only funded for three years. Do you think that it's achievable to get the reform done on that horizon?

JOANN WILKIE: It's really a matter for government. We're working in terms of as we provide advice on what the data is telling us, in terms of what the impact of various reform options might be, and then probably the need to do further consultation at some point. It's a matter for government in terms of how many questions they have for us as we provide them advice around options.

The Hon. CHRIS RATH: There are four different options from the discussion paper. Is that right?

JOANN WILKIE: There were four different options that were consulted on in the discussion paper. That's right.

The Hon. CHRIS RATH: So basically you're providing all of the data and information, and then the Treasurer is going to have to make a decision about which of the four potential options—

CORRECTED

JOANN WILKIE: Yes. The Treasurer will then need to take that to Cabinet, the ERC et cetera.

The Hon. CHRIS RATH: And there's consultation taking place with the insurers, local councils and emergency services?

JOANN WILKIE: That's right. We're not doing a formal consultation process at the moment. As with any data-gathering process, there's a requirement to understand the data you've got and cleanse it for your purposes. There has been a series of question-and-answer sessions, so to speak, with the people who provided the data so that we can best understand it. There's not a formal consultation process going on at the moment. Consultations are more in the space of technical conversations around things like the data.

The Hon. CHRIS RATH: Putting the ESL to one side, is the Treasury undertaking any work about new, additional forms of revenue or new taxes?

MICHAEL COUTTS-TROTTER: Every treasury, from time to time, is looking at revenue options. Over time, New South Wales has been no different. The question of policy choice is a matter for government.

The Hon. CHRIS RATH: In terms of savings, this \$13 billion figure that the Treasurer has recently cited—

MICHAEL COUTTS-TROTTER: Savings and reprioritisations, broadly fifty-fifty within the \$13 billion.

The Hon. CHRIS RATH: Can you give some indication about what's included in that \$13 billion?

MICHAEL COUTTS-TROTTER: A variety of things that have been canvassed.

The Hon. CHRIS RATH: What are the big-ticket items?

MICHAEL COUTTS-TROTTER: Liz, could you help me on this one? I haven't gone back to the list for a while.

LIZ LIVINGSTONE: These were all from the 2023-24 budget. There's a few that were also election commitments, so savings on consultants and labour hire—they were included. There were some grants programs that I think were repurposed or ceased. If I have a few minutes, I can probably find a list of them for you.

MICHAEL COUTTS-TROTTER: The status update is that of the \$13 billion as at the end of December, 64 per cent of that's done and the rest is on track.

The Hon. CHRIS RATH: Has there been any work done to look at savings beyond that \$13 billion, or you're still working within that \$13 billion?

MICHAEL COUTTS-TROTTER: Agencies, as a matter of necessity, are doing that all the time. It's a pretty tough budget process. It's a very constrained fiscal environment, so people are obviously looking for options to reprioritise within their existing budgets to deal with new challenges that arise. Some of that we don't see and don't need to see. We have a budget to support the Government to produce for 2025-26. It may be that there needs to be additional savings and efficiencies through that process, but we're yet to get direction on that.

The Hon. CHRIS RATH: Surely agencies aren't too enthusiastic about coming forward with savings.

MICHAEL COUTTS-TROTTER: In an environment where you get a big gold star from the Treasurer and the Premier, actually you can create a climate where people proudly tell senior Ministers about the successful reprioritisations they've made.

The Hon. CHRIS RATH: I have some questions now on the Regional Growth Fund and the Working Regions Fund. Is there someone who can answer those?

LIZ LIVINGSTONE: We'll see if we can answer or whether it's better directed to the Minister.

The Hon. CHRIS RATH: Or take on notice if there are things you can't answer, because I know it's quite specific. In the 2023-24 budget, there was an announcement of \$250 million for the Working Regions Fund. Did that come out of the previous Government's Regional Growth Fund or was it a separate item?

LIZ LIVINGSTONE: I can't recall which fund that might have been reallocated from, but we could take that on notice.

MICHAEL COUTTS-TROTTER: We can take that on notice. We'll have to, I'm afraid.

The Hon. CHRIS RATH: Has any additional funding been allocated to the Working Regions Fund since it was first announced?

CORRECTED

LIZ LIVINGSTONE: I don't think so, but, again, I'm happy to check.

The Hon. CHRIS RATH: I have a handful of questions. I might put them as supplementary questions. It might be easier than asking you now. Can someone help me with the future of Glebe Island port? Or at least try to help me.

SONYA CAMPBELL: We can try.

MICHAEL COUTTS-TROTTER: We can try.

The Hon. CHRIS RATH: First question, where's the review up to?

MICHAEL COUTTS-TROTTER: It's being led by colleagues in the Cabinet Office. I'll just let my colleagues have a bit of a ferret around their notes.

SONYA CAMPBELL: The extent of my notes is that the review is obviously underway, led by the Cabinet Office, and is subject to a Cabinet process and decisions, and questions should be referred to the Minister for Transport.

The Hon. CHRIS RATH: No worries. I won't ask them. The final one that I've got—and I am jumping around a host of different issues—is about the Housing and Productivity Contribution. Is that something I can ask you about, Mr Coutts-Trotter?

MICHAEL COUTTS-TROTTER: Yes. I am happy to see how we go.

The Hon. CHRIS RATH: Has the \$6 million that the Housing and Productivity Contribution raised from its inception in October 2023 to June 2024 been in accordance with the Government's projections?

MICHAEL COUTTS-TROTTER: With the question about the first year, I am not sure. But the half-year review did downgrade, over the budget year and the forward years, the anticipated revenue from the Housing and Productivity Contribution. The reason for that, of course, is that a range of developments have been slow to get going, fundamentally because they have not been economic in the current environment. We reduced our anticipated revenue from the HAPC by \$314 million over four years to 2027-28. That is published in the half-year review.

The Hon. CHRIS RATH: That is previous and forecast?

MICHAEL COUTTS-TROTTER: I'm not sure about the 2023-24 year and whether we received less than, the same as or more than we were forecasting. I can take that on notice.

LIZ LIVINGSTONE: I can answer that. The 2023-24 year was when we received the \$6 million. At the half-year review, the projections were reduced—

MICHAEL COUTTS-TROTTER: By \$1 million.

LIZ LIVINGSTONE: Approximately, across the forward years.

The Hon. CHRIS RATH: So it went from \$6 million down to \$5 million? It went down \$1 million for the 2024-25 year?

MICHAEL COUTTS-TROTTER: Was the \$6 million what we were forecasting in that year?

LIZ LIVINGSTONE: For 2023-24, I think we were forecasting \$5.7 million, and we got \$6 million by the latest forecast before the actuals were known. Then the forward estimates were reforecast. I expect, given the latest information, that they will be revised again for the budget.

The Hon. CHRIS RATH: It is largely dependant on new supply coming online, I assume, for what that figure looks like.

MICHAEL COUTTS-TROTTER: It is at the point, as you know, of the construction certificate. So, yes.

The Hon. CHRIS RATH: What work has the Treasury done with respect to identifying and costing projects that will form part of the infrastructure opportunity plans that were supposed to be announced by the end of 2023?

MICHAEL COUTTS-TROTTER: Sorry, the infrastructure opportunity plans? Is that related to the HAPC?

The Hon. CHRIS RATH: I think so, yes.

MICHAEL COUTTS-TROTTER: Liz, are you familiar with those?

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LIZ LIVINGSTONE: No.

TOM GELLIBRAND: That is not so much a matter for Treasury, and more a matter for the Department of Planning, Housing and Infrastructure. As part of the HAPC, they are developing those opportunity plans to identify which infrastructure would be paid for by the productivity contribution, so there is a connection between the charge and future expenditure. Those plans are being developed by Planning.

The Hon. CHRIS RATH: When will they be announced?

TOM GELLIBRAND: That's a very good question. I understand they have got draft documents that they are reviewing, but I am not aware of any date for having them completed.

The Hon. CHRIS RATH: As in, the planning department is reviewing them or the Minister?

TOM GELLIBRAND: Yes.

The Hon. CHRIS RATH: What is the timeline that the Treasury is working on to support the Treasurer and the Minister for Planning and Public Spaces to take forward an infrastructure spend to Cabinet for approval?

LIZ LIVINGSTONE: That happens as part of the budget process every year.

The Hon. CHRIS RATH: Is there a governance framework for the IOPs—is that the working acronym you use?

MICHAEL COUTTS-TROTTER: We turn everything into an acronym, so yes, of course.

The Hon. CHRIS RATH: Is there a governance framework for the IOP infrastructure prioritisation process that has been agreed across government?

LIZ LIVINGSTONE: It's under development, as far as I'm aware. The principles are being developed and so forth.

The Hon. CHRIS RATH: How much of the \$520 million of infrastructure funding for TOD accelerated precincts will be funded by the Housing and Productivity Contribution, from Treasury's perspective?

LIZ LIVINGSTONE: I'm not sure it's directly linked.

MICHAEL COUTTS-TROTTER: I think that was Consolidated Fund.

LIZ LIVINGSTONE: Yes. The funding that has already been allocated is just based on funding available to government from the Consolidated Fund.

The Hon. CHRIS RATH: Is the \$520 million that's budgeted over the forward estimates already baked in?

MICHAEL COUTTS-TROTTER: That's my recollection, yes.

LIZ LIVINGSTONE: And mine. We can double-check, but I think that's right.

The Hon. CHRIS RATH: Over what timeline will that funding be delivered?

LIZ LIVINGSTONE: I'm not sure.

MICHAEL COUTTS-TROTTER: We'll take it on notice. Mr Gellibrand is doing a puzzled face.

TOM GELLIBRAND: Yes, it's also unclear to me, so it might be safest to take that one on notice.

MICHAEL COUTTS-TROTTER: That's our best recollection, but we'll confirm on notice.

The Hon. DAMIEN TUDEHOPE: I've become increasingly concerned at this. How much is in the Snowy Hydro Legacy Fund?

DAVID DEVERALL: The number I gave before was \$1.87 billion.

The Hon. DAMIEN TUDEHOPE: The purpose of the Snowy Hydro Legacy Fund, created under the Act, is as follows:

- (1) The purpose of the Fund is to improve economic development in regional New South Wales and, for that purpose, to fund infrastructure projects that primarily benefit regional New South Wales.
- (2) It is the intention of Parliament that the total payments from the Fund for approved regional infrastructure projects will be equivalent to the value of the proceeds of the sale by the State of its interest in Snowy Hydro Limited to the Commonwealth.

I'm just reading from the Act, so you'll probably agree with me. There's another provision contained in that same Act of Parliament. It states:

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There is payable from the Fund the following—

- (a) any money required to fund all or any part of the cost of an approved regional infrastructure project,
- (b) any money required to meet administrative expenses related to the Fund,
- (c) any money directed or authorised to be paid from the Fund by or under this or any other Act or law.

Am I led to believe that, pursuant to the Government Sector Finance Act, which we have passed, that money can be taken out of that fund for other than those purposes?

MICHAEL COUTTS-TROTTER: Yes, it's a good question. I think we'd need to take that on notice and respond to you. It's a question that deserves a thoughtful response.

The Hon. DAMIEN TUDEHOPE: Section 10 (3B) of the Government Sector Finance Act provides that:

- (2) This section has effect despite a provision of this Act or another Act or law placing limitations on payments into or out of a relevant fund.

Is it the case that the Treasurer will seek to rely on that provision to override the purposes of this Act and the payments out of the fund which was created pursuant to this Act?

MICHAEL COUTTS-TROTTER: I can't anticipate what the Treasurer will or won't do, but I understand the point you're making, so we'll take on notice the question you've framed.

The Hon. DAMIEN TUDEHOPE: To that end, I think you were indicating to me earlier, Mr Coutts-Trotter, that there was a set of guidelines to be set up relating to the manner in which transfers are made in and out of the funds.

MICHAEL COUTTS-TROTTER: Yes, so transfers could happen between some but not all of the funds.

MARINA van der WALT: And only those funds within the Master Fund.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: Can I ask about parameter and technical variations? There is a policy on parameter and technical variations. It's not strictly applied, and agents are able to move money around. They try to paint these movements and they hide issues relating to the manner in which they are making payments. In the budget papers, *Budget Paper No. 1*, Table 5.1, page 5-2, the table refers to \$1.7 billion in parameter and technical variations, rising to \$2.6 billion in 2025-26.

MICHAEL COUTTS-TROTTER: This is a footnote to the table?

LIZ LIVINGSTONE: It's the last line along here.

MICHAEL COUTTS-TROTTER: Yes, sorry.

The Hon. DAMIEN TUDEHOPE: Can you provide a list of the technical and parameter adjustments for this year and forward years?

MICHAEL COUTTS-TROTTER: Oh, my gosh. How many how many acres of forest do you want us to slay? There's a very, very—

The Hon. DAMIEN TUDEHOPE: I've seen the sheets.

MICHAEL COUTTS-TROTTER: I'm sure you have. They are advice to Cabinet, so we can take it on notice.

The Hon. DAMIEN TUDEHOPE: Take it on notice. While you're taking it on notice, I also want to know what agencies have requested PTAs for 2024-25.

LIZ LIVINGSTONE: You could almost say "all of them", but it would be close to that.

The Hon. DAMIEN TUDEHOPE: Can you identify the biggest PTAs that make up the number in 2024-25 and 2025-26.

LIZ LIVINGSTONE: Again, all of that information will be provided to Cabinet and its committees to prepare for the budget.

The Hon. DAMIEN TUDEHOPE: I take it that normal practice is that they would have to be approved by the Treasurer or his office.

MICHAEL COUTTS-TROTTER: Yes. Actually, ultimately by the Expenditure Review Committee on the recommendation of the Treasurer. Just to assure you as a taxpayer, there is a very significant degree of scrutiny

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applied to parameter and technical adjustments. There is a real distinction drawn between parameter adjustments and technical adjustments. Technical adjustments, by and large, as you well know, are driven by the requirements of accounting policy. But parameter adjustments do present the Government with a policy choice or a discretionary choice. For example, a call centre experiences an increase in demand, and the anticipated call handling time of three minutes blows out to four minutes. There could be a parameter bid saying, "We need 20 more people to bring it back down to three minutes." I think in times when the budget was in a much stronger position, that probably didn't get a lot of scrutiny. That would get a lot of scrutiny now.

The Hon. DAMIEN TUDEHOPE: So there is a new parameter and technical policy document?

MICHAEL COUTTS-TROTTER: The policy is just being very, very closely and rigorously applied.

The Hon. DAMIEN TUDEHOPE: The existing policy is now much more vigorously—

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: It's probably something that I will develop at a future estimates. I put you on notice of that. Could I ask about measures statements?

MICHAEL COUTTS-TROTTER: Yes, you can.

The Hon. DAMIEN TUDEHOPE: Has Treasury given advice to the Treasurer about including a more robust measures statement in his budget statement?

MICHAEL COUTTS-TROTTER: Advice to the Treasurer through a budget process is appropriately confidential.

The Hon. DAMIEN TUDEHOPE: But is Treasury seeking more rigorous measures statements?

MICHAEL COUTTS-TROTTER: The fundamental test is: Does the budget satisfy the requirements of the relevant legislation.

The Hon. DAMIEN TUDEHOPE: And best practice.

MICHAEL COUTTS-TROTTER: Indeed. We present a whole range of policy options for government about the presentation of the budget. The major issue at the moment, of course, is decisions the Government needs to take about the Performance and Wellbeing Framework and how that's framed and how that's presented in the 2025-2026 budget. So we're always in favour of trying to observe good practice in other jurisdictions and reflect it in our own. We keep a close eye on innovations in other States' budget presentations.

The Hon. DAMIEN TUDEHOPE: Who prepared the evidence on behalf of Treasury, in relation to the application by the Nurses and Midwives' Association in the industrial commission, as to the current economic and fiscal position?

LIZ LIVINGSTONE: It's not due yet, so that evidence hasn't been finalised or prepared, but—

The Hon. DAMIEN TUDEHOPE: We were told it had been.

LIZ LIVINGSTONE: For nurses and midwives?

The Hon. DAMIEN TUDEHOPE: Correct.

LIZ LIVINGSTONE: That's not my recollection, Joann, unless you've got a different recollection. I haven't submitted any evidence for nurses.

JOANN WILKIE: No, not nurses.

LIZ LIVINGSTONE: Their hearing is—

The Hon. DAMIEN TUDEHOPE: For the FBEU, has it been provided?

LIZ LIVINGSTONE: Yes.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: Who did that work?

LIZ LIVINGSTONE: I prepared the fiscal evidence—or people helped me prepare the fiscal evidence that I submitted as an expert witness—and Ms Wilkie and her team, similarly, prepared economic evidence.

The Hon. DAMIEN TUDEHOPE: Are you prepared to table that document?

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LIZ LIVINGSTONE: I understand that given that it's a legal proceeding and that the secretary sponsors that proceeding—and I'm not sure who it is in the Fire and Rescue case—because they sought the evidence from us, it's a decision for them whether they provide it to other parties.

MICHAEL COUTTS-TROTTER: That would be Secretary Tidball, probably, but we can confirm that.

The Hon. DAMIEN TUDEHOPE: In terms of the claim being made by the FBEU, do we say that their claim is unaffordable?

LIZ LIVINGSTONE: One comment I'd make on this case in particular is that it's a complex funding arrangement, because it is majority funded through contributions from the insurance industry through the emergency services levy.

MICHAEL COUTTS-TROTTER: Policyholders, actually.

LIZ LIVINGSTONE: Policyholders passed on from the insurance industry and local government. That covers just over 85 per cent of the cost, and then a small portion comes from government funding.

The Hon. DAMIEN TUDEHOPE: Do I read into that that the position is that those local government agencies couldn't bear the additional impost arising from a wages claim, as is being sought by the FBEU?

LIZ LIVINGSTONE: Could you repeat that question? Are you asking about local governments and their cost?

The Hon. DAMIEN TUDEHOPE: I think your evidence just then was that it's a complex arrangement—

LIZ LIVINGSTONE: Yes, the funding.

The Hon. DAMIEN TUDEHOPE: —because the funding for the fire brigade—

MICHAEL COUTTS-TROTTER: The majority is borne by policyholders, a small share borne by ratepayers—

The Hon. DAMIEN TUDEHOPE: Local government.

MICHAEL COUTTS-TROTTER: —and the smallest share borne by State taxpayers.

The Hon. DAMIEN TUDEHOPE: So the evidence would go to the impact on insurance premiums.

LIZ LIVINGSTONE: There were two sets of evidence, sorry. I provided fiscal; my colleague Ms Wilkie provided the economic evidence. The fiscal evidence focused on the impact on government contributions. Ms Wilkie's evidence took into account the flow-through impacts—

JOANN WILKIE: No, we didn't specifically look at what would happen with the increase to policyholders specifically, because wage rates are just one thing that goes to the cost of providing emergency services.

The Hon. DAMIEN TUDEHOPE: So what evidence was there provided in respect of the economic impact on the State of this claim?

JOANN WILKIE: For this claim, we looked at—for each of these wage cases, on the economic evidence side, what we are doing is providing for the IRC—well, it depends on what we're instructed to do. But, largely, what we're doing—and it goes partly to my answer to Mr Rath previously—is doing a series of scenarios looking at what is the impact on the economy in terms of unemployment, GSP and inflation for the IR secretary's offer, for the union's request, and then looking at a series of scenarios of different spillovers across the economy in terms of—

The Hon. DAMIEN TUDEHOPE: So a wage rise may have an impact on inflation?

JOANN WILKIE: As I said previously, impact on inflation is, shall we say, more likely if you have broad spillover across the economy, not just to the rest of the New South Wales public sector or to other public sectors but broadly into the private sector as well, and then on the macro-economic conditions prevalent in the economy at the time. It depends. It's a very economist answer: It depends.

The Hon. DAMIEN TUDEHOPE: How many meetings have you had with the rating agencies?

MICHAEL COUTTS-TROTTER: We, Treasury?

The Hon. DAMIEN TUDEHOPE: Yes, Treasury.

MICHAEL COUTTS-TROTTER: Since when? Since 1856?

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The Hon. DAMIEN TUDEHOPE: Prior to the last determination by Moody's, S&P and Fitch.

MICHAEL COUTTS-TROTTER: I would take that on notice because I've participated in some but not all of them. I'll take that on notice to give you an accurate answer.

The Hon. DAMIEN TUDEHOPE: Were there briefing notes provided or prepared for those discussions?

MICHAEL COUTTS-TROTTER: Briefing notes provided for participants? Yes.

The Hon. DAMIEN TUDEHOPE: Are those briefing notes available?

MICHAEL COUTTS-TROTTER: Some of them have been obtained under a Standing Order 52 by one of your colleagues, so they're available.

The Hon. DAMIEN TUDEHOPE: Are there documents that haven't been produced pursuant to that standing order?

MICHAEL COUTTS-TROTTER: Almost certainly.

The Hon. DAMIEN TUDEHOPE: Documents which haven't been provided—are you prepared to make those available?

MICHAEL COUTTS-TROTTER: I'll take that under advice and respond to you.

The Hon. DAMIEN TUDEHOPE: Including the talking points which may have been made available for the Treasurer?

MICHAEL COUTTS-TROTTER: I'll take that on notice. I'm pretty sure the documents that I've seen in a Standing Order 52 were of that nature.

The Hon. DAMIEN TUDEHOPE: In those discussions with the credit rating agencies, what risks did they identify as being the greatest risks for the New South Wales economy?

MICHAEL COUTTS-TROTTER: That's for the ratings agencies to describe for themselves, which of course they do in their published reports.

The Hon. DAMIEN TUDEHOPE: But they must have had conversations with you.

MICHAEL COUTTS-TROTTER: It's not appropriate for me to share those discussions. As I say, it's appropriate they speak for themselves, and they do very clearly through their published reports and commentary they provide in support of those reports.

The Hon. DAMIEN TUDEHOPE: That's all the questions I have for you today, Mr Coutts-Trotter. I foreshadow that I will have lots more next time.

The CHAIR: In the absence of any more questions, are there any answers?

MICHAEL COUTTS-TROTTER: Yes.

The CHAIR: There are some answers.

MICHAEL COUTTS-TROTTER: There's been a slew of questions, but we have one answer. Chair, this is in response to your query about the operators. How do we work out how much POC is liable to be paid in New South Wales. This is a quick description. Under the Betting Tax Act, section 13L, the wagering operator must, when receiving a bet, take reasonable steps to identify the location of the person making the bet. The legislation allows for the operators to rely on an individual's residential address, or a principal place of residence for a business, to be the person's location—the better's location. Based on that information, the wagering operators report and pay the betting taxes, including point of consumption tax, to the relevant State governments. Liquor and Gaming NSW has, among its regulatory priorities, detailed proactive revenue audits of betting service providers relating to their point of consumption tax obligations to confirm appropriate payment of the tax by online wagering operators.

I suppose in your scenario, if you were a very significant gambler, you could pretend you live in Darwin when you actually live in New South Wales, but there would be ways of confirming from other sources of information where you've registered your principal place of residence. There'd be ways for colleague agencies to assess that. Just thinking about that example, if you had a harbourside mansion in Sydney but pretended you lived in Darwin, you'd be paying land tax on your harbourside mansion in Sydney, so that would be a disincentive to be dishonest. Anyway, there are powers for Liquor and Gaming NSW to undertake audits, and it is part of their proactive audit program.

The CHAIR: That's interesting. Thank you very much. I appreciate that.

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SONYA CAMPBELL: Chair, I can provide a couple of answers to Ms Ward's questions, if I may. To the question of how many times has the State's negotiation team met with the toll road concessionaires this year, the answer is six. I can provide the dates for the Committee, if you wish. I can also confirm that so far this year the toll reform steering committee has convened twice.²

The CHAIR: Thank you. Ms Livingstone?

LIZ LIVINGSTONE: Could I also confirm that the Working Regions Fund was a reservation in Restart; it's not taken funding from the former Government's Regional Growth Fund, and there's been no addition since the original \$250 million reservation.

The Hon. CHRIS RATH: Thank you.

The CHAIR: Thank you very much, everyone. A lot of things were taken on notice but, as usual, in due course the secretariat will be in contact with you for some answers to those. Again, thank you for the work you all do for the people of New South Wales and thank you for coming to this hearing today and sitting on these incredibly uncomfortable chairs for eight hours being grilled by us. We very much appreciate that.

(The witnesses withdrew.)

The Committee proceeded to deliberate.

² In [correspondence](#) to the committee dated 1 April 2025, Ms Sonya Campbell, Deputy Secretary, Commercial, NSW Treasury provided a clarification to her evidence.