

GENERAL PURPOSE STANDING COMMITTEE No. 1

Monday 25 June 2001

Examination of proposed expenditure for the portfolio areas

TREASURY, AND STATE DEVELOPMENT

The Committee met at 5.30 p.m.

MEMBERS

Reverend the Hon. F. J. Nile (Chair)

The Hon. Jennifer Gardiner
The Hon. J. H. Jobling
The Hon. A. B. Kelly

The Hon. P. T. Primrose
The Hon. I. W. West
The Hon. Dr P. Wong

PRESENT

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

Treasury

Mr I. Neale, *Acting Secretary*

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

Olympic Co-ordination Authority

Mr R. Adby, *Director-General*

Department of State and Regional Development

Mr L. Harris, *Secretary*

CHAIR: The Committee thanks the Treasurer and his departmental officers for their attendance. At this meeting the Committee will examine the proposed expenditure for the portfolio areas of Treasury and State and Regional Development. Before questions commence, some procedural matters need to be dealt with. Part 4 of the resolution referring the budget estimates to the Committee requires evidence to be heard in public. The Committee has previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. Copies of the guidelines for broadcasting are available from the attendant.

I point out that in accordance with the Legislative Council guidelines for the broadcast of proceedings, a member 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 reporting the proceedings of this Committee, the media must take responsibility for what they publish or what interpretation is placed on anything that is said before the Committee.

There is no provision for members to refer directly to their own staff while at the table. Witnesses, members and their staff are advised that any messages should be delivered through the attendant on duty or through the Committee clerks. When a member seeks information in relation to a particular aspect of a program or subprogram it would be helpful if the program or subprogram is identified. The Committee has agreed on the following allocation of time: 20 minutes for the Opposition; 20 minutes for the Government; 10 minutes for Hon. Dr Peter Wong; and a 10 minutes for the Chair.

Because of the unavailability of the Secretary of the Department of State and Regional Development, the Committee has resolved to deal with the portfolios in the following order: First, Treasury and the Office of Financial Management; secondly, the Olympic Co-ordination Authority; and, lastly, the Department of State and Regional Development. I declare the proposed expenditure open for examination.

The Hon. JENNIFER GARDINER: With respect to the forward estimates, which show a continuing growth in revenue from the Commonwealth—

The Hon. MICHAEL EGAN: I am sorry, I cannot hear you much. Also, could you refer to the page of the budget papers you are referring to?

The Hon. JENNIFER GARDINER: I am referring generally to the forward estimates and the continuing vote in revenue from the Commonwealth.

The Hon. MICHAEL EGAN: Yes.

The Hon. JENNIFER GARDINER: I am also referring to the tax agreement between the States and the Commonwealth Government. Can you advise the Committee whether you have been given a guarantee that funding to New South Wales would not be affected by Rollback?

The Hon. MICHAEL EGAN: I do not think that has anything to do with the estimates, Mr Chairman.

The Hon. JOHN JOBLING: With respect, Chairman, it deals with the forward estimates, which are the basis of the budget and the continuing growth in revenue that come from the Commonwealth. I think it is important to understand where the Treasurer stands in that regard.

The Hon. MICHAEL EGAN: Mr Chairman, Rollback, of course, is a policy of the Federal Opposition. We are dealing here with relations between governments, and this estimates Committee really has nothing to do with the program that Mr Beazley and Mr Crean will be putting to the people at the end of the year.

The Hon. PETER PRIMROSE: I also give the undertaking that Government members will not be asking questions about whether or not the current Federal Government has given rock-solid guarantees that it will not be increasing the goods and services tax [GST] after the next election.

The Hon. TONY KELLY: Or anything to do with the State Opposition.

The Hon. JOHN JOBLING: Equally, Chairman, that could lead us to a situation whereby the Treasurer might well find himself in a position, if the position—a dreadful thought—were that we had State and Federal Labor Governments, in which he may wish to increase the GST take after looking at his budget. That can kick in and can have an effect. The forward estimates are important to understand.

The Hon. TONY KELLY: Treasurer, you must have a pretty good budget if they have started to attack the Federal Government first up, in the very first question.

The Hon. MICHAEL EGAN: I would have thought that the Hon. John Jobling, who has been around this place, politics and government ever since Adam was a boy, would know that the New South Wales Government—or, indeed, any Australian State Government—has no control over the activities of the Federal Parliament or whatever the Federal Parliament at some later stage decides the level or the rate of the GST should be. In fact, one of the arguments that I and my political colleagues at both a State and Federal level have been making against the Liberal/National Party/Australian Democrat GST is that there was never an assurance that could be iron clad that a future conservative government, aided and abetted by the Democrats, would not increase the GST rate from 10 per cent to 15 per cent or to 20 per cent.

Indeed it is my strong expectation that if Mr Howard and Mr Costello are back on the Treasury benches next year, within a very short time they will be lifting the rate of the GST. I would not be surprised if the share of the GST that came to the States was also reduced by a Howard-Costello Government after the end of this year if, by some terrible mischance, they happen to be re-elected. We can engage in this sort of political point scoring for the next two hours. That is not the purpose of an estimates committee.

The Hon. JENNIFER GARDINER: Has Mr Beazley given you an iron-clad guarantee?

The Hon. MICHAEL EGAN: That has nothing to do—

The Hon. JENNIFER GARDINER: You have just spoken about the other side. I think we are therefore justified asking that question.

The Hon. MICHAEL EGAN: You are able to follow what happens in the press; you are able to read the Hobart declaration of the Federal and State Labor leaders. That really has nothing to do with the estimates committee.

The Hon. JOHN JOBLING: In view of the long discussion that the Hon. Michael Egan just engaged in related to the GST, I think it would be delightful if all the States were under Liberal Party and National Party control.

The Hon. MICHAEL EGAN: I do not think that will happen during your lifetime.

The Hon. JOHN JOBLING: Be that as it may, I, like you, intend to be around for a while. In view of the comments you have made, may I put to you this question: Will you give this Committee an assurance that you, as a Labor Treasurer, will not join with other Labor Treasurers to increase the rate of GST, should any future Commonwealth administration seek to do so, to compensate for rolling back GST on some items?

The Hon. MICHAEL EGAN: Let me tell you that I will never be a Labor Federal Treasurer. I intend to be the Labor Treasurer of New South Wales until 2016.

The Hon. JOHN JOBLING: And that is why I am asking for your views.

The Hon. MICHAEL EGAN: As the Labor Treasurer of New South Wales, I will never be in the position of being able to abolish this appalling tax, which you have imposed on the people of Australia, let alone put it up, because it is entirely within the province of the Federal Government. I will never get the chance, unfortunately, but the people of Australia will—and that should happen in around December this year, according to the latest estimates. And I will tell you what they will do: They will throw your mob out on their ear for imposing on Australia an abomination of a tax—a tax that has had disastrous economic consequences for Australia, sent thousands of small businesses to the wall and caused enormous hardship throughout the Australian community.

The Hon. JOHN JOBLING: The Hon. John Della Bosca wanted to put it onto food. The question, Treasurer, was whether, under the situation I described, you will give an assurance that you, as the Labor Treasurer of New South Wales, will not seek an increase in the rate of GST, should any future Labor Commonwealth administration seek to do so.

The Hon. MICHAEL EGAN: That is a different question, whether as a Labor Treasurer I would beseech a future Federal Liberal-National Party Government to put up the rate of the GST. I can most certainly give you that assurance, notwithstanding the fact that it has nothing to do with the estimates.

The Hon. JOHN JOBLING: What projection has Treasury made of any impact of Rollback in your budgeting?

The Hon. MICHAEL EGAN: We deal with governments. If there is a change of government, we will await the policies that the new government introduces, and we will make whatever adjustments are necessary.

The Hon. JOHN JOBLING: You have made no provisional estimates at this stage?

The Hon. MICHAEL EGAN: No. The estimates are on a no-change policy basis, and you should understand that.

The Hon. JOHN JOBLING: No. It is normally something that a well-versed Treasurer and a skilful department with a skilful director would at least have contemplated and at least projected upon.

The Hon. MICHAEL EGAN: What you are saying is that the budget estimates—the forward estimates that are prepared by Treasury—should anticipate what sort of economic recklessness, say, a future Liberal-National Party Government may introduce.

The Hon. JOHN JOBLING: No. I am saying that you should be looking at those because Rollback affects your budget, does it not?

The Hon. MICHAEL EGAN: I cannot do that. I can only produce forward estimates on the basis of a no-change policy basis.

The Hon. JOHN JOBLING: I simply asked you a straight up and down "yes" or "no" question.

The Hon. MICHAEL EGAN: You can ask the question, but you are not going to dictate to me the answer I give you.

The Hon. JOHN JOBLING: I have never known you to resort to using some of my answers in the many years I have known you. You are very good, in some cases, at obfuscation. The question I wanted to ask—

The Hon. MICHAEL EGAN: I cannot say that you are very good at asking probing questions. You have turned this estimates committee in the first few minutes of its meeting this year into just a silly point-scoring exercise. Last year you spent an hour asking me about some fellow who was supposed to have got the sack but who never even existed.

The Hon. JENNIFER GARDINER: Can I ask about your capital works expenditure estimates. How much of the \$5,581,000,000 promised for the coming year will actually be spent? I ask that because, in previous years, the Carr Government has underspent its capital works allocation when the revised figures had been promulgated. How much of a rubbery element is there in this year's capital works figures?

The Hon. MICHAEL EGAN: We estimate that \$5.5 billion is the amount will be spent this year, but we do not guarantee it will be \$5.5 billion rather than \$5.6 billion, nor do we guarantee that it will be \$5.5 billion rather than \$5.4 billion. They are assurances that we cannot give you. They depend on all sorts of factors. To some extent, they even depend on the weather.

The Hon. JENNIFER GARDINER: How do you account for the underspending or the overpromising in the previous year?

The Hon. MICHAEL EGAN: We have not finished the year yet but we will be, I think, below the amount that we estimated last year. The amount, for example, that we expect to spend in this current financial year is just over \$5 billion compared with a 2000-01 budget estimate of over \$5.2 billion. The discrepancy is, I would not have thought, all that significant, given the scale of the expenditure. Some years you will be a bit over, and some years you will be a bit below. It depends on the timing of the projects and, as I say, it even depends on the weather.

The Hon. JOHN JOBLING: With regard to performance bonus payments and the Auditor-General's recommendation in August 2000, are you able to inform the Committee whether Treasury has set the criterion for the performance of the Chief Executive and Senior Executive Services?

The Hon. MICHAEL EGAN: We have abolished performance pay.

The Hon. JOHN JOBLING: You have abolished bonus payments, I understand, but it seems that a considerable number of other payments are still in existence.

The Hon. MICHAEL EGAN: Not in the nature of performance payments. I forget the exact timing, but when the matter came to light I was unhappy with some aspects of it, and I think you will recall I announced that we were going to abolish the payment of performance bonus payments, which I think your Government introduced—that is, in the general government sector.

The Hon. JOHN JOBLING: In relation to Treasury, and specifically the Chief Executive and Senior Executive Services, are any performance agreements written into your senior officers' contracts?

The Hon. MICHAEL EGAN: There are performance agreements, I think, for all of my permanent heads. I recall signing performance agreements with Mr Pearce and Mr Harris. I do not know whether I have yet signed one with Mr Adby.

The Hon. JOHN JOBLING: Can you advise the Committee how many will qualify for performance agreement payments?

The Hon. MICHAEL EGAN: They do not exist anymore; we abolished them.

The Hon. JOHN JOBLING: There are no performance agreements, that is additional salary, for any officers?

The Hon. MICHAEL EGAN: As far as I know. I am not sure whether there are performance bonuses applicable to the current financial year, but they are certainly not going forward.

Mr NEALE: No bonuses have been paid for this year. They were abolished and they certainly have not been paid. We do have performance agreements, though, for all Senior Executive Service officers throughout Treasury, which are with the secretary.

The Hon. JOHN JOBLING: What do these performance agreements say?

Mr NEALE: The performance agreements outline the expectations of the secretary of each senior officer. They describe the area in which they work and what sort of performance is expected during the year. In the case of most senior executives, they also describe the particular projects that they are working on during the year, and the timetables and milestones that are set by the secretary. They are assessed at the end of the year as to whether they have been achieved or not.

The Hon. JOHN JOBLING: I presume therefore that with the abolition of performance bonus payments a considerable sum of money has been saved?

Mr NEALE: They were not all that considerable even when they were paid. The bonuses were not terribly generous by private sector standards, so there has not been a great windfall to Treasury.

The Hon. JOHN JOBLING: What sort of money would you say is not a great windfall?

The Hon. MICHAEL EGAN: They would be a few thousand dollars.

The Hon. JOHN JOBLING: In total, if it is possible?

The Hon. MICHAEL EGAN: It would not be very much at all.

Mr NEALE: It would probably be a couple of thousand dollars for an officer and about—

The Hon. JOHN JOBLING: Could you take that question on notice and return to the Committee with the information?

The Hon. MICHAEL EGAN: Yes. It would not pay for your lunches during the year, though, Mr Jobling.

The Hon. JOHN JOBLING: In establishing the salary, is consideration given to performance and other conditions?

The Hon. MICHAEL EGAN: I do not establish salaries. The salaries of the very senior officers, the department heads, are determined by the Statutory Officers Remuneration Tribunal. From memory, I think a Minister can indicate at what level within a range a permanent head is employed.

The Hon. JOHN JOBLING: You may wish to have time to answer the question. Would you take it on notice, particularly relating to the lifting of the salary performance and other conditions?

The Hon. MICHAEL EGAN: Yes. I do think, though, that your question is about 12 months behind the times. As I thought everyone knew, we made a great fuss about the abolition of the bonus payments when we abolished them.

The Hon. JOHN JOBLING: But you did not abolish them from state-owned rail, electricity and certain other corporations, did you?

The Hon. MICHAEL EGAN: No. They are not abolished in the areas where there is a commercial boarding place and where those organisations generally operate in a commercial environment.

CHAIR: If you are taking the question on notice, are you clear about the information you are expected to supply?

The Hon. MICHAEL EGAN: No.

The Hon. JOHN JOBLING: The question related to the salary linking to performance or other conditions in the salary package, to determine a senior officer's salary.

The Hon. MICHAEL EGAN: Who are we talking about?

The Hon. JOHN JOBLING: The senior officers in your department, in Treasury.

CHAIR: Will you take the question on notice?

The Hon. MICHAEL EGAN: Yes, I will.

The Hon. JOHN JOBLING: Can you also inform the Committee whether the Government has implemented the recommendation of the Auditor-General, which was to ensure that executives release their contracts voluntarily to the Auditor-General for the purpose of a compliance review, not as happened in the past?

The Hon. MICHAEL EGAN: Could you repeat that?

The Hon. JOHN JOBLING: Have you implemented the recommendation of the Auditor-General, which I am sure you are familiar with—

The Hon. MICHAEL EGAN: No, not necessarily.

The Hon. JOHN JOBLING: —which was to ensure that executives release their contracts voluntarily to the Auditor-General for the purpose of a compliance review?

The Hon. TONY KELLY: If you ensure that someone does something, it is no longer voluntary, is it?

The Hon. JOHN JOBLING: At this stage it is still voluntary, and it can be dealt with on that basis.

The Hon. MICHAEL EGAN: I take the point that Mr Kelly makes.

The Hon. JOHN JOBLING: That is not what the Auditor-General requests, Treasurer. He has asked that executives release their contracts voluntarily. We want an assurance from you that that will happen if the Auditor-General makes such a request.

The Hon. MICHAEL EGAN: If the Auditor-General is asking them, you should ask them if it is voluntary. I am not going to give an instruction that people—

The Hon. JOHN JOBLING: What you are saying is that the Government is not particularly interested in implementing the recommendation of the Auditor-General?

The Hon. MICHAEL EGAN: I would have thought that if the Auditor-General is asking officers to voluntarily submit their performance contracts to him, that is what he is doing: he is asking them on a voluntary basis to do it. So why should I make it compulsory?

The Hon. JOHN JOBLING: Why shouldn't the Government do that?

The Hon. MICHAEL EGAN: Why should we?

The Hon. JOHN JOBLING: If the Auditor-General has requested it, I would have thought compliance with that request would be a good thing to ensure transparency.

The Hon. MICHAEL EGAN: The Auditor-General may make recommendations, but the Auditor-General is not an elected member of Parliament nor is he part of Her Majesty's Executive Government. He can make recommendations.

The Hon. JOHN JOBLING: But he is very good as a watchdog, for watching what you are spending without authorisation sometimes, is he not?

The Hon. MICHAEL EGAN: He is an excellent watchdog. But that does not mean to say that any recommendation he makes I will necessarily agree with or implement.

The Hon. JOHN JOBLING: He has pulled your Government into line for failure to comply. You cannot have it both ways, Treasurer. You are not prepared to support the Auditor-General in this case. Is that what you are saying?

The Hon. MICHAEL EGAN: I am not even aware of the recommendation. But as you have put it, it seems quite bizarre to me that there is a voluntary request that you now want to make compulsory.

The Hon. TONY KELLY: What action does the Sydney Olympic Park Authority propose to take to promote the public use of the Olympic site at Homebush Bay, obviously with an aim to improving the financial viability of the site?

The Hon. MICHAEL EGAN: The Sydney Olympic Park Authority—which, of course, has not yet been established; I am hoping that Parliament will do that this week—will be promoting a number of major community festivals as well as smaller events. The first major event will be at the September festival Ignite, which will celebrate the memories of the Olympic Games and the Paralympic Games. It will involve a celebration of culture, the arts and sport. The objectives of Ignite are twofold: first, to ignite the cauldron in its new location while celebrating the anniversary of the Games; and second, to reignite Sydney Olympic Park as an entertainment destination for the whole family—in other words, a big family day out.

One of its primary aims is the creation of a festive and carnival atmosphere in Sydney Olympic Park during the period. The target audience for the celebrations will be New South Wales residents generally but with an emphasis on families and the local community within the immediate region of Sydney Olympic Park. We anticipate that up to 250,000 people will visit Sydney Olympic Park during the September celebration weekends on 15 and 16, 22 and 23, 29 and 30 September. The entertainment program will be delivered by a consortium consisting of Accolade Communications Pty Ltd, Cove Australia Pty Ltd, David Grant Pty Ltd, Mr Leo Schofield, of whom honourable members are aware through his 11-year production of the Sydney Festival. Many of Sydney's leading festival and cultural leaders are involved. It is anticipated and planned that Ignite will become another icon in the annual event calendar of not only Sydney Olympic Park but Sydney itself. I can provide lots of other information but I am sure it can wait until a later date. It has been pointed out to me that Ignite will also coincide with other major events within the Sydney Olympic Park venues at the same time, such as the teddy bears picnic, which would be of interest to the Hon. John Jobling.

The Hon. JOHN JOBLING: Indeed, it would.

The Hon. MICHAEL EGAN: There is nothing wrong with teddy bears. Other events are the Davis Cup between Australia and Sweden, the national rugby league finals and a garden and flower show held by the RAS, which I am sure will be very good.

The Hon. Dr PETER WONG: I refer to Budget Paper No. 2, page 3-9. In relation to income derived from gambling, it seems that New South Wales Government revenue from clubs and hotels gaming machines is

projected to increase by 20 per cent, from \$748 million to \$907 million, between 2001-02 and 2004-05. How would that be achieved without increasing the number of gaming machines in New South Wales?

The Hon. MICHAEL EGAN: I cannot see that amount. We will come back to that or you can put the question on notice. It is dangerous to ask questions written by other people.

The Hon. Dr PETER WONG: Please explain why you have not followed the recommendation of the Select Committee on the Increase in Prisoner Population that a cost benefit analysis be completed for a possible alternative to the new women's gaol in south Windsor.

The Hon. MICHAEL EGAN: That is no doubt a policy question, and on my understanding you are not allowed to ask such a question, and that is of your own doing. It might be wise if you take up that matter with the Minister for Corrective Services. As a general point the fact that a select committee or a joint committee of this Parliament makes a recommendation is not of itself sufficient reason for the Parliament or Her Majesty's Executive Government to embrace the recommendation. It is a recommendation from a parliamentary committee.

The Hon. Dr PETER WONG: What was the number of small to medium-sized businesses paying payroll tax doing the past five years? It is claimed that small businesses are being caught in the \$600,000 wages threshold for payroll tax because wages have gone up but the threshold has not been indexed.

The Hon. MICHAEL EGAN: The threshold will not be indexed either. As I have indicated on a number of occasions, when it is possible for the Government to reduce payroll tax, that is what we will do. We will reduce the rate. We have reduced it from 8 per cent, which was its peak rate under the Greiner Government, down to 6.2 per cent, and we will, in next year's budget, be further reducing it from 6.2 per cent to 6 per cent, but we will not be changing the threshold.

The Hon. Dr PETER WONG: Is it true?

The Hon. MICHAEL EGAN: Yes. Once a firm gets a payroll over \$600,000 they start paying payroll tax at the standard uniform rate. They start paying on the margin over the \$600,000.

CHAIR: Is it clear from your answer that even though you are reducing the actual threshold you are not prepared to index payroll tax?

The Hon. MICHAEL EGAN: We are not changing the threshold. What we have been doing is reducing the rate plus. For a whole host of reasons that is the better way to go because it is the payroll tax rate which generally determines your competitiveness against other States and other nations when you are attracting or seeking to attract investment. I simply make the point that the payroll tax threshold did not exist. I remember as a 12- or 13-year-old doing my mother's payroll tax returns, in those days to the Commonwealth Government. She did not have a big business, she was very much a small business operator, but there was no threshold. If the various States had not eroded the base by increasing or imposing a threshold, then I think the payroll tax rate would today be a lot lower in all the States.

CHAIR: Would you consider indexing the threshold?

The Hon. MICHAEL EGAN: No, because by leaving the threshold where it is, it gives us additional scope to reduce the rate over time.

CHAIR: What is the total number of employers, in each of the past five budget years, who are liable to pay payroll tax in those years?

The Hon. MICHAEL EGAN: I will take that on notice. Generally the answer is about 10 per cent of employers only pay payroll tax. About 90 per cent are actually exempted because they are under the threshold.

CHAIR: I refer to the First Home Owner Grants Scheme, on page 19-3 in Budget Paper No. 3, Volume 2. Do you have any plans in regard to reports that apparently many New Zealanders, under the wording of the scheme, are eligible to apply for the grant? The Federal Government responded when criticised that it is a State Government responsibility for administering it.

The Hon. MICHAEL EGAN: We are responsible for administering it. Mr Achterstraat can correct me if I am wrong, but my understanding is that the Commonwealth made the decision that New Zealand residents living in Australia would be eligible for the grant. Is that the case?

Mr ACHTERSTRAAT: Correct. The First Home Owners Grant arose out of an intergovernmental agreement, coming out of the Commonwealth Government, with the States. Initially, the eligibility for the First Home Owners Grant was applicable to Australian citizens or persons with permanent residency in Australia. It had to be their first home purchased in Australia. New Zealanders, however, in various situations did not have permanent status because when they came to Australia they did not require that; they just received a special visa. The agreement between the Commonwealth and other parties indicated that it was appropriate to make the situation such that New Zealanders on a special visa would be treated the same as other persons coming into Australia with permanent residency.

The Hon. MICHAEL EGAN: In other words, but for that, New Zealand residents would be disadvantaged as against non-citizen residents whose country of citizenship was elsewhere?

Mr ACHTERSTRAAT: That is my understanding—permanent residents.

CHAIR: The other problem that has occurred—and you have just quoted those words "first home in Australia"—is that, apparently, many New Zealand people have bought their first home in New Zealand and therefore should not be eligible for the grant.

Mr ACHTERSTRAAT: That is my understanding. The criteria, as I indicated earlier, were arrived at through the Commonwealth via an intergovernmental agreement. I understand that it is possible for not just New Zealanders but others to have owned property elsewhere, as long as it is their first home in Australia. That is my understanding.

CHAIR: Do you have any plans to require them to complete a document indicating that this is literally their first home anywhere in the world?

Mr ACHTERSTRAAT: The legislation, which is roughly uniform around the States, does not require it to be their first home.

The Hon. MICHAEL EGAN: Or allow it.

Mr ACHTERSTRAAT: Precisely.

The Hon. MICHAEL EGAN: In other words, that is not a condition that any of the States could unilaterally impose. That would need the Commonwealth Government's agreement to those conditions. But it is not a bad point you raise. I do not think we should be giving a First Home Owners Grant to someone who has, for example, sold a half-million dollar house—if there are any half-million dollar houses—in New Zealand.

CHAIR: You might take that matter up with the Federal Treasurer, because the report I saw seemed to indicate that the Commonwealth Government was passing the buck back to the States and blaming the States.

The Hon. MICHAEL EGAN: They always are. They are very bad at that sort of thing.

CHAIR: I commend the Government for all its efforts to raise revenue. At page 19-5 is a report about chasing up revenue through the Office of State Revenue, noting that you had transferred to that office, for example, the collection of outstanding police fines. There have been reports of some individuals receiving from the Office of State Revenue notice of a fine that is 10 years old, which in some cases the offender was not aware of because the fine had disappeared or was related to a particular car. It seems to be lacking in natural justice at this point for the Office of State Revenue to be insisting on the payment of such a fine. Are there any appeal mechanisms for the genuine cases? I am not speaking about those who would try to avoid the payment of fines.

Mr ACHTERSTRAAT: As to infringement notices and the collection of the revenue for outstanding fines, my understanding is that that comes within the State Debt Recovery Office, which is part of the Attorney General's Department, rather than the Office of State Revenue.

CHAIR: The revenue does assist you in that it comes to Treasury in due course.

The Hon. MICHAEL EGAN: Absolutely, but we do not raise it.

Mr ACHTERSTRAAT: That is correct.

CHAIR: At page 19-6 there is reference to the HIH collapse and to the Government's commendable move to assist those affected by that collapse. The Treasurer would remember that, when some of the supervisory powers in some of these areas were transferred to the Federal Government, a number of us expressed strong concern as to whether a Commonwealth operation would be as thorough and diligent as a State operation. It now appears—as will no doubt come from the royal commission in due course—that there has been some laxity at the Federal level. Has Treasury given any consideration to having some of those powers restored to the State Government, in view of the size of New South Wales and the economic activity that is conducted in New South Wales, to protect the citizens of this State let alone those of other States?

The Hon. MICHAEL EGAN: I think it is a long time since insurance has been regulated in any way by State governments. I think you were referring to the handing over, a year or two ago, of the supervision of non-bank financial institutions.

CHAIR: That is right, building societies and so on.

The Hon. MICHAEL EGAN: Yes, the handing over of building societies, credit unions and friendly societies to the Commonwealth. Prior to the formation of the Australian Prudential Regulatory Authority, insurance was regulated, again at the national level, by the Australian Insurance and Superannuation Commission. That goes back many years, but certainly the HIH collapse indicated that something was wrong somewhere. I have been very careful not to point the finger of blame at anyone, because at this stage, like most people, I have no idea who or what is to blame. Hopefully, that will emerge from the ASIC investigation and the royal commission investigation. But I think what is clear is that we need far more effective prudential supervision of insurance companies. It is just mind-boggling that such a collapse could occur when we have, I would have thought, a fairly well resourced and well empowered prudential supervisor.

CHAIR: I think the community would assume, as I did, that a guaranteed trust amount supposedly would always be separated from the business transactions.

The Hon. MICHAEL EGAN: I must admit I had that view too. I understand that there is a backup fund for life insurance policies, but not for anything else. The legislation that we have before the House now for the establishment of a New South Wales policyholders protection fund will go some of the way to filling that gap.

CHAIR: I ask a question to follow up my earlier question about gambling. In regard to the poker machine freeze, could you confirm the length of the freeze?

The Hon. MICHAEL EGAN: It actually finishes fairly soon.

CHAIR: I thought it was to be extended.

The Hon. MICHAEL EGAN: I think you are jumping the gun a bit, but I think I can inform you that it will be extended. That will probably need to be done by legislation, and that might occur this week.

CHAIR: In regard to that freeze, which I am sure many in the community would support, in your budget estimates you work out the income tax from the expansion of poker machines. What impact would the freeze have on your tax revenue?

The Hon. MICHAEL EGAN: I would think very little. I do not know whether Mr Neale can help you there.

Mr NEALE: No, I cannot.

The Hon. MICHAEL EGAN: I will take it on notice, if you like.

CHAIR: Thank you.

The Hon. MICHAEL EGAN: I might, just as a general point, say this, Mr Chairman. I have seen it quoted in a number of media outlets that New South Wales is more dependent on gambling revenue than are the other States. That actually is not correct. The per capita revenue, for example, that the Victorian Government gets from gaming is a lot greater than that taken by New South Wales. I suspect even the Queensland revenue per capita, and as a proportion of its total revenue, is much greater.

CHAIR: I have another question that relates to earlier questions asked about the GST. Page 19-7 of Budget Paper No. 3, Volume 2 shows a figure of \$181 million for GST administration and related payments. That figure is high.

The Hon. MICHAEL EGAN: Yes.

CHAIR: How is that \$181 million made up? What is the total income that the State would receive from GST in its first year of operation?

The Hon. MICHAEL EGAN: The administrative costs of the GST are costs that are incurred by the Australian Taxation Office, but under the intergovernmental agreement the States get the bill. We get the bill and we pay the bill, but the amount that we pay is then reimbursed to us by the Commonwealth Government under the intergovernmental agreement, which provides that no State will be worse off under the GST than it would have been under the old arrangements. So until about 2007 or 2008 the GST revenue that we will be receiving will be less than the revenues that were forgone under that intergovernmental agreement.

To ensure that we are no worse off, the Commonwealth Government will top us up. The top-up payments will also include the costs that we have to pay for the administration of the GST. So it is really just a bill that we get from the Commonwealth Government. Whilst we pay that bill, it is not to our detriment. The other aspect to your question related to total revenue from the GST. I refer to that section of the budget paper that deals with GST revenues. Honourable members should turn to page 8-4 of Budget Paper No. 2, and to table 8.1 where they will see the amount of revenue that we get from the GST. They will also see the amount of revenue that we forgo under the agreement.

In the current financial year, that is, the year ending next week, we will actually have a shortfall of \$404 million, which the Commonwealth will make up to us. The shortfall will grow to \$940 million the following year. Again the Commonwealth will make that up to us. Then the figure starts to decline. In the financial year ending 30 June 2008, we estimate that we will be \$211 million in front. But a lot of things can happen between now and then.

I think some of the questions earlier indicated that, whilst there was a guarantee in the GST legislation that a Commonwealth government would not increase the GST rate beyond 10 per cent, nevertheless that is legislation that can always be amended by the Federal Parliament. Likewise, the guarantee that was in the Commonwealth legislation that the States would get all that revenue is also simply a provision in a piece of legislation which can be amended by an Act of the Commonwealth Parliament.

CHAIR: We often hear a reference to the words "in real terms". I presume that the GST has had factored into it the consumer price index and so on? Has the GST had something added to it?

The Hon. MICHAEL EGAN: No, it has not. It remains 10 per cent. I think what you are referring to is the fact that, as the tax is 10 per cent on the value of the transaction, as inflation and economic growth occur, obviously there is an automatic increase.

The Hon. JENNIFER GARDINER: My question follows questions that you have been asked about payroll tax. You have given us an indication as to when the payroll tax threshold will be reduced to 6 per cent. What is your timetable to deliver on the Government's promise relating to a reduction in the payroll tax rate?

The Hon. MICHAEL EGAN: We have more than delivered on our promises because we never made a promise about payroll tax.

The Hon. JENNIFER GARDINER: On 11 April 1995 the present Premier, Mr Carr, indicated in the *Bulletin* that he would cut payroll tax from 7 per cent to 5 per cent.

The Hon. MICHAEL EGAN: I do not recall him doing that. In fact, I was at our policy launch in 1991 and in 1995. In fact, I think that the policy launch in 1995 was well before April. I am sorry, there was a May election in 1995. But I was at our policy launch in 1991, 1995 and again in 1999. I certainly do not recall any commitment to reducing payroll tax. Indeed, I have checked our written commitments following some assertion to the contrary. There has never been any such commitment. The closest I went to giving a commitment on tax levels generally was in February 1999 prior to the 1999 election. What I said was reported in all the media on 27 February 1999. I said:

I am not going to commit myself to a reduction in taxes, nor will I commit myself to no change at all. I certainly do not see any need going forward for tax increases and I think in the longer term the more likely outcome is some reduction in taxes.

In my Budget Speech I congratulated myself and I said that that was a very responsible answer. I repeat those self-congratulations. I went on to say:

The prediction I made has been borne out.

This is now the third budget in this parliamentary term—we have had only three budgets in this parliamentary term—in which there have been significant tax rate reductions at a cost to the revenue of \$393 million in the first year, \$669 million in this current financial year and \$795 million in the financial year coming. On top of that, I announced, of course, significant tax cuts amounting to \$1.215 million over the next four years.

The Hon. JENNIFER GARDINER: But there was no significant cut in payroll tax?

The Hon. MICHAEL EGAN: You said that there was no significant cut in payroll tax. It was 8 per cent when Mr Greiner was Premier. That was the top rate. I think you were here. From memory, I think you voted for it. You voted for a payroll tax rate of 8 per cent. You were certainly here when you voted for the doubling of the financial institutions duty. You can correct me if I am wrong and I will apologise, but I can recall you voting for every tax increase which the Greiner and Fahey governments imposed.

There has been only one government in the history of this State that has reduced tax rates on three successive occasions—four successive occasions if we take into account the budget before the last election. We, of course, obviously will also be the first government in the history of the State that reduces tax rates on five successive occasions, as we will do in our next budget. But no other government has ever achieved that. You sat on the government benches voting for tax increases year after year. My colleagues now sit on the government benches and vote for tax reductions year after year.

The Hon. JENNIFER GARDINER: I have not noticed. Treasurer, do you dispute the Chamber of Commerce figures which show that some small and medium-size businesses have been paying up to 200 per cent more in payroll tax than they were five years ago?

The Hon. MICHAEL EGAN: Two hundred per cent more in payroll tax?

The Hon. JENNIFER GARDINER: Yes. For example, when you came into office in 1995 a firm with a payroll tax of half a million dollars would not have paid payroll tax at all at that time. But in the 1999-2000 tax year that same firm with average wage increases would have taken that wage bill up to \$600,000. That means that such a firm would have been due to pay \$2,681 in payroll tax. In the financial year 2002-03 that same firm will pay \$7,617 in payroll tax. Do you dispute those figures?

The Hon. MICHAEL EGAN: What was the starting year?

The Hon. JENNIFER GARDINER: It was 1995.

The Hon. MICHAEL EGAN: If they had a payroll of \$500,000 in 1995, they would have paid payroll tax. If, today, they have a payroll of \$600,000, they would not be paying payroll tax. They would not be paying a brass razoo, not a single cent.

The Hon. JENNIFER GARDINER: So, you do not believe the Chamber of Commerce?

The Hon. MICHAEL EGAN: Your maths are wrong. Never ask questions that have been prepared for you by somebody else.

The Hon. JENNIFER GARDINER: These are the estimates of the Chamber of Commerce.

The Hon. MICHAEL EGAN: The Chamber of Commerce is somebody else.

The Hon. JENNIFER GARDINER: What is the Treasury's estimates of the benefit to the State's coffers of threshold creep from payroll tax?

The Hon. MICHAEL EGAN: I can take that question on notice and get a response for you, but I reiterate that movements in payroll tax will come via reductions in the payroll tax rate rather than increases in the threshold.

The Hon. JOHN JOBLING: Surely the argument you are putting forward, that the percentage is coming down, is more than offset by bracket creep or, in this case, threshold creep—and you know it. You are also well aware that the threshold creep is producing a huge increase in the amount of money you are gathering each year from payroll tax. The total in dollars has gone up dramatically, notwithstanding the suggestion that the percentage has gone down and, therefore, the total has gone down.

The Hon. MICHAEL EGAN: The tax rate has come down.

The Hon. JOHN JOBLING: And the total dollars have gone up considerably.

The Hon. MICHAEL EGAN: Of course the total dollars go up as an economy becomes bigger and as inflation occurs. Obviously you are not suggesting that Mr Howard's or Mr Costello's revenues have not gone up. I think in all of the years that the term in office of Mr Howard and Mr Costello have coincided with that of the Carr Government, their tax revenue has increased each and every year far in excess of the increase in revenues in New South Wales, and I have never heard you bleat about that.

The Hon. JOHN JOBLING: I would have thought that we were looking at what you as Treasurer and this State Government were doing to deal effectively with your repeated claim that yours is a great Government and that you are reducing payroll tax in New South Wales.

The Hon. MICHAEL EGAN: I thank you for your endorsement.

The Hon. JOHN JOBLING: The truth of the matter is that it has become a milking cow because at the end of the day the total dollars go up. By the way, the State Chamber of Commerce document is a current document dated April 2001. It tends to suggest that the revenue is going to go up a lot further and many more people will be up for a lot more payroll tax liability.

The Hon. MICHAEL EGAN: I am not sure that that gobbledygook amounted to a question.

The Hon. JOHN JOBLING: No, it was just dealing with the statement you made, just to balance the ledger.

CHAIR: Committee members will restrict themselves to questions.

The Hon. JOHN JOBLING: Can we look at land tax. As you are aware, land tax has come to a lot more people. I recall specifically the findings of the Walton inquiry relating to overvaluation by the Valuer-General. The first question is: How much money per annum has Treasury repaid to reimburse property owners who have been wilfully overcharged land tax as a result of overvaluation of properties?

The Hon. MICHAEL EGAN: What do you mean wilfully overcharged land tax? What an appalling suggestion. Do you think this man next to me, who is the Director of the Office of State Revenue, wilfully overcharges people? He applies the law that Parliament has passed.

The Hon. JOHN JOBLING: That is a nice diatribe, but people were still overcharged and properties were still overvalued. The Walton report threw it up, and the question is how much has Treasury paid to reimburse these people?

The Hon. MICHAEL EGAN: This man has nothing to do with valuations.

The Hon. JOHN JOBLING: How much has Treasury paid to reimburse them?

The Hon. MICHAEL EGAN: That is done by an independent statutory officer, who is the Valuer-General. Surely you would not want Treasury to get involved in setting the valuations of property? From time to time people appeal against their valuations. I am not sure of the avenues for appeal; it does not come within my portfolio. But if they are found to have received a valuation higher than it should have been, they get a refund, I assume.

The Hon. JOHN JOBLING: Well, did they?

The Hon. MICHAEL EGAN: Which one?

The Hon. JOHN JOBLING: Those who have been overcharged on valuations that are inflated? Your own inquiry in 1999 revealed at least eight cases in New South Wales that were investigated and a number of them have gone on appeal to the Land and Environment Court, which confirmed the gross overvaluation by the Valuer-General between 1998 and 2000, which had no bearing on the actual values. Did you give money back?

The Hon. MICHAEL EGAN: Are you suggesting—

The Hon. JOHN JOBLING: I am not suggesting anything. I want to know did you give money back?

The Hon. MICHAEL EGAN: Are you suggesting that in your time in government nobody ever took an appeal to the Land and Environment Court?

The Hon. JOHN JOBLING: No, I want to know are you giving it back?

The Hon. MICHAEL EGAN: And are you suggesting that if they were successful, they did not get their money back?

The Hon. JOHN JOBLING: In this case I want you to answer. Have you given the money back?

The Hon. MICHAEL EGAN: What a stupid waste of the Committee's time.

The Hon. JOHN JOBLING: Have you given the money back?

The Hon. MICHAEL EGAN: If somebody successfully appeals against a valuation, of course they get a refund if they have already paid the tax. Of course they do, as they did under your Government. It is a stupid question.

The Hon. JOHN JOBLING: If that is what you are saying, I can draw only one conclusion. You are saying that Treasury has reimbursed all property owners who have been overcharged land tax as a result of incorrect valuations since 1995, is that what you are saying to me?

The Hon. MICHAEL EGAN: Anyone who—

The Hon. JOHN JOBLING: Is that what you are saying?

The Hon. MICHAEL EGAN: Anyone who appeals—

The Hon. JOHN JOBLING: No, is that what you are saying?

The Hon. PETER PRIMROSE: Let him answer the question!

The Hon. MICHAEL EGAN: Anyone who appeals successfully against a land tax valuation and has already paid the land tax, gets a refund—without exception. That has always been the case since 1956, when it was first introduced.

The Hon. JOHN JOBLING: We will have to look closely at that, because you have made it clear that if they are overcharged they get their money back. Where in the budget do you identify if the New South Wales Government has paid land tax? Where do we find that the New South Wales Government has paid land tax since 1995? How much has the New South Wales Government paid to itself in land tax?

The Hon. MICHAEL EGAN: I would not know. We can find out—can we? Is it worth finding out?

Unknown: We will try.

The Hon. MICHAEL EGAN: We will try.

The Hon. JOHN JOBLING: It would be nice to know what the Government pays.

The Hon. MICHAEL EGAN: It is a pretty big operation in New South Wales. There are a lot of government agencies. We have assets worth more than \$130 billion. Do you want us to go around to every square metre of land that we own and find out?

The Hon. JOHN JOBLING: Can you not identify what you have paid in land tax? I would not have thought you had that many.

The Hon. MICHAEL EGAN: I would not have thought we classified the private sector and the public sector any differently.

Unknown: It depends on how you determine public sector—if they are GTEs or SOCs or departments, et cetera.

The Hon. MICHAEL EGAN: He would not know the difference.

The Hon. JOHN JOBLING: I just might know the difference.

The Hon. MICHAEL EGAN: Would you like to tell us?

The Hon. JOHN JOBLING: That is a good question but unfortunately you are not asking the questions this evening. You are supposed to be answering them. You are not doing well at that either.

The Hon. MICHAEL EGAN: I am going to come back after retirement in 2016, whenever a non-Labor Government is elected, just for the pleasure of asking some sensible questions.

The Hon. JOHN JOBLING: That would be nice. That would be absolutely fascinating.

The Hon. JENNIFER GARDINER: You can be a consultant to the then continuing Labor Opposition.

The Hon. JOHN JOBLING: Can we turn to Freight Rail Corporation, which is referred to in Budget Paper No. 3, Volume 2, at page 19-3. The Government has announced its intention to sell Freight Rail Corporation. I would like to know what sum of money is the Government expecting from the proceeds of that sale?

The Hon. MICHAEL EGAN: You must think I am a dunce.

The Hon. JOHN JOBLING: Yes.

The Hon. MICHAEL EGAN: I certainly would not reveal, prior to the sale, what we hope to get. That would give the game away to all the bidders.

The Hon. JOHN JOBLING: That probably could be so. Let us deal with the second part, which is what I really—

The Hon. TONY KELLY: That is not the reason for the question, is it?

The Hon. JOHN JOBLING: The reason for the question is that I want to know what you are proposing to do with the proceeds of the sale. Where are you proposing to spend them?

The Hon. MICHAEL EGAN: The proceeds of any sale—

The Hon. JOHN JOBLING: A hollow log for 2003?

The Hon. MICHAEL EGAN: What a silly question.

The Hon. JOHN JOBLING: Stop getting so upset. Just answer the question.

The Hon. MICHAEL EGAN: I am not getting upset. I am annoyed that you do not understand the transparent budgetary processes and accounting that now constitute the budget papers not only in New South Wales but I think in virtually all the States. Any revenue at all that the New South Wales Government receives goes into the Consolidated Fund, from which we finance all our government services and all the government-provided infrastructure.

The Hon. JOHN JOBLING: So, you are not proposing to hypothecate anything?

The Hon. MICHAEL EGAN: Every dollar and every cent we receive gets hypothecated to public services, facilities and infrastructure—every single cent. I do not know what you did with that when you were in government, but we spend it on public services and facilities.

The Hon. JOHN JOBLING: We spent it wisely on building up the hospitals and many other things that Labor had run down in previous years.

[Short adjournment.]

CHAIR: The Committee will now deal with the OlympicCo-ordination Authority. Some general matters relate to the Olympics, but my question is based on the Olympic business program. You had to exploit the Olympic Games to promote business in New South Wales. How much business investment came to New South Wales as a result of the Games or is anticipated following the Games?

The Hon. MICHAEL EGAN: That is a very good question but a very difficult one probably ever to answer. The real economic benefit, as I see it, from the Olympic Games will be over a very long period and it comes from the fact that 6 billion people around the world were forming their first ever impressions of Sydney, and they were crackerjack impressions. Those impressions will stand Australia in good stead in 10 years time, 20 years time and probably 50 years time not only when people are making a decision about whether they come here for a visit or a holiday but when they are deciding whether to engage an Australian company for this project or that project or whether they buy an Australian product rather than a product produced in some other country. For that reason I am not sure that Australia will ever be able to quantify the economic benefits of the Olympics, but they will be very substantial and very significant.

I think the best example is the impact that the Tokyo Olympics had on the perception the world had about things produced in Japan back in 1964. Japan's reputation as a producer of goods and services went from being a reputation for producing cheap and shoddy products to a reputation for being a nation that produced products that were of first-class quality and technologically advanced for the time. I think that that, similarly, will be the impact on Australia. I am not sure but there are some companies whose investments can be directly linked to the Olympics. Mr Harris might deal with some of them. Mind you, it is very difficult to ascertain to what extent those investments were directly attributable to the Games, but I will leave it to Mr Harris to deal with.

Mr HARRIS: Mr Chairman, the work that we have done indicates that there has probably been around \$700 million worth of business that one can identify has come fairly quickly in the wake of the Games. Some of these have reasonably long lead times and they are reasonable expectations. One of them, which actually occurred during the Games, was the decision by the UK company Global Switch to invest \$160 million here in Sydney. This had been pursued by officers of the department probably for a year, but the decision of the chairman in deciding to come to the Games was his express wish to finalise all the arrangements during his visit. In fact now the company is spending over \$100 million on the old Government printing building to set up an Internet service operation.

CHAIR: Has there been any calculation of the increase, for example, in tourism particularly in New South Wales?

The Hon. MICHAEL EGAN: There has. I am not sure whether Mr Harris has those figures with him. No, he has not. We could get that information for you, though.

Mr HARRIS: Mr Chairman, certainly there was a turn up in tourism arrivals. The figures measured by Tourism New South Wales in January and February showed a significant improvement, particularly in arrivals from Asia during the first two months of this year. Most of that was attributed to the impact of post-Olympics impressions.

CHAIR: One area in which the Games have been very successful is the whole film development area of New South Wales and Fox Studios and so on. What concessions were required in order to get producers of *The Matrix 2* and *The Matrix 3* to film in Sydney?

Mr HARRIS: The producers of *The Matrix 2* and *The Matrix 3* were seeking significant incentives. This is in line with the practice that most film companies now undertake because of the high incentive levels that are provided out of North America, particularly Canada, and out of the UK. In relation to their plans to film in Sydney, the companies are eligible for a maximum of \$250,000 through a fund that is administered by Fox Studios. This is for films that are made at Fox Studios and this has been publicly used before in relation to other films. The department has also entered into an agreement with *The Matrix 2* and *The Matrix 3* for some support, dependent on the number of jobs that are created. This is just a standard formula that we use for most inbound investments where we believe

there will be a significant number of jobs. The amount would certainly not exceed the amount available through the Fox Studios.

CHAIR: This question is related to encouraging the film industry. There has been a report as recently as during this past week—obviously, it is very new—of some confusion over tax concessions from the Federal Government. Apparently this caused some hesitation in some film companies, if that is the case. Have you been able to clarify that or whether that would have any effect on the film industry of New South Wales?

The Hon. MICHAEL EGAN: The offending section is section 10B of the Commonwealth income tax Act. I must admit that I am not a tax expert and I do not pretend to understand the details or difficulties it causes. I am aware that the Commonwealth Government some years ago tried to prevent what were really tax-avoidance schemes based on film-making and introduced some changes to the Commonwealth income tax Act. From what I understand from the film-makers, the Commonwealth Government also seems to have caught genuine film-makers in the net. When I was in Los Angeles last year I visited some of the chief executives at Warner Brothers. They raised the issue with me. On my return to Australia I wrote a letter to the Commonwealth Minister for Industry, Science and Resources, Senator Minchin, and I also raised the same issue with him at the industry Ministers meeting in Adelaide in April this year. He offered to take it up with both the Federal Treasurer and the Australian Taxation Office.

I might say, though, that the growth of film-making in Australia has exceeded all our expectations. When Fox Studios were being mooted, it was anticipated that the studios out on the old showground site would probably be used, on average, up to about 60 per cent capacity. I think that they are now booked out for some years ahead. In fact, film-makers are looking for other suitable venues in Sydney for film-making and the venues that were being looked at included some of the huge buildings at Sydney Olympic Park.

CHAIR: I realise that there is a Sydney Olympic Park Authority and we have the Department of State and Regional Development. How do those two co-operate now in the development of the Olympic Park site from the point of view of bringing in new industries and housing developments and so on?

The Hon. MICHAEL EGAN: The Department of State and Regional Development is not directly involved in the future development of the Sydney Olympic Park area but, obviously, the department does direct potential investors to a number of suitable locations throughout New South Wales. One of those is Sydney Olympic Park. There has been one example recently. I am not sure that I am at liberty to say anything about it yet because I do not think that the company has publicly made an announcement. But one major Australian company has been looking at relocating to the Sydney Olympic Park location. The company has been negotiating both with the Olympic Co-ordination Authority and with the Department of State and Regional Development. My impression is that the two agencies have been working closely and working well together.

CHAIR: In the budget papers you refer to Sydney Olympic Park and the future development of the park as well as to its long-term objective, namely, to achieve a viable precinct, et cetera. As you know, it was only last Tuesday—that historic Tuesday—that announcements were made about some of those developments.

The Hon. MICHAEL EGAN: Yes.

CHAIR: I was surprised, with others, to see what appears to be some high-rise developments planned for the site. Can you indicate exactly what they are, as well as whether development approval has been obtained—and if so, how—for those large developments?

The Hon. MICHAEL EGAN: The master plan that we released on Tuesday is at this stage still a draft master plan and it, in the end, has to be ticked off by the Department of Urban Affairs and Planning. So that is some months off. But the draft master plan does envisage turning the Sydney Olympic Park site into a living town, and that would involve not only significant residential development on site but also significant commercial development.

It is anticipated that within the decade there will probably be about 3,000 people living there—that is, in addition to the people who will be living at what was the Olympic athletes village—and probably about 10,000 people working on the site. So 13,000 people will move in and out of the site each day, as well as the normal visitors to the site.

It is possible that there will be three or four large residential and commercial developments in what is called the town centre, that is, mainly around the railway station. When one looks at the model, it is amazing how tiny even those 20- and 30-storey buildings look on the site. For example, the hotel there now is 18 or 19 storeys high. The

site is absolutely huge. I think there are eight sites around the town centre; in total there will be about 20 sites. But even with the eight sites around the town centre, there will still be lots of space. Mr Adby may wish to add to what I have said.

Mr ADBY: The actual outcome of the development, of course, is subject to a request for proposals for development that went out at the same time. At this stage it is a very broad call for proposals; they need to accord with the master plan process, of course. The outcome of that process will determine the extent of development and the timing of development within the park.

CHAIR: The approval body in relation to those high-rise buildings will be the Department of Urban Affairs and Planning?

The Hon. MICHAEL EGAN: Certainly of the master plan. I am not quite sure who has approval after that.

Mr ADBY: The actual approval process for the developments is still with the Minister for Urban Affairs and Planning.

The Hon. JENNIFER GARDINER: Treasurer, with regard to HIH Insurance and the Government's new tax to gather \$69 million per annum for an indefinite, unknown number of years, can you advise the Committee how that \$69 million was estimated?

The Hon. MICHAEL EGAN: It was assessed by Treasury on the basis of its estimation of the cash that would go out of the fund over the next five or six years, and it was also based on a \$50 million contribution from Consolidated Revenue, plus another \$100 million in loans from Consolidated Revenue over that period. So it is an estimation from Treasury of the amount that will be needed over, I think, a six-year period to cover the costs associated with the Home Building Warranty Scheme and the Third Party Motor Accidents Scheme.

The Hon. JENNIFER GARDINER: Do you believe that that is a fairly solid estimate?

The Hon. MICHAEL EGAN: I think so, but I cannot give you an assurance that it is. I have had meetings with the insurance companies. They actually think that it is an overestimation. I hope they are right, and I have given them an undertaking that if it does turn out to be an overestimation we will introduce legislation to reduce the tax on insurance companies. I would be surprised if it proves to be an inadequate amount. I think the \$600 million figure that we have estimated is probably a fairly prudent assessment.

The Hon. JENNIFER GARDINER: Will the Government be seeking to recover money from the HIH liquidators?

The Hon. MICHAEL EGAN: We will be seeking to recover every single cent we possibly can. We will simply be in the position of a creditor. There could also be legal action that we can pursue against various people. I do not know who those people are. But we will leave no stone unturned to get as much back as we possibly can.

The Hon. JENNIFER GARDINER: While the bill makes it a serious breach to pass the tax on to policyholders, you have nevertheless conceded that it may be passed on indirectly.

The Hon. MICHAEL EGAN: Yes.

The Hon. JENNIFER GARDINER: Surely, that shows that in the end policyholders may well be slugged with this tax?

The Hon. MICHAEL EGAN: I do not think there is any doubt that part of the cost will be borne by policyholders. Rather than taking the suggestion that it should be a levy on policyholders, my intention in imposing a tax on insurance companies is to ensure that the insurance companies bear some of the cost. They will do that, I believe, because the competitive market will require some of that tax to be absorbed through greater efficiency in their operations, and a competitive market will also ensure that some of that tax is absorbed at the company's bottom line.

In that way, I think we can be fairly certain that not all of that tax will be passed on to policyholders. But, as I have pointed out on a number of occasions, there is no way in the world, unfortunately, that we can ensure that none of the cost is passed on to policyholders.

The Hon. JENNIFER GARDINER: Can you spell out for the Committee what role Treasury played in monitoring the prudential viability of HIH and indeed other companies that were providing CTP and home ownership warranty insurance?

The Hon. MICHAEL EGAN: I would think absolutely none; that is not Treasury's role.

The Hon. JENNIFER GARDINER: But surely Treasury does have a role in ensuring the viability of schemes in order that they do not become a liability on government agency budgets?

The Hon. MICHAEL EGAN: No. Treasury would have no expertise in prudential supervision of insurance companies or, for that matter, financial institutions. That is why previously to the establishment of APRA we had a separate body in New South Wales that was responsible for the regulation and supervision of non-bank financial institutions. That is simply not the role of Treasury.

The Hon. JENNIFER GARDINER: No Treasury officers ever expressed any concern about the viability of companies operating CTP and home ownership warranty insurance?

The Hon. MICHAEL EGAN: No. It is simply outside of their realm of activity.

The Hon. JENNIFER GARDINER: How much in payroll tax and stamp duty have the taxpayers of New South Wales, via the Government, missed out on as a result of the collapse of HIH?

The Hon. MICHAEL EGAN: The economic impact of the collapse of HIH is a little like trying to work out the long-term benefits of the Olympics. I think the long-term costs of the collapse of HIH will be accruing for years and years to come. I think the best example of that is to take a firm that was previously insured with HIH and which in the future wants to raise more finance for its ongoing business activities or for an expansion, or wants to sell for another business. That company will, for ever and a day, be confronted with the fact that it has a huge contingent liability that is not covered by insurance. The economic ramifications of that, I think, will still be felt for many years to come.

Likewise, I think the collapse of HIH will have much longer than just short-term consequences in the building industry. HIH was a major insurer of builders. Not only is there now a huge backlog in thousands of builders obtaining new insurance; there is also the situation where a great number of them will simply be unable to get new insurance, at least at the level that they had it, because their financial position will not be seen by the potential new insurers to be sufficient to warrant the level of cover that apparently they had with HIH. So I think that in the building industry we are going to see a contraction of supply, as builders who previously operated are simply not able to operate at that level any more.

The Hon. JENNIFER GARDINER: I am assuming that at this stage there is no estimate in next year's budget in relation to the loss of revenue to the Government?

The Hon. MICHAEL EGAN: No.

The Hon. JENNIFER GARDINER: Do you know if WorkCover had any money tied up in HIH?

The Hon. MICHAEL EGAN: Not as far as I am aware, no.

The Hon. JENNIFER GARDINER: Did any discussions take place between the Treasury and the Minister for Fair Trading and the Special Minister of State concerning the ongoing viability of the State statutory schemes to which I referred earlier?

The Hon. MICHAEL EGAN: No. I do not know what discussions other Ministers had but I certainly had no discussions with either the Minister for Industrial Relations or the Minister for Fair Trading.

The Hon. JOHN JOBLING: I refer to Budget Paper No. 2, chapter 6, which deals with Sydney 2000 Olympic and Paralympic Games. In your introduction on page 6-1 you indicate that the estimated net budget impact of the Olympic and Paralympic Games was \$1.446.2 million. How was that figure calculated?

The Hon. MICHAEL EGAN: If you look at the table on pages 6-12 and 6-13 you will see it in chapter and verse. It shows that the gross cost to the Government was some \$2.099 million. That does not include smaller amounts, as I understand it, for wages of public servants who might have been seconded for some activity during the Olympics, or some of the Olympic loadings, so they would be in addition to that. If we take that figure of \$2,099

million, the assessment of the additional tax revenue which the State receives as a result of the Olympic activity over the period 1993-94 to 2002-03 adds up to \$653 million. If you take that away from the \$2,099 million, that is how we get the estimate of \$1,446 million. Mind you, that was not the cost of staging the event known as the Games. Almost all of that is the cost of the venues and infrastructure.

The Hon. JOHN JOBLING: In your response you referred to public servants and secondment. In the budget figures and the Olympic figures have you been given a Government estimate of the amount spent by the individual agencies within their own budget?

The Hon. MICHAEL EGAN: That \$1,446 million includes, for example, supplementation to the Police Service and various other agencies for extra Olympic work. I am told we do not have other Olympic costs—recurrent, for example. That is, \$392 million over that period in relation to wages paid to seconded staff.

The Hon. JOHN JOBLING: I presume that the overtime payments and secondment from agencies would be included in the budgets of the individual agencies?

The Hon. MICHAEL EGAN: Yes.

The Hon. JOHN JOBLING: Is it possible to obtain those figures from the agencies so we can gain a clear picture of how much would need to be added to the \$1.4 million to gain a total figure? Do you want to take that question on notice?

The Hon. MICHAEL EGAN: Yes, I do need to take that on notice. Mr Aaby tells me that the Olympic Co-ordination Authority is working with the Auditor-General to get an estimate of those costs.

The Hon. JOHN JOBLING: Obviously the Auditor-General will produce a report on the total cost to government. Outside the \$1,446.2 million and the other costs of seconded staff and agencies, are there any other costs that had been accrued to the individual agencies that should also be considered in conjunction with the total figure?

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

Mr ADBY: In essence these numbers provide for all the dedicated Olympic agencies, plus the Department of Health, the Police Service, State Rail and the various transport agencies. They cover the specific Olympic allowance that was payable for people who worked on the Games. They do not cover the full-time salaried costs of people who were seconded from those non-Olympic agencies towards it because they are covered elsewhere within the budget process. We are working with the Auditor-General to produce a final report on the net cost of the Games to the Government. Depending upon the negotiations with the Audit Office about what comes out of the review—and they have made a very wide trawl of nearly all agencies in government—we expect to produce a final cost. But I would think that things that may be excluded from this report, full-time salary costs of people seconded from non-Olympic agencies to the Games, would be the only other major material item.

The Hon. MICHAEL EGAN: I imagine, but I do not know for certain, that staff of the Parliament would have been seconded to some other Olympic activities during the Games. The cost of those staff would be already within the Parliament budget, and it is those costs that we are trying to identify now.

The Hon. JOHN JOBLING: The only returns that you are expecting are an estimated \$30 million and \$14.8 million from SOCOG and SPOC? In other words you are expecting back about \$44 million.

Mr ADBY: Again we are working with the Audit Office in terms of the final audit of SOCOG. At this stage we are standing with the \$30 million. We do believe that it may be better. I would like to reserve that judgment until the final audit process is completed, and that is in the hands of the Auditor-General.

The Hon. JENNIFER GARDINER: The Government has a practice of consistently underestimating the revenue that it generates compared with what is actually received for each financial year. For example, in 1999-2000 the Government estimated that it would receive \$1.474 million in contracts and conveyancing stamp duties but actually received \$2.49 million. That is indicative of a trend that goes back to 1995-96. How do you account for Treasury's consistent underestimation of revenue figures?

The Hon. MICHAEL EGAN: What you say is correct. It is certainly not a deliberate underestimation. I do not set out to be unduly conservative in estimations but I do not think even Treasury can anticipate the economic success of New South Wales under a Labor Government. Each year we have been underestimating the revenues

that we have received, notwithstanding a record four years of consecutive tax cuts. I certainly hope that each and every year the strength of the economy in New South Wales will mean that we exceed the revenue estimates in the budget, because all of that revenue is used for the provision of public services and facilities. We are making a stronger society and stronger community. Also it means that we are in a stronger position to continue the tax cuts which have now become almost an annual part of the budget. I do not know if any government in any part of the world can boast of five consecutive budgets with tax cuts. I want a record 20 consecutive years, if I can possibly manage it. I will be here until 2016 and I want to have some element of tax cuts in every budget.

CHAIR: The time has elapsed for Opposition questions. Does the Government have any questions?

The Hon. PETER PRIMROSE: We have heard nothing that would lead us to have any concerns about the budget so far.

CHAIR: The Hon. Dr Peter Wong sends his apology. He had to leave early for a medical commitment.

CHAIR: Treasurer, you are very anxious, obviously, to maintain the triple-A rating for New South Wales. At page 19-19 of Budget Paper No. 3, Volume 2, it is noted that the Treasury Managed Fund is currently managed under contract by GIO General Limited. In view of the HIH collapse, do you, through your department, conduct some supervision of that operation to make sure that we do not have a similar problem?

The Hon. MICHAEL EGAN: I think Mr Neale has been involved with the operations of the Treasury Managed Fund. I think that is correct.

Mr NEALE: Yes. We oversight the Treasury Managed Fund. When we picked the GIO, it was through a quite detailed tender process. As part of that process we have performance agreements with the GIO which we monitor closely. We also have consulting actuaries who monitor the performance of the GIO for us. All of their activities are effectively monitored. The actual assets in the fund, which is a self-managed fund, are invested through Treasury and the New South Wales Treasury Corporation. So the insurance company itself does not have direct control over assets, apart from those they require to meet emerging claims. It is quite a strong prudential system that is in place.

CHAIR: So the assets would be far in excess of any need you would have in the future to meet liabilities?

Mr NEALE: The assets in the fund are approximately \$2 billion. I think they cover all but about \$300 million of claims that we have recorded at the moment.

The Hon. MICHAEL EGAN: If you go to page 5-16 of Budget Paper No. 2, you will see that there is an unfunded liability relating to insurance, but we anticipate that that liability will decline significantly over the next four or five years.

CHAIR: I know that WorkCover is handled by the Minister for Industrial Relations but, as Treasurer, have you had any role in monitoring the WorkCover deficit of \$2.1 billion?

The Hon. MICHAEL EGAN: No.

CHAIR: Do you have any monitoring role in respect of that?

The Hon. MICHAEL EGAN: No.

CHAIR: From the point of view of trying to maintain your triple-A rating, you would not be disinterested in the deficit, would you?

The Hon. MICHAEL EGAN: Certainly not. But the WorkCover deficit does not affect either the State's budget or the State's financial position. It is a deficit that really is owed by the employers. WorkCover is really the trustee for the WorkCover scheme. Obviously, for any scheme like WorkCover, money has to come from somewhere. You cannot continue to have a deficit of that kind accruing. So, for that reason, amongst others, the Government is anxious to introduce legislation to ensure that that scheme becomes not only a better scheme for injured workers but is also financially sustainable for the State's employers over the medium and longer term.

CHAIR: I was of the impression that the Premier had referred to a threat to the triple-A rating because of that deficit.

The Hon. MICHAEL EGAN: I suppose, if the deficit continues to grow and cannot be met by the employers or by the premiums, at the end of the day there is a moral responsibility, in the same way that the Government came to put together a rescue package after the collapse of HIH. For example, in respect of the home building warranty, we had no legal obligation to do that, but we were not going to see people suffer as a result of the HIH collapse. Obviously, at the end of the day, the Government of New South Wales and the Parliament of New South Wales have to make sure that there are sufficient funds in the WorkCover scheme to meet the benefits to which injured workers are entitled.

CHAIR: Could it affect the triple-A rating indirectly?

The Hon. MICHAEL EGAN: In that sense, yes.

CHAIR: So that if you had to pass on the deficit to the employers, that would cause a collapse in some areas, and therefore could have an effect on the overall state of the economy?

The Hon. MICHAEL EGAN: Precisely. For example, if the State budget, instead of being in a strong surplus, had been in the kind of deficit which we had in the early 1990s, then I think the HIH collapse and the moral obligations which the Government took on would really have imperilled the triple-A rating. So all of those things are very important.

The Hon. JENNIFER GARDINER: Treasurer, a few days ago the Victorian Government announced that its Office of State Revenue would be decentralised out of Melbourne to the Information Technology Park at Ballarat. In this year's budget is there any proposal for any Treasury offices to be decentralised to non-metropolitan New South Wales?

The Hon. MICHAEL EGAN: No, I have no proposals. I was instrumental in the relocation of the Superannuation Administration Authority from Sydney to Wollongong. I think that that relocation has either taken place or is currently taking place. But I have no proposals to move anyone from Treasury out of Sydney. I do have a longer-term proposal though for moving the State capital from Sydney.

The Hon. JENNIFER GARDINER: To Bendemere?

The Hon. MICHAEL EGAN: No, not to Bendemere. In fact, I think we should allow the various regions of the State to bid for it. I do not think it will happen in the next 20 years or so, but I think it will probably happen at about the same time as I successfully manage to abolish the upper House.

CHAIR: Then you would have to move this Parliament House to the new Parliament House.

The Hon. MICHAEL EGAN: I think Parliament could quite easily move to a regional location, and around that we could create a major regional city, eventually the size of a Canberra.

The Hon. PETER PRIMROSE: Full of public servants.

The Hon. MICHAEL EGAN: Yes, with some public servants.

The Hon. TONY KELLY: That is the American way.

The Hon. MICHAEL EGAN: Yes. I have a few regional cities in mind, but I would like to give all regions the opportunity to make a case.

The Hon. TONY KELLY: Would Orange have to be renamed Apple before you would do that?

The Hon. MICHAEL EGAN: I have always thought that Orange is wrongly named. Orange should be named Apple or Cherry, because it is the apple growing capital of Australia and it is also the cherry growing capital of Australia. I do not think they grow too many oranges. In any event, it was named after William of Orange, which I find quite personally distressing.

The Hon. JENNIFER GARDINER: Treasurer, I ask you a question about State development relating to the Lithgow aluminium smelter project. Did you issue any directions to the State's electricity generators to negotiate with the backers of the proposed smelter over a suitably priced electricity supply?

The Hon. MICHAEL EGAN: I certainly did not issue directions in a formal sense, but I did have an expectation, which I think was both privately and publicly known, that I wanted the State-owned generators to negotiate in a commercial way with the proponents of the Lithgow aluminium smelter. Indeed, from memory, I think Treasury engaged Pricewaterhouse to conduct what I suppose you could call an audit to ensure that the State-owned generators had approached the negotiations in a commercial way. The outcome of that led me to believe that they all had.

The Hon. JENNIFER GARDINER: Can you advise the committee—and you may not know this off the top of your head, but can we have it on notice—when the Government became aware that Queensland had won the project over New South Wales?

The Hon. MICHAEL EGAN: All of a sudden a company by the name of Aldoga appeared. I had never heard of Aldoga. But one day I got a message from Aldoga, who told me they were going to Queensland. This was about four days before the Queensland election. I look forward to going to Gladstone when the first work begins on the Aldoga smelter. I hope it is before 2016!

The Hon. JENNIFER GARDINER: When you are trying to encourage investment in New South Wales is there any difference between dealing with Australian-based investments or overseas-based investments?

The Hon. MICHAEL EGAN: No.

The Hon. JENNIFER GARDINER: You do not distinguish between the two?

The Hon. MICHAEL EGAN: No, I do not. I take particular pleasure out of getting an overseas company to New South Wales for the first time. Those companies might start in a small way. For example, many of the 280 regional headquarters that established in Sydney and in Australia for the first time started out quite modestly. But in 20 or 30 years time they might have significant Asia-Pacific operations based in Sydney.

The Hon. JENNIFER GARDINER: Has Treasury estimated what disadvantage there will be to New South Wales because of its higher payroll tax and workers compensation regimes?

The Hon. MICHAEL EGAN: In a lot of ways, even from a taxation-government charges point of view, we are much more competitive than other States. For example, Victoria has a top marginal land tax rate of 5 per cent. The top rate, or the uniform rate, in Sydney is 1.7 per cent. Let us say that you want to build a big office block. You need to buy the land. There is a real disincentive in Victoria where you would be paying 5 per cent land tax a year. However, you could come to New South Wales and pay only 1.7 per cent.

Likewise, if you are a home buyer—in particular, if you are a first home buyer—no other State has the concessions that we have. But let us say that you are not a first home buyer. Let us say that you are buying a home, say, for \$250,000 or \$300,000. In Victoria you would pay many thousands of dollars more. New South Wales is also competitive in a number of other taxation areas. For example, we have the lowest electricity charges.

The Hon. JENNIFER GARDINER: I am referring to payroll tax and to workers compensation.

The Hon. MICHAEL EGAN: We are doing something about workers compensation. I hope that Opposition members do not shirk their responsibilities to ensure that New South Wales is competitive. I hope that the New South Wales Opposition has some responsibility in this area. It seems to be at sixes and sevens at the moment.

The Hon. JOHN JOBLING: We are considering your offer carefully. We are considering carefully what is in the legislation.

CHAIR: Will the Treasurer take questions on notice?

The Hon. MICHAEL EGAN: Yes.

CHAIR: Will you provide the Committee with replies to those questions within three weeks or within 35 days?

The Hon. MICHAEL EGAN: Thirty-five days will be fine. Anyone can place questions on notice at any time throughout the year and we will provide thorough answers.

The Hon. JOHN JOBLING: I have not received an answer to one question. Do you endorse Rollback?

The Hon. MICHAEL EGAN: That has nothing to do with the Committee.

The Hon. JOHN JOBLING: You talked about that matter earlier. It is one issue about which I am curious.

The Hon. MICHAEL EGAN: I fully support the declaration that has been signed by the Federal Leader of the Opposition and the State leader in Hobart. The GST is an atrocious tax. For the rest of your years you should be ashamed of what you have done. You should be absolutely ashamed that any package as inequitable as that could be foisted on the Australian people, let alone low income earners. What the Federal Coalition Government has done is absolutely appalling.

CHAIR: If Opposition members have any written questions, I suggest that they place them on notice. Will answers to those questions be provided fairly quickly?

The Hon. MICHAEL EGAN: Yes, they will.

CHAIR: I thank the Minister and departmental officers for their attendance.

The Committee proceeded to deliberate.
