

GENERAL PURPOSE STANDING COMMITTEE No. 1

Monday 13 September 2004

Examination of proposed expenditure for the portfolio area

TREASURY, AND STATE DEVELOPMENT

The Committee met at 8.00 p.m.

MEMBERS

The Hon. P. T. Primrose

The Hon. T. Catanzariti
The Hon. C. Cusack
Ms L. Rhiannon

The Hon. D. J. Gay
The Hon. E.M. Roozendaal

PRESENT

The Hon. M. R. Egan, *Treasurer, Minister for State Development, and Vice-President of the Executive Council*

New South Wales Treasury

Mr M. Ronsisvalle, *Acting Secretary*

Mr P. Achterstraat, *Executive Director, Office of State Revenue*

Mr B. Robertson, *Director, State Debt Recovery Office and Infringement Processing Bureau*

Department of State and Regional Development

Mr Loftus Harris, *Director General, Department of State and Regional Development*

CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS

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

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

CHAIR: I declare this meeting open. There are a few procedural things to do first. Members are advised that there is no provision for written questions upon notice for budget estimates this year. Any written questions of the Committee relating to portfolio responsibilities after the hearing need to be lodged in the House in accordance with the usual procedures for questions upon notice. While the budget estimates resolution does not prescribe procedures for the following matters, the committee has previously determined that, unless the Committee resolves otherwise, witnesses are to be requested to provide answers to oral questions taken on notice during the hearing within 35 calendar days. The Committee has resolved to leave the sequence of questioning in the hands of the Chair. As per the previous hearing, I propose to do it in 20-minute lots, commencing with the Opposition, then the crossbench, then the Government.

Broadcasting of procedures before the questioning of witnesses commences: I remind Committee members that the Committee has previously authorised the broadcasting of all of its public proceedings. Should it be considered that the broadcasting of these proceedings be discontinued, a member would be required to move a motion accordingly. I also wish to advise that the Hon. Duncan Gay is substituting for the Hon. Robyn Parker, and the Hon. Tony Catanzariti is substituting at this meeting for the Hon. Ian West.

I declare this meeting open to the public. I welcome you to this public hearing of General Purpose Standing Committee No. 1. First I thank the Treasurer and departmental officers for attending today. We will consider the estimates relating to New South Wales Treasury and the Department of State and Regional Development. There are a few other procedural matters to deal with. Broadcasting of proceedings: I point out that in accordance with the Legislative Council's Guidelines for the Broadcast of Proceedings, which are available from the attendants and the Clerks, only members of the Committee and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In recording the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place upon anything that is said before the Committee.

In terms of the delivery of messages, there is no provision for members to refer directly to their own staff while at the table. Members and their staff are advised that any messages should be delivered through the attendant on duty or the Committee Clerks. For the benefit of members and Hansard, could departmental officials identify themselves by name, position, and department or agency before answering a question referred to them. As I have indicated, I propose to allow questioning on any portfolio area in 20-minute lots. I declare open the proposed expenditure examination. Minister, do you have a brief opening statement?

The Hon. MICHAEL EGAN: I might just introduce my officers who are with me. On my right is Mr Loftus Harris, who is the Director General of the Department of State and Regional Development. On my left is Mark Ronsisvalle, the Acting Secretary of the Treasury in the absence of Mr John Pearce, whom I have sent to the University of Boston, and on his left is Mr Peter Achterstraat, who is also from the Treasury. Peter is the head of the Office of State Revenue. On his left is Mr Brian Robertson, who is the Director of the State Debt Recovery Office and also the Infringement Processing Bureau, which is something I inherited recently.

CHAIR: Thank you. In relation to questions, I will ask the Opposition to begin.

The Hon. DUNCAN GAY: Thank you, Mr Chairman. Treasurer, the 2004-05 budget papers, when discussing the reforms in relation to total asset management, state that one of the advantages of the reforms includes "removing the past bias towards acquisition of new capital assets at the expense of appropriate asset maintenance". That is stated in Budget Paper No. 4 at page 31. Treasurer, do you concede that the Government has underfunded maintenance of its infrastructure and assets?

The Hon. MICHAEL EGAN: Mr Gay, I think in a lot of areas for a long time, going back probably 20 or 30 years, there has been inadequate maintenance in some areas. The one I have in mind particularly is in the Department of Housing. We have been trying to catch up there. We have also been trying to catch up on the maintenance backlog in the Department of Education and Training. That is one of the reasons for, over the last few years, significant increases in that area.

The Hon. DUNCAN GAY: Treasurer, because of this new total asset management, will there be a budget impact as a result of the reforms? For example, will the spending of more money on maintenance mean that you will be spending less in other areas or on capital works?

The Hon. MICHAEL EGAN: Our capital works budget has been increasing quite substantially. It is now well over \$7 billion, with approximately half in the general government sector and half in the government business enterprise sector. Maintenance is a recurrent expenditure and it is one of the reasons why a recurrent budget has also been growing quite substantially.

The Hon. DUNCAN GAY: Treasurer, is it true that the Treasury believes that only five of your Government agencies are capable of procuring a project worth over \$1 million and all others would be subject to using expert assistance from Treasury?

The Hon. MICHAEL EGAN: I am not sure that that is the way I choose to put it. There are a few big agencies that are quite expert at procurement. The others are not involved in procurement to the extent that, I think, the five are that you mentioned, so in those circumstances I think it is appropriate that they do receive assistance. For example, I would not expect the Roads and Traffic Authority to need any outside assistance in that regard. It is part of their core function. They are experts at it and I do not think there is much that Treasury could tell them about it.

The Hon. CATHERINE CUSACK: Treasurer, is it fair to say that not all departments are now entitled to make bids for capital works funding?

The Hon. MICHAEL EGAN: No. Let us put it this way: at each budget we review the bids that agencies make, and at each budget we invite some agencies to make bids and others not to make bids, depending on the Government's overall priorities at the time and the pressures that are upon the public purse.

The Hon. CATHERINE CUSACK: So what is first bid process, before you are asked to make a second bid? How do you describe that new process?

The Hon. MICHAEL EGAN: Well, Ministers raise things with me. Agencies raise things with Treasury. We sift that out and in the formal budget process we invite certain agencies to make bids.

The Hon. CATHERINE CUSACK: Is that on the merit of the bids or the relative priority of the agency in the Government's sort of thinking?

The Hon. MICHAEL EGAN: Well, it would depend on your year and what the Government saw as the priorities for the next budget.

The Hon. CATHERINE CUSACK: So how many agencies were invited to make bids for capital works funding?

The Hon. MICHAEL EGAN: How many, do you know?

Mr RONSISVALLE: I could not give you an exact answer for the last financial year, but it was a limited number that actually were asked to make bids last financial year.

The Hon. CATHERINE CUSACK: Could you give us that list of agencies?

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Treasurer, given that there are only five agencies that are able to procure over \$1 million, does that mean that you have not got confidence in the other agencies?

The Hon. MICHAEL EGAN: No, I explained to you—

The Hon. DUNCAN GAY: Does that mean that they are not up to standard?

The Hon. MICHAEL EGAN: —the Government of New South Wales and its agencies are probably the biggest purchaser of goods and services in Australia—I think we would exceed the Commonwealth Government—so we spend a lot of money in that area and we are a government that tries to get the best value for money. So we have put in place a new procurement process, and one of the things we have put in place is the measure that you are referring to. There are a number of very large agencies who have, as their core function almost, the procurement of goods and services. We have nothing to teach them, but with the small agencies, we believe we can help them.

The Hon. DUNCAN GAY: How do you explain that a department like housing gets a tick, yet the State Transit Authority and education is a no, Corrective Services is a no, and the Department of Health is a no. Does that not back up my point that you really have not got confidence in those departments at this stage?

The Hon. MICHAEL EGAN: No, I would not say that. I am not sure whether those agencies are those that go their own way or not. Are you aware of that?

Mr RONSISVALLE: Certainly the Department of Corrective Services is an agency which procures a gaol or is required to build a gaol intermittently, and the level of expertise that they retain between those projects—it is not a core function—and that they do it intermittently means that they do need assistance when they actually need to build a prison.

The Hon. DUNCAN GAY: So you do not trust them.

The Hon. MICHAEL EGAN: Oh, that is silly.

The Hon. DUNCAN GAY: Treasurer, in November 2002, you said that you would save \$400 million per annum through better government purchasing. Has that saving been achieved?

The Hon. MICHAEL EGAN: Mr Ronsisvalle might help me there, but I am not sure that it is easily identifiable because we are actually spending more and that is because we are buying more things.

The Hon. DUNCAN GAY: Minister, you did make this statement—and I quote from the first paragraph of your press release of 7 November—"The New South Wales Government is on track to achieve savings of approximately \$400 million annually". If you cannot quantify, why did you make the statement?

The Hon. MICHAEL EGAN: We are always trying to make significant savings, and at that time we estimated that we could make significant savings. I think we are probably on track to doing that, but it is a very difficult thing to quantify.

The Hon. DUNCAN GAY: Treasurer, I will come back to that. Can you tell us what is the current estimate of the budget deficit?

The Hon. MICHAEL EGAN: Yes. The current estimate of the budget deficit is the amount which was in the budget itself. We do not review that until the mid-year budget review. We do not make a daily—we do not estimate that daily. We make two estimates: one is at budget time, and one is at the time of the mid-year review, which is usually in late December.

The Hon. DUNCAN GAY: You must have a running sheet on where it is going?

The Hon. MICHAEL EGAN: No.

The Hon. DUNCAN GAY: You must get general advice.

The Hon. MICHAEL EGAN: No, because—well, my general feel is that it is on track, as you would expect it to be at this time of the year.

The Hon. DUNCAN GAY: So all figures that you are receiving at the moment are on track?

The Hon. MICHAEL EGAN: No, there is always a variation. There are ups and downs. In a budget of \$38 billion—

The Hon. DUNCAN GAY: What is up?

The Hon. MICHAEL EGAN: I am not sure yet. I have not seen—

The Hon. DUNCAN GAY: Nothing?

The Hon. MICHAEL EGAN: —a revision of the budget. But every year, every day, there are things that are up and down. In a budget of \$38 billion, that is par for the course every single day, so you do not take a snapshot every single day of the year. It would be an impossible task.

The Hon. CATHERINE CUSACK: What sort of reporting do you receive on the budget deficit?

The Hon. MICHAEL EGAN: I receive—after a few months of the financial year, we start getting the monthly financial statement. That usually does not start until around about September for the financial year that begins on 1 July, so probably at some stage this month we will get the monthly financial statement for July. And that is made public, by the way.

<2>

The Hon. CATHERINE CUSACK: Do you get feedback from departments about their best estimate of how they are going?

The Hon. MICHAEL EGAN: No, I do not get them at this stage.

The Hon. CATHERINE CUSACK: But later in the year you get that?

The Hon. MICHAEL EGAN: I would expect agencies that were experiencing some change to their expenditures or revenues to give us plenty of notice well before the end of the financial year.

The Hon. CATHERINE CUSACK: Are they good at doing that? No surprises?

The Hon. MICHAEL EGAN: In the past some have been and some have not been, but they are getting the message that we do not like last-minute shocks. We like to know along the way what is happening. Mind you, it is very difficult sometimes for them to estimate precisely, but they do that as best they can.

The Hon. DUNCAN GAY: Treasurer, does the Government still expect to receive \$690 million from vendor duty this year?

The Hon. MICHAEL EGAN: We have not revised that estimate, no.

The Hon. DUNCAN GAY: So you still expect to receive it?

The Hon. MICHAEL EGAN: Well, we have not revised it.

The Hon. DUNCAN GAY: Does that mean you still expect to receive it?

The Hon. MICHAEL EGAN: Well, we have not revised it. We would be looking at the estimates.

The Hon. DUNCAN GAY: Are you looking to revise it?

The Hon. MICHAEL EGAN: In December we will be looking at most things, yes, but we do not make a revision on either our expenditures or our revenues every minute of the day. I do not know whether you have noticed, but there is a hell of a lot of work that goes into those documents. Those documents are produced as at a certain date; there is a cut-off.

The Hon. DUNCAN GAY: Treasurer, come one! Having not revised it, honestly, is not an answer to the question. It is just smoke and mirrors.

The Hon. MICHAEL EGAN: Do not think you can bluster your way through.

The Hon. DUNCAN GAY: That is what you are doing.

The Hon. MICHAEL EGAN: We cannot produce a set of those papers every day of the year. We do not try to do that. We have a budget that comes down in May or June every year and we do a mid-year up-date in December.

The Hon. DUNCAN GAY: Treasurer, recently it was reported that Treasury had received only \$10 million in vendor duty for the month of July.

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: How much vendor duty revenue did the Government receive in August?

The Hon. MICHAEL EGAN: My understanding is that it is in excess of \$20 million, about \$20.6.

Mr RONSISVALLE: It was up a bit, \$24 million.

The Hon. DUNCAN GAY: So that is considerably down in both months on your estimates?

The Hon. MICHAEL EGAN: It is considerably down on a monthly basis, yes.

The Hon. DUNCAN GAY: And you would still say that you have not reviewed the situation and you expect to receive \$690 million in vendor duty this year?

The Hon. MICHAEL EGAN: I said we have not reviewed it.

The Hon. DUNCAN GAY: You told me you did not have the figures, but you do. You were just able to give me the figures that you said you did not have.

The Hon. MICHAEL EGAN: But that does not mean that we make a review of the annual revenue.

The Hon. DUNCAN GAY: How much of the \$10 million in July has come from commercial property transactions and how much from residential transactions?

The Hon. MICHAEL EGAN: I do not know the answer to that, but I would expect very, very little of it from commercial transactions, because commercial transactions, particularly large commercial transactions, generally have a settlement period of around six months. So it means that when the vendor duty came into effect on 1 June we would not be getting revenue from many of them until 1 November.

The Hon. DUNCAN GAY: Will you get those details for the Committee?

The Hon. MICHAEL EGAN: Yes, but as I say, I do not think there would be much commercial in July.

The Hon. DUNCAN GAY: But you will get those figures?

The Hon. MICHAEL EGAN: If you like, yes.

The Hon. DUNCAN GAY: Thank you. And August revenue, would you do the same?

The Hon. MICHAEL EGAN: Yes, but again, I do not think there would be much commercial there.

The Hon. DUNCAN GAY: What is your assessment of the current state of the property market?

The Hon. MICHAEL EGAN: I think it is heading for a fairly soft landing. There is conflicting evidence. The Australian Bureau of Statistics, for example, recently released its data on house prices, which suggest that in the June quarter there had been a 5 per cent decline in house prices in Sydney. The very same week the Real Estate Institute of New South Wales released details of its quarterly survey, and it actually had Sydney house prices going up, and that was a bit of a worry. The last thing we want is for house prices to keep going through the roof. The Real Estate Institute said that there was an increase in the volume of sales in all sectors. While medium prices remained steady or increased slightly over the three months of the June quarter, the Sydney medium house price remained unchanged at \$520,000 over the quarter. That is an increase of 11.83 per cent compared to the June quarter 2003. That is a trend that certainly worries me. Mr Kelly, the President of the Real Estate Institute said:

The results were further evidence that the current property market conditions were better for home buyers and genuine investors than they had been for some time. We are experiencing a more stable market than we have for many years, typical of a traditional real estate market.

While the market has slowed from the peak experienced in 2003 consumer confidence is on the increase. Over-riding economic conditions are supporting strong market activity. Property continues to be a good, safe, long-term investment.

That was issued on 31 August. I might say, what I am pleased about is that since the property tax changes were introduced in the April mini-budget, there has been a significant increase in the proportion of housing finance in New South Wales going to first home buyers. For example, in March it was only 8 per cent, in April it jumped to 9.3 per cent, in May it jumped to 10 per cent, in June to 10.9 per cent and in July it jumped to 12.3 per cent. That is a very significant increase in the housing loans going to first home buyers, but overall I think the Reserve Bank would say that the level of housing finance, both in New South Wales and Australia generally, is probably still too high.

The Hon. DUNCAN GAY: Is the Government's purchaser stamp duty revenue, not the vendor duty, above or below expectations at budget time?

The Hon. MICHAEL EGAN: I have not seen any figures on it, but I think someone told me it was roughly on track with budget.

Mr RONSISVALLE: That is right.

The Hon. DUNCAN GAY: So there is no revised estimate on stamp duty?

The Hon. MICHAEL EGAN: No, but we do not revise—I keep telling you—we do not make daily revisions or even monthly revisions. We will make a revision of our expected expenditures and revenues very late in this calendar year for the mid-year financial review, which will be released in late December.

The Hon. CATHERINE CUSACK: Treasurer, earlier you said that there is a maintenance backlog in education and public housing. Can you tell me what is that backlog?

The Hon. MICHAEL EGAN: Not off the top of my head, no.

The Hon. CATHERINE CUSACK: Will you take that question on notice?

The Hon. MICHAEL EGAN: I think that question probably would be better directed to the Ministers for Education and Housing.

The Hon. CATHERINE CUSACK: The backlog of what is formally put to Treasury in the form of a bid is of interest to this Committee.

The Hon. MICHAEL EGAN: I still think those two agencies would be better able to answer.

The Hon. CATHERINE CUSACK: Do you have an estimate of the general maintenance backlog for the government sector?

The Hon. MICHAEL EGAN: Not off the top of my head, no.

The Hon. CATHERINE CUSACK: Would you take that on notice?

The Hon. MICHAEL EGAN: You can put it on notice; I prefer you to do that. I am not sure whether I am in a position to help you. We would simply do what you could do, and that is to seek information from the agencies.

The Hon. CATHERINE CUSACK: Do you lack the information?

The Hon. MICHAEL EGAN: We can always find whatever information we like, but I am not going to do your homework.

The Hon. CATHERINE CUSACK: In relation to the public sector pay rises, the Government is facing a 25 per cent pay claim from public servants.

The Hon. MICHAEL EGAN: Yes.

The Hon. CATHERINE CUSACK: That is under the public sector salaries award. The Industrial Relations Commission case has been set down to finish by March 2005. How much has the Government budgeted to pay for the public sector pay case that is set down to go to the Industrial Relations Commission before the end of this year?

The Hon. MICHAEL EGAN: Our wage policy is for 3 per cent, for both this year and the out years of the budget. That follows quite substantial wage increases in New South Wales. For example, since August 1996 teachers have had an increase of 53.9 per cent. During that period there has been a 22.9 per cent increase in the CPI, so that means there has been a real increase of some 25.2 per cent since August 1996. That is a very substantial increase. In the PSA area, the real increase has been 16.1 per cent since January 1997. There has been a 37.1 per cent nominal increase since that time, with a CPI increase of 18 per cent, leaving 16.1 per cent real increase. There have been similar increases, or a bit higher, for health workers and a bit higher for nurses. For nurses it was a 24.1 per cent increase in real terms and for police 19.9 per cent. Our policy is to try to maintain those very substantial increases in wages, and we have allocated three per cent per annum to that.

Ms LEE RHIANNON: Treasurer, are you aware that the Auditor-General's Report to Parliament 2003 identified a number of serious problems with how State superannuation schemes are maintained in this State?

The Hon. MICHAEL EGAN: No, I am not actually.

Ms LEE RHIANNON: Maybe one of your colleagues would be able to help you, because I have a number of questions on this matter. To bring you up to speed on this, the Auditor-General's Report to Parliament 2003 Volume Three, page 7 states:

In 2001, we reviewed how well agencies' superannuation accounting procedures complied with relevant laws. Our report:

- questioned the general competency of agency staff and the adequacy of agency systems
- highlighted problems with the reconciliation process, and delays in remitting contributions, and in recording and forwarding superannuation information.

On the same page it stated:

There are still some problems with employees' and employers' contributions. Some agencies are not:

- paying in line with the Administrators invoice (SASS)

- paying on time
- holding authorisations for optional deductions
- supplying the An administrator with necessary information
- treating the impact of leave without pay (LWOP) correctly
- timing the annual adjustments correctly.

You can see that there are considerable concerns there, and they actually go back for about 10 years, as can be seen in the reports. Do you have any comment on that problem?

The Hon. MICHAEL EGAN: Are they concerns that the Auditor-General expressed in relation to Treasury or the Department of State Development?

Ms LEE RHIANNON: They are problems concerning the State Superannuation Scheme, State Authorities Superannuation Scheme, the State Authorities Non-Contributory Superannuation Scheme and the Police Superannuation Scheme.

The Hon. MICHAEL EGAN: I am not the Minister for superannuation, nor am I the Minister for agencies other than Treasury and the Department of State Development.

Ms LEE RHIANNON: I apologise if I have asked the wrong Minister. I thought this would be something that would come under your watch in terms of the Auditor-General's concerns about how that is maintained.

The Hon. MICHAEL EGAN: No, I am not even administratively responsible for the Audit Office. That is the Premier.

Ms LEE RHIANNON: And it has been audited, and you are the Treasurer. Surely it is something you must have concerns with. The Auditor-General is concerned that money is not reconciled correctly and there are late payments. Would that not be relevant for your watch?

The Hon. MICHAEL EGAN: No, what would be relevant to my concern is the level of provision that we are making for future superannuation liabilities. As you know, in the past decade we have started making provision for our emerging liabilities. Previously we did not do that. Currently we have about \$23 billion in assets in the pool fund, in the accumulation scheme, which is First State Super. As a government we do not have a liability there. I would have a concern, perhaps, for employees if their accounts are not credited at the right time. It is not a portfolio concern that I would have, because I am not responsible for that.

<3>

Ms LEE RHIANNON: Who is the Minister responsible for that?

The Hon. MICHAEL EGAN: Mr Della Bosca.

Ms LEE RHIANNON: Have you consulted at all on the State Authority Superannuation Scheme or the First State Super Scheme?

The Hon. MICHAEL EGAN: What do you mean?

Ms LEE RHIANNON: Have you had consultations with the people who run those schemes about the problems the Auditor-General has identified?

The Hon. MICHAEL EGAN: No.

Ms LEE RHIANNON: None at all?

The Hon. MICHAEL EGAN: Not me personally, no.

Ms LEE RHIANNON: Does Mr Della Bosca undertake that task as Assistant Treasurer?

The Hon. MICHAEL EGAN: No. He is Minister in charge of superannuation. That is part of his portfolio. I am the shareholding Minister of Pillar. Obviously I also have a portfolio concern about the level of funding, in particular, of the Pillar scheme.

Ms LEE RHIANNON: Does that come under Minister Della Bosca's watch as Minister for Commerce?

The Hon. MICHAEL EGAN: Yes, either that or as Special Minister of State, I am not sure.

Ms LEE RHIANNON: Thank you for clarifying that issue.

The Hon. MICHAEL EGAN: I refer to an administrative matter. Whilst I, like every other member of Parliament or member of the community, have a general interest in the reports of the Auditor-General, the only specific responsibility that I have in relation to his reports is when something concerns one of my agencies. Any matters that he raises in relation to other agencies are matters that are left to those agencies and their Ministers.

Ms LEE RHIANNON: That is why I am surprised you are not aware of this, Minister. On page 8 of the report to which I referred earlier is a list of a number of trusts and departments. The report states:

Of greater concern is the number of agencies that do not have adequate policy and procedure manuals for superannuation. Ten of the 23 agencies either did not have a manual or it was incomplete, or were still preparing their manual ... The risk of not having procedures documented is that inconsistent procedures and practices can be introduced, particularly with four schemes still accepting contributions from the abovementioned agencies. If temporary staff are involved the need for a comprehensive manual is heightened.

Those agencies are as follows: the Centennial Park and Moore Park Trust, Delta Electricity, the Department of Education and Training, the Department of Health, the Department of Juvenile Justice, NSW Fire Brigades, the Office of the Protective Commissioner, the Southern Area Health Service, the Sydney Catchment Authority and the Zoological Parks Board. Would you not agree that that is a considerable number of agencies for which your Government has responsibility—agencies that have been identified as mismanaging their superannuation schemes?

The Hon. MICHAEL EGAN: I am not familiar with the Auditor-General's report, so I will not comment on it. One expects that when the Auditor-General refers to any matter that needs improvement the agencies will take up the necessary action to improve it.

Ms LEE RHIANNON: You would not see it as your responsibility as Treasurer to be acquainted with these issues when the Auditor-General gives such a serious assessment?

The Hon. MICHAEL EGAN: As you know, Ms Rhiannon, I am not a terribly modest person. I have a lot of regard for my abilities, but I am afraid I cannot keep an eye on every single nook and granny of government. There are other Ministers and there are other agencies besides my own. I let them do their job and I try to do my job.

Ms LEE RHIANNON: If there had been considerable overspending of money on superannuation do you think you would have been aware of it? Is it because employees are the ones who are losing out that the matter, therefore, has not been brought to your attention?

The Hon. MICHAEL EGAN: I am not sure whether anyone is losing out. I think that is an assumption that you are making. As I said earlier, I am not familiar with the report so I will not argue with you about it. But I can assure you that nobody will miss out.

Ms LEE RHIANNON: Page 9 of that report states:

The Department of Education and Training currently has a shortfall of deductions of \$335,000, down from \$1.6 million some years back.

The Hon. MICHAEL EGAN: There you go! What a huge improvement! Did you say the figure was \$335,000?

Ms LEE RHIANNON: Yes. Treasurer, you should not get carried away with your arrogance. It might not be a huge amount of money, but we are talking about public servants on average pay. That is still money to which they are entitled.

The Hon. MICHAEL EGAN: Of course they are, but you are assuming that they will not get it.

Ms LEE RHIANNON: I am not assuming anything. I am trying to get to the bottom of this.

The Hon. MICHAEL EGAN: The wages bill of the Department of Education and Training is many billions of dollars a year. I am not sure whether it makes superannuation payments on behalf of its employees. I have been advised that the Crown would be making those payments. But those payments would amount to many hundreds of millions of dollars. If there is an amount of \$300,000 that has not been paid and that should have been paid, I imagine that it will get paid. The wages in the education area are \$6.5 billion, or almost \$6.6 billion. So 9 per cent of that is well over \$600 million. If it is \$300,000 behind it means that it is about four hours behind. I would have thought that was pretty good. I wish I were that up to date.

Ms LEE RHIANNON: I will pursue that matter with Mr Della Bosca. I refer to another matter. How much does New South Wales receive from the Federal Government as tranche payments for implementing national competition policy?

The Hon. MICHAEL EGAN: I am grateful that Ms Lee Rhiannon asked me that question. It is roughly about \$270 million a year. We found out today that that tricky and dishonest Prime Minister of ours is about to take them off us.

The Hon. ERIC ROOZENDAAL: That is terrible.

The Hon. MICHAEL EGAN: Frankly, it is disgraceful. The fund for water resources that the Prime Minister announced today as an election promise—a \$2 billion program in total—amounts to \$1.6 billion over the next five years. When we go to the funding details we see that 1,200 of that \$16 million will be taken off the States. In other words, he is going to apply the competition payments to funding his election promise. So he is taking money off schools, hospitals, roads and public transport to fund an election promise. I find that despicable, particularly given the fact that it has been estimated that the competition reforms are reaping the Commonwealth Government almost \$5 billion in extra revenue each year.

As part of the competition agreement back in 1995 it was agreed that the States would get about 800 of that a year. So only a small proportion, less than 20 per cent, of the revenue gains to government from national competition reform would have come to the States. Even that minor proportion he is now proposing to take from us, notwithstanding the fact that the State governments have done all the hard yakka on competition reform, not only in the areas of the major utilities such as freight transport, water and electricity. When we look at the legislative review that has been undertaken in the various jurisdictions as a result of the national competition agreement we see that the jurisdiction that is falling further and further behind all the States is the Commonwealth, where only 50 per cent of legislation has thus far been subjected to a competition review.

So the Commonwealth Government is not pulling its weight. It is reaping a huge revenue windfall from the work of the States. It is about to renege on its agreement to give the States a minor share of that revenue gain. It is not the States, Premier Bob Carr, Premier Bracks, Treasurer Egan or Treasurer Brumby that will suffer; it will be the people of New South Wales who depend on revenue to fund their schools, hospitals and all the other public services and facilities that go to make up a civilised society. It is another sleazy trick by a dishonest Prime Minister who is hoping that all the other election coverage will let him get away with this, but I can assure members that it will not.

Ms LEE RHIANNON: I am not defending the Prime Minister, but the National Competition Council stated that New South Wales could face a substantial suspension or reduction in these payments because it has failed to establish a clear and transparent pathway to river health, as required by the 1994 agreement of the Council of Australian Governments [COAG].

The Hon. MICHAEL EGAN: I think the penalties were in relation to things such as the regulation of liquor laws.

Ms LEE RHIANNON: There is a section in the COAG agreement about river health. I must admit that I was not aware of what the Prime Minister had done today, and I had already prepared this question. This is a concern that we had. New South Wales is putting itself into this situation because of its lack of attention to river health.

The Hon. MICHAEL EGAN: I would have thought that our progress on water reform was well ahead of any of the other jurisdictions, not that the Commonwealth has much direct responsibility. I am pretty confident that at some stage the National Competition Council acknowledged our progress in water reform.

Ms LEE RHIANNON: If you could find that information I would be interested in receiving it. I understood the situation to be otherwise. In particular, current water-sharing plans have failed to deliver for the environment in the long term but they are contributing to this problem that COAG has been following since 1994.

The Hon. MICHAEL EGAN: A document that I have in my possession states:

The National Competition Council recommended penalties totalling around \$50.9 million, or 20 per cent, of the 2003-04 New South Wales entitlement. The penalty comprised permanent deductions for failure to reform poultry legislation and regulation of liquor sales—

which is 5 per cent each—

and a pooled suspension for a range of outstanding legislation review items.

And that was 10 per cent.

The Hon. DUNCAN GAY: Let us be clear on this. Those issues have been addressed.

The Hon. MICHAEL EGAN: They have been addressed. As I said, I think we are well in front of the pack on water reform.

The Hon. CATHERINE CUSACK: Earlier you said that the Government was budgeting for a 3 per cent pay rise.

The Hon. MICHAEL EGAN: Yes.

The Hon. CATHERINE CUSACK: What is the dollar cost of that pay rise?

The Hon. MICHAEL EGAN: I think each 1 per cent wage rise across the public sector is \$180 million.

The Hon. CATHERINE CUSACK: So it is three times that.

The Hon. MICHAEL EGAN: That would not be a \$480 million amount because in the area of teachers, for example, an amount has already been awarded. So the 3 per cent will apply not to the total work force but to those areas that have not had a recent increase.

The Hon. CATHERINE CUSACK: What is the dollar cost of that?

The Hon. MICHAEL EGAN: I do not know.

The Hon. CATHERINE CUSACK: But there is a provision in your budget for it?

The Hon. MICHAEL EGAN: Yes.

The Hon. CATHERINE CUSACK: Does anybody know what the provision is?

The Hon. MICHAEL EGAN: We could find that out.

The Hon. CATHERINE CUSACK: I would appreciate that. Earlier you referred to a table relating to various pay rises in real terms. To assist the Committee would you be willing to table that table?

The Hon. MICHAEL EGAN: Absolutely. In fact I would be grateful if the Committee circulated it as far and wide as it could. I will even get copies printed for you.

The Hon. CATHERINE CUSACK: Do you have a comparison of those pay rises with private sector pay rises in New South Wales?

The Hon. MICHAEL EGAN: Not really, although there is some information about recent wage rises. For example, from September 1997 to June 2004, the index of public sector wage rises in New South Wales has gone from 100 to 130.

<4>

That probably includes both Commonwealth and State but it would be mainly State. For the private sector in New South Wales the index has gone from 100 to 124.

The Hon. CATHERINE CUSACK: The public sector is galloping ahead of the private sector.

The Hon. MICHAEL EGAN: Public sector wage levels in New South Wales have increased quite significantly ahead of the rest, yes.

The Hon. CATHERINE CUSACK: That is really what is causing the budget problem, is it not?

The Hon. MICHAEL EGAN: As I said in the April mini-budget and also in the June budget, the two factors that we have had to deal with are the cut in funding from the Commonwealth Government and the very significant larger than expected wage costs to our budget from the recent decisions of the Industrial Relations Commission, which I think, from memory, in the budget or the mini-budget we calculated as adding \$500 million to the salary base for the Government.

The Hon. CATHERINE CUSACK: I want to turn now to the trade and investment coordinator in London. His name is Brad Fitzmaurice.

The Hon. MICHAEL EGAN: Yes.

The Hon. CATHERINE CUSACK: What is the total cost of his employment?

The Hon. MICHAEL EGAN: I do not know, but we can certainly find out. Mr Harris can tell you.

Mr HARRIS: It is approximately \$270,000 in total. That consists of a class 11-12 salary and an allowance package which is exactly the same as that paid to Foreign Affairs and Trade officers posted by the Federal Government at the same level in London.

The Hon. CATHERINE CUSACK: What is his actual salary component?

Mr HARRIS: The salary component as paid by this department, we pay the equivalent of a class 11-12 salary. Mr Fitzmaurice has I think a substantive salary of a senior executive service [SES] 3 or 4—I would have to check that and tell you. The difference between the salary paid by the department and his total package is met by the Premier's Department.

The Hon. CATHERINE CUSACK: What is that difference?

Mr HARRIS: I could not tell you what an SES 3 or 4 salary is; I would have to look that up.

The Hon. CATHERINE CUSACK: In terms of his bank account, does he get two amounts paid into his bank account each month or is it coming through your department?

Mr HARRIS: No, I am sure there would be an arrangement where it would come through the department and we probably make the payment to him—I am simply speculating at the moment—

The Hon. CATHERINE CUSACK: I would imagine that is the case.

Mr HARRIS: And funding would flow through so it was administratively straightforward.

The Hon. CATHERINE CUSACK: Can you take that question on notice and undertake to give us a breakdown of the two components of the salary and what those amounts are?

Mr HARRIS: Certainly. I am perfectly happy to do that.

The Hon. CATHERINE CUSACK: What is the value of his overseas living allowance?

Mr HARRIS: I would have to calculate that for you. The total value of his package, including the salary and living allowance, is about \$270,000. I would have to find out the first figure to be able to do the subtraction and let you know.

The Hon. CATHERINE CUSACK: Thank you. The position was advertised competitively, as I understand it. Is that correct?

Mr HARRIS: That is correct.

The Hon. CATHERINE CUSACK: Why was someone appointed to the position who needed a salary top-up?

Mr HARRIS: We advertised the position internally. It is a position that does not have to be advertised competitively, I might say; it is not necessary.

The Hon. MICHAEL EGAN: It is the old job you sent Neil Pickard to do.

The Hon. CATHERINE CUSACK: I understood that it was going to be abolished.

The Hon. MICHAEL EGAN: No. The Agent-General's job was abolished. We have one person doing the job that Neil Pickard used to do with a staff of 45.

The Hon. CATHERINE CUSACK: Am I to understand that the position was not publicly advertised, it was just advertised internally?

Mr HARRIS: It was advertised internally.

The Hon. CATHERINE CUSACK: Not publicly?

Mr HARRIS: Correct.

The Hon. CATHERINE CUSACK: Okay.

Mr HARRIS: That is reasonably public but it was not advertised externally to the public service.

The Hon. CATHERINE CUSACK: So non-public servants were not invited to apply.

Mr HARRIS: Correct.

The Hon. CATHERINE CUSACK: Can you please explain the need for a salary top-up?

Mr HARRIS: Yes, but let me say also that one of the reasons why the position was offered to public servants is because for the past several years we have consciously made the decision to try to skill up public servants in international trade activities by giving them the opportunity to serve in a position such as this. It is not only an important position in terms of the results it delivers for

government but it is a very important opportunity for people to gain a set of skills which would otherwise be denied to public servants in a sub-national government. I think that, with the increasing importance of international business as far as all Australian States are concerned, it is an excellent opportunity to allow public servants to generate a greater range of skills which can then be spread across the public service and which they can bring back to enhance their jobs in the future.

The Hon. CATHERINE CUSACK: It would be like me going to be a teacher, even though I am not qualified, but having my salary topped up as a member of Parliament.

Mr HARRIS: No, it would not be because—

The Hon. CATHERINE CUSACK: In order for me to bring those skills back—

The Hon. MICHAEL EGAN: We certainly would not appoint you.

The Hon. CATHERINE CUSACK: I am struggling to understand the philosophy, given the salary. I presume that the job has been evaluated as being worth a grade 11-12. Is that correct? It is a grade 11-12 position; there is an evaluation that supports that.

Mr HARRIS: It is a grade 11-12 position.

The Hon. CATHERINE CUSACK: Yet you have appointed somebody who is on an SES level 3 to that position.

Mr HARRIS: That is correct.

The Hon. CATHERINE CUSACK: And his salary is being topped up by the Premier's Department.

Mr HARRIS: That is correct, and I think that is—

The Hon. CATHERINE CUSACK: And that was an arrangement initiated by your organisation or by the Premier's Department?

Mr HARRIS: No. When we made the decision to seek people who were interested in the job we evaluated and interviewed a number of people from within the department and, for the very reasons you touched on before, felt that there were not people with sufficient skills to warrant them being posted. Therefore, we looked to other central agencies—

The Hon. DUNCAN GAY: They weren't members of the ALP.

Mr HARRIS: No. We looked to other central agencies and I approached the Premier's Department and asked whether there was a group of people in Premier's who may have had international experience.

The Hon. CATHERINE CUSACK: Is not the most common solution to that problem to advertise externally?

Mr HARRIS: That was not the one we chose because we felt there was an opportunity to provide some chance to people from within the public service to enhance their skills.

The Hon. MICHAEL EGAN: In any event, you would want someone who knew something about the New South Wales Government.

Mr HARRIS: Absolutely.

The Hon. CATHERINE CUSACK: But it is a trade and investment position. Can you be more specific about who "we" is—you said, "We decided that we needed to use this position to up-skill the State public sector"?

Mr HARRIS: Certainly. I decided, as the officer who would be appointing someone to that position.

The Hon. CATHERINE CUSACK: Can you explain why you felt so strongly about the need to upgrade some person in the New South Wales public sector as an alternative to just buying in the skills at the salary that the job was assessed at?

Mr HARRIS: Because Mr Fitzmaurice—

The Hon. MICHAEL EGAN: You would not be able to buy in at that price. The New South Wales public sector is generally not as well paid as the private sector. You simply would not be able to buy in—and you certainly would not be able to buy in someone with the knowledge of the New South Wales Government and its agencies that Mr Fitzmaurice would have.

The Hon. CATHERINE CUSACK: Why would the Government set the salary at \$100,000? Have you reduced the salary too much?

The Hon. MICHAEL EGAN: Perhaps it could have been.

The Hon. CATHERINE CUSACK: Has this position been formally evaluated?

Mr HARRIS: Yes, it has.

The Hon. CATHERINE CUSACK: And it was assessed as being \$100,000 or a grade 11-12?

Mr HARRIS: Yes.

The Hon. CATHERINE CUSACK: So that is really what is required—a grade 11-12 skilled person—for that position.

Mr HARRIS: Yes, but we have actually done a review of the position as well and believe that if we could have a more senior and skilled person we may get a better result out of the office.

The Hon. CATHERINE CUSACK: Why have you not got a more senior and skilled person?

Mr HARRIS: We do now.

The Hon. CATHERINE CUSACK: What were his qualifications in trade and investment?

Mr HARRIS: He had worked with a number of organisations where he had assisted—from memory, I think it was with East Timor. He did a great deal of work there to do with the business development opportunities in East Timor. He has worked with a number of governments in the Pacific region to assist with institutional strengthening.

The Hon. CATHERINE CUSACK: You are talking about the development of the public service.

Mr HARRIS: Yes.

The Hon. CATHERINE CUSACK: Who was on the selection panel for Mr Fitzmaurice?

Mr HARRIS: I would have to check. There was myself, there was a member of the Small Business Development Corporation, from memory, and one other director from the department. I will have to check that.

The Hon. CATHERINE CUSACK: But you were there for the panel?

Mr HARRIS: I was indeed.

The Hon. CATHERINE CUSACK: But you cannot recall who was there with you?

Mr HARRIS: Not offhand. As I said, I remember we had a member of the Small Business Developed Corporation, who was also a consultant who had done some work for us, and one other member of the department. I would have to check.

The Hon. CATHERINE CUSACK: Can we have the names of those people, please?

Mr HARRIS: Yes, of course you can.

The Hon. CATHERINE CUSACK: And the name of the consultancy?

Mr HARRIS: Yes, of course.

The Hon. MICHAEL EGAN: But Mr Fitzmaurice did not get a salary increase to take the job.

The Hon. CATHERINE CUSACK: No, he got salary maintenance at nearly 100 per cent of what the salary offered was. How many other candidates applied for the position?

Mr HARRIS: Originally within the department I think it was four or five. Again, I would have to check that for you.

The Hon. CATHERINE CUSACK: And you felt that none of those people were able to fill the position?

Mr HARRIS: Correct.

The Hon. CATHERINE CUSACK: So then you advertised further. How many applications did you receive?

Mr HARRIS: From memory, it was two or three. Again, I would have to check.

The Hon. CATHERINE CUSACK: Would all two or three have been interviewed?

Mr HARRIS: Certainly two were interviewed.

The Hon. CATHERINE CUSACK: Did the New South Wales Government taxpayers pay for Mr Fitzmaurice's relocation expenses?

The Hon. MICHAEL EGAN: I would hope so.

The Hon. CATHERINE CUSACK: What were those expenses?

The Hon. MICHAEL EGAN: I would not have a clue.

The Hon. CATHERINE CUSACK: Will you advise the Committee of those expenses?

The Hon. MICHAEL EGAN: I bought him lunch—actually the taxpayers bought him lunch—the first day he was in London.

The Hon. CATHERINE CUSACK: How much—

The Hon. MICHAEL EGAN: It was about £30.

The Hon. CATHERINE CUSACK: —did the relocation cost?

Mr HARRIS: I would have to check that.

The Hon. CATHERINE CUSACK: Will you find that information?

Mr HARRIS: Yes, of course.

The Hon. CATHERINE CUSACK: Thank you. Does the Government pay the cost of his accommodation in London?

Mr HARRIS: That is included within the total package.

The Hon. CATHERINE CUSACK: So that would be part of the breakdown that you will give us.

Mr HARRIS: Yes.

The Hon. CATHERINE CUSACK: Are there other costs that taxpayers are paying in relation to his position in London?

Mr HARRIS: No. I would expect that taxpayers will meet the costs. I would like him to return to Australia to do briefings from time to time, and that would be an airfare and include travel expenses to return and do that. That would be for meetings with companies, in particular. That would probably occur, say, once each year, which is a fairly standard sort of arrangement.

The Hon. CATHERINE CUSACK: Are there airfares and travel expenses for other members of his family to return?

Mr HARRIS: We would provide airfares to bring certainly him and his family home at the end of the posting. They are provided with fares to go to the post and to return. That are no interim fares, and that has been a standard procedure for some time.

The Hon. CATHERINE CUSACK: What date was Mr Fitzmaurice appointed?

Mr HARRIS: I really cannot tell you offhand.

The Hon. CATHERINE CUSACK: Who decided the salary and that salary component—the double salary—that he is being paid?

Mr HARRIS: When we offered him the job I wrote to the director-general of the Premier's Department and advised him that we were considering offering Mr Fitzmaurice the job and that he would be suitable for the job but that we would only meet the base salary of that position.

The Hon. CATHERINE CUSACK: I am trying to understand why Mr Fitzmaurice would apply for a job that is so far below his salary. There must have been some discussion of that prior to his application.

Mr HARRIS: No, there was not.

The Hon. MICHAEL EGAN: I am trying to work out why you are so interested. You have the Treasurer of New South Wales in front of you for two hours and you are spending 20 minutes on why someone has been appointed to a job in London. No wonder you are a failing Opposition!

The Hon. CATHERINE CUSACK: Was the previous director of the London Trade and Investment Office paid at the standard salary rate?

Mr HARRIS: Yes.

The Hon. CATHERINE CUSACK: Does he have a travel and entertainment allowance in London?

The Hon. MICHAEL EGAN: He should have.

Mr HARRIS: There would be a representation allowance of some sort that attaches to the office but it would be relatively small. It is not a personal entertainment allowance. There would be a representation allowance made available for the office.

The Hon. CATHERINE CUSACK: Can you give us details of the expenditure of that allowance, please?

Mr HARRIS: Sure. It would be very, very small.

The Hon. CATHERINE CUSACK: Thank you.

The Hon. DUNCAN GAY: When departments realise assets are the proceeds from the sale of those assets the purview of that department or do they come back into Treasury?

The Hon. MICHAEL EGAN: They mainly come back into Treasury. I think we do have an arrangement with some agencies where there is a sharing of revenue.

Mr RONSISVALLE: Generally speaking, it is a 50:50 sharing arrangement with agencies but with some agencies we actually get to retain 100 per cent of the proceeds.

The Hon. DUNCAN GAY: Could you give us a breakdown of which agencies you keep 100 per cent of and which ones are 50:50?

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Treasurer, in the recent mini-budget that came before the State budget there were detailed cuts to a large number of departments

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Some of those cuts were to go over a period of years. Are those cuts on track?

<5>

The Hon. MICHAEL EGAN: I hope so. We have not formally reviewed the progress that agencies are making at this stage. But certainly we have established the savings targets they are required to meet. I would expect that all Ministers and agencies will do their best to meet them.

The Hon. DUNCAN GAY: Is there scope for variation within those targets?

The Hon. MICHAEL EGAN: I have not made any variations to those targets, no.

The Hon. DUNCAN GAY: Do you plan to do that at this stage?

The Hon. MICHAEL EGAN: Not at this stage, no.

The Hon. DUNCAN GAY: Are you aware of comments by the Minister for Primary Industries that his \$37 million cut this year will actually only be a \$17 million cut because of the sale of an extra \$20 million worth of timber? Do you know where that comes from?

The Hon. MICHAEL EGAN: No. You would have to ask him.

The Hon. DUNCAN GAY: Are you aware of extra sales? Is that part of your budget: understanding what is happening?

The Hon. MICHAEL EGAN: I could not help you. I simply do not know.

The Hon. DUNCAN GAY: Has the Government's plan to privatise electricity trading progressed?

The Hon. MICHAEL EGAN: Sometime ago we issued the second version of the trader model. We are continuing to consult with various stakeholders on it, and to ascertain what interest there is in the private market for the outsourcing of the trading activities so that, whilst retaining the electricity assets in public ownership, we can rid ourselves of the huge trading risk that goes with the buying and selling of electricity.

The Hon. MICHAEL EGAN: Does that mean that New South Wales generators are still signed up to the electricity hedging contract that cost Pacific Power \$600 million to PowerCorp in Victoria?

The Hon. MICHAEL EGAN: Pacific Power, or Eraring Energy as it is now called, has continued to make a profit each and every year it has been in existence, as have all of the other electricity generators. But I would expect that all of the generators have financial instruments in place to minimise their trading risk, yes.

CHAIR: As the Government does not have any questions, the Opposition has a further 20 minutes.

The Hon. DUNCAN GAY: Do you accept the losses under your watch as shareholding Minister, along with your Assistant Treasurer, are double the losses of the National Australia Bank—which lost only \$300 million—and Frank Circutto lost his job, but you are still here with a more than \$600 million loss?

The Hon. MICHAEL EGAN: You have been claiming for six years that Eraring Energy, or Pacific Power before it, was about to lose money—and each year it has made a profit. Indeed, if you had been here last year or the year before, one of your colleagues complained that it was making too much profit. Have we got the distribution figures from the utilities? You cannot have it both ways.

The Hon. DUNCAN GAY: You know that you lost \$650 million! The whole industry knows. You are the joke of the industry!

The Hon. MICHAEL EGAN: Really! The electricity dividend we will get in 2003-04 is in excess of \$600 million. We also expect in 2004-05 to get in excess of \$600 million. I might say that that is at a time when we have now delivered savings to both household and business electricity consumers of \$1,800 million. They are the cumulative savings and price reductions that have been delivered to our electricity consumers in New South Wales. At the same time these utilities are delivering \$600 million to help improve our schools, hospitals and all of our other services.

The Hon. DUNCAN GAY: That revenue does not include trade losses? That is what you allocate for them to pay—you can spin it however you like.

The Hon. MICHAEL EGAN: All of these dividends are out of profits. By the way, they also pay tax equivalents to us so that is another \$300 million. So the \$324 million in tax equivalents and the \$615 million in dividends, making \$939 million, come out of its pre-tax profits.

The Hon. DUNCAN GAY: How much revenue has the State Government lost in statute barred fines in the past year?

The Hon. MICHAEL EGAN: Too much, and that is why in October last year we took the Infringement Processing Bureau out of the Police Service and assigned it to the State Debt Recovery Office which is ably led by Mr Brian Robertson. Indeed, in the very short time that Mr Robertson has had his hands on it, I think, the backlog of fines has gone from about 300,000, which is about six weeks work in total, to 100,000, which is about two weeks work. So that is a stunning effort by Mr Robertson and his people at the Infringement Processing Bureau. Indeed, under the proposal of your leader that every public servant would be entitled to a bonus of 10 per cent for any extra revenue or savings they are able to achieve, Mr Robertson would now be cleaning up a couple of million dollars bonus from a Brogden government. Sorry, I am not going to do that for you, Brian—but you deserve it.

The Hon. DUNCAN GAY: Will you undertake to provide accurate figures on how much it lost last year, a monthly breakdown and perhaps how much was lost last month?

The Hon. MICHAEL EGAN: For example, in 2002-03 there were some \$32 million of fines that were statute barred which was an appalling total. In October 2003 we took the Infringement Processing Bureau away from the Police and effectively gave it to Treasury in the State Debt Recovery Office. The figures for April to June 2004 were down to \$1.1 million, which was 1.19 per cent of the total value of infringements loaded for the period compared to 10 per cent the year before. That is a stunning achievement.

Mr ROBERTSON: The figures for August were less than 0.9 of a per cent of the matters when statute barred.

The Hon. DUNCAN GAY: What is that in money terms?

Mr ROBERTSON: It would be approximately \$800,000.

The Hon. DUNCAN GAY: You lost in August?

Mr ROBERTSON: When statute barred, yes.

The Hon. DUNCAN GAY: Will you provide the year-to-date details and the previous year?

Mr ROBERTSON: Yes.

The Hon. DUNCAN GAY: What is the current value of unpaid payroll tax bills?

The Hon. MICHAEL EGAN: I do not know. Do you mean payroll tax written off?

The Hon. DUNCAN GAY: Payroll tax that has not been paid, is in arrears?

The Hon. MICHAEL EGAN: I do not know. It would be like asking Peter Costello what is the total of unpaid income tax.

The Hon. DUNCAN GAY: He would know.

The Hon. CATHERINE CUSACK: He would have an answer. He knows his stuff.

The Hon. MICHAEL EGAN: Do you reckon?

The Hon. DUNCAN GAY: Will you undertake to find out for us or take advice from your Treasury secretary?

The Hon. ERIC ROOZENDAAL: The Peter Costello fan club.

The Hon. MICHAEL EGAN: He will be their leader before long. Have you got an answer to that?

Mr ACHTERSTRAAT: Treasurer, generally we aim to have less than 1 per cent of our total collection as overdue debt, which is quite a good figure compared to comparable agencies. I would imagine in the payroll tax arena roughly 1 per cent of collection at any one time is outstanding.

The Hon. DUNCAN GAY: Are outstanding for some years?

Mr ACHTERSTRAAT: We usually have arrangements for people to pay. We negotiate with them, to keep them in business, a time-to-pay arrangement. Hopefully, we usually only do that up to the end of that financial year but in specific situations we might grant an extra extension.

The Hon. DUNCAN GAY: Are there many in that situation?

Mr ACHTERSTRAAT: I would not know the number. They would be done on a commercial basis, I would imagine.

The Hon. DUNCAN GAY: How many stamp duty concessions have been given in the past year? The Government has given stamp duty concessions for major projects or company mergers, et cetera.

The Hon. MICHAEL EGAN: I do not know that I am sure we can find out. I do not get involved, as you would be aware. I think that was something which the previous government, during the period that Mr Collins was Treasurer, delegated to the Office of State Revenue. I get a report every quarter. I do not get details of the companies involved. I get details of the total amount. I think we publish that information in the annual budget papers.

Mr ACHTERSTRAAT: It should be in Budget Paper No. 2, page B-2, the tax expenditure section. If the question is related to corporations which rearrange themselves completely internally then there is a concession there. So if I have company A which is also owned by company B and they just rearrange themselves then there is a concession. On page B-2 it lists the amount for last year as \$795 million.

The Hon. DUNCAN GAY: Would you provide the Committee with details of the 20 largest concessions, the values of those concessions and to whom they have been given?

The Hon. MICHAEL EGAN: No, we certainly would not provide you with information as to whom they have been given. Not even I obtain that. That has never been public information.

The Hon. DUNCAN GAY: What is the rationale?

Mr ACHTERSTRAAT: The rationale for not giving the information or the rationale for the concessions?

The Hon. DUNCAN GAY: The rationale for not giving the information.

Mr ACHTERSTRAAT: The Tax Administration Act has some very stringent requirements as to whom we can release information. We regard that very closely. Any taxpayer information can only be provided to certain organisations.

The Hon. DUNCAN GAY: From where does scrutiny come?

The Hon. MICHAEL EGAN: From the Auditor General.

Mr ACHTERSTRAAT: Yes, and we have a three-tiered approach in relation to granting the concessions. We have different officers looking at different stages et cetera.

The Hon. MICHAEL EGAN: I emphasise that not even I get that information.

The Hon. CATHERINE CUSACK: In relation to the Department of State and Regional Development, has the Tokyo office closed?

Mr HARRIS: No.

The Hon. CATHERINE CUSACK: Is it correct that that closure was announced in the April mini-budget?

Mr HARRIS: That is correct.

The Hon. CATHERINE CUSACK: When will the office close?

Mr HARRIS: The lease on the current office expires at the end of October. The incumbent in the office—I think this was announced in the mini-budget—will be one officer, who is a locally engaged staff member who will be retained. The plan was that she would work in a co-location with

Austrade. In the past two weeks Austrade has been advised that it will need to relocate into the Australian Embassy, where there is excess of space and, for budgetary reasons, it is going to have to relocate into there. We are currently negotiating with Invest Australia for the woman who is our co-ordinator in Tokyo to relocate with Invest Australia.

The Hon. CATHERINE CUSACK: Is it right that closing the Tokyo office does not mean deleting your presence in Tokyo?

Mr HARRIS: That is the plan at the moment, yes, absolutely. If we can retain one person on a co-location basis it will actually be very cost-efficient and will give us someone on the ground.

The Hon. CATHERINE CUSACK: You say it is a local person, not an Australian?

Mr HARRIS: No, it is a locally engaged staff member.

The Hon. CATHERINE CUSACK: Was she almost working as a consultant to the New South Wales Government?

Mr HARRIS: No. She is a staff member.

The Hon. CATHERINE CUSACK: What are her duties?

Mr HARRIS: Her main role is actually to co-ordinate visiting trade groups, trade missions, individual companies that are seeking appointments. We provide support with translation services. For example, the Federal Government has allocated over \$30 million to the Aichi Expo early next year. All Australian States will be participating in one way or another over the course of the six months, and I expect that she will play a significant role for visiting New South Wales companies and individual business people who will be there.

The Hon. CATHERINE CUSACK: What services do they get from her that they cannot get from Austrade?

Mr HARRIS: I suppose most of the services that we provide you could seek from Austrade. Whether Austrade could provide them I do not know. It depends on their staffing requirements and their abilities to service at the time. Also, of course, Austrade works on a very stringent cost recovery principle.

The Hon. CATHERINE CUSACK: Correct.

Mr HARRIS: And, at the moment, they are also fairly pressed because of the quite sensible decision to try to double the number of Australian exporters, and most of Austrade's key performance indicators at the moment relate to getting new-to-market companies into marketplaces such as Japan, which means that their ability to service return companies, or companies that have a relationship in the market but do not necessarily classify as new-to-market, is pretty severely restricted.

The Hon. CATHERINE CUSACK: But they still provide those services on a fee-for-service basis.

Mr HARRIS: They could, if they were able to.

The Hon. CATHERINE CUSACK: And they do.

Mr HARRIS: I know if they could, they would.

The Hon. CATHERINE CUSACK: What would be the saving from the closure of the Tokyo office?

Mr HARRIS: A bit over half a million dollars.

The Hon. CATHERINE CUSACK: What would be the ongoing cost?

Mr HARRIS: I would say about \$200,000 or \$250,000.

The Hon. CATHERINE CUSACK: So we are only saving 50 per cent of what we were spending on the Tokyo office?

Mr HARRIS: The last full year on Tokyo was, I think, \$840,000 and we expect that we will spend about \$250,000-odd this time around. So there is about a \$500,000 saving.

The Hon. CATHERINE CUSACK: What is the budget of the London office?

Mr HARRIS: It is about a million dollars.

The Hon. CATHERINE CUSACK: Can you give a breakdown on how that is spent?

Mr HARRIS: Rental totals I think are in the region of \$300,000 to \$350,000, and the rest of it I would have to break down for you.

The Hon. CATHERINE CUSACK: How many staff do you have in the London office?

Mr HARRIS: A total of three.

The Hon. CATHERINE CUSACK: What are the positions?

Mr HARRIS: There is a marketing director, who is a woman who has worked with us for many years, and there is a marketing assistant, which is a more junior position.

The Hon. CATHERINE CUSACK: What destinations has Mr Fitzmaurice been required to visit since his appointment?

Mr HARRIS: Most of the destinations would have been within the United Kingdom. If he travels outside the UK, he needs to seek approval. It is a standard travel procedure we have. From memory, I think he may have been in Germany. I would have to check.

The Hon. CATHERINE CUSACK: Can you give us the details of his official travel?

Mr HARRIS: They would be, again, relatively short trips, specific meetings, generally a day return or perhaps an overnight.

The Hon. CATHERINE CUSACK: What have been Mr Fitzmaurice's achievements since he has been in the London office?

Mr HARRIS: So far, he has targeted over 100 companies that we are looking to deal with. He has done a number of follow-ups for us on companies that had visited Sydney during the Rugby World Cup. He has done work with us with the Merlin Fund, which is Sir Christopher Evans's biotechnology fund. There is a reasonable list of things that he has done. The main aim of the London office has been increasingly to move the most senior person in the office away from simply supporting trade activities and looking to recruit inbound investment and good relationships with companies that are looking to invest. There have also been negotiations with, I think, Harvey Nicholls, who conduct a food fair, and I think we have 15 companies targeted for that food fair.

The Hon. CATHERINE CUSACK: I understand liaison and follow-up, but what actual achievements has he had?

The Hon. MICHAEL EGAN: Would you like to list your achievements over the time you have been in Parliament? I have not noticed any.

Mr HARRIS: It is always going to be a difficult question to answer, because most of those activities are not things that automatically produce a result within a set period of time. For example, the Merlin Fund is one of the largest biotechnology funds in the world. It influences the distribution of

some billions of dollars. If we could do business with the Merlin Fund, if we could encourage them—and there has been work by the department, the High Commissioner in London—this takes some time to get a result.

The Hon. CATHERINE CUSACK: Basically, if you are a European or a UK company wanting to invest in New South Wales, Brad Fitzmaurice is the person to be talking to?

Mr HARRIS: That would be excellent. It would be a great start, yes.

The Hon. CATHERINE CUSACK: Given his close links with the Australian Labor Party, basically for business to be investing in New South Wales—

The Hon. MICHAEL EGAN: Being a member of the Labor Party is neither a qualification for any particular job, nor a bar from any particular job.

The Hon. CATHERINE CUSACK: I am not suggesting that a bar has been applied in this particular case. We have a person on virtually double the salary that that position is advertised for.

The Hon. MICHAEL EGAN: He has not received a salary increase.

The Hon. CATHERINE CUSACK: He has had his salary maintained.

The Hon. MICHAEL EGAN: That is right.

The Hon. CATHERINE CUSACK: He applied for the job at half the salary, and somehow he has managed to get salary maintenance.

The Hon. MICHAEL EGAN: Do you expect him to take a salary cut?

The Hon. CATHERINE CUSACK: It is very puzzling how this has occurred. Now we learn that the position is no longer on trade and investments, or investment in New South Wales. All the investors now have to come through Brad Fitzmaurice to work with the State Government.

The Hon. MICHAEL EGAN: Do you think someone should be allowed to be a member of the Liberal Party and work in the New South Wales public sector? Is that permissible?

The Hon. CATHERINE CUSACK: I think people who are qualified for positions should be appointed.

The Hon. MICHAEL EGAN: But not if they are members of the Australian Labor Party; only if they are members of the Liberal Party or The Nationals.

The Hon. DUNCAN GAY: If they are qualified they should be.

The Hon. MICHAEL EGAN: You are not suggesting he is not qualified?

The Hon. DUNCAN GAY: Yes.

The Hon. CATHERINE CUSACK: Yes. He is not qualified for this position. He is receiving double the salary, and now we are altering the job description to suit him.

The Hon. MICHAEL EGAN: I find it absolutely incredible that you have taken up half the time of this estimates committee hearing on Mr Fitzmaurice's appointment to this job in London.

The Hon. DUNCAN GAY: You can bluster all you like.

The Hon. MICHAEL EGAN: I am not blustering. I am delighted that you are taking up half of the estimates committee's time on this one issue. It really does show how petty and nasty you are.

The Hon. CATHERINE CUSACK: That is fantastic, coming from the Labor Party! As it happens, we have completed our questions on him.

The Hon. MICHAEL EGAN: As it happens!

The Hon. DUNCAN GAY: Treasurer, can we move to a different area. How much have you paid Frontier Economics in the past twelve months for consultancy work?

The Hon. MICHAEL EGAN: I will find out. I think the total amount we have paid them over a number of years is about \$15.7 million. I think it is \$1.2 million in the last financial year.

The Hon. DUNCAN GAY: And \$15.7 million overall?

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Is it possible to have a break-up of what that was paid for?

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Can you indicate what work they undertook for you?

The Hon. MICHAEL EGAN: They have been involved in many aspects of the energy reform right from 1996. They were engaged in November 1999 to provide services to Treasury. They were engaged to complete a set of strategic projects to deliver both a well-functioning electricity market and prudent management of the rest of the New South Wales Government's ownership of electricity businesses. The original tender was for a twenty-month period but envisages services continuing for a longer period on specific project implementation activities, and thus rates tend to reflect the relative long-term nature of the contract. The nature of the electricity reform process required a large team of individuals with specialised expertise working for a relatively short period. Thus engagement of contractors and advisers were seen as the most cost-effective option. As I mentioned, the cost of their involvement since 1999 has been \$15.7 million, to the conclusion of contract during the last financial year. During that time, as I mentioned earlier, the reform program has delivered some \$1.8 billion in real savings to New South Wales electricity customers.

The Hon. DUNCAN GAY: One of the partners of Frontier Economics, Mr Price or Mr Anderson, but I think it was Mr Price, was working for MIG, is that correct?

The Hon. MICHAEL EGAN: The Market Implementation Group, I think, consisted of Frontier Economics people and some Treasury people.

The Hon. DUNCAN GAY: Is Mr Price's salary in that included in the sum that you are talking about that was paid to Frontier Economics?

The Hon. MICHAEL EGAN: I am pretty sure it was, yes. He was not paid a salary as such. Frontier Economics was engaged—

The Hon. DUNCAN GAY: But he was a partner in Frontier Economics.

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: But he was working for MIG.

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: And engaging Frontier Economics.

The Hon. MICHAEL EGAN: No.

The Hon. DUNCAN GAY: Well, how did it work?

The Hon. MICHAEL EGAN: Treasury engaged Frontier Economics.

The Hon. DUNCAN GAY: To do work for MIG?

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Mr Price was not hired separate from Frontier Economics?

The Hon. MICHAEL EGAN: Not that I am aware of.

The Hon. DUNCAN GAY: You will come back to me if it is different.

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: What was the daily rate that Frontier Economics staff charged Treasury for their advice? Do you have a daily rate on that?

The Hon. MICHAEL EGAN: I am not aware of it. I do not know whether they were engaged at a daily rate.

Mr RONISVALLE: We will come back on that.

The Hon. DUNCAN GAY: Treasurer, you may not have this available, but how much stamp duty revenue did the Government collect in the following months of this year—March, April, May, June, July and August?

The Hon. MICHAEL EGAN: I do not have a monthly breakdown.

The Hon. DUNCAN GAY: Could you get it for us?

The Hon. MICHAEL EGAN: I am not sure I will, because it will be public information. We put out each month the monthly financial statement. The financial statements for the last couple of months of the financial year do not actually come out until the June statement comes out. They will be out fairly soon, and you will be able to look at those public documents and work out what the stamp duty revenue is each month.

The Hon. DUNCAN GAY: What is the value of the outstanding debts of the State Debt Recovery Office?

The Hon. MICHAEL EGAN: Mr Robertson, do you know?

Mr ROBERTSON: The amount of debt outstanding is \$612 million, and that excludes any enforcement costs added to that.

The Hon. MICHAEL EGAN: It was \$900 million?

Mr ROBERTSON: I think we might be confusing that with the historical fines.

The Hon. MICHAEL EGAN: There were 900,000 fines.

Mr ROBERTSON: There were 900,000 historical fines.

The Hon. MICHAEL EGAN: They went back through the Greiner Government, the Fahey Government and the Askin Government, and we decided to try to get some of them.

The Hon. DUNCAN GAY: So you left the Wran Government out.

The Hon. MICHAEL EGAN: I think you got \$50 million.

Mr ROBERTSON: So far.

The Hon. MICHAEL EGAN: Which the Greiner Government and the Fahey Government were not interested in getting. We got criticised for not getting them, then we got criticised when we tried to get them—all from the same Opposition! Funny mob!

The Hon. DUNCAN GAY: How many debts were recovered in the past twelve months?

The Hon. MICHAEL EGAN: Do you know the answer to that?

Mr ROBERTSON: From fine enforcement we received \$104 million in gross collections.

The Hon. MICHAEL EGAN: Is that the historical fines?

Mr ROBERTSON: No. That was total collections in the twelve months to the end of June.

The Hon. DUNCAN GAY: How much was written off?

Mr ROBERTSON: Written off would probably be in the order of \$10,000 to \$12,000. I could confirm that figure, but it would be in the order of \$10,000 to \$12,000.

The Hon. CATHERINE CUSACK: Do you know how many drivers licences were suspended as a result of fine default?

The Hon. MICHAEL EGAN: You mean as a result of not paying a fine?

The Hon. CATHERINE CUSACK: Yes, action taken by the State Debt Recovery Office.

Mr ROBERTSON: I do not have the figures. The sanction activity takes place each day. We impose sanctions as people have not met the deadline and, equally, we reinstate licences when people pay. It would be in the order of several thousand each way, potentially, per day.

The Hon. CATHERINE CUSACK: What would be a gross figure for sanctions initiated on a twelve-month period?

Mr ROBERTSON: Could I take that on notice?

The Hon. CATHERINE CUSACK: Yes. Treasurer, are you concerned that your club tax has already cost 1,500 jobs and over seven years will lead to the loss of 24,000 jobs?

The Hon. MICHAEL EGAN: I think that is absolute nonsense. In the last twelve months clubs took well in excess of an additional \$100 million compared with the previous year. Indeed, the survey by the Allan Consulting Group, which was taken in the last financial year, indicated that clubs had significantly stepped up their investment plans for the next three years compared with the last three years.

<7>

I think the figure that they are planning to invest on the new facilities is some \$2.2 billion over the next three years.

The Hon. CATHERINE CUSACK: Has the Government conducted any analysis at all about the consequences of increasing club tax liability by \$1.8 billion?

The Hon. MICHAEL EGAN: No, except applying commonsense.

The Hon. CATHERINE CUSACK: How much will your advertising campaign against clubs cost New South Wales taxpayers?

The Hon. MICHAEL EGAN: Certainly not an advertising campaign against clubs. It is an advertising campaign informing the people who belong to clubs and who work in clubs which clubs will be paying less tax, which clubs will be paying no tax and which clubs will be paying more tax,

and approximately a third will continue to pay no tax, approximately a third will get a slight reduction in their tax and a third will pay more, and the advertising campaign cost, I think, \$543,000.

The Hon. CATHERINE CUSACK: Is there more to spend on that campaign?

The Hon. MICHAEL EGAN: No; we achieved the purpose of providing information to the people of New South Wales.

The Hon. CATHERINE CUSACK: Is it true that at least 10 of the clubs you list as paying no or less tax in your advertising campaign have, in fact, closed down?

The Hon. MICHAEL EGAN: Yes, but they were clubs that were registered as having poker machines during the year to which the advertisement applied, and I am not sure whether you are suggesting that they closed down because of a tax increase that had not yet come into effect, or closed down with the tax increase in prospect, but eight of those 10 clubs were paying no tax and would have continued to pay no tax.

The Hon. CATHERINE CUSACK: I guess I am just asking if you are holding up as examples clubs that do not exist?

The Hon. MICHAEL EGAN: No, the ads made it quite clear that they were clubs that had been registered to pay tax in the previous year.

The Hon. CATHERINE CUSACK: Is it true that your advertising campaign grossly understates the amount of tax the State Government receives from clubs?

The Hon. MICHAEL EGAN: No.

The Hon. CATHERINE CUSACK: Are you prepared to negotiate with clubs to obtain an outcome that does not cost jobs or automatically affect the New South Wales community?

The Hon. MICHAEL EGAN: Last time I asked Mr Costello whether he would negotiate with me over the income tax rates I paid, he told me to go and jump. The truth of the matter is that taxation rates are not something that you sit round the table and negotiate. It is not like the sale price for a piece of property. Governments introduce tax rates for the approval of Parliament based on the revenue that they need and what they believe is a fair rate of tax. The tax rates that we are introducing in New South Wales over the next eight years will still, on average, be much less than the rate of tax that clubs pay on their poker machine profits in other States. There will be only a very small number of clubs who at the end of 2010-11 are actually paying more than they would be paying at the current rates in other States. In fact, there is no other State where they have clubs that pay nothing. There is certainly no other State which has clubs that pay about 10 per cent, as the middle third of ours will be paying, and even at the higher rates there are very few clubs in this State that would be paying more than in other States, even in 10 years time.

The Hon. CATHERINE CUSACK: Are you categorically ruling out negotiation with the clubs?

The Hon. MICHAEL EGAN: Yes, I have told them that on many occasions.

The Hon. CATHERINE CUSACK: Is it true that your budget forecasts on club gaming machine tax revenue fail to factor in growth? How much extra do you expect to get from clubs over seven years?

The Hon. MICHAEL EGAN: No, they do factor in growth. I think the calculations that we made at the time we introduced the tax rate changes last year was a growth rate of 3 per cent and we said at the time that it was conservative because we were anxious to ensure that we were not making it more difficult for the clubs. So instead of assuming a high rate of growth in their revenues we assumed a low rate of growth in their revenues, and I would expect that probably will be exceeded and that will mean a bit extra revenue for us and more revenue for the clubs. So I am not quite sure why the clubs are complaining about that.

The Hon. CATHERINE CUSACK: What is the growth figure that you are working on? What is that figure?

The Hon. MICHAEL EGAN: The growth figure? I forget now. It is \$46 million in this financial year. It roughly goes up at about the same rate and we expect that by 2007-08 the additional tax from club gaming will be \$215 million a year and that will be out of gaming revenue made by the clubs of close to about \$3.5 billion, but that is an increased figure so I think the total the clubs will be paying will be around about \$600 or \$700 million out of around about \$3.5 billion. You would be very glad if you were paying an income tax rate as low as that. So would I. Not too many members of clubs and not too many employees of clubs would be paying a marginal income tax rate as low as the rate being paid by the clubs.

The Hon. CATHERINE CUSACK: That is on gross takings.

The Hon. MICHAEL EGAN: We pay our income tax on what we earn before we provide for our living expenses. I wish I could go to Mr Costello and say, "Look, I only want to pay tax on what I've got left over after I've paid for all my living expenses."

The Hon. DUNCAN GAY: But you do not pay company tax that way.

The Hon. CATHERINE CUSACK: Businesses pay taxes on their profits.

The Hon. MICHAEL EGAN: Of course.

The Hon. DUNCAN GAY: These are businesses.

The Hon. CATHERINE CUSACK: Businesses pay tax on their profits. No business pays tax on its gross.

The Hon. DUNCAN GAY: No business pays gross.

The Hon. CATHERINE CUSACK: Is it true that, contrary to your public statements, New South Wales clubs will now be the most heavily taxed in Australia?

The Hon. MICHAEL EGAN: No! Good heavens!

The Hon. CATHERINE CUSACK: Who are the most heavily taxed clubs in Australia?

The Hon. MICHAEL EGAN: I think in Victoria—no, South Australia. South Australia, closely followed—

The Hon. CATHERINE CUSACK: Where does New South Wales sit?

The Hon. MICHAEL EGAN: At the moment we are the lowest and on average we will remain the lowest, even in 2010-11. And it is one of the reasons we get penalised by the Commonwealth Grants Commission. It is not fair. Truly terrible.

The Hon. DUNCAN GAY: Treasurer, has the Government made losses as part of its financial market trading in the past year?

The Hon. MICHAEL EGAN: Its financial market trading?

The Hon. DUNCAN GAY: Yes, derivatives, investments, et cetera, in any of those areas?

The Hon. MICHAEL EGAN: No, not that I am aware of.

The Hon. DUNCAN GAY: Could you take advice on that?

The Hon. MICHAEL EGAN: The TCorp makes a profit. In fact, it has always made a profit.

The Hon. DUNCAN GAY: What about electricity market trading, any losses there?

The Hon. MICHAEL EGAN: Our electricity utilities will continue to make quite substantial profits.

The Hon. DUNCAN GAY: In their trading area, forward trading?

The Hon. MICHAEL EGAN: In their trading, as I understand it, yes.

The Hon. DUNCAN GAY: You are not going to consult on that?

The Hon. MICHAEL EGAN: No.

The Hon. DUNCAN GAY: You will come back to me if that is not an accurate answer?

The Hon. MICHAEL EGAN: Well, they are making profits. That does not necessarily mean that TCorp or anybody else makes a profit on every trade. You cannot do that as a trader. I think that is a fair enough comment. You make a profit on some, you make a loss on others, but it is the overall performance that matters.

The Hon. DUNCAN GAY: So there were no major hiccups in the last 12 months?

The Hon. MICHAEL EGAN: No.

The Hon. DUNCAN GAY: None whatsoever?

The Hon. MICHAEL EGAN: No major hiccups that have been brought to my attention, no.

The Hon. DUNCAN GAY: Is that different to no major hiccups, when you say none that were brought to your attention?

The Hon. MICHAEL EGAN: I think if there were major hiccups I would hear about them.

The Hon. DUNCAN GAY: We were talking about Frontier Economics. Were there any other consultants or contractors that were paid a larger amount of money than Frontier Economics?

The Hon. MICHAEL EGAN: I would be certainly—

Mr RONSISVALLE: Very surprised.

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: So they are outstandingly your largest—

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Has the Government requested any special or additional dividends from any of the Government businesses since the budget was delivered?

The Hon. MICHAEL EGAN: Not since the budget, no.

The Hon. DUNCAN GAY: Through the Treasurer to Mr Harris, how much does it cost to run the Country Embassy in Grosvenor Place? Can it be separated from the other part of the department, or is it a total figure?

Mr HARRIS: Yes. We could probably calculate a cost. You would have to calculate the floor space rental cost for the Country Embassy, apportion the time of staff who are involved in

working there and probably subtract any of the contributions that are made by regional organisations and companies that share a cost to use it. We could probably calculate it. I cannot give it to you off the top of my head.

The Hon. DUNCAN GAY: Have you done it within the department?

Mr HARRIS: No, we have not. No, I have to say we have not done that. The main cost of the Country Embassy, obviously, is the floor space. The one thing that we have tried to do, and I suppose we have concentrated on this, is increase the throughput of usage of the Country Embassy, which some years ago was probably about 10,000 people per year and now is in the region of 30,000 to 34,000 people per year who use the Country Embassy.

The Hon. DUNCAN GAY: That is how many a day?

The Hon. MICHAEL EGAN: It is just under 100 a day.

Mr HARRIS: Yes, I suppose so.

The Hon. DUNCAN GAY: On to your ministerial office, Treasurer. What initial budget was allocated in 2003-04 for (a) the ministerial office and (b) other ministerial support?

The Hon. MICHAEL EGAN: I think I can get you that information. It is here somewhere. There we are. The total expenses were \$3,464,000 and that included supplementation of \$881,000, which we spent on an advertising campaign on the Commonwealth Grants Commission. If you recall, we announced that figure at the time, and the actual expenditure was \$3,169,000 so I was under budget by \$295,000.

The Hon. DUNCAN GAY: The budget has not been revised since then or exceeded?

The Hon. MICHAEL EGAN: No, that was last year's budget, I think. Do we have a figure for this year? It would be roughly—

Mr ACHTERSTRAAT: Probably about the same amount, actually.

The Hon. DUNCAN GAY: What is the breakdown of expenditure as authorised by your Chief of Staff and outlined in ministerial memorandum No. 9628 for 2003-04, and do you have a forecast for expenditure in 2004-05?

The Hon. MICHAEL EGAN: I do not know.

The Hon. DUNCAN GAY: Could you find out, please?

The Hon. MICHAEL EGAN: If you would like me to.

The Hon. DUNCAN GAY: Thank you. Does your office have a discretionary allowance?

The Hon. MICHAEL EGAN: No. Well, I suppose within my office budget we are free to move items around, but that is the case with every budget.

The Hon. DUNCAN GAY: How was it expended during 2003?

The Hon. MICHAEL EGAN: I do not have a discretionary budget, as you refer to it.

The Hon. DUNCAN GAY: Did you seek or receive reimbursement, or did your government agency pay, or is it in the process of paying for an out-of-pocket expense incurred by you as outlined in ministerial memorandum No. 9924 in 2003-04?

The Hon. MICHAEL EGAN: Sorry, I do not follow the question.

<8>

The Hon. DUNCAN GAY: Did you receive reimbursement yourself for out-of-pocket expenses?

The Hon. MICHAEL EGAN: I probably did, but they would be fairly small amounts.

The Hon. DUNCAN GAY: Is there a breakdown of those expenses?

The Hon. MICHAEL EGAN: I do not know. No. I will find out. I often, for example, pay a Treasury bill to the Parliament. If Treasury, for example, hires the auditorium and has a seminar or something, that bill usually comes to me. I am not sure, but I think on some occasions I have paid it.

Mr RONSISVALLE: Yes.

The Hon. MICHAEL EGAN: No, I think Treasury pays it directly.

Mr RONSISVALLE: I think we do, yes.

The Hon. DUNCAN GAY: Treasurer, for each of your portfolio agencies in 2003-04, how much was spent on media monitoring from Reham Australia Monitoring Services, as outlined in the Premier's Department circular 2002-22.

The Hon. MICHAEL EGAN: I do not know. I would have to take that on notice.

The Hon. DUNCAN GAY: Minister, for each of your portfolio agencies in 2003-04, how much was spent on media monitoring other than from Reham Australia Monitoring Services?

The Hon. MICHAEL EGAN: I am not aware that there was any.

The Hon. DUNCAN GAY: But if there was, you would find out and come back to the Committee?

The Hon. MICHAEL EGAN: We will find out, yes.

The Hon. DUNCAN GAY: In each of your agencies?

The Hon. MICHAEL EGAN: Yes.

The Hon. CATHERINE CUSACK: Treasurer, why has the tender for the management of the Treasury Managed Fund been delayed?

The Hon. MICHAEL EGAN: Look, I am not familiar with that. I am not even sure that I was aware of it, but it might have come across my desk. I am not sure.

Mr RONSISVALLE: I am not sure whether that tender has been delayed but it certainly is a very complicated tender and we need to actually get it right before it actually goes into the marketplace.

The Hon. CATHERINE CUSACK: When do you expect that tender will be let?

Mr RONSISVALLE: It is expected to go out this month.

The Hon. CATHERINE CUSACK: Treasurer, what asset sales do you expect the Government will be undertaking over the next year?

The Hon. MICHAEL EGAN: The major asset sales these days relate to motor vehicles, I think. I do not have details of others that are planned with me. Are you aware of any major ones?

Mr RONSISVALLE: The Department of Health sells a number of assets during the course of the year. Most agencies have some form of assets sales.

The Hon. CATHERINE CUSACK: What are the proceeds from asset sales in total that you are expecting this year?

The Hon. MICHAEL EGAN: They are in public information. Out of a total—

The Hon. CATHERINE CUSACK: I am sorry, I meant for the motor cars.

The Hon. MICHAEL EGAN: I do not know.

The Hon. CATHERINE CUSACK: Do you have a breakdown at all for the proceeds of assets sales?

The Hon. MICHAEL EGAN: Not with me, no.

The Hon. CATHERINE CUSACK: Could that be obtained and provided to the Committee?

The Hon. MICHAEL EGAN: Yes. I cannot imagine that there would be a commercial-in-confidence reason for not releasing that. We will have a look at that. Is the Maritime Centre listed this year?

Mr RONSISVALLE: No.

The Hon. CATHERINE CUSACK: Are you also able to indicate to us the agencies' contributions to asset sales?

The Hon. MICHAEL EGAN: Yes. Their contributions? I am not quite sure what you mean.

The Hon. CATHERINE CUSACK: Their share of the revenue.

The Hon. MICHAEL EGAN: I think we can. I think some of assets sales revenues—for example in health—go directly to hospitals, do they not?

Mr RONSISVALLE: Yes, that would be right, yes. The assets sales for agencies such as the Department of Health will show up in the total assets. There may be some issues about the commercial sensitivity of some of those specific assets or numbers which we would have to be careful of.

The Hon. CATHERINE CUSACK: But do you have a list, if you like, of different agencies' contributions to asset sales?

Mr RONSISVALLE: Yes. The number that appears in the budget papers is broken down by agency in the Treasury's financial system.

The Hon. CATHERINE CUSACK: Okay. Would we be able to have that breakdown?

Mr RONSISVALLE: As I said, there may be issues about the commercial sensitivity of some of those numbers.

The Hon. CATHERINE CUSACK: We are not actually looking for the exact items by agency, just the agency amounts.

Mr RONSISVALLE: Okay.

The Hon. DUNCAN GAY: In 2003-04, for each of your portfolio agencies, how many media or communications advisers were employed as officers of the department? Would you tell us what the cost of this is, and what is the forecast for 2004-05 for the number of media or communications advisers to be employed and their total costs?

The Hon. MICHAEL EGAN: I do not think Treasury has any media or communications advisers. The Office of State Revenue might.

Mr ACHTERSTRAAT: Treasurer, we do have a communications area which is responsible for advising taxpayers of their rights and obligations. The two strategies we use for revenue collection are enforcement and education, and the communications area does provide information to the media when requested with facts sheets, et cetera, so the communications officer does that.

The Hon. MICHAEL EGAN: And I think the Department of State Development has some people engaged in that area. The department certainly produces a great volume of promotional material for New South Wales, which I think we all do in-house.

Mr HARRIS: Yes.

The Hon. MICHAEL EGAN: I am not sure how many people are involved in it.

The Hon. DUNCAN GAY: But you will try to find out and come back with the information?

The Hon. MICHAEL EGAN: Yes.

The Hon. DUNCAN GAY: Thank you. Treasurer, for each of your portfolio agencies, how much money was spent on advertising in 2003-04? Would you split this into employment-related advertising and non employment-related advertising?

The Hon. MICHAEL EGAN: I do not have that information with me, but we can obtain it. I think there is some information for the Office of State Revenue, which is about \$500,000 a year, and that is roughly broken up—for example, last year it was \$513,000. It was \$303,000 for recruitment and \$210,000 for public awareness advertising. Treasury certainly would have some equipment advertising, but it would be fairly small. The thing that really does concern me is the bit on the entertainment budget of the Office of State Revenue. I am aghast that they spent \$2,600 last year. I think Mr Achterstraat has started to serve soft drinks as well as water to his guests and has not been watering down the milk to the extent that I would expect.

The Hon. DUNCAN GAY: And what was your entertainment budget, Minister?

The Hon. MICHAEL EGAN: My entertainment budget is pretty tiny. I do not think it would not be more than \$2,000 a year.

Mr RONSISVALLE: But we can find out.

The Hon. MICHAEL EGAN: Anyway, we will find out.

The Hon. DUNCAN GAY: Very mean.

The Hon. MICHAEL EGAN: Did you say "mean"?

The Hon. DUNCAN GAY: "Mean", yes.

The Hon. ERIC ROOZENDAAL: Does that mean you do water down the milk?

The Hon. MICHAEL EGAN: Not the milk I drink. In fact I think people who drink that non-fat milk—well, I will not go into my prejudices about those sorts of people.

The Hon. DUNCAN GAY: Minister, could you provide a list of each campaign cost, which firms were involved, and how much was spent on media and advertising agency fees? Would you provide a monthly breakdown of the advertising expenditure?

The Hon. MICHAEL EGAN: As I say, I think the only advertising is the Office of State Revenue's. I am not sure. Can you use the media—

Mr ACHTERSTRAAT: Normally we do advertisements every year in relation to the particular tax seasons. When the payroll tax season comes up, towards the end of July, we have advertisements. We also have them for land tax and the parking space levy. I imagine we would just go through the normal processes. I am not sure, Treasurer, who we use, but I will find that out.

The Hon. MICHAEL EGAN: Does State Development use some sort of an agency?

Mr HARRIS: From time to time we might, but most of the advertising we would undertake, other than for recruitment, would be in response to particular features—an export feature or an advertising feature. That might be done directly and generally in conjunction with the Commonwealth and the other States. We probably place it, I imagine, directly with the magazine or the promoter, but it is a very small amount. We will certainly check that and advise you.

The Hon. DUNCAN GAY: Do you do an analysis of the success of any of those campaigns? If you do, could you provide information on their success or not?

Mr HARRIS: Yes, certainly.

The Hon. DUNCAN GAY: Treasurer, has your department employed, except for Mr Fitzmaurice, any staff who formerly worked for a Minister or the Premier since 2000, excluding departmental liaison officers?

The Hon. MICHAEL EGAN: Say that again?

The Hon. DUNCAN GAY: Does your department employ any staff who formerly worked for another Minister or yourself or the Premier since the year 2000, excluding departmental liaison officers?

The Hon. MICHAEL EGAN: I am not aware of any. Are you aware of any?

Mr HARRIS: No. I cannot think of any.

The Hon. MICHAEL EGAN: Are you aware of any?

Mr RONSISVALLE: I am not sure of how we would find out.

Mr ACHTERSTRAAT: No.

The Hon. DUNCAN GAY: We have got Mr Fitzmaurice, but what I am asking is whether there are others.

Mr RONSISVALLE: Not that I am aware of.

The Hon. MICHAEL EGAN: But would there be something wrong with that?

The Hon. DUNCAN GAY: I am asking the questions.

The Hon. MICHAEL EGAN: Okay, but you do not waste two hours of the estimates Committee on asking questions if you are not making some sort of implication.

The Hon. DUNCAN GAY: I am not going to tell you where we are going with these things.

The Hon. MICHAEL EGAN: Well, I am not sure that you know where you are going. We have been here for two hours. I tell you what, we are going to have to reinstitute that question time committee.

The Hon. DUNCAN GAY: You are here to answer questions, not to make political comment.

The Hon. CATHERINE CUSACK: Treasurer, what is the status of the Government's review of the parking space levy?

The Hon. MICHAEL EGAN: I am not involved in it.

The Hon. CATHERINE CUSACK: Is Treasury represented at all?

The Hon. MICHAEL EGAN: Is Treasury represented on it? It is mainly transport.

Mr RONSISVALLE: I think it is a transport commission, yes.

The Hon. CATHERINE CUSACK: So, in terms of that revenue, you will take advice from transport on it, is that correct, the future of that levy?

The Hon. MICHAEL EGAN: Well, I suppose with something like that, if there is any change that is being proposed, it would be a matter for government generally, but I am not involved at the moment.

Mr RONSISVALLE: The Department of Transport would consult the Treasury on those sorts of matters, and they have primary carriage of the tax.

The Hon. MICHAEL EGAN: It just hurts me when I have to pay it.

The Hon. CATHERINE CUSACK: Why did the Government move from leasing to buying computers and information technology?

The Hon. MICHAEL EGAN: I think the major factor was that the actual purchase cost of computers fell quite dramatically from when we first made large-scale orders, which was back after the 1995 budget. It was mainly school-related, I think—

Mr RONSISVALLE: Yes.

The Hon. MICHAEL EGAN:—when we leased all those computers. I think that was the major reason.

Mr RONSISVALLE: The decision to lease or buy is made strictly on financial grounds. When they were leased, they were actually financed leases. I mean, they were on our books anyway.

The Hon. CATHERINE CUSACK: Sure. Was that a cost saving to government, or was the cost saving to the agency? Did they use that money to buy more or was there actually a saving to government?

Mr RONSISVALLE: As I have said, on a whole-of-government basis, the changeover did not make a huge difference, but it was cheaper at a whole-of-government level to purchase computers rather than lease them.

The Hon. CATHERINE CUSACK: Did this delay the purchase of IT for some agencies?

Mr RONSISVALLE: Not that I am aware of.

The Hon. DUNCAN GAY: Treasurer, could you list all consultants that have been used in your department and agencies, including those consultancies that were worth less than \$30,000 in 2003-04?

The Hon. MICHAEL EGAN: We do provide that information in our annual reports.

The Hon. DUNCAN GAY: Including the ones under \$30,000?

Mr RONSISVALLE: No.

The Hon. MICHAEL EGAN: No. Look, I would be happy to do that, except for piddling amounts, but I will have a look at that.

The Hon. DUNCAN GAY: Before you engage a consultant, do you prepare a projection of the costs for that consultancy?

The Hon. MICHAEL EGAN: I never engage consultants. It is done by my agencies, and my expectation always is that the consultants have been engaged because they have expertise that is not available in government or we can obtain the expertise cheaper than we would be able to obtain it in government.

<9>

The Hon. DUNCAN GAY: The question has not been answered, Treasurer.

The Hon. MICHAEL EGAN: What was it?

The Hon. DUNCAN GAY: Good point. Before you engage a consultant do you prepare a projection of the cost of the consultancy?

The Hon. MICHAEL EGAN: As I said, I do not engage consultants. I went on to add something to my answer, which I thought would be helpful to you. But I do not engage consultants. *[Time expired.]*

The Hon. MICHAEL EGAN: Mr Harris wishes to say something.

Mr HARRIS: Could I make one comment. I almost hate to say this; it relates to Mr Fitzmaurice. We will provide you with a breakdown, but I just want to check that figure of \$270,000. I have a nagging doubt about rental allowances and Commonwealth government rates of overseas living allowance. It would be a minor issue, and I want to make sure you know what it is.

The Hon. MICHAEL EGAN: Mr Ronsisvalle has something to add to the last answer.

Mr RONSISVALLE: On the issue of the consultants, when we go to market we have an idea what the budget for that consultancy would cost, subject to competitive process. What happens is, the consultants come back and tell us how much they believe the job is worth, and that is part of the evaluation criteria.

The Hon. DUNCAN GAY: Do they ever exceed that quote?

Mr RONSISVALLE: In some cases the additional work is done, which adds to the cost of consultancy.

CHAIR: Treasurer, I have a note advising that during the deliberations you indicated that you were willing to table the document concerning public sector pay rises. Will you table it this evening?

The Hon. MICHAEL EGAN: Yes, I will give you my copy.

Document tabled.

Motion by the Hon. Catherine Cusack agreed to:

That all documents tendered with any evidence this evening be accepted.

CHAIR: I advise the Treasurer that the Committee has resolved to seek the return of answers to questions taken on notice at the hearing within 35 calendar days.

The Committee proceeded to deliberate.
