

# **GENERAL PURPOSE STANDING COMMITTEE No. 1**

**Monday 4 September 2006**

**Examination of proposed expenditure for the portfolio areas**

## **TREASURY, INFRASTRUCTURE, HUNTER**

**The Committee met at 9.00 a.m.**

### **MEMBERS**

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

The Hon. M. J. Gallacher  
The Hon. G. S. Pearce  
The Hon. P. T. Primrose

Ms L. Rhiannon  
The Hon. P. G. Sharpe  
The Hon. I. W. West

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### **PRESENT**

**The Hon. M. Costa**, *Treasurer, Minister for Infrastructure, and Minister for the Hunter*

**New South Wales Treasury**

**Mr J. E. Pierce**, *Secretary*

**Office of State Revenue**

**Mr P. C. Achterstraat**, *Director General and Chief Commissioner*

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**CHAIR:** I declare this hearing open to the public. I welcome the Treasurer and accompanying officials to this hearing. At this hearing the Committee will examine the proposed expenditure for the portfolios of Treasury, Infrastructure and the Hunter. Before we commence I will make some comments about procedural matters. In accordance with Legislative Council guidelines for the broadcast of proceedings, only Committee members 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 proceedings of this Committee the media must take responsibility for what they publish or what interpretation they place on anything that is said before the Committee. The guidelines for the broadcasting of proceedings are available from the table by the door. Any messages from the attendees in the public gallery should be delivered through the Chamber support staff or Committee clerks.

Minister, you and the officers accompanying you are reminded that you are free to pass notes and give directives to your advisers while you are at the table. I ask that Hansard be given access to material placed on the public record during the hearing. This is the usual practice in the House and is intended to ensure the accuracy of the transcript. With regard to mobile phones, I ask everyone to please to offer mobile phones now. The Committee has agreed to the following format for the hearing: an allocation of 10 minutes to each crossbench member, 20 minutes to the Opposition and 20 minutes to the Government. We will have a break at 11 o'clock for approximately 10 minutes. The Committee will deal with the three portfolio areas, ideally with The Hunter being near the end, but Committee members have indicated that they may wish to ask questions about that portfolio area before 11 o'clock. Do you anticipate any problems with that, Minister?

**The Hon. MICHAEL COSTA:** No.

**CHAIR:** Minister, I advise that the Committee has resolved to request that answers to questions on notice be provided within 21 calendar days of the day on which they are sent to your office. Do you anticipate any problems with that?

**The Hon. MICHAEL COSTA:** Yes, I do. The usual procedure is 35 days, and I would request that we stick to the usual procedure on that aspect.

**CHAIR:** The Committee has already resolved that they be provided within 21 days. I gather that all the other committees have resolved to make it 21 days of for these hearings.

**The Hon. MICHAEL COSTA:** We will be looking at 35 days.

**The Hon. GREG PEARCE:** Well, that is not the Committee's decision.

**CHAIR:** You have indicated that it will create some pressure, but that you will endeavour to meet that deadline.

**The Hon. MICHAEL COSTA:** We will endeavour to comply, but the usual procedure is 35 days.

**CHAIR:** The Committee appreciates that.

**The Hon. MICHAEL COSTA:** As long that is noted.

**CHAIR:** Yes, it was noted when the decision was made that the Committee proposed to make that change.

**The Hon. MICHAEL COSTA:** No, so long as it is noted that I said we will endeavour to comply but that the usual time frame is 35 days.

**CHAIR:** Thank you. All witnesses from departments, statutory bodies or corporations are to be sworn in prior to giving evidence. Minister, you do not need to be sworn as you have already sworn on oath to your office as a member of Parliament.

**JOHN ERIC PIERCE**, Secretary of the New South Wales Treasury, and

**PETER CHARLES ACHTERSTRAAT**, Executive Director and Chief Commissioner of State Revenue, and Office of State Revenue, New South Wales Treasury, sworn and examined:

**CHAIR:** Minister, do you wish to make an opening statement?

**The Hon. MICHAEL COSTA:** No. I refer you to Budget Paper No. 1.

**CHAIR:** Obviously, as the a newly pointed Treasurer, you have, on behalf of the Government, adopted a change of policy from that of the former Treasurer, Michael Egan—

**The Hon. MICHAEL COSTA:** Andrew Refshauge.

**CHAIR:** —and Andrew Refshauge. Will you indicate what has been the main change in that policy in regard to borrowings? Their policy was to do all they could to reduce debt.

**The Hon. MICHAEL COSTA:** Our policy is to do all that is possible to ensure that our debt levels are manageable, and that they are sustainable within the priorities of the Government and the requirements of the economy. If you look at Budget Paper No. 1 you will see that I made a statement that John Pierce calls the "The Costa Golden Rule", which is to have the budget result in a share of total State revenue average of 2 per cent to 3 per cent over the course of the property cycle. The key differences that we have to recognise that our revenue, our own source revenue, is primarily property based and, therefore, the property cycle does impact on our ability to maintain budget surpluses. We have adopted that rule. I believe it is a sensible procedure. It says that over the cycle there ought to be a healthy surplus. To that extent there has been a slight departure from previous approaches.

There has also been a recognition that, given the healthy balance sheet that we currently have, we do have a capacity to borrow for infrastructure and we certainly have embarked on a record infrastructure program supported by prudent, responsible borrowings, as endorsed by the ratings agencies, such as Standard and Poor's. So, there has been no change in terms of our fiscal discipline. But, there is certainly a recognition that the circumstances we find ourselves in today are different from those in which we found ourselves when this Government first came to office, when it had to repair the damage caused by the Coalition Government, particularly in relation to putting the triple A credit rating on credit watch and running at successive deficits that were unsustainable. That is the difference. Having recovered the balance sheet, having ensured that we have a healthy balance sheet, we are in a position now to invest record amounts in State infrastructure.

**CHAIR:** What is the total amount of borrowings you anticipate?

**The Hon. MICHAEL COSTA:** Borrowings are outlined document on page—

**CHAIR:** There was mention of \$10 billion.

**The Hon. MICHAEL COSTA:** No, that is not borrowings; that is total capital works. That is averaging roughly \$10 billion per year. About 40 per cent on that is expected to be through borrowings. The actual amount over the next four years is referred to on page 8 of the Treasurer's Speech. It refers to an estimated to \$17.4 billion to be borrowed to fund capital expenditure, including \$5.4 billion in 2006-07.

**CHAIR:** With being borrowings being 40 per cent, what would be the annual interest payments?

**The Hon. MICHAEL COSTA:** It will vary based on interest rates. I think the more thing is the triple A envelope, and certainly Standard and Poor's only a couple weeks ago I had a look at it and has endorsed that it is within the triple A credit rating. Borrowings will be determined by a portfolio of different bond issues based on the prevailing interest rates and the need to raise funds in the market.

**CHAIR:** Could you give the Committee an estimate—I appreciate that interest rates go up and down—of what you are budgeting for and what you are planning?

**The Hon. MICHAEL COSTA:** If you refer to page 1-28 of Budget Paper No. 2 you will see a table that outlines the estimated borrowings. Do you have that in front of you?

**CHAIR:** Yes.

**The Hon. MICHAEL COSTA:** Under the heading, "Table 1.5: General Government Sector Operating Statement" you will see that the line item, "Finance" under the heading "Forward Estimates" shows a figure—these are, of course, estimates—of 1.2 in 2008-09, rising to 1.3 in 2009-10. Once again, these are estimates and will depend on interest rates.

**CHAIR:** Are you saying that the payment would be 1.3?

**The Hon. MICHAEL COSTA:** The estimate is that in 2008-09 it will be 1.2 and in 2009-10, 1.38.

**CHAIR:** That is in millions?

**The Hon. MICHAEL COSTA:** Billions.

**CHAIR:** That is what I am getting at. Meeting that interest payment is obviously additional expenditure. You will be able to absorb that?

**The Hon. MICHAEL COSTA:** Absolutely. As I said, Standard and Poor's has had a look at this and at other forward estimates, and indicated it is within the triple A credit rating, which means that we get the best possible rate when we borrow. Again, borrowings have to be offset against what you are borrowing for. It has been clearly in the position of the Government that we do not support a notion that you consistently run operating deficits. As I said, we believe that you should run under the ruler, an operating surplus over the length of the property cycle. If you can do that then clearly you are in a position to sustain borrowings and maintain your financial credit rating. A lot of the infrastructure we are borrowing for is long-term infrastructure, of course, that has long periods of life—both economic and infrastructure life—and clearly it make sense to spread that at over a number of generations.

**CHAIR:** There has been a report that the average motorist is going to be paying per year \$4,000 in tolls—again, it is an estimate. Would you agree that that really is another, what you could call, toll tax?

**The Hon. MICHAEL COSTA:** No, I do not agree with that at all. Tolls are really matters for the toll companies. But the other side of that, of course, is that—and this is from a personal point of view, not a government policy point of view because it is not a government policy—you have got to offset that against the time that people save using particular pieces of infrastructure. And, as we have made clear, particularly through the Cross City Tunnel issue, the Government is committed to having an alternate route for people who choose not to use it.

**CHAIR:** Obviously, if the tunnels had been constructed by the Government as part of the RTA providing accessible roads the motorists would not be paying anything.

**The Hon. MICHAEL COSTA:** They may not have been constructed. We use PFPs and PPPs to bring forward infrastructure and provide that to the community at a more timely timeframe. It is not clear that some of these projects, particularly the Cross City Tunnel, would have been brought online in the time frame that they were.

**CHAIR:** There is another issue that has been raised in regard to the education department with the claim that the education department has been seriously underfunded now for some years. How do you respond to that?

**The Hon. MICHAEL COSTA:** I do not accept that. We fund on a basic formula, and that relates to student enrolments. I am sure the education Minister can provide you with the details, but if you want the details of the formulas that are used I am happy to provide those to you. There is no question that that is the basis of funding. In fact, if you look at education funding, if you look at the budget papers, it has actually increased.

**CHAIR:** I accept they have increased. I think the point is the Government has made a number of policy decisions and promises but are you allocating sufficient funds to meet your own policy objectives in the education area?

**The Hon. MICHAEL COSTA:** We believe we are. Funding has increased in that area and there are specific programs if you look at the budget estimates: things like the Aboriginal Initiative, the reduction of class sizes, increased school maintenance and trade schools, where additional funding has been provided. You can see that on Budget Paper No. 3, Volume 1, 7-1, total expenses in education have gone up by 4.4 per cent and capital expenditure has gone up by 18.9 per cent. So they are significant increases.

**CHAIR:** I accept that there have been large increases but it is a question of whether they are sufficient to meet the Government's objectives.

**The Hon. MICHAEL COSTA:** We believe they are. Clearly, we have forward estimates of four years and agencies are able, within the pre-budget period, to put additional claims on the budget and we will assess them. But certainly we are significantly funding education, both in capital works and recurrent.

**The Hon. GREG PEARCE:** Minister, I notice there is a project under Cabinet Office, the process automation system, which has been delayed by a year.

**The Hon. MICHAEL COSTA:** Is that under the Premier's Department?

**The Hon. GREG PEARCE:** It is Cabinet Office.

**The Hon. MICHAEL COSTA:** I will get that information off Cabinet Office.

**The Hon. GREG PEARCE:** City West housing, the Green Square site, has also blown out by two years and \$6.8 million against an original budget price of \$15.5 million.

**The Hon. MICHAEL COSTA:** With respect, I do not intend to go through every single project. I do not think anybody has that level of detail in front of them at a budget estimates hearing when they relate to specific projects. I am happy to take those things on notice. But I make a general point about infrastructure: the Government, when it assesses infrastructure projects prior to going into the market, makes a best estimate of what the likely cost of a project is; it also builds in contingencies that are prudent. However, the final cost of a project will not be known until the Government actually goes to the market.

The Opposition likes to play games with that and compare the original estimate with the final tender price and claim there is a blow out, but that is not the case at all because we do not want to put out, in terms of the tendering process, what we are prepared to pay. We certainly do engage in a strategic tendering arrangement where we put our best estimate and test the market. Project prices can increase for a range of reasons. In recent times they have increased because of the failure of the Federal Government to provide adequate skills in a range of areas. I think even the Prime Minister and the Federal Treasurer have acknowledged their role in terms of the skills shortage, which adds to labour costs, and secondly, in terms of raw material costs, particularly concrete costs. I am happy to get the details of specific projects, but those general comments would apply to all infrastructure.

**CHAIR:** If you could take that on notice then?

**The Hon. GREG PEARCE:** In the recent audit that was undertaken and the exercise you did to produce your State Infrastructure Plan, are you saying that you did not actually review all of these projects and determine whether they were proceeding on time and on budget?

**The Hon. MICHAEL COSTA:** If the honourable member had paid attention to the way the Government is handling its infrastructure, he would realise that the State Infrastructure Plan has within it a number of items that do not have estimates beside them precisely for that reason that I have outlined, which is, we have an internal estimate that is built into the aggregate, but we are not going to tip the market off before we go out to the market on what we are prepared to pay for a particular project. There is an ongoing review of all projects and the Premier himself has set up the Premier's delivery unit in terms of infrastructure—that is the group headed up by Mr Richmond, and he will look at specific projects. But that is why in the infrastructure document you will not have figures beside the level of specific projects, but the aggregate reflects our best estimate.

**The Hon. GREG PEARCE:** Just in terms of the question I asked you, did you, as a part of your audit and preparation of the State Infrastructure Plan, actually go through the projects and check whether they were on time and on budget? I am not talking about the future projects, those that have not been tendered, I am talking about the pages and pages of projects listed in Budget Paper No. 4, which do have allocations against them and which are under way.

**The Hon. MICHAEL COSTA:** Those projects are the responsibility of each of the agencies that has responsibility for capital works, but, yes, we did, through the Treasury's infrastructure unit, monitor those projects and make assessments for the infrastructure plan in terms of what allocations those costs would be and how they would affect the aggregate amount.

**The Hon. GREG PEARCE:** Did that show several hundred projects which were over their original budget and delayed?

**The Hon. MICHAEL COSTA:** I made a general comment about that. I refer to that general comment.

**The Hon. GREG PEARCE:** When we look at Budget Paper No. 4 and we see the column that says, "Estimated total cost", are you saying that is just nonsense?

**The Hon. MICHAEL COSTA:** No, we are saying that is a best endeavours estimate, but the final price of a project will be determined by the market. If you know any other way in a capital system to estimate your cost when you go out to tender would you please tell us? I note the same procedure was followed under the Coalition Government: you make an estimate, you add a contingency; that estimate is your best estimate at the time; you go out to the market place for a final price; the final price is affected by a range of factors including labour costs, and I made the point about the skills shortage that has been created by the Federal Government pushing up the cost of infrastructure projects, and also raw material costs going up. So the final price will be determined by what the market believes it can deliver a project. Do we have contingencies? Yes. Will projects go up in price? Yes, that is possible, based on the best estimate. In terms of the delivery times, the Government has got a good record of delivering on time, and clearly that record is there for everybody to see.

**The Hon. GREG PEARCE:** So you are telling me that the Government simply operates on a costs-plus basis; that none of these figures is reliable, it is just going to be what it ends up costing?

**The Hon. MICHAEL COSTA:** As I understood, cost plus—maybe the honourable member, given his extensive background in working for some of these companies might have a different view of these things. As I understood, you would accept any cost and then add a margin for the operator. That is not what we are talking about. We go into a competitive tender where there is competitive pressure to push down prices and that is precisely the way any prudent organisation, including the private sector, does it.

**The Hon. GREG PEARCE:** What I am trying to establish is what do the figures that you have published in your budget actually mean? Let us take an example of the John Hunter access building—you would probably be familiar with it. Your estimated cost for that was \$97.4 million but it is blown out by a year in terms of delivery time. It is not finished yet and it was supposed to be finished this year, it is another year late and the cost has blown out to \$101 million since last year, so

there is a \$4 million increase. Are you telling me that you are still waiting for the tender to be entered, are you, and that is why the cost blows out?

**The Hon. MICHAEL COSTA:** Now, I have already made the point there are a number of factors that affect final prices. The primary one at the moment is the failure of the Federal Government to provide adequate skills training to ensure that we have adequate people to provide infrastructure. That is the number one factor that has been broadly acknowledged by the business community, acknowledged by the Federal Government and certainly pointed to by the State. The final determinant of a project cost would be any other factors that might be involved, such as contract variations that may occur.

In the course of a project, information can be provided. If you want to ask me to put that on notice, I will certainly provide the information, but I do not intend to go project by project. I have made some general observations about how the Government estimates the costs of its projects, the use of competitive tendering to keep prices under control and that being offset against market conditions such as skills shortages, increases in capital costs, increases in raw material costs and finally any variations to project specifications.

The Opposition has, unfortunately, a tendency to grab the first estimate of a project—and it does it all the time—and compare that with the final estimate without due regard to changes in specification of projects. We have had situations where we have increased the size of hospitals by additional beds of a significant number and the Opposition still quotes the original figure for the original bed size and does not make any variation. If you have any specifics, I am happy to take them on notice and provide you with detailed information.

**The Hon. GREG PEARCE:** Well this is budget estimates and you are supposed to be here to provide the detailed information here.

**The Hon. MICHAEL COSTA:** I am happy to provide detailed information. We would not have a process of taking specific and detailed questions on notice. If you want to remove that process, I am happy for it to be removed, but you have put it in place for precisely this reason.

**The Hon. GREG PEARCE:** Do you or do you not have a report on all of these projects, which indicates whether they are on time and on budget?

**The Hon. MICHAEL COSTA:** If you have specific information you require, I am happy to take it on notice and provide any information in detail.

**The Hon. GREG PEARCE:** Well, I am not going to waste the time of the Committee by asking you questions that you are just going to take on notice. You have indicated that you do not have the answers.

**The Hon. MICHAEL COSTA:** No, we have the answers.

**The Hon. GREG PEARCE:** We can give those in writing rather than waste time having you parrot the same answer all the time. If you have not any idea, as a result of your infrastructure plan and audit, as to whether any of these projects are over budget and delayed, there is no point going through project after project, because you do not know, do you?

**The Hon. MICHAEL COSTA:** With respect, Mr Chair, our capital works program this year will be somewhere in the order of \$10 billion. If the honourable member is asking me whether I know the details of each one of those \$10 billion projects, I can say to him that I do not have those details in front of me but I am prepared to produce those details if he gives me a specific request. He has asked me some questions about what leads to increases in costs. I have answered those. I think the answers are sufficient and they apply to all projects. If the Opposition wants to continue to compare apples with oranges, as it continually does with our infrastructure projects, it is not for me to give them comfort in that spurious way of analysing projects.

**The Hon. GREG PEARCE:** So, at the end of the day you do not actually have a report that identifies all of the projects that are delayed?

**The Hon. MICHAEL COSTA:** Mr Chair, I have already answered that question. I said that we have reviewed all of our projects. I do not know how many times I have got to repeat it.

**The Hon. GREG PEARCE:** You have not said that.

**The Hon. MICHAEL COSTA:** I have said that.

**The Hon. GREG PEARCE:** Do you have a report on all of the projects?

**The Hon. MICHAEL COSTA:** I was asked whether in the course of putting together our infrastructure plan we monitored our projects for variations and I said yes. I said that the Treasury has a unit that looks at all of these projects in conjunction with the agencies that have prime responsibility for implementing their capital works and has report-back on a regular basis. What I am not prepared to do is to sit here and have somebody cherry-pick a \$10 billion infrastructure program and make quite inappropriate analytical statements about matters he has no knowledge of, without recognising the primary causes of cost expenditure increases, being the skills shortage, infrastructure issues related to raw material input costs and, most importantly, contract variations or specification variations that are legitimately part of any capital works program.

**The Hon. GREG PEARCE:** Mr Pierce, your Treasury infrastructure unit has this report, does it, detailing all of the cost overruns for all of the projects and all of the delays?

**The Hon. MICHAEL COSTA:** Mr Chair, we have not said there are cost overruns.

**The Hon. GREG PEARCE:** You just said that you did it, so I am just asking if the report is there because I would like to see the report.

**The Hon. MICHAEL COSTA:** Hang on, there are reports on all of our infrastructure.

**The Hon. GREG PEARCE:** Well, if you could produce them to Committee, I would appreciate it.

**The Hon. MICHAEL COSTA:** But, for the third or fourth time, when you use the words "cost overruns", you have got to use that with some caution because in many cases these projects are different to the initial estimated costs. I will also explain why we have estimated costs, because we do go to the market to ensure that we get the best possible price.

**The Hon. GREG PEARCE:** You do have the report then, and what I have asked is whether you will produce the report to the Committee. Can I have Mr Pierce undertake to do that?

**Mr PIERCE:** Yes, we can put some information together for you.

**The Hon. GREG PEARCE:** No, the report that the Minister said is already in existence and all of the cost overruns. You have just said that you have done it and you have the information there.

**The Hon. MICHAEL COSTA:** I am not going to be verballed. I was asked whether in the course of producing the infrastructure statement we reviewed all of the infrastructure projects. My answer was yes. What the honourable member is trying to say is: Is there a specific review?

**The Hon. GREG PEARCE:** I want to see that review.

**The Hon. MICHAEL COSTA:** Of each of the projects?

**The Hon. GREG PEARCE:** Yes. If it exists I want to see it.

**The Hon. MICHAEL COSTA:** It exists as a project-by-project review.

**The Hon. GREG PEARCE:** That is right.



**The Hon. MICHAEL COSTA:** Why do you not name the projects? There are \$10 billion worth of projects.

**The Hon. GREG PEARCE:** You said that you did not want me to go through all of the specific projects. Do you want me to go through all of specific projects or not?

**The Hon. MICHAEL COSTA:** I am happy to take them on notice. Mr Chair, this is a farce.

**The Hon. GREG PEARCE:** There are about 185 over budget and about another 180 or so overdue—

**The Hon. MICHAEL COSTA:** This is the problem with estimates and why I find it very difficult to take this process seriously. You name the projects that are overdue and we will get you the information.

**The Hon. IAN WEST:** Chair, can you call Committee members to order.

**CHAIR:** Can you go to the specific project?

**The Hon. MICHAEL COSTA:** This is just nonsense.

**The Hon. GREG PEARCE:** That is where we started, if you remember and he did not want to do that.

**The Hon. MICHAEL COSTA:** I said I would take it on notice.

**The Hon. GREG PEARCE:** He wants to waste the time of the Committee.

**The Hon. MICHAEL COSTA:** You go through them and I will take them on notice

**The Hon. GREG PEARCE:** We will just start at the beginning. Attorney General's Department, Sydney West trial complex, over budget \$49 million?

**The Hon. MICHAEL COSTA:** I will take that on notice.

**The Hon. GREG PEARCE:** Attorney General's Department, justice agencies, over budget \$4 million?

**The Hon. MICHAEL COSTA:** I will take that on notice.

**The Hon. GREG PEARCE:** City West Housing, future site at Green Square, two years late \$6.9 million over budget?

**The Hon. MICHAEL COSTA:** I will take that on notice.

**The Hon. GREG PEARCE:** City West, Lachlan Street, Green Square, one year late, \$1 million over budget.

**The Hon. MICHAEL COSTA:** I will take that on notice.

**CHAIR:** For the *Hansard* record you need to be clearer.

**The Hon. GREG PEARCE:** I can give the schedule for all of those to Hansard.

**The Hon. MICHAEL COSTA:** Read them all.

**The Hon. GREG PEARCE:** I can give this schedule for all of those overdue and over budget projects to Hansard to make it a little easier.

**The Hon. MICHAEL COSTA:** I will make it easier too. Each one of those I will take on notice.

**The Hon. GREG PEARCE:** Let me just return to what I asked you before, that is, will you produce to the Committee the report that you did when you went through the audit and infrastructure projects on each of the projects?

**The Hon. MICHAEL COSTA:** Is it any wonder these people are in the position they are in?

**The Hon. GREG PEARCE:** You are the Minister. You do not seem to have any idea. Do you have a report? Did you go through the reports or did you not?

**The Hon. MICHAEL COSTA:** Greg Pearce spends all his time at estimates trying to create a situation where we argue about technical details rather than—

**The Hon. GREG PEARCE:** It is not technical. This is about the money that you are supposed to be looking after.

**The Hon. MICHAEL COSTA:** I have already indicated, if you want a specific answer, I will take it on notice.

**The Hon. IAN WEST:** Point of order: It is absolutely impossible for me to hear, and I am sure it is impossible for Hansard to provide a transcript of two people talking over each other. I ask you to bring the Committee to order and have one person talking at a time, a question and an answer.

**CHAIR:** I ask the Hon. Greg Pearce to ask a question and then pause so the Minister can answer.

**The Hon. GREG PEARCE:** Certainly. Can you produce to the Committee the analysis of each project that you did during that audit?

**The Hon. MICHAEL COSTA:** I can produce a review of each project that you ask specific details for.

**The Hon. GREG PEARCE:** So you do not actually have a report that you did at the time of the audit?

**The Hon. MICHAEL COSTA:** If you ask me a specific question I will produce the specific information. I cannot be clearer than that.

**The Hon. GREG PEARCE:** I will not waste the Committee's time by running through the 185-odd projects that are over budget and the other 170 that are delayed but I will put them all on notice so that you can provide the answer. Thank you for that.

**The Hon. MICHAEL COSTA:** And you could have done that well before this meeting.

**CHAIR:** Can we clarify the specific answer we want from the Minister?

**The Hon. GREG PEARCE:** He has already answered that. He will answer on notice in respect of each of the 185 projects that are over budget and the 170 odd that are over time. He will give us an answer as to why they are over budget or over time.

**CHAIR:** That is the question: Why are the projects over budget or why were they delayed?

**The Hon. GREG PEARCE:** Yes. Of the \$9.9 billion that is allocated for this year, more than \$1.85 billion is in fact cost overruns on all these projects. So it is not new expenditure on infrastructure at all. It is \$1.85 billion on cost overruns.

**The Hon. MICHAEL COSTA:** I already explained this. This is just playing politics. It is not about extracting information. If the honourable member had wanted the information he claims he

could have put it on notice, rather than waste 20 minutes of the Committee's time pontificating and grandstanding in the aim of a political stunt.

**The Hon. GREG PEARCE:** You do not like it, do you? You did not like having to account for—

**The Hon. IAN WEST:** The Hon. Greg Pearce should stick to asking questions—

**The Hon. GREG PEARCE:** Yes. You do not want to explain the \$1.85 billion of cost overruns in your budget—

**The Hon. MICHAEL COSTA:** Point of order: Did I not just indicate that I was taking that on notice? How can the honourable member say that I do not want to explain it when I have just taken it on notice?

**The Hon. GREG PEARCE:** You are not prepared to explain it here.

**CHAIR:** You cannot verbal the Minister. He said he will take it on notice.

**The Hon. GREG PEARCE:** Yes, I know he did, because he cannot explain it.

**The Hon. IAN WEST:** That is not a question. Can we stick to questions and not political statements?

**The Hon. PETER PRIMROSE:** Pseudo-economic statements would be more likely.

**The Hon. GREG PEARCE:** There are about 200 projects where the money allocated last year was not actually expended. What is your general explanation for that?

**The Hon. MICHAEL COSTA:** I will say this upfront so that we do not go through the same farcical exercise we just went through. If you have specific projects for which you are concerned about the final costings, I am happy to take them all on notice and give you a detailed answer. In general terms, why you may well get underspends is two reasons. The first is the original estimate. As I said, it is a best estimate of the agency that is involved, supported by Treasury. Quite often you might find that that estimate is not reflective in the final price because there has been a change in the agency's requirements. The Treasury Secretary has just pointed out that in a budget of \$3.8 billion last year the revised estimate was \$3.7 billion so we are talking about \$37 million. Once again it is the case that the Opposition cannot get its figures right. So you are talking about a \$37 million underspend in a budget of \$3.8 billion. Having said that—

**The Hon. GREG PEARCE:** No. That reflects the cost overruns.

**CHAIR:** Let the Minister answer the question.

**The Hon. GREG PEARCE:** That reflects the cost overruns.

**The Hon. MICHAEL COSTA:** I do not understand what you are talking about. Clearly, the honourable member needs to put it on notice.

**The Hon. GREG PEARCE:** You do not understand, do you?

**The Hon. MICHAEL COSTA:** No, I do not understand what you are talking about.

**The Hon. GREG PEARCE:** I am trying to ask you about the figures.

**The Hon. MICHAEL COSTA:** Budget Paper No. 2, pages D-4 and D-5 have the figures that he is seeking. There are comments on variations on that page. For example, for New South Wales Police, there was a variation on a project, \$46 million, mainly costs associated with training of additional police recruits. That is in expenses. In the capital program for the Department of Education and Training, they are mainly delays of major construction of schools; in Corrective Services, there

was a \$45 million for delays in procurement on the Long Bay hospital redevelopment project and other smaller projects. All that information is in the budget papers. That is why I am not prepared—

**The Hon. GREG PEARCE:** Is it now? In relation to the police, what is the explanation for the cost overrun on Dubbo police station?

**The Hon. IAN WEST:** The Minister has not finished the previous answer.

**The Hon. MICHAEL COSTA:** Can I finish the answer? The reason these things may occur is because of delays in construction, changes in specifications. Sometimes agencies decide in the course of a capital procurement to change specifications, and I have already indicated that that is a factor. Those things could lead to delays in programs. They are all explained in the budget papers. If the explanation is not sufficient I am happy to take specific issues on notice. I also point out that the honourable member had an opportunity to put these things on notice well before this meeting, rather than play this silly game of looking at very detailed aspects of a \$10 billion capital works program to play—

**The Hon. GREG PEARCE:** That is what budget estimates are for, you dill.

**The Hon. IAN WEST:** That is completely out of order.

**CHAIR:** The Opposition's time has expired. To clarify the matter, the sheet containing those items will be sent to the Minister. They will not be in *Hansard*.

**The Hon. GREG PEARCE:** And give us a response within 21 days.

**The Hon. MICHAEL COSTA:** We will endeavour to give you a response in 21 days.

**Ms LEE RHIANNON:** I would like to ask about some infrastructure issues relating to development in the Illawarra region, particularly with respect to the New South Wales Government's ports growth plan. Given this planned expansion of Port Kembla and the associated increase in port handling, storage and traffic, have you given consideration to completing the Maldon to Dumbarton rail line?

**The Hon. MICHAEL COSTA:** That is not in our 10-year infrastructure plan.

**Ms LEE RHIANNON:** Have you been involved in discussions about that line being completed as a public-private partnership?

**The Hon. MICHAEL COSTA:** No I have not.

**Ms LEE RHIANNON:** Have any of the—

**The Hon. MICHAEL COSTA:** You will have to ask them.

**Ms LEE RHIANNON:** Do you know if such discussions have been taking place?

**The Hon. MICHAEL COSTA:** I cannot know of other people's discussions; I only know of my own.

**Ms LEE RHIANNON:** Mr Achterstraat and Mr Pierce, have you been involved in such discussions or do you know if such discussions have taken place?

**Mr PIERCE:** I certainly have not and as far as I am aware nobody within Treasury has been involved in discussions on that line as a PFP, no.

**Mr ACHTERSTRAAT:** I have not had any of those discussions either.

**The Hon. MICHAEL COSTA:** I am sure the Office of State Revenue would not have had discussions or I would be very worried about its administration.

**Ms LEE RHIANNON:** As the Minister responsible for infrastructure you have signed off on a major upgrade of Port Kembla but it appears that you have done nothing to improve the movement of freight in and out of the port. Considering that it is recommended that the port operate 24 hours a day, seven days a week and the movement of freight is set to increase by 450 per cent, is it highly irresponsible of you not to give attention to the movement of freight in and out of the port?

**The Hon. MICHAEL COSTA:** I thought that we are upgrading the port to move freight, but I do not understand the question.

**Ms LEE RHIANNON:** I think you clearly do understand the question, if you dropped your arrogance and just dealt with the question. Obviously a port has ships coming in and out. You obviously understand that.

**The Hon. GREG PEARCE:** I would not bet on it.

**Ms LEE RHIANNON:** But for imports and exports to get to that port they need roads or rail. At the moment we have Mount Ousley, which is a windy, narrow road. There are major upgrades with Port Kembla. What is being done to get freight in and out of the port by land?

**The Hon. MICHAEL COSTA:** Of course those things are under constant review, and if there is a requirement for additional infrastructure it is up to the Ministers responsible—the roads Minister, the transport Minister and the ports Minister—to bring those propositions to the budget committee.

**Ms LEE RHIANNON:** So as Minister responsible for infrastructure you do not see it as part of your job to ensure that the port will work efficiently and you will plan ahead?

**The Hon. MICHAEL COSTA:** We are upgrading the port so it will work more efficiently. I thought that was the premise of your question. In terms of infrastructure, the prime role of the infrastructure function within Treasury is to ensure that infrastructure projects are adequately funded within each agency budget and to ensure that they make sense within the confines of things like the metropolitan plan, the Illawarra plan or any broader planning process such as the State planning process. Specific projects are really matters for the agencies involved to bring to Treasury for our assessment whether they make sense in those funding envelopes.

**Ms LEE RHIANNON:** I am not sure whether you are aware that all the freight moved by rail that goes to Port Kembla has to go through the Sydney area?

**The Hon. MICHAEL COSTA:** Yes, I have worked some of those trains in the past. I am aware of that.

**Ms LEE RHIANNON:** So, it seems with your lack of planning you are condemning—

**The Hon. MICHAEL COSTA:** Hang on. How did we go from an explanation about port infrastructure to some political statement about lack of planning?

**Ms LEE RHIANNON:** It is not a political statement.

**The Hon. MICHAEL COSTA:** It is your subjective judgment. I cannot answer that.

**Ms LEE RHIANNON:** The metropolitan rail system is going to be overloaded—

**The Hon. MICHAEL COSTA:** How do you know that? Where are your figures?

**Ms LEE RHIANNON:** When you consider that freight trains can only go at 20 kilometres an hour because of the problems on that rail line, where is the planning?

**The Hon. MICHAEL COSTA:** It is not my job to give an education in planning economics to the Greens but I would have thought that at a minimum you would have looked at some of the

activities already out there. You know we handed over our freight interstate rail system to the ARTC. It is looking at building new freight lines. You are probably aware that the private sector works with us on particular projects. To make a statement that—

**Ms LEE RHIANNON:** That is what we are trying to get to. What is your involvement with the private sector? It is hard to believe that this Government, with all its problems managing infrastructure, would allow this project to go ahead without having land-based freight arrangements to move the freight in and out of—

**The Hon. MICHAEL COSTA:** I do not think you know what major land-based arrangements mean.

**Ms LEE RHIANNON:** You do not have to be insulting.

**The Hon. MICHAEL COSTA:** I am not being insulting. You made the comment that we have lack of planning. You started this. If there is an exchange of insults, I know where it commenced. The reality is what we do in terms of the port is we provide a piloting function to get people in and out safely and also a landlording function to provide land for people to be involved in their port-based activities. Of course, some of those activities are stevedoring. Certainly stevedoring is undertaken by the private sector, not by the government. That is where there is a public-private partnership in a sense, to provide those port-related services. Clearly, we have a role in facilitating planning arrangements. To my knowledge the planning Minister is working closely with industry to ensure there are adequate corridors and adequate planning instruments and designated zones for that type of transport activity to occur. But you are asking for private sector investment decisions to be outlined by me, which I am not going to do.

**Ms LEE RHIANNON:** I was not asking for that. I was asking you to come clean about what is going on, because—

**The Hon. MICHAEL COSTA:** I washed this morning so I am pretty clean. I do not know about some of the other people around here.

**Ms LEE RHIANNON:** We will move on to the code of practice for procurement. At page 6 the code of practice requires confidentiality. It says, "Clients shall not disclose tender information received from tenderers, that is intellectual property, proprietary, commercial in confidence or otherwise confidential." Given this requirement, how does the Treasurer ensure compliance with the code of conduct? I am not asking for a smart answer. I am after an explanation of how it works.

**The Hon. MICHAEL COSTA:** I do not even understand how you can draw the conclusion in the latter part of your question from the former.

**Ms LEE RHIANNON:** I did not form a conclusion. Do not verbal me. I was asking you to explain your own code of conduct. It was a straight question. Do not avoid it.

**The Hon. MICHAEL COSTA:** You are asking about tendering arrangements. There is an obvious reason why we do that. It is to ensure that people come forward with the best possible price without fear that their competitors will gain information about matters that are of commercial sensitivity. That is the basis of the tendering arrangements. That does not have any bearing on the second part, which are compliance issues. Once the tender is in place, that information is no longer relevant. It is how they perform their contract specifications. That is why I say it is an absurd question. It is relating a bunch of activities that are at the front end of a tendering process with what ultimately happens when a contract is put in place with one tenderer or a range of tenderers around specifications of performance. That is why I have confusion.

**Ms LEE RHIANNON:** How many breaches of the code have been reported in the past financial year?

**The Hon. MICHAEL COSTA:** I do not have that detailed information. We will take it on notice.

**Ms LEE RHIANNON:** Did you bring any detailed information?

**The Hon. MICHAEL COSTA:** Yes, I brought the budget papers. I thought this was about the budget.

**Ms LEE RHIANNON:** We have our budget papers.

**The Hon. MICHAEL COSTA:** Why do you not refer to the budget papers rather than going on a fishing exercise?

**Ms LEE RHIANNON:** It is not a fishing exercise. You are avoiding questions, as you always do.

**The Hon. MICHAEL COSTA:** There are the budget papers. I have them in front of me. I will talk about anything in the budget papers.

**Ms LEE RHIANNON:** You come here with no intention to answer anything, an absolute commitment not to co-operate.

**The Hon. MICHAEL COSTA:** If you want to talk about the budget papers, I am happy to do that. If you want to talk about the Greens' view of the economics of transport, that is a different matter. You keep using these as sessions where I have to educate you on stuff you ought to know yourself. I am happy to discuss budget papers and detailed information on estimates, and where that is detailed information I would use the notice period to provide you with those details. But it is not my job to teach you policy. You ought to have at least a semblance of understanding of policy before you come in here

**CHAIR:** Ms Lee Rhiannon's time has expired, but she did ask a specific question about breaches of the code.

**Ms LEE RHIANNON:** Yes.

**The Hon. MICHAEL COSTA:** And I am happy to take that on notice. I do not know where it is in the budget papers, but I will take it on notice.

**CHAIR:** We will move to questions from the Government.

**The Hon. PETER PRIMROSE:** No questions at this stage.

**CHAIR:** Mr Gallacher?

**The Hon. MICHAEL GALLACHER:** Treasurer, with so much of the State's taxes tied to, as you said earlier, the property cycle and also to business, without the input stabilisers that the Commonwealth revenue and expenditure has, how can the State Government plough on regardless hoping the economy will strengthen or that it can round table business into expanding when taxes are so high and while infrastructure crumbles and staff struggle to get to work on time?

**The Hon. MICHAEL COSTA:** Let us start with the latter part, the nonsense part. The first part was quite sensible. You acknowledged the Federal Government has built-in stabilisers in its revenue, which I think is a good acknowledgement. The State infrastructure is not crumbling. We are investing record amounts into infrastructure and we will continue to do that over the next 10 years. Some of the comments today were about whether we are spending more than we should in some areas because of alleged overruns. In terms of interstate tax comparisons, I can provide you with the details. I have gone through this on a number of occasions. We are competitive with other States. New South Wales tax rates are not the prime cause of high per capita tax revenues. High per capita tax revenues reflect relatively high incomes and land values.

So, it is the case that we live in a State where our land values and our incomes are higher than they are in other States, therefore the rates, relatively speaking, are higher. According to a whole range of other indicators it is clear that New South Wales, given where it is in terms of its economy, is a

more diverse economy than the rest of the States, is very competitive. New South Wales has the second-lowest revenue per person in Australia and the third-lowest revenue as a share of gross State product. In other words, given the level of economic development in this State and the form it takes and given the State-Federal tax structures, we are doing very well comparatively speaking. In terms of how we can manage our budget, it is absolutely true that any government that seeks to wait for tax revenue to pick up is not doing its job. That is why we have undertaken an expenditure review process to trim back the unnecessary expenditure in government.

Built into our forward estimates, I think, is about \$4.4 billion worth of expenditure-savings measures. Clearly we are trying to adjust our budget to reflect the more difficult revenue situation. I do not accept the proposition that we are a high-taxing State. Our tax base has to be assessed against its ability to deliver services and it needs to be assessed against the various State-Federal funding arrangements. In 2004-05 New South Wales had the fourth lowest tax effort according to the Grants Commission tax effort measure. You have to remember that is important because we get penalised by the Grants Commission for not having higher taxes in many cases. That is how the formula works. We have the fourth lowest tax effort according to its formula, which means we had the capacity to raise taxes further. We chose not to do that for good economic reasons and we were penalised—

**The Hon. MICHAEL GALLACHER:** When was that, Minister?

**The Hon. MICHAEL COSTA:** In 2004-05. The Grants Commission formula looks at capacity to tax as one of its criteria when it does its equalisation. We were penalised for not taxing enough. That is hardly a characteristic of a high-taxing State.

**The Hon. MICHAEL GALLACHER:** Can you indicate to the Committee whether the Premier's business roundtables have commenced?

**The Hon. MICHAEL COSTA:** I have not been to one but I know that they have commenced.

**The Hon. MICHAEL GALLACHER:** Do you know how many there have been?

**The Hon. MICHAEL COSTA:** Three.

**The Hon. MICHAEL GALLACHER:** And when were they?

**The Hon. MICHAEL COSTA:** I can take that on notice.

**The Hon. MICHAEL GALLACHER:** You will not have to take this one on notice: Can you indicate anything that the roundtables have achieved thus far?

**The Hon. MICHAEL COSTA:** I think they have achieved a lot. In terms of the taxpayers of New South Wales, one of the major issues facing us is getting a fairer share of our GST. One of the things I was quite impressed about in talking to the business community—I know this was discussed at the business roundtable—was the support of business to try to redress what is clearly an inequitable situation. There have been lobbying efforts on behalf of New South Wales by prominent business people associated with the roundtable as a result of those efforts. I think that has been a positive achievement.

The other area that I think is of importance, given what I have said about skills shortages contributing to increases in budgets for capital works programs, is the support of the business roundtable for our trades high schools. I know that that was an issue that was canvassed at the roundtable and supported by the roundtable. On those two examples of tax revenue and skills bottlenecks created by the Federal Government we have had a lot of support from the business community and by the roundtable. There have probably been other measures but, as I said, I have not been to those meetings.

**The Hon. MICHAEL GALLACHER:** You said earlier today in answer to a question from Reverend the Hon. Fred Nile that tolls are a matter for toll companies. How do you rationalise that



comment given that motorists in south-western Sydney are being heavily rebated whereas others in other parts of Sydney are not, as a result of Government intervention?

**The Hon. MICHAEL COSTA:** I heard Alan Jones talking about that this morning, and I think there is an article on it in the *Sydney Morning Herald* today. I am glad to see the Opposition is doing its usual—

**The Hon. MICHAEL GALLACHER:** Didn't hear it, mate. I am going on your comments.

**The Hon. MICHAEL COSTA:** I never said that—

**The Hon. MICHAEL GALLACHER:** You did. Your exact words were that tolls were a matter for toll companies.

**The Hon. MICHAEL COSTA:** That is right. I did not say that one side was heavily rebated and another was not. That is your observation.

**The Hon. MICHAEL GALLACHER:** No, I did not say you did.

**The Hon. MICHAEL COSTA:** I do not know why you need to be embarrassed. I listen to Alan Jones. I read the Herald. I look at all media. There is nothing wrong with you peddling information.

**Ms LEE RHIANNON:** Goodness!

**The Hon. MICHAEL COSTA:** You have been on Alan Jones a few times, Lee.

**Ms LEE RHIANNON:** Oh, for heaven's sake! Have you got a hang-up about it?

**The Hon. MICHAEL COSTA:** For a moment there I thought you to were getting very close about the Cross City Tunnel.

**Ms LEE RHIANNON:** Have you got a problem?

**The Hon. GREG PEARCE:** Try to answer the question, will you?

**The Hon. MICHAEL COSTA:** Mr Chair, the fact of the matter is that decisions were made on a range of tollways to introduce cash back schemes. They were made at the time by the Government. But my point still remains: the level of tolls within the contract is up to the tollways, and we have seen examples of the tollway companies holding back increases for commercial reasons. That is up to them.

**The Hon. MICHAEL GALLACHER:** You spoke about Government agencies looking at cutting back on expenditure. We heard the other night that \$15 million is coming out of police. Part of the result will be that up to 400 clerical staff from front-line positions within police stations and other areas throughout the New South Wales Police will find that they no longer have a job. How do you rationalise that?

**The Hon. MICHAEL COSTA:** The same way that you rationalise your 29,000 cuts to the public service, which is completely unsustainable and a complete nonsense. I am aware that the police, through our expenditure review process, are seeking to reallocate back office resources into front-line police. I actually support that. I think it makes a lot more sense to be paying for police officers than clerks to be sitting in the back office. If they can reorganise their work programs to facilitate more cops on the street and more front-line police I think they are doing a good job.

In relation to the police budget, the amounts you are talking about are important in terms of our budget saving process but hardly matters of great significance. We are talking about \$15 million in a police budget of more than \$2 billion. So let us put this into perspective. The idea is to put that back into front-line police officers. I note that this is in the context of an increasing budget. We have not actually cut the police budget; we have increased it. This is a savings measure to make sure they

get more front-line police time. How you get 29,000 public servants out of a public service that only has about 30,000 in the back office is clearly a question that does need exploring, and I hope we have an opportunity to explore that because I cannot understand that.

**The Hon. MICHAEL GALLACHER:** But if we do hopefully there will be an opportunity for you to explain how you wanted to pull 70,000 out as well and where they were going to come from.

**The Hon. MICHAEL COSTA:** Where is the 70,000 figure?

**The Hon. MICHAEL GALLACHER:** Your own comments earlier last year.

**The Hon. MICHAEL COSTA:** I never made those comments.

**The Hon. MICHAEL GALLACHER:** You are walking away from them now, are you?

**The Hon. MICHAEL COSTA:** I am not walking away from anything. I never made those comments and you know I never made those comments. You can continue to repeat them.

**The Hon. MICHAEL GALLACHER:** You did.

**The Hon. MICHAEL COSTA:** I was referring to productivity, not positions. There is a difference. Let me explain the difference. I am happy to explain. Productivity is about working smarter. That is what this Government is about: ensuring that we get the public service working smarter to increase the value. It is about getting value out of every unit of labour that you allocate to a particular service. That is productivity. Cuts are cuts—taking those units out. That is what you want to do. What I want to do is increase productivity. I do not think it is unreasonable to look at significant increases in public sector productivity. You can do that by training your people better, by introducing new capital, as we are doing across the board, and by ensuring that your managers are focused on what the primary—

**The Hon. IAN WEST:** Training.

**The Hon. MICHAEL COSTA:** Yes, training. It is also about focusing on what is important. That is why we are going through a State Plan. We are looking at getting good productivity for every dollar of taxpayers' money we collect. You are looking at just cutting services.

**The Hon. MICHAEL GALLACHER:** Going back to the issue of police, why is it that so many local area commanders throughout New South Wales have flooded the Police Association, that organisation that you once proudly were a voice for, with concerns that once these 400 positions are gone, right throughout the State, despite all your spin and your rhetoric, it will fall to front-line police to have to perform the clerical work to keep those stations operating—clerical work that includes ordering stationery, processing paperwork, making sure motor vehicles are repaired and serviced, ordering toilet paper and pens. These are jobs that local area commanders are telling me and the Police Association that are going to have to be performed by front-line personnel. So despite all your spin the fact is that the people who are currently doing the jobs are saying you are talking garbage.

**The Hon. MICHAEL COSTA:** I do not know how many times you can use the word "spin" in a question to try to imply there is some validity in the question but I do not think there is any correlation between the word "spin" and truth. The reality is that we have increased the police budget by 7.6 per cent. Again, I can point that out because it is in the budget papers. The reason I came here is to talk about the budget papers.

**The Hon. MICHAEL GALLACHER:** Point of order: The Minister should be aware, if he read the operating procedures for these hearings, that we are not restricted purely to the budget papers. Unfortunately, yet again, he has not taken time to look at the details.

**The Hon. MICHAEL COSTA:** I am sorry that budget estimates are not restricted to budget estimates. That is something I am certainly aware of, and will deal with in the way I have been dealing with it to date. But the budget estimates are an important part of what we are here today to do. The

police budget shows very clearly that it has been increased by 7.6 per cent. Does that mean that they cannot find savings? The police budget is \$2.2 billion. It has gone up significantly since I was police Minister. That is a good sign. To find \$15 million worth of productivity savings within a \$2.2 billion budget I would not think is an onerous task.

**The Hon. MICHAEL GALLACHER:** But 400 are gone.

**The Hon. MICHAEL COSTA:** Did you say 400 jobs?

**The Hon. MICHAEL GALLACHER:** Up to 400 jobs are gone. I have told you already.

**The Hon. MICHAEL COSTA:** Are you shocked by that?

**The Hon. MICHAEL GALLACHER:** Given that it is frontline police who will have to fill the void—

**The Hon. MICHAEL COSTA:** What about the 29,000 you are going to get rid of?

**The Hon. MICHAEL GALLACHER:** Let's talk about you in government now.

**The Hon. MICHAEL COSTA:** You are going to get rid of 29,000 jobs. Let's go through it. There are only 30,000 in the back office.

**The Hon. MICHAEL GALLACHER:** You do not want to talk about the 400 going from police stations, do you?

**The Hon. MICHAEL COSTA:** I have just explained it. Do not throw your hands up in shock and horror about 400 jobs when you are talking about taking 29,000 out of the public sector.

**The Hon. MICHAEL GALLACHER:** We are talking about 400 frontline police who are going to have to fill the black hole.

**The Hon. MICHAEL COSTA:** That is not true.

**The Hon. MICHAEL GALLACHER:** You know it is true.

**CHAIR:** Order! The Minister will refer to the question, not to the Opposition's comments.

**The Hon. MICHAEL COSTA:** I am happy to refer to the question. As the Minister for Police as already explained, this will be done in a manner that ensures shared services across the force so that we get the best productivity and support for frontline police. As I like to point out at these budget estimates, the Police budget has increased by 7.6 per cent and that is a significant amount in anyone's assessment of the budget. I am very proud to be associated with that increase. It is unfortunate if 400 jobs is the figure they are talking about, but it pales in comparison to the 29,000 jobs the Opposition is talking about.

**The Hon. MICHAEL GALLACHER:** How many of the 5,000 positions estimated to be made redundant starting from 2005 and extending over the next two to three years have been made redundant to date?

**The Hon. MICHAEL COSTA:** I do not know the figure at today's date, but I can find out if you want.

**The Hon. MICHAEL GALLACHER:** That is why I asked the question.

**The Hon. MICHAEL COSTA:** When I last looked at it, about 1,000 had already been made redundant. We are talking about positions, not people. This is what I cannot understand about the Opposition's policy. It has said that it is going to eliminate 29,000 jobs, but I have not heard it say it is going to eliminate 29,000 positions. That is interesting because it might end up backfilling the jobs it is

eliminating. With all the exemptions it has applied—such as no-one in regional areas, no-one who is a friend of a local member, and a bunch of other criteria—it will be amazing if it can achieve its goal.

**The Hon. MICHAEL GALLACHER:** What is the average period that staff made redundant have been on the displaced list?

**The Hon. MICHAEL COSTA:** There are two lists. Are you talking about the displaced list or the unattached list?

**The Hon. MICHAEL GALLACHER:** Both.

**The Hon. MICHAEL COSTA:** I can find out. Some of them are new positions because we have gone to voluntary redundancy. The good news is that we have managed to reduce the displaced list. As the honourable member is aware, we had some issues with some of the agencies, but they have been resolved by and large, and that is good news. We have adopted a new policy with regard to the unattached list. People on the unattached list are not dealt with through voluntary redundancy. This is a matter for the Premier, but I am happy to refer it to him if that is what you want.

**The Hon. MICHAEL GALLACHER:** Given that you will probably write the answer, it is probably better for you to give it.

**The Hon. MICHAEL COSTA:** I do not know who will write the answer.

**The Hon. MICHAEL GALLACHER:** Has the Government implemented any additional measures to reduce the number of non-executive staff who are surplus to agency requirements? It refers to the 5,000.

**The Hon. MICHAEL COSTA:** No, that does not refer to 5,000; it refers to the unattached list. As I said, we have adopted a policy of dealing with the attached list, and I understand that that policy is working.

**The Hon. MICHAEL GALLACHER:** How many times has the Expenditure Review Committee [ERC] met?

**The Hon. MICHAEL COSTA:** Heaps of times, unfortunately, and for long periods. We have to go through each of the lines and it is tedious and full of detail. The Hon. Greg Pearce would love probably it.

**The Hon. GREG PEARCE:** I would enjoy it.

**Ms LEE RHIANNON:** It sounds like you do not enjoy it.

**The Hon. MICHAEL COSTA:** I love it. We are making great savings.

**The Hon. MICHAEL GALLACHER:** What savings initiatives were included in the 2006-07 budget?

**The Hon. MICHAEL COSTA:** We did indicate that; it is in the budget speech. That is good, at least we are referring to the budget estimates. The budget speech refers to a savings target of \$4.4 billion over the forward estimates. That will comprise a 1 per cent efficiency dividend for 2007-08 from general government agencies. Of course, that excludes frontline services. That will build on the 1 per cent goal for 2005-06 and 2006-07. We have also added a further \$200 million efficiency dividend. I am confident we will achieve that because in the meantime we have set up the Property Authority as part of the financial audit. That is operational and it will contribute a significant amount from the better utilisation of Government property.

**The Hon. MICHAEL GALLACHER:** What progress has been made by the committee on improved management of sick leave and overtime?

**The Hon. MICHAEL COSTA:** That is one of the matters we deal with at ERC. The agencies are pointing to some progress in those areas. If the honourable member wants to be specific about targets, I am happy to do that. However, he must remember that it has only recently commenced; we are only a couple of months into the new financial year. I suggest that he wait until early next year to get some proper feedback on that.

**The Hon. MICHAEL GALLACHER:** I refer to the Department of State and Regional Development offices throughout New South Wales. Can you indicate to the Committee—

**The Hon. MICHAEL COSTA:** Which page in the budget papers?

**The Hon. MICHAEL GALLACHER:** It is not specifically in the budget papers. However, given the cutbacks, you might be able to explain where they have been and how many have been closed.

**The Hon. MICHAEL COSTA:** That is a matter for the department and the Premier, because he is the Minister for State and Regional Development. Did you get an opportunity to ask him the other night?

**The Hon. MICHAEL GALLACHER:** I was too busy grilling someone else.

**The Hon. MICHAEL COSTA:** The Hon. Greg Pearce was in the Committee. Did you ask him?

**The Hon. GREG PEARCE:** No, we did not get enough time.

**The Hon. MICHAEL COSTA:** No, you went through the usual exercise of "You are telling fibs", and so on. I read the transcript and you have not changed. The numbers in the budget papers are on page—

**The Hon. MICHAEL GALLACHER:** You formed the opinion he was telling fibs based on the fact that you saw answers.

**The Hon. MICHAEL COSTA:** No, I was talking about the way he was conducting. He was making personal attacks on the Premier again, as he usually does at these hearings. The information is at page 2.1 of Budget Paper No. 3. However, if you want details, it should be referred to the Premier.

**The Hon. MICHAEL GALLACHER:** How much has been committed and over what years for the payroll tax rebate?

**The Hon. MICHAEL COSTA:** From memory, we have committed about \$95 million. I have been to a couple of locations where people have made decisions to relocate their activity, particularly on the Central Coast, as a result of those changes. So they are well received.

**Ms LEE RHIANNON:** The Valuer General as valued land at \$100,000 in the Hunter. The Hunter Central Rivers Catchment Management Authority has offered to buy the land from Hunter Water for that amount but Hunter Water wants more. Why is one State Government agency seeking to profit from another?

**The Hon. MICHAEL COSTA:** I do not know whether that is true and I do not understand the question. Land values are only one factor in determining the market price of any property. I am happy to buy your house for its land value if you have a house. You have to know the improved value of the property before making a market determination. Again I have to teach the Greens basic economics and finance. I hate doing it because I do not get paid to do it. What an absurd question!

**Ms LEE RHIANNON:** It is not an absurd question.

**The Hon. MICHAEL COSTA:** The land value does not determine the market price. My 16-year-old daughter would know the answer to that question and she has done only fourth-year commerce.

**Ms LEE RHIANNON:** We would be taking money from important environmental programs.

**The Hon. MICHAEL COSTA:** Do not start me on the environment; you know my views on that rubbish!

**Ms LEE RHIANNON:** You need it as well.

**The Hon. MICHAEL COSTA:** I do not know whether it is an important environmental program. Just because you assert that it is does not mean it is. You went into the Lower Hunter and banned spotted gums.

**Ms LEE RHIANNON:** I am not asserting that it is. I am talking about the work of the local catchment management authority.

**The Hon. MICHAEL COSTA:** I can get a detailed answer, but, as I explained, the land valuation may not reflect the market price. That could be the reason. As I said, I am prepared to buy your place for its land value if you are happy to sell it at that price, but I am sure you are not. There is a difference between the land value component and the market price.

**Ms LEE RHIANNON:** So you would prefer that Hunter Water—

**The Hon. MICHAEL COSTA:** I do not know because I do not know about the issue. I am trying to explain that land value is not necessarily always the market price. That may be the explanation as to why Hunter Water is refusing to sell.

**CHAIR:** Will you take the question on notice, Minister?

**The Hon. MICHAEL COSTA:** Yes. This question could have been put on notice. If honourable members had given me these questions in advance I would have come here with all the details. However, if they want to play games by asking very specific questions that no-one could have knowledge of unless they are acquainted with the issues, I will take the questions on notice.

**Ms LEE RHIANNON:** How much consideration do you give to job creation in determining the priorities for your various portfolios?

**The Hon. MICHAEL COSTA:** What do you mean by that?

**Ms LEE RHIANNON:** Exactly what the question says. I am just trying to get an idea. When you sit down and you have the big picture and you are starting off on it, how much consideration do you give to job creation?

**The Hon. MICHAEL COSTA:** Do you mean the unemployment rate?

**Ms LEE RHIANNON:** I mean to the creation jobs. For example, when you are looking at the Illawarra or the Hunter or the Lithgow area and you are considering the infrastructure needs of an area, do you actively think: this is how we can create jobs in this area?

**The Hon. MICHAEL COSTA:** Look, you are—

**Ms LEE RHIANNON:** It is a simple question.

**The Hon. MICHAEL COSTA:** No, it is not; it is a simplistic, foolish question but it is not a simple question. It is in fact quite complex. When you seek to allocate infrastructure investment, the primary concern you would have is the need for the infrastructure. It may have a secondary immediate effect in terms of construction, if it is physical infrastructure, of creating jobs, but any government that sets out just to spend money on infrastructure in particular area, independent of its need and to create jobs, is really not a modern government. This sounds like a scheme that—

**Ms LEE RHIANNON:** Do not do your cold war number, Treasurer. It will—

**The Hon. MICHAEL COSTA:** Cold War! I was going to do my Korean number, North Korean.

**Ms LEE RHIANNON:** It is the same thing.

**The Hon. MICHAEL COSTA:** It is the same thing if you are just going to spend money on things that are not needed in order to create jobs. We are not going to paint rocks white.

**Ms LEE RHIANNON:** I did not say that. It was a straightforward question. Let us move on.

**The Hon. MICHAEL COSTA:** We spend money on infrastructure where it is needed.

**Ms LEE RHIANNON:** Why does New South Wales not have a manufacturing Council?

**The Hon. MICHAEL COSTA:** I do not know, but I will tell you something, we have the highest level of manufacturing in the nation as a proportion of our economy. Perhaps not having a manufacturing council means that you have higher levels of manufacturing.

**Ms LEE RHIANNON:** But it is dropping. I mean, the—

**The Hon. MICHAEL COSTA:** No. That is not true. Our manufacturing sector is larger than the other States. Are you trying to draw a correlation between a manufacturing council and the size of the manufacturing sector? If you are it is a pretty poor example. The States that have them appear to have lower levels of manufacturing than New South Wales, which does not have one.

**Ms LEE RHIANNON:** The level of jobs in the New South Wales manufacturing sector is dropping fast. Are you disagreeing with—

**The Hon. MICHAEL COSTA:** What do you mean "fast"? What does that mean? What does "fast" mean?

**Ms LEE RHIANNON:** Let me finish the question. Last week the Australian Manufacturing Workers Union [AMWU] released research that—

**The Hon. MICHAEL COSTA:** Oh, the AMWU, my friends at the AMWU? Oh, that is an objective measure!

**Ms LEE RHIANNON:** So, you dispute that? It showed that 222 jobs are leaving the New South Wales manufacturing sector each week.

**The Hon. MICHAEL COSTA:** Let me tell you what the State Government is doing in its budget.

**Ms LEE RHIANNON:** That is what I asked you. That was my first question.

**The Hon. MICHAEL COSTA:** Hang on! We do not spend money on infrastructure because Lee Rhiannon says there should be a manufacturing sector; we spend money on infrastructure because that infrastructure is needed to for the economy and the people and taxpayers of the State. We have electricity infrastructure because people want electricity. By putting that in, yes, it does create jobs, but we do not sit down and say: "Let us put at the electricity line to a place where there are no people because Lee Rhiannon wants to create jobs." That is nonsense. We start from the infrastructure requirements. We work them out sensibly.

**Ms LEE RHIANNON:** Do manufacturing councils not allow that kind of consultation?

**The Hon. MICHAEL COSTA:** I do not know. It would be another talkfest.

**Ms LEE RHIANNON:** That is what I mean, the—

**CHAIR:** Do not talk over the Minister. Let him finish his answer.

**The Hon. MICHAEL COSTA:** Look, hang on, Lee. You are telling me that manufacturing councils create jobs—probably for the people on the council, but for no-one else. There is no evidence that setting up another talkfest will create jobs in manufacturing. It is just rubbish!

**Ms LEE RHIANNON:** So that you dispute the need for consultation with the trade union movement or consultation with—

**The Hon. MICHAEL COSTA:** Did I say that? You said to me that we need a manufacturing council to create manufacturing jobs. I thought that people who created manufacturing jobs were entrepreneurs and people who invested in manufacturing, not people who sit around a room and talk about it. I have seen lots of reports from your friends at the AMWU, you know, "Australia Uprooted in the Seventies." You probably wrote some of the stuff. Every time they issue a report employment manufacturing goes down, and not necessarily manufacturing as a component of the economy.

There is a difference between the two. Our manufacturing sector uses more machines than it did in the past, therefore there are fewer jobs but manufacturing as a contribution to GDP remains either constant or growing. We just have to be sensible about this. We use fewer people in a range of occupations across the board because we have new machines that do a lot of the work. Whether that is good or bad I am not even going to comment on, but it is a fact. The Government is about to embark on a massive rolling stock procure project that will lead to many, many jobs in manufacturing. In fact, I have spoken to delegates of those unions—

**Ms LEE RHIANNON:** Do you want to tell us where they are, Treasurer?

**The Hon. MICHAEL COSTA:** What do you mean?

**Ms LEE RHIANNON:** The areas that would be located in.

**The Hon. MICHAEL COSTA:** At the moment two Hunter-based firms are computing for our rolling stock procurement program. It is a massive program. It is more than \$1.5 billion and it will lead to jobs.

**Ms LEE RHIANNON:** That is excellent. Whereabouts?

**The Hon. MICHAEL COSTA:** Let me make this clear, we did not go down to procure rolling stock to create jobs for the AMWU; we went out to procure rolling stock because the people of New South Wales need new rolling stock.

**Ms LEE RHIANNON:** Stop insulting the unions. Your colleagues from the Premier down are getting their act together on WorkChoices and you come in here and say these things. No-one from the AMWU or any union is saying they are creating jobs for themselves. It is about creating jobs for Australians and you have to come in here and undermine that.

**The Hon. MICHAEL COSTA:** You are sounding like Pauline Hanson.

**Ms LEE RHIANNON:** Do not be insulting.

**The Hon. MICHAEL COSTA:** The fact of the matter is that we spend money on infrastructure because the taxpayers have a need for the services that are associated with that infrastructure. We do not spend it on infrastructure to create jobs for any special interest group. How plain can I be?

**Ms LEE RHIANNON:** No-one has suggested that. I asked you a straightforward question at the beginning and you are the one who is here to play politics.



**The Hon. MICHAEL COSTA:** Business investment in New South Wales, as the Treasury Secretary points out, has increased by 68 per cent. The problem we are facing at the moment is not a jobs problem; it is a skills shortage problem. If you go to the Hunter—and I go there—and talk to the manufacturers they will tell you they need more people, particularly apprentices. They are facing real problems getting the labour they require. We have got to put this into perspective.

Just because employment in a particular sector goes down, its economic value and its contribution to the economy will not go down. The two things are not related. Capital is the variable. If you add more capital you can produce more things and you might do it with fewer people, and you might sell more things and get more money for them. I think you are confusing two things when you attempt to imply that, because manufacturing jobs have declined over a 20- or 30-year period, that manufacturing is less important to the State economy. Is just not true.

**CHAIR:** Will you outline what progress has been made in regard to the inequality in the goods and services tax [GST] payments that this State receives? I know you have been talking to Mr Costello and negotiating with him.

**The Hon. MICHAEL COSTA:** Talking to Mr Costello is like to talking to the Opposition and I understand where they get it from. It is really hard for him to focus on the real issues at hand. I wish I could say that we have made real progress, but we have not made real progress with the Federal Government on this issue. The Federal Government continues to hide behind the fiction that he does not have a role in determining these things. The relevant Act, and the Treasury sector will get that for me, makes it very clear that it is the Treasurer and the Federal Government who ultimately sign off on the GST funding arrangements. The Opposition will run the argument: Why not get all your Labor mates to agree and then it will be all right. The reality is that the system does not work that way. It requires national leadership and the Federal Government has responsibility being the prime tax collector, to ensure a distribution to enable services to be adequately financed across States.

The bottom line is that we have made very little progress with the Federal Government, but the good news is that we have been talking to the others States more broadly about taxation issues, particularly what is referred to as "vertical fiscal imbalance". That is an issue that confronts us all as States and it is an issue that needs resolution. That is why we commissioned Neil Warren, Professor of Taxation Economics at the University of New South Wales, to undertake to produce a report, which is on the Treasury web site—and I urge members of the Committee to read it—to try to start to have a national debate around getting some sensible arrangements in terms of the financial arrangements between the States and the Commonwealth. Part of that is to remove bureaucracy.

Members of the Committee are probably aware of the example of the Federal health bureaucracy, a bureaucracy that costs more than \$1 billion a year and has 4,000 public servants working for it but does not see one patient. That does not make sense to us. It spends most of its time administering grants and funding requirements with the States. We would like to see a much more streamlined system. We have offered that the Commonwealth take over health, given that they have got control of primary health. If you are going to have a proper wellness model to try and deal with some of these issues you need to have an integrated approach both to primary and acute health care, which we do not have in this country. We have offered, conversely, to do education, which seems to be logical, given that we have got the bulk of it now. Those sorts of things would save a lot of money and enable additional funding to go to areas of concern.

The Commonwealth has avoided that; it has engaged in what I think is a very silly exercise of blaming the States for things that are clearly within its control. One of the things I love about the Commonwealth and the Opposition here: when unemployment was at historically low levels they would take credit for it; when interest rates start to move up they run a mile away and blame the States for it. You cannot have it both ways. You either take all of the good news and the bad news when it comes or you accept what I have said consistently: that economic management is a very complex issue and neither government has full control of the economic levers, but clearly, the Commonwealth has more control than the States and, given that is the case, they should take more responsibility for things like interest rate movements rather than seeking to blame a one-off deficit in New South Wales as being the basis of interest rate movements

Just to put on the record: I got Treasury to model what our deficit was as a proportion of GDP, as a stimulant. It turned out to be .07 per cent. Compare that with the recent tax cuts, which were .6 of a per cent stimulant and you can clearly see where the inflationary pressures are coming from—the Commonwealth. So the short answer is: not much progress on the GST. There is a review going on at the moment, part of a five-year review process. We will be making submissions to that and, hopefully, they will see the sense in revising the way the arrangements are. I just need to put on the record that we are not against subsidising States like Tasmania and South Australia and the Territories that need subsidies, but we certainly are very much against subsidising States like Western Australia and Queensland that have got growth rates that are double ours and have the ability to stand on their own two feet in relation to these matters.

The Warren report points to the fact that we probably have the worst form of horizontal equalisation of any Federation in the western world; it has got more structural rigidities, and that needs to be dealt with. It can only be dealt with by getting the support of the business community, which we have, for some sort of national tax summit at some point in the future to lay all these issues on the table for some proper assessment. The reason I say it is important—if you come back to budget estimates—if you look at Budget Paper No. 6, which is the one on the long-term fiscal report, it outlines all of the problems we are going to be facing in terms of the ageing of the population. The reading of this particular report is fairly grim, if you look at it from the point of view of a limited revenue base, which the States have, and an ever-growing requirement for expenditure, particularly on ageing. It has got to be resolved in the next decade and, hopefully, everybody can put politics aside and work towards resolving it.

**CHAIR:** If New South Wales received the income that is raised from GST, if every dollar that was raised from GST came back to New South Wales, what is the difference? Is it some \$300 million? What is the current figure?

**The Hon. MICHAEL COSTA:** Just under \$3 billion, but we would not seek that. We are running a budget deficit of around \$700 million this year. Even if we got half of that back we would be in a healthy surplus. But we are not arguing for all of it; we accept that Tasmania, the Territories and South Australia, which has a big manufacturing base, probably need some support. The reality is that it is about those other States that can stand on their own two feet, States that have got extraordinary growth rates because of the resources boom. It just does not make sense for us to be funding them at a time when they are keeping their taxes lower than ours in some areas, like petrol taxes, for example, in Queensland, and our taxpayers being penalised both by the additional collection of revenue and also the greater impost then in terms of Federal excises.

**CHAIR:** In regard to the James Hardie issue, are you handling the negotiations with Mr Costello? Were you involved in trying to get this tax issue resolved?

**The Hon. MICHAEL COSTA:** The Treasury is having discussions on tax through the office of the Minister for Workplace Relations, John Della Bosca, and Kevin Andrew's office, I think it is. They are having discussions, and Treasury will provide advice to them on potential liabilities. But that is where it is being handled.

**CHAIR:** Do you think it has some possibility of a successful conclusion?

**The Hon. MICHAEL COSTA:** It is a Federal taxation matter and it is being negotiated. It is not a State taxation matter.

**CHAIR:** I appreciate that, but you are trying to get Mr Costello to change his attitude on the whole thing?

**The Hon. MICHAEL COSTA:** I do not know. But we are certainly supporting John Della Bosca in his endeavours.

**CHAIR:** In previous inquiries we learnt that quite often fines were not being collected, particularly in relation to workplace injuries and so on. The Office of State Revenue comes under your control?

**The Hon. MICHAEL COSTA:** Yes.

**CHAIR:** Can you indicate what success rates you have now in collecting those fines, particularly in the industrial area?

**Mr ACHTERSTRAAT:** The fines that are referred to the State Debt Recovery Office normally either come from a court where a person has not paid into the court and then it is referred to the State Debt Recovery Office, or they come from other areas such as the State Electoral Commission or the Infringement Processing Bureau; they send it to the fine enforcement area. Our closure rates are increasing. You are correct in that the workplace relations were problematic. A person will be prosecuted in a court for a breach of the Occupational Health and Safety Act or a company will be prosecuted. Generally, about 89 per cent of those are paid into the court on time and there is a percentage that are not paid; they are referred to the State Debt Recovery Office and we start by imposing the normal sanctions—licence sanctions, where we take the licence off the persons who owe the fines; registration sanctions; garnishee orders and the like. We have also introduced other mechanisms to try to encourage payment by using the Internet and things like that.

**CHAIR:** Can you actually physically follow through the directors of some of those companies? They often go into liquidation and recreate another company. Are you able to follow the individuals rather than just the company itself?

**Mr ACHTERSTRAAT:** The Phoenix company arrangement you refer to where a person or a company owes a fine for anything, or they have debts, if the company goes into liquidation then the directors behind that company restart another company and then there is a separate entity. Under the corporations legislation they are two separate entities and if the fine is on the company rather than on the individual then it is only the company we can pursue.

**CHAIR:** That is the point of my question, whether we should change the system so you can actually follow the director who is responsible. It may be only one person and the other directors are his wife and children and so on.

**Mr ACHTERSTRAAT:** I think what happens is that in certain cases the action is taken against the company and in other situations, for whatever reason, the fine is imposed against the director or the individual. So to whomever the fine is awarded against the court will issue a judgment requiring either the person or the company to pay. If the person is required to pay, which is a principal behind a company, then we will use our sanctions to encourage payment there. If it is a company against whom the order is made we only take the action against the company.

**The Hon. GREG PEARCE:** In the earlier session I gave you our understanding of the total of cost overruns in this year's budget for capital projects, which is just over \$1.85 billion. Have you done a similar calculation yourselves?

**The Hon. MICHAEL COSTA:** Which budget paper are you referring to?

**The Hon. GREG PEARCE:** Budget Paper No. 4. If you total all of the cost overruns, which is this schedule I am going to give you in detail, as we discussed earlier, the total is \$1.85 billion plus—\$1.843 billion of cost overruns. You have not put that figure in your budget paper, you have to total it up and I am asking you if you have totalled it up? Do you have a total of the cost overruns?

**The Hon. MICHAEL COSTA:** We just gave you that. It was \$37 million from the figures I have. Let me just make the point: We assess each of the projects, project by project.

**The Hon. GREG PEARCE:** We are going back to that with the detail. We have already discussed that. I am just asking whether you have a total of the cost overruns of all of the projects?

**The Hon. MICHAEL COSTA:** I do not know where you got that figure.

**The Hon. GREG PEARCE:** I have just told you. We have totalled it up. It is \$1.85 billion.

**The Hon. MICHAEL COSTA:** What have you totalled up?

**The Hon. GREG PEARCE:** All of the cost overruns.

**The Hon. MICHAEL COSTA:** They are not all cost overruns. What did you define as a cost overrun?

**The Hon. GREG PEARCE:** A cost overrun is where the cost is now greater than it was in the previous budget paper.

**The Hon. MICHAEL COSTA:** But I have explained that.

**The Hon. GREG PEARCE:** That is why I have asked you to do it in detail. What I have asked you now is: do you have a total yourself for the cost overruns?

**The Hon. MICHAEL COSTA:** We do not define them as cost overruns.

**The Hon. GREG PEARCE:** No, I know you do not. You do not want to, because that exposes your mismanagement and your inability to deliver projects.

**The Hon. MICHAEL COSTA:** No, I explained to you why an estimate may change from the final budget number for a project. I can go through it again, but just because you want to make a political point and define it as something, and then add it up in whatever form or shape you have added it up—just make your political point. There is the camera, just make your political point. Get it over and done with so we can move on.

**The Hon. GREG PEARCE:** There are two issues. One is to what extent can we rely on the figures you publish and, secondly, to what extent do you deliver your projects on time and on budget? We have seen things like the Millennium train, which you had a great deal to do with?

**The Hon. MICHAEL COSTA:** What did I have to do with the Millennium train?

**The Hon. GREG PEARCE:** We can go through all of the projects, but you do not want to do that because you do not want to talk about the detail. I am trying to get the big picture now. Out of your \$9.9 billion that you say the budget is for this year, \$1.85 billion is cost overruns from last year?

**The Hon. MICHAEL COSTA:** Can I ask you a question?

**The Hon. GREG PEARCE:** I am asking you the questions.

**The Hon. MICHAEL COSTA:** I just want to understand your figure. If you want me to answer, I want to understand how you got your figure. Did you make the adjustment for the dollar amounts in the process? Did you sit down and work that out?

**The Hon. GREG PEARCE:** There are no adjustments for the dollar amount from last year's budget to this year's budget.

**The Hon. MICHAEL COSTA:** So you are quoting 04 to 06 as well?

**The Hon. GREG PEARCE:** No, from last year's budget to this year's budget—one year, the total cost overruns on your figures is \$1.85 billion.

**The Hon. MICHAEL COSTA:** Did you make the adjustment?

**The Hon. GREG PEARCE:** Well the adjustment must be in your figures, surely?

**The Hon. MICHAEL COSTA:** No, no.

**The Hon. GREG PEARCE:** Can we rely on your figures or not. There is another adjustment, is there, that is not in here. Is that what you are telling me?

**The Hon. MICHAEL COSTA:** When we quote our budgets, if you go back and look at a budget paper—and the Treasury Secretary can explain it—

**The Hon. GREG PEARCE:** Perhaps the Treasury Secretary can.

**The Hon. MICHAEL COSTA:** It will be quoted in the dollars of the time.

**The Hon. GREG PEARCE:** Yes.

**The Hon. MICHAEL COSTA:** Now I understand how you have been fudging this for years.

**The Hon. GREG PEARCE:** No, there is no fudge.

**The Hon. MICHAEL COSTA:** You have not even adjusted the dollar amounts for today's dollars.

**The Hon. GREG PEARCE:** No, you did not listen to the answer to your own question. The answer was that we have taken last year's figures and moved them to this year's figures—one year

**The Hon. MICHAEL COSTA:** How did you do that?

**The Hon. GREG PEARCE:** We have relied on the figures that you published and if you are telling me that we cannot rely on those, I agree, we cannot.

**The Hon. MICHAEL COSTA:** The Treasury Secretary can explain to you how the budget is done.

**The Hon. GREG PEARCE:** Let the Treasury Secretary explain the total of the cost overruns in the budget.

**The Hon. MICHAEL COSTA:** But you are obviously not comparing apples to apples, as usual?

**The Hon. GREG PEARCE:** No, we are comparing your figures to your figures. We are comparing your published figures to your published figures and if you cannot rely on your published figures, then you have answered the question?

**The Hon. MICHAEL COSTA:** No, that is not the issue. The issue is your inability to understand the budget papers.

**The Hon. GREG PEARCE:** I understand the budget papers very well.

**CHAIR:** Perhaps we should let the Secretary of the Treasury explain how those figures are calculated.

**The Hon. GREG PEARCE:** This will be interesting.

**Mr PIERCE:** I first make a point about one of the differences between Budget Paper No. 2 and Budget Paper No. 4.

**The Hon. GREG PEARCE:** We are talking about Budget Paper No. 4.

**Mr PIERCE:** It is a point of clarification. Where we use dollar figures in Budget Paper No. 2, unless otherwise stated the dollars are all in nominal dollars, the dollars of the year in which they refer to. The dollars in Budget Paper No. 4 refer to total dollars spread over a number of years. The past practice has been to express total costs in the dollars of whatever year the budget is, so all the dollars in say last year's Budget Paper No. 4 would have been expressed in 2005-06 dollars. Of course, this year's budget papers, those dollars will be, in many cases, as Mr Pearce has pointed out,

different. Part of that difference will be because the dollars have been valued against a different base year.

**The Hon. MICHAEL COSTA:** That is what I was trying to point out. He did not know what he was doing.

**The Hon. GREG PEARCE:** Take us to an example.

**Mr PIERCE:** I am not sure which example.

**The Hon. GREG PEARCE:** Use any example you can to establish it?

**The Hon. MICHAEL COSTA:** Greg, you have gone red. You cannot even do a basic calculation.

**Mr PIERCE:** You could pick any of the dollar figures, particularly the works in progress type estimates. If there is a works in progress project that is classified as—

**The Hon. GREG PEARCE:** Give me an example?

**Mr PIERCE:** I do not have last year's budget papers so I cannot compare. I welcome the opportunity to go through your list.

**The Hon. MICHAEL COSTA:** Mr Chair, I think the clarification was made that the honourable member has added up two different things. I pointed this out at the beginning.

**The Hon. GREG PEARCE:** No, not at all.

**The Hon. MICHAEL COSTA:** He is dealing with nominal dollars rather than real dollars, which is a fundamental principle in budgeting. He obviously does not know what he is talking about, which is why the numbers do not make sense.

**Mr PIERCE:** With any individual projects the dollars, depending on which year it is being reported, change because it is a different year. As projects are proceeding the scope of the project changes, timing changes and you get escalation in the particular inputs to projects, which may well be different from the general rate of inflation.

**The Hon. GREG PEARCE:** That is called cost blow-outs.

**The Hon. MICHAEL COSTA:** That is called mismanagement of skills by the Federal Government. It is called overheating of the economy, concrete costs going up, steel costs and a whole range of reasons.

**The Hon. GREG PEARCE:** You cannot manage anything.

**The Hon. MICHAEL COSTA:** I am glad you are not in business any longer because costs plus is not a principle—

**The Hon. GREG PEARCE:** That is what you are talking about.

**The Hon. MICHAEL COSTA:** No, we are not.

**The Hon. GREG PEARCE:** That is what you are saying. You are saying that the figures are not reliable.

**The Hon. MICHAEL COSTA:** I am sure the honourable member wrote some commercial contracts where he would have protected his client by having provisional items in relation to input costs.

**CHAIR:** I do not think Mr Pierce finished his answer. He was interrupted.

**The Hon. GREG PEARCE:** He could not find an example.

**Mr PIERCE:** The other point I was going to make is that from a Treasury viewpoint with monitoring in the first instance the total capital program of an agency, they have a budget for capital expenditure in a particular year of X and we monitor during the course of the year how they are going against that total. That total is made up of a myriad of projects. In the preparation of a budget we will get revised estimates of completion dates and the works in progress expenditure from the agencies in terms of their total program.

We then compare that with what is available across the aggregates, so we tend to monitor in the first instance the total expenditure rather than individual projects, but, in understanding what is happening to the aggregates, of course we seek to have an understanding of what is happening to the major projects that an agency may be undertaking. So we will have cash flows and reporting against major projects but a lot of projects which are relatively small in nature, although when you add them up they come to big dollars—and we want to make sure those big dollars are consistent with the aggregate budget—but the individual projects are really the responsibility of the Minister to manage, so if one project is being commissioned and expenditure is happening slower than originally intended, we would expect them to substitute the expenditure associated with that project with some other project and manage the individual project so that the total they are spending is consistent with the budget.

**The Hon. GREG PEARCE:** So you balance the cost overruns against the underspends?

**Mr PIERCE:** There will be many reasons why some projects are slower or more expensive than originally estimated.

**The Hon. GREG PEARCE:** They are all listed.

**Mr PIERCE:** The important thing for aggregate financial management is what do the totals look like and, as the Treasurer referred to, last year the difference between budgeted capital expenditure and actual capital expenditure for the year was relatively minor.

**The Hon. GREG PEARCE:** Was that nominal dollars or real dollars?

**Mr PIERCE:** That would have been in nominal dollars. It is expressed in the financial statement.

**The Hon. MICHAEL COSTA:** To make it easier for you, just add 3 per cent on to it.

**The Hon. GREG PEARCE:** And the \$41.3 billion that you are forecasting for the four-year budget period, is that nominal dollars or real dollars?

**Mr PIERCE:** If it is the sum provided through the financial statements it is in nominal dollars.

**The Hon. GREG PEARCE:** It is all nominal dollars?

**Mr PIERCE:** Yes.

**The Hon. MICHAEL COSTA:** Which means that next year it will go up and the Hon. Greg Pearce can claim that we have blowouts again.

**The Hon. GREG PEARCE:** Exactly.

**The Hon. MICHAEL COSTA:** We do not want to spoil your story for next year and the year after.

**The Hon. GREG PEARCE:** You can keep using your nominal dollars and claim—

**The Hon. MICHAEL COSTA:** I have just explained what causes individual projects—our capital works program is a summation of our individual projects. We have gone through it—

**The Hon. GREG PEARCE:** I know what your summation is. It is your inability to manage—

**CHAIR:** Let the Minister answer the question.

**The Hon. MICHAEL COSTA:** We have gone through each of the components and I do not want to go through it again. It is project specifications, input cost changes, issues that arise with things like the skills shortage. That builds up into the figure at the top. It is expressed in nominal dollars. What Opposition members do every year is compare nominal to real and then run off this line about budget overruns. I do not want to spoil your estimates for next year but it is on the record that you will do it again, and it is meaningless.

**The Hon. GREG PEARCE:** We will see how meaningless it is when you answer the questions on notice. Of the \$41.3 billion available for capital works over the next four-year period, how much of that is actually allocated to projects?

**The Hon. MICHAEL COSTA:** All of it.

**Mr PIERCE:** Most of it.

**The Hon. GREG PEARCE:** Most of it or all of it?

**The Hon. MICHAEL COSTA:** The bulk of it is allocated to projects.

**The Hon. GREG PEARCE:** The bulk of it.

**The Hon. MICHAEL COSTA:** Yes, because any prudent government, in terms of—

**The Hon. GREG PEARCE:** How much is the bulk?

**Mr PIERCE:** For the expenditure that is in the public trading enterprise sector, I believe that all of it would be allocated to particular projects. For the general government sector capital expenditure, we would maintain an unallocated provision in the forward estimates. So it is all allocated in the budget year and then there is an unallocated provision, which is built into the aggregate over the forward estimates. Obviously when year two becomes year one there is an amount available for the Government to dedicate to projects which can start in year two, which is now year one.

**The Hon. GREG PEARCE:** How much is that?

**The Hon. MICHAEL COSTA:** The overwhelming majority.

**The Hon. GREG PEARCE:** How much is that in nominal dollars?

**The Hon. MICHAEL COSTA:** We do not know what that is but we will find out.

**The Hon. GREG PEARCE:** What do you mean you "do not know what that is"?

**The Hon. MICHAEL COSTA:** I do not know exactly what it is. If you want it today, it can vary.

**The Hon. GREG PEARCE:** We want it today, yes. That is what we are asking—

**The Hon. MICHAEL COSTA:** We will give it to you anyway because it will become part of the budget honesty at the end of the year when the election comes.

**The Hon. GREG PEARCE:** But I am asking for it now.



**The Hon. MICHAEL COSTA:** You will probably get it by the end of the year. I do not have it.

**The Hon. GREG PEARCE:** What do you mean you do not have it?

**The Hon. MICHAEL COSTA:** I do not have it yet.

**The Hon. GREG PEARCE:** You do not have the figure for today. You have all these Treasury advisers with calculators—

**The Hon. MICHAEL COSTA:** We will try but I cannot be sure that we can get it to you before the end of the year.

**The Hon. GREG PEARCE:** You will try. Mr Pierce, you did not have that figure when you actually completed the budget papers—

**The Hon. MICHAEL COSTA:** Yes we did but it changes—

**The Hon. GREG PEARCE:** I will take the figure that you had when you completed the budget papers for now.

**Mr PIERCE:** I am sorry, it is not a figure I carry around inside my head.

**CHAIR:** Will you take that on notice, Mr Pierce?

**Mr PIERCE:** I will have to look it up. I just make the point that we bring down a budget and there is an unallocated provision which starts in the first year of the forward estimates and then obviously it increases as projects complete. As we go into next year's budget one of the first things we look at is changes in the works in progress spending—

**The Hon. GREG PEARCE:** All those cost overruns.

**Mr PIERCE:** —to see how much of that unallocated provision will be absorbed through works in progress. So the Treasurer's point about the number that is relevant for future budget planning is the number we will have at the time that we will bring down the next mid-year review.

**The Hon. GREG PEARCE:** What I asked you for is the number for each year going forward at the time you signed off on the budget for this year, which I understand you will have to look up because you do not have it in the top of your head. Will you take that on notice and provide that?

**The Hon. MICHAEL COSTA:** No. I do not know whether he is taking that on notice.

**The Hon. GREG PEARCE:** I am asking if he will take it on notice and provide it.

**The Hon. MICHAEL COSTA:** I will have a look at it and see if I can find it.

**The Hon. GREG PEARCE:** With respect, that is not good enough

**The Hon. MICHAEL COSTA:** Is it not?

**The Hon. GREG PEARCE:** No, it is not.

**Mr PIERCE:** It is a number that is part of the budget committee deliberations. It is reported to the budget committee.

**The Hon. GREG PEARCE:** Yes but we would like it reported to the estimates committee. That is why we are here.

**The Hon. MICHAEL COSTA:** So the estimates is about the budget, finally.

**The Hon. GREG PEARCE:** Yes. Why do you want to hide these figures? Why are you trying to hide these figures?

**The Hon. MICHAEL COSTA:** I am not hiding them.

**The Hon. GREG PEARCE:** Then why will you not provide them?

**CHAIR:** It may be an internal Cabinet figure.

**The Hon. GREG PEARCE:** It is not a Cabinet figure; it is part of the budget.

**CHAIR:** I am only asking what they think it is.

**The Hon. MICHAEL COSTA:** It is to provide to the budget committee, which is a Cabinet committee.

**The Hon. GREG PEARCE:** So what? I am asking you to provide the figures to the Committee and I am asking you to take it on notice. Will you take it on notice or not? If not, why not?

**The Hon. MICHAEL COSTA:** I said I was not taking it on notice.

**The Hon. GREG PEARCE:** Why not?

**The Hon. MICHAEL COSTA:** It is a budget committee matter, and it is a matter for the budget committee to determine when it releases those figures. It will be released well before the election.

**CHAIR:** You can still take it on notice and give that answer—

**The Hon. GREG PEARCE:** He will not—he's just too arrogant.

**CHAIR:** —in writing as to the reason why you do not supply the figures.

**The Hon. MICHAEL COSTA:** You heard the answer: I am too arrogant.

**The Hon. GREG PEARCE:** In terms of your savings targets and the results and services plans, how many agencies have results and services plans?

**The Hon. MICHAEL COSTA:** Every agency is expected to.

**The Hon. GREG PEARCE:** But how many do?

**The Hon. MICHAEL COSTA:** They all do, of varying quality.

**The Hon. GREG PEARCE:** They all do?

**The Hon. MICHAEL COSTA:** Yes. It is part of the arrangements we have in terms of the budget and the expenditure review. The purpose of the results and services is to give us a basis to assess the performance of each agency both in terms of their budget allocation and in terms of expenditure review. Clearly, we pay greater attention to the big agencies, where the bulk of the resources are, and one would expect that. Of course, our two biggest agencies are health and education, but all agencies have results and services. But when you start getting down to things like the Police Integrity Commission you are not dealing with a real results and services plan. They are all expected to have a charter with regard to what they are expected to perform. How meaningful that is varies as you go from agencies like health and education down to the smaller agencies. The bottom line is that they are only meaningful in terms of the larger agencies.

**The Hon. GREG PEARCE:** When the volume of services or outputs increases or decreases, what is your process for amending those plans? Are they automatically amended or is another review done? How do you monitor that aspect of the services?

**The Hon. MICHAEL COSTA:** We have a lot of government agencies. As the audit pointed out, not all of them end up at expenditure review but the big agencies do. If there are adjustments, those adjustments can be made through Cabinet. There might be a change of priorities and there may well be a policy decision to do something different that would lead to an amendment to a results and services plans. Subject to that is not being revised in that form, it would be at the expenditure review committee where we would be making a detailed examination of how they are performing against those.

**The Hon. GREG PEARCE:** So if there is an increase in demand for services, the agency's results and services plan would not automatically accommodate that?

**The Hon. MICHAEL COSTA:** Yes, it would because the detail is not the sort of detail you are talking about. For example, the police may have an operational budget or health may have its operational budgets. They would be for the configuration of activities that present themselves. We do not know in advance what the flu season will be like or what sorts of accidents will occur. They would have an allocation for what they estimate may occur. They have complete flexibility within that to change it; they do not have to come to the budget committee for that. It is where you have broader levels of change that you need to come back to us. Clearly, we do not control people to the extent that they cannot perform their services but we want to know that they are spending it in the broad categories on which they are expected to spend their allocations.

**CHAIR:** We will move on to questions from Ms Lee Rhiannon.

**Ms LEE RHIANNON:** Treasurer, can you outline what you have done to safeguard skilled jobs in the Hunter?

**The Hon. MICHAEL COSTA:** I just do not understand that question. What I have personally done?

**Ms LEE RHIANNON:** I am asking you as the Treasurer. I do not want to socialise with you about your views on things. I am asking you a question as Treasurer. You have obviously had things to say in the past. You are Minister for the Hunter. It is a reasonable question to ask.

**The Hon. MICHAEL COSTA:** Maybe you can be a bit more specific?

**Ms LEE RHIANNON:** I thought you would like to give an outline, considering—

**The Hon. MICHAEL COSTA:** I will tell you what the Government has done—a lot of important things to try to deal with the Commonwealth Government's self-induced skills shortage. We have sought to introduce apprentice ratios into our capital investment program. We have sought to develop trade high schools to start refocusing people on skills formation in the trades. Are they the sorts of things you are talking about?

**Ms LEE RHIANNON:** I am also interested in the manufacturing sector and what you have done to ensure that we are retaining and increasing the number of skilled jobs in the Hunter?

**The Hon. MICHAEL COSTA:** Why manufacturing? Are other jobs not important?

**Ms LEE RHIANNON:** When you belittle the question, it is to my benefit, not yours. Please just give us an answer.

**The Hon. MICHAEL COSTA:** I am only here to answer the budget questions.

**Ms LEE RHIANNON:** It is clearly part of the budget.

**The Hon. MICHAEL COSTA:** I do not know why you are putting a higher priority—

**Ms LEE RHIANNON:** I am not putting a higher priority. Do not verbal me. I am asking a straight question.

**The Hon. MICHAEL COSTA:** I just answered it. I said we have introduced apprentice ratios in our capital works budget to ensure that we give maximum opportunity to rebuild skills. That includes the Hunter. We have a lot of capital investment in the Hunter, and things like the rolling stock procurement contract will have apprentice ratios. I find it intriguing why you are talking about manufacturing jobs when we live in an information economy and there are a range of other jobs equally as important to the functioning of our economy as manufacturing jobs. I do not know whether you are going to get a donation from the AMWU for the election campaign, but it seems bizarre.

**Ms LEE RHIANNON:** Do you agree with local content rules for manufacturing rail carriages and rolling stock?

**The Hon. MICHAEL COSTA:** The Government has those and has applied them.

**Ms LEE RHIANNON:** But I am asking you what your—

**The Hon. MICHAEL COSTA:** Personal view is?

**Ms LEE RHIANNON:** Yes, I am asking you what your position is on these, because you have been involved in controversy on this issue in the past.

**The Hon. MICHAEL COSTA:** What controversy?

**Ms LEE RHIANNON:** I understand in previous portfolios you were responsible for slashing local content requirements from 100 per cent to 20 per cent. So, I am asking you—

**The Hon. MICHAEL COSTA:** From 100 per cent?

**Ms LEE RHIANNON:** I am asking you—

**The Hon. MICHAEL COSTA:** Can I make a point?

**Ms LEE RHIANNON:** Just answer the question. What is your position on this? What are you advocating?

**The Hon. MICHAEL COSTA:** You cannot produce a train in Australia on 100 per cent local content, because stainless steel is not manufactured in this country. The bulk of our rolling stock is stainless steel that we have to import.

**Ms LEE RHIANNON:** Just give us a straight answer?

**The Hon. MICHAEL COSTA:** The straight answer is that the Government has a local content policy and we will apply it, despite my personal views.

**Ms LEE RHIANNON:** So you think there should not be a local content policy?

**The Hon. MICHAEL COSTA:** I did not say that.

**Ms LEE RHIANNON:** Or it should be lower?

**The Hon. MICHAEL COSTA:** I did not say that. I said we will apply the Government's policy. You started with 100 per cent. It is impossible in a globalised economy to have 100 per cent local content.

**Ms LEE RHIANNON:** The fact you have said you do not agree with it, suggests that you would argue in Cabinet for it to be lowered.

**The Hon. MICHAEL COSTA:** What I argue in Cabinet you will never know. Well, maybe, is there a 40-year rule in Cabinet? You can read about it in a special feature in 40 years time.

**Ms LEE RHIANNON:** The implication is that you never win because we never read about what you advocate.

**The Hon. MICHAEL COSTA:** Well, Lee, if I never win that is all the better for you. You should be a happy little Vegemite.

**CHAIR:** Government members?

**The Hon. PETER PRIMROSE:** Again, we are very keen for the Opposition to continue.

**CHAIR:** I notice in the budget paper in regard to the Hunter there is reference to the Newcastle rail corridor and that it is progressing. Will you bring us up to date with that?

**The Hon. MICHAEL COSTA:** Yes, it is another one I lost to Lee's mob, which she would be happy about. The Government made some funds available for upgrades along the corridor to try to improve the efficiency of the corridor, both for the rail and for the road users who get caught at the level crossings. There are more people at the level crossings than there are on the trains. Lee would not worry about that but that is the reality up there. So we decided to invest a significant amount of money to try to improve the situation given that the Government's view is not to remove the rail line.

**Ms LEE RHIANNON:** If there are so many people why do you not look at overpasses?

**The Hon. MICHAEL COSTA:** Is it your question?

**CHAIR:** No, it is my question. Is part of the solution to build larger overpasses? How will you cope with the crossings?

**The Hon. MICHAEL COSTA:** No, they will try to time of the level crossings better with the trains. Quite often you might wait at a level crossing in the Hunter for 10 or 15 minutes waiting for all these empty trains to go past—and, by the way, there are empty buses as well, going down Hunter Street. We thought if we co-ordinate better the level crossings, the poor people in the cars can get across.

**Ms LEE RHIANNON:** Is that why you wanted to get rid of Mr Gaudry? You could not get rid of the trains so you wanted to get rid of the local member?

**The Hon. MICHAEL COSTA:** Is that your question?

**CHAIR:** It is not a question for estimates.

**Ms LEE RHIANNON:** I think he would like to answer it, Mr Chair.

**The Hon. MICHAEL COSTA:** When it is your turn, ask me, and I will see what page of the budget papers it is and answer it.

**Ms LEE RHIANNON:** I am sure you have a line item for getting rid of members you do not like.

**The Hon. MICHAEL COSTA:** The bottom line is the Government's decision is to invest about \$20 million in improvements along the corridor to try to get the balance right between the small number who use the rail and those large numbers who sit at the level crossings waiting to get across.

**CHAIR:** So, it is really a temporary solution, in a sense? There could be changes in the future, in 10 years time?

**The Hon. MICHAEL COSTA:** No, I think there is also a proposal, which I support, to examine whether some of the new rolling stock we are putting in can be modified for light rail usage

so it can run at light rail speeds along the bottom end of the corridor, which may be a long-term solution. It happens overseas, where the rolling stock runs along the heavy track as a heavy rail vehicle and when it comes into an inner-city area they change the gearing of the brakes and the gearing of whatever system they use to power it and it runs at a lower speed under a light rail mode. That is where we are looking to go with it, which will solve everybody's problems. The foreshore can be opened up and people can have access to the foreshore. It is around \$19 million expenditure up there. I had some discussions with manufacturers of the Hunter rail cars to see whether it was possible to do that.

*[Short adjournment]*

**CHAIR:** I refer to page 22-3, Budget Paper No. 3, Volume 2, in regard to the Office of State Revenue, managing payments relating to the unclaimed money program, the First Home Owner Grants Scheme and the First Home Plus Scheme. There have been reports of areas of fraud where people have been claiming payments when they were even millionaires, and other attempts to defraud the Government. Could you give us an update on where we are and what measures have been taken to prevent that occurring?

**Mr ACHTERSTRAAT:** Certainly, Reverend Nile. There is an active compliance program to ensure that only people who are entitled to the First Home Owner Grant get the First Home Owner Grant. There are certain requirements and prerequisites to qualify for it. It has to be the first home and also you have to have moved into the house and lived in the house within the 12 months. I will just leave aside the millionaires business and come back to that in one second. The general process is that if a person has not moved into the home and uses it as an investment property then we contact the applicant who has been given the money and ask for it to be refunded.

As you correctly point out, there have been a couple of more serious breaches which we have referred to the courts. But most of the cases are just people who have not moved in—either an oversight or whatever—and we seek the money back. When you talk about the income levels of the person who receives the grant, the First Home Owner Grant is a national system and the rules are national. While there is an asset limitation on the First Home Plus system, which is run within the State, in relation to the First Home Owner Grant there is no asset limit or income level. So any person who moves into their first home is entitled to the \$7,000.

**CHAIR:** In regard to the Office of Financial Management, page 22.2 of the budget papers states:

- ◆ advising on the efficiency and effectiveness of General Government agencies, NSW Government businesses and other commercial activities;

Do you have a rating system for those agencies listing which are working well and which are working poorly? Is there such a document.

**The Hon. MICHAEL COSTA:** No, because different agencies have different objectives. It is easy to work out a benchmark for financial agencies based on return on equity or capital invested and so on. However, the situation is difficult with social agencies. They have to be measured against their own results and services. We have tried to refine that by focusing their results and service plans on the broad outcomes that they seek to achieve. The State Plan will further refine that. We are going through the State planning process to work out what is important for the community and try to measure results against those issues. That is hard to do with social agencies. I do not know whether there is a solution, but the obvious approach is to hold them accountable for what they can say they can achieve, with due flexibility because they cannot predict emerging circumstances.

**CHAIR:** There must be some agencies that cause concern with regard to efficiency and effectiveness.

**The Hon. MICHAEL COSTA:** Much of that relates to our trading entities, which, as I said, are easier to deal with because they have a statement of corporate intent indicating the level of profitability they expect, the dividends the Government will receive from their activities and the service standards they will provide to customers. It is much harder in the social area. Clearly, many of the pressures in that area are driven by factors outside the agencies' control. In many cases they are

responding to short-term situations that have rapid results. You can determine their base level of activity—for example, how many hospital beds the Health Department seeks to maintain an operational state. What you cannot determine is whether the winter is going to be mild, when you will have less flu and less pressure on hospitals. We try to do it but, mainly, it applies to the public trading entities.

**CHAIR:** When you measure it and find an inefficient agency, what action does Treasury take, if any, to assist that agency to become more efficient?

**Mr PIERCE:** The main mechanism for this is through the negotiation of their statement of corporate intent, which is like a performance agreement that exists between the board and the Government. Whereas the general government agencies would submit a draft RSP as part of the budget process, these agencies submit a draft statement of corporate intent. That is analysed by people in Treasury and compared against other public trading enterprises or, in some cases, private entities who are operating in the same sector. That is the sort of information we will bring to that negotiation in setting their performance targets for the coming year and then, of course, they are monitored against those targets during the course of the year. If there is a view that the agency is not operating as efficiently as could be reasonably expected, the ultimate sanction is for the shareholding Ministers to contemplate a change on the board.

**The Hon. MICHAEL COSTA:** That is for government trading entities. For the social agencies it is much more difficult to assess. They have their results and services, and that is what tends to guide. I have to say that part of the reason for having a 1 per cent efficiency dividend is to keep them effectively focused on what they are doing and ensuring that they look at productivity performance in the course of implementing their activities. It is much harder when front-line services are exempt, because front-line services are in many cases just reactive services—police, ambulance, fire brigade, and those sorts of agencies are reactive.

**CHAIR:** If a department failed to meet its objectives and so on, I suppose you would go back to the Minister in charge of that portfolio area to recommend that the director general or someone be removed or replaced?

**The Hon. MICHAEL COSTA:** The idea of the expenditure review committees [ERCs] is to try to identify it, to have a handle on it before it becomes a problem. That is why we have regular meetings of the ERCs, mainly around their savings targets, but those savings targets tend to expose areas where there can be improvement.

**The Hon. MICHAEL GALLACHER:** Can you give an ironclad guarantee—

**The Hon. MICHAEL COSTA:** An ironclad guarantee?

**The Hon. MICHAEL GALLACHER:** An ironclad guarantee that—

**The Hon. MICHAEL COSTA:** Were they not the submarines they used—

**The Hon. MICHAEL GALLACHER:** Can you give an ironclad guarantee that the \$15 million expenditure saving to NSW Police will not result in any front-line police personnel having to perform necessary clerical duties?

**The Hon. MICHAEL COSTA:** As I understand it, the ironclad vessels were vessels that were used in the Civil War. Was there not a submarine called "an ironclad"? That is the only ironclad description you will get out of me. With regard to whether there are matters in the police portfolio that you have concern about, I suggest refer that to the Minister for Police. He has given me an assurance through the ERC that the purpose of the changes that he is making is to streamline back-office operations, and I take him at his word on that.

**The Hon. MICHAEL GALLACHER:** But, as a former police Minister and resident Treasurer, will you give a guarantee that this will not result in police being taken off the street to perform paperwork?

**The Hon. MICHAEL COSTA:** This is the oldest one in the political book, ask a Minister whose portfolio it does not concern to give an ironclad guarantee and then issue a press release: "Costa refuses to give ironclad guarantee." The budget for policing has been increased by about 7.6 per cent. The police have a responsibility to work within their resources. The Minister for Police and the Commissioner of Police have come up with a program to ensure that more resources go to front-line policing. They presented that to us at the Expenditure Review Committee meeting only last week and have given us an assurance that they believe that what they are proposing will work. I can only take the Minister at his word. From my perspective, they have increased resources and I would expect those increased resources to be reflected in better front-line policing.

**The Hon. MICHAEL GALLACHER:** You keep talking about 750, but 400 of them are going to be filling in paperwork. Have you not sat down with the police Minister to enquire about where the cuts are going to come from?

**The Hon. MICHAEL COSTA:** Yes.

**The Hon. MICHAEL GALLACHER:** They are front-line police.

**The Hon. MICHAEL COSTA:** The Minister Police has made it very clear. He sees some efficiencies in the back office.

**The Hon. MICHAEL GALLACHER:** They are not in the back office.

**The Hon. MICHAEL COSTA:** Well, mate, under your model everybody would be gone. You are talking about 29,000 going.

**Ms LEE RHIANNON:** Are you not keen on that model, too? Is it not true that you want to cut more public service jobs?

**The Hon. MICHAEL COSTA:** What?

**Ms LEE RHIANNON:** Do you not?

**CHAIR:** Do not interrupt the Minister at this stage.

**The Hon. MICHAEL COSTA:** Why not ask me that question when it is your turn?

**Ms LEE RHIANNON:** I will.

**The Hon. MICHAEL COSTA:** The reality is that the responsible Minister is very confident that he can achieve what he is proposing within his budget and within his operational requirements to maintain front-line policing. I take him at his word.

**The Hon. MICHAEL GALLACHER:** I take it, therefore, that you are not interested in how he makes the cuts; you just want him to make the cuts?

**The Hon. MICHAEL COSTA:** No. He presented a program to the ERC and it seemed to make sense. But I am not the one implementing it; it is up to him to implement it.

**The Hon. MICHAEL GALLACHER:** You spoke earlier about NSW Police being a reactive service. Will you explain what you meant by that?

**The Hon. MICHAEL COSTA:** I meant the truck work—which you did for awhile, did you not? You, someone rings up and says, "Look, I have a problem with so and so," and they turn out and do it. I am not talking about proactive policing. He asked me whether we could estimate how many times the truck would go out on any particular night, which is pretty hard to do. I think you will agree with that. That is what I was talking about it.

**The Hon. MICHAEL GALLACHER:** But you put them in together with ambulances and fire service.



**The Hon. MICHAEL COSTA:** Yes, if there is an accident. Let me take the example of a motor accident, with which I am sure you are familiar. We cannot predict where that may occur, therefore, when it happens people ring up and the emergency services attend. One would describe that as being reactive, I would have thought.

**The Hon. MICHAEL GALLACHER:** I can understand that, but why would you lump policing as being purely reactive, which is exactly what you said.

**The Hon. MICHAEL COSTA:** I did not say "purely reactive".

**The Hon. MICHAEL GALLACHER:** No, you said that police services are reactive.

**The Hon. MICHAEL COSTA:** Let me clarify it for the record, if this man thinks that I said that. What I said was that there was a reactive element in policing. I think most people would agree, and I gave an example of that. I think we are really being a bit silly at the moment.

**The Hon. MICHAEL GALLACHER:** No. I am concerned that you, as a former Minister for Police, are about to see the jobs of up to 400 public servants cut.

**The Hon. MICHAEL COSTA:** You are going to cut 29,000. I cannot understand this.

**The Hon. MICHAEL GALLACHER:** You are doing it now. It is under way under your hand to make the \$15 million cuts.

**The Hon. MICHAEL COSTA:** The Opposition is obviously not confident about winning government next year. That is all I can say.

**The Hon. MICHAEL GALLACHER:** You are the one signing the cheques right now.

**The Hon. MICHAEL COSTA:** We have gone through this. The police Minister presented a proposal. That proposal, he assures us, will lead to better front-line service provision. It is his responsibility and I am quite happy with what he put to us. It seems to make sense. With regard to whether or not police are reactive, the reality is that they certainly have a reactive element. I do not want to get philosophical about this, but I would have thought that even detectives have to react to situations.

**The Hon. MICHAEL GALLACHER:** It is not about the reactive side, it is just that you said that they are reactive, like ambulances and fire brigades. You did not say that they are unique; that they perform a proactive as well as a reactive role whereas the others do not. The ambulance officers do not have to be proactive.

**The Hon. MICHAEL COSTA:** The fire brigades do.

**The Hon. MICHAEL GALLACHER:** They do not.

**The Hon. MICHAEL COSTA:** They go out and tell everyone to install smoke alarms and to watch for bushfire conditions. Ambulance officers tell people not to eat fatty food, I suppose.

**The Hon. MICHAEL GALLACHER:** Could I turn to the 1 per cent efficiency dividend. Will you indicate the agencies that have made savings so far and how much has been saved?

**The Hon. MICHAEL COSTA:** We are only a few months into the financial year, but let me answer the question this way: I am very confident that we will make the savings. We have been reviewing their savings plans. Police put a savings plan to us—the one you have referred to—that I am confident they will achieve. All the other agencies are on track to meet the Government's efficiency targets. But, it is September and we will continue to be vigilant to make sure they reach their targets. There are some good indicators. Last year we came in right on what our estimate of the cost of services would be and that is a good indicator for the future. Our problem at the moment is not

expenditure, it is revenue, as you know. Recent interest rate rises by that incompetent Federal Treasurer of yours do not really help us.

**The Hon. MICHAEL GALLACHER:** Where do the projected savings appear in the forward estimates?

**The Hon. MICHAEL COSTA:** They are built into it, into each of the operating lines.

**The Hon. MICHAEL GALLACHER:** So you cannot find them on their own?

**The Hon. MICHAEL COSTA:** No, not really. It is up to the agencies to come up with measures. For example, the police have come up with a measure to reduce back-office operations and transfer them into front-line police. That is a good measure.

**The Hon. MICHAEL GALLACHER:** What progress has been made on mandatory closing of non-front-line government activities for the two weeks over Christmas and New Year?

**The Hon. MICHAEL COSTA:** I do not think we accepted that recommendation.

**The Hon. MICHAEL GALLACHER:** It is Budget Paper No. 2.

**The Hon. MICHAEL COSTA:** We said we would sit down and have a look at it. We are currently talking to the unions about a range of matters, but we never said we would do that, we said we would look at it.

**The Hon. MICHAEL GALLACHER:** Even though it is in Budget Paper No. 2, page 2-5?

**The Hon. MICHAEL COSTA:** Where does it say we are going to do it?

**The Hon. MICHAEL GALLACHER:** Those are the instructions I have. Budget Paper No. 2, page 2-5.

**The Hon. MICHAEL COSTA:** Instructions? I think your researchers have got that one wrong. I said we would look at it. I know it says that because I was involved in it. It says we would examine it. It did not say we were going to implement it. It says, "including considering a two week". The researcher up the back there: you are not going to get paid.

**The Hon. GREG PEARCE:** Just while you are playing with that, can Mr Achterstraat tell me whether the July revenues and taxes were on budget or ahead of budget?

**Mr ACHTERSTRAAT:** I think with those figures it is more a matter for the Treasury to release those. Our collections are gross collections and I think Treasury maintains the distribution of that information.

**The Hon. GREG PEARCE:** You have given the figures to Treasury though?

**Mr ACHTERSTRAAT:** They are given on a regular basis as they come through.

**The Hon. GREG PEARCE:** So you are flicking that to Mr Pierce?

**Mr ACHTERSTRAAT:** I am not sure it is flicking. I am suggesting John is the most appropriate person to answer.

**The Hon. MICHAEL COSTA:** He only collects them.

**The Hon. GREG PEARCE:** I do not mind. I just want the answer.

**Mr PIERCE:** The answer will be published in the total State accounts, which I think the requirement is for them to be released by 30 September—that is the monthlies. As you know, under the Public Finance and Audit Act, the monthlies usually for June, July and August get delayed and

released at the time the total State accounts are released, and that is when there will be the final estimates of the results for 2005-06. That is where the differences between the projected result for 2005-06, which is contained in the budget papers, will be able to be seen compared to what actually happened. That report is still being put together.

**The Hon. GREG PEARCE:** You have got to make the numbers work?

**Mr PIERCE:** It is a rather large task consolidating these accrual statements across all the government agencies and the fact that we can present the final results within three months of the end of the financial year is actually, we think, a considerable success and an improvement on past times when it was up to a couple of months longer than that. There was a lot of co-operative work between ourselves and the Audit Office to put us into that position over the last couple of years.

**The Hon. GREG PEARCE:** My question actually though was whether the revenue collections for July were higher or lower than budget?

**Mr PIERCE:** That will be released when the State accounts are released. I might point out that the effect of whatever July's collection was, and August, on the final year's estimate will be released at the midyear review, which is the time at which the effect of monthly variations against budget are assessed and converted into an estimate for the full financial year, which is the most relevant number, I would suggest.

**The Hon. GREG PEARCE:** So you have July and August figures for revenues. Can I take it from what you are saying they are behind budget, lower than budget?

**Mr PIERCE:** No, I would not do that. I would not draw that conclusion.

**The Hon. GREG PEARCE:** Are they on budget?

**Mr PIERCE:** At the moment I do not have the actual numbers. They will be released at the end of September.

**The Hon. MICHAEL COSTA:** You will just have to wait a couple of weeks.

**The Hon. GREG PEARCE:** I think the people of New South Wales would like to know what impact these figures have on the deficit. What I want to know is if the revenues are behind budget for two months—one-sixth of the year already—what impact that is going to have on the deficit?

**The Hon. MICHAEL COSTA:** Building approvals are before your incompetent Federal Treasurer, who created the circumstances for interest rates to go up again. We are actually up by 12.5 per cent, from memory. So that is a good sign that they may well be okay, but we are not going to know until the numbers come in.

**The Hon. GREG PEARCE:** The numbers are already in for July and August.

**Mr PIERCE:** The final result for last year is being collated. The release of July and August monthly results will be released when the total State accounts are released at the end of September.

**The Hon. GREG PEARCE:** Why do the people of New South Wales have to wait until the end of September?

**The Hon. MICHAEL COSTA:** They are going to have to wait even longer when you get rid of those 29,000 public servants. They will have to wait a decade to get the figures for the year.

**The Hon. GREG PEARCE:** What a load of nonsensical gobbledygook.

**The Hon. MICHAEL COSTA:** If you are going to get rid of all the public servants how are you going to get your figures out?

**The Hon. GREG PEARCE:** I am talking about the figures for July and August and whether they are ahead or behind budget—it is a very simple issue to answer—and what impact that is going to have on the deficit? When are we going to know how the deficit is running?

**The Hon. MICHAEL COSTA:** You will know by the midyear.

**The Hon. GREG PEARCE:** By the midyear?

**The Hon. MICHAEL COSTA:** Absolutely you will.

**The Hon. GREG PEARCE:** So we have to wait until January?

**The Hon. MICHAEL COSTA:** Absolutely. But you can take assurance from the fact that Standard and Poor's and Moody's have both reviewed our position and reaffirmed our triple-A. If you want an objective standard that we are doing okay, that is it.

**The Hon. GREG PEARCE:** We want to know whether we are doing better than okay.

**The Hon. MICHAEL COSTA:** You could not even do okay when you were in government; you put us on credit watch.

**The Hon. GREG PEARCE:** We want to know whether you know if the budget deficit is blowing out. Is the budget deficit blowing out?

**The Hon. MICHAEL COSTA:** You will have to wait to get the figures like everybody else.

**The Hon. GREG PEARCE:** You know the figures for the first two months. What is the impact?

**The Hon. MICHAEL COSTA:** I have not seen the figures for the first two months.

**The Hon. GREG PEARCE:** Treasury has.

**Mr PIERCE:** They are released at the end of September with the final State accounts at the time they are presented to the Treasurer.

**The Hon. GREG PEARCE:** I do not think the people of New South Wales are very happy with the old, "You'll just have to wait".

**The Hon. MICHAEL COSTA:** They are not happy with interest rates going up, that is for sure, and petrol prices. That is your incompetent Federal Treasurer, mate. And they are getting very tired of you lot too. We are just wasting time here. Let us move on to another question.

**The Hon. GREG PEARCE:** I wanted to ask about the infrastructure projects in Budget Papers No. 4, and I particularly wanted to ask you about the series of delays. If you total up the delays it is about 255 years.

**The Hon. MICHAEL COSTA:** What sort of years is that?

**The Hon. GREG PEARCE:** That is a good question: what sort of years are they? Michael Costa years—Costa's world. Are you able to answer questions on delays?

**The Hon. MICHAEL COSTA:** We have already said—and again I give you that undertaking—you tell us what projects you want to know about and we will give you the specific details.

**The Hon. GREG PEARCE:** Do you actually monitor these projects?

**The Hon. MICHAEL COSTA:** I said to you, you provide the list and we will provide you the answers.

**The Hon. GREG PEARCE:** Do you monitor the projects?

**The Hon. MICHAEL COSTA:** You provide the list and I will provide the answers.

**The Hon. GREG PEARCE:** Do you monitor the projects?

**The Hon. MICHAEL COSTA:** We are just going around and around.

**The Hon. GREG PEARCE:** Well, answer the question. You are the Minister for Infrastructure, do you monitor the projects?

**The Hon. MICHAEL COSTA:** You provide the list of questions you want answered and we will have them answered for you.

**The Hon. GREG PEARCE:** The question is a different question, and that is: as Minister for Infrastructure do you monitor the projects?

**The Hon. MICHAEL COSTA:** We have gone through this. I refer to my previous answer. You are running out of questions. We need to get the Government to start asking dixer; these guys are not going to last one to one o'clock. You have gone back to the very same question you asked me right in the first session.

**The Hon. GREG PEARCE:** This time I am asking you about the delays—255 years of delays—and do you monitor those projects or do you not?

**The Hon. MICHAEL COSTA:** I have already answered the question. There is no point continually repeating it. The answer is the same as I answered it last time.

**The Hon. GREG PEARCE:** Do you monitor the projects or do you not?

**The Hon. MICHAEL COSTA:** Chair, I think we are getting pretty boring at the moment.

**The Hon. GREG PEARCE:** You are very boring, but do you monitor the delivery of the projects or not?

**The Hon. MICHAEL COSTA:** The whole process is boring. If I am part of it I am certainly boring. The reality is that I have answered that question. It was asked, I think, in your first set of questions. I have answered it and I refer to that answer. If you have run out of questions that is embarrassing, but I cannot help that.

**The Hon. GREG PEARCE:** I want an answer to the question I am currently putting to you, which is whether you monitor the projects as infrastructure Minister in relation to their delivery?

**The Hon. MICHAEL COSTA:** I answered this question.

**The Hon. GREG PEARCE:** You answered the question in relation to your previous audit. Now I am asking about whether you monitor the projects on an ongoing basis?

**The Hon. PETER PRIMROSE:** The Minister has answered the question.

**The Hon. GREG PEARCE:** He has not answered it at all.

**The Hon. MICHAEL COSTA:** I referred to David Richmond's unit as being a unit that looked at implementation. I referred to the fact that there could be delays for a range of reasons. I have answered this question. We are just going round and round because they are desperately trying to fill in the time.

**The Hon. GREG PEARCE:** Do you monitor the projects during the year or do you not?

**The Hon. MICHAEL COSTA:** I have answered that question. I do not know what else I can say.

**The Hon. GREG PEARCE:** Do you or do you not?

**The Hon. MICHAEL GALLACHER:** Yes or no?

**The Hon. GREG PEARCE:** It is a very simple yes or no. Do you monitor them during the year or do you not?

**The Hon. MICHAEL COSTA:** I refer to my previous answer. Do you like that? Does that stop it?

**The Hon. GREG PEARCE:** So you do not.

**The Hon. MICHAEL COSTA:** Did I say that? Chair?

**The Hon. GREG PEARCE:** So you do not monitor the projects during the year on an ongoing basis?

**The Hon. MICHAEL COSTA:** I have answered this question. I explained the whole process in the first part of this whatever process you call this. I explained that we have a process to look at both costs and scope of projects. I explained that there was a Premier's infrastructure delivery unit that had the role of looking at projects, with reference to where there are problems that may lead to delays. I have answered the question. There is no difference between that answer and the one I gave before.

**The Hon. GREG PEARCE:** Do you have any staff that work on monitoring the delivery of infrastructure?

**The Hon. MICHAEL COSTA:** The Treasury has an infrastructure unit that is responsible for the State's infrastructure program with particular reference to its impact on the State's budget and that is what I thought we were discussing.

**The Hon. GREG PEARCE:** How many people are in that unit?

**The Hon. MICHAEL COSTA:** I hope there are not too many. How many are there?

**Mr PIERCE:** There would not be many.

**The Hon. MICHAEL COSTA:** Good.

**Mr PIERCE:** I do not know off the top of my head; four or five would be my guess, but I would have to look at it, if that would be fine.

**The Hon. GREG PEARCE:** Are they tasked to actually monitor the delivery of the projects as well as the financial impact of the projects?

**Mr PIERCE:** Apparently we have three, but we have provision for funding, apparently, to have five people to perform that task. As I was trying to explain to the Chair previously, we monitor the total capital spending primarily of agencies and major projects within that. There are a lot of agencies that do not have much capital expenditure but will have a large one now and again, so we will monitor what is happening with that large one, something like police stations or schools.

Each individual school or police station is small relative to the total capital program, so we monitor the total spending on schools and police stations and whether that is within the budget or not. The individual school or police station would be monitored by the agency and the Minister and it is only really if that is going to impact on the aggregates or they expect it to impact on the aggregates that we will be informed about it. But a major hospital or something of that sort of nature would be something that we would monitor.

**The Hon. MICHAEL COSTA:** And the Premier's delivery infrastructure unit has been given responsibility to monitor these projects of critical significance and they are doing that on a regular basis.

**Mr PIERCE:** With respect to the monitoring of individual projects, the test is whether the extent to which it is likely to impact on the total capital spending either in the current year or over the forward years.

**The Hon. GREG PEARCE:** Who in Treasury is tasked to cost Opposition policy?

**The Hon. MICHAEL COSTA:** We will come to see you about that.

**The Hon. GREG PEARCE:** I was asking Mr Pierce. Who is the person tasked to do that?

**The Hon. MICHAEL COSTA:** They do not cost Opposition policies. Let us get this right. Treasury does not cost Opposition policies directly.

**The Hon. GREG PEARCE:** They do not.

**The Hon. MICHAEL COSTA:** No. The Government asks them, which we are entitled to do, to cost a particular proposal. The Treasury has some strict rules about that. We have got to define the proposal. They do not play a political role in that at all. They cost what we ask them to cost.

**The Hon. GREG PEARCE:** And who does that?

**The Hon. MICHAEL COSTA:** It depends on the projects. There is a protocol in place, which you are well aware of, in relation to election costings, and we would hope that the Opposition would commit to that protocol rather than using—

**The Hon. GREG PEARCE:** Perhaps you should commit to the protocol as well.

**The Hon. MICHAEL COSTA:** We will.

**The Hon. GREG PEARCE:** And stop spreading crap about the value—

**The Hon. MICHAEL COSTA:** The 29,000?

**The Hon. GREG PEARCE:** Yes.

**The Hon. MICHAEL GALLACHER:** Tell us about your 70,000?

**The Hon. MICHAEL COSTA:** So you are denying there is 29,000?

**The Hon. GREG PEARCE:** No, the \$20 billion of promises that you keep coming up with?

**The Hon. MICHAEL COSTA:** You have made \$20 billion worth. Let us go through them. I can go through most of them now.

**The Hon. GREG PEARCE:** No, we have not. Get me the Treasury document. Where is the document that shows this? You want us to comply with the protocol. Let us see you comply with the protocol.

**The Hon. MICHAEL COSTA:** I am happy to subject, and we will be subjecting, in the lead-up to the election, our promises to Treasury. I hope you commit to do that. Are you committing to do that?

**The Hon. GREG PEARCE:** That is right. You will be doing that. We want you to comply with the protocol.

**The Hon. MICHAEL COSTA:** Are you committing to it?

**The Hon. GREG PEARCE:** We want you to comply with the protocol. You do that. It will be very good for you to do that.

**The Hon. MICHAEL COSTA:** But will you? Will you answer the question?

**The Hon. GREG PEARCE:** I am asking the questions.

**The Hon. MICHAEL COSTA:** I am asking you, yes or no, are you going to commit?

**The Hon. MICHAEL GALLACHER:** You will get a chance to ask questions next year.

**CHAIR:** Ms Lee Rhiannon will now ask questions.

**Ms LEE RHIANNON:** As Minister for the Hunter, can you outline the benefit to the Hunter region from the mining industry?

**The Hon. MICHAEL COSTA:** You have got to be kidding.

**Ms LEE RHIANNON:** No, take this seriously and give us a good rundown.

**The Hon. MICHAEL COSTA:** I think that is a very silly question.

**Ms LEE RHIANNON:** It is not silly at all. You are insulting the whole industry.

**The Hon. MICHAEL COSTA:** It is absolutely ridiculous that you have asked me that sort of question. It is the sort of question that a primary school student would have on a geography assignment.

**Ms LEE RHIANNON:** It is the sort of Dorothy Dixier that Government members ask.

**The Hon. MICHAEL COSTA:** "Please outline the benefits of coalmining to the New South Wales economy".

**Ms LEE RHIANNON:** I was asking you in terms of jobs for the Hunter and for the local economy?

**The Hon. MICHAEL COSTA:** It is the sort of thing you would ask a 10-year old to do in a geography assignment.

**The Hon. GREG PEARCE:** And you are not up to it.

**The Hon. MICHAEL COSTA:** I am going to give it to her because obviously she is getting the information for a young friend. That is all I can think of. She does not know how to use the Internet, being a Green. The reality is that the Hunter's coal industry is significantly important to this State's export base. We have the largest coal port in the world in the Hunter. It moves over 100 million tonnes of coal. Coal is a product that comes from compressed carbon based material, usually trees. It is mined by people using two or three processes.

**Ms LEE RHIANNON:** Would you like to tell us how many people are employed in the industry?

**The Hon. MICHAEL COSTA:** Can I finish my answer? She has got to get it right; she is going to get a gold star when she takes it there. I do not want her not to get a gold star. It is extracted by number of processes. The typical two processes in the Hunter are underground mining and open-cut mining. Open-cut mining and underground mining are done very environmentally and efficiently. In fact, where areas have been subject to open-cut mining and they have been regenerated, it is very hard to tell a difference between it and its pristine state. Do you like that one?



**Ms LEE RHIANNON:** Yes, that is really good. Can we go on to the jobs now, please?

**The Hon. MICHAEL COSTA:** It provides lots of jobs for people. Towns like Muswellbrook, which is in the Hunter Valley, and Singleton, are very dependent on these jobs. Even the town where I live, Cessnock, is very dependent on it. What is intriguing about this is that it can environmentally exist next to high-value agricultural products, but that is for your next assignment, so you should not go into it today.

**Ms LEE RHIANNON:** Do you think you might have been mistaken on the jobs, considering that for the Lower Hunter mining only provides 2 per cent of the jobs and for the whole of the Hunter only 8 per cent of the jobs?

**The Hon. MICHAEL COSTA:** What is this question?

**Ms LEE RHIANNON:** We are trying to see how much you know about the area that you are the Minister for and how responsible you are for that area in terms of creating industries that will actually deliver for future generations?

**The Hon. MICHAEL COSTA:** You know what I love about the Greens: if they are trying to justify a green-based project, they would use a thing called the multiplier, which I do not actually believe in, and there is a lot of good economic evidence to show that it probably does not—

**Ms LEE RHIANNON:** You are just avoiding answering the question. Address the specifics?

**The Hon. MICHAEL COSTA:** No, I am just going to say that now, in the Hunter, she has decided to count the direct jobs but not all of the jobs associated with service industries and everything else in the Hunter that depend on it.

**Ms LEE RHIANNON:** How many service industries come from the 2 per cent of mining jobs? It is obviously minimal these days.

**CHAIR:** Let the Minister finish his answer.

**The Hon. MICHAEL COSTA:** Are you trying to wipe out the Hunter's coal industry?

**Ms LEE RHIANNON:** No, we—

**The Hon. MICHAEL COSTA:** What kind of fool are you?

**Ms LEE RHIANNON:** No, we are saying that there should not be new coalmines and a new coal loader.

**The Hon. MICHAEL COSTA:** That is absolutely ridiculous. I hope there are many more new coalmines, and I hope that those coalmines exist for a long, long time because the Hunter depends on it, the State's economy depends on it and it is an important export industry for this country. If you have a problem with coal, move somewhere else because this State will always have coal.

**The Hon. PETER PRIMROSE:** It is also critical for manufacturing.

**The Hon. MICHAEL COSTA:** Ms Lee Rhiannon has not thought about manufacturing, only donations that come from people associated with manufacturing. By the way, do you know that the Greens get political donations from overseas political parties? I looked it up on their web site. You have do wonder about that. They are always criticising—

**Ms LEE RHIANNON:** For a conference that we held, that we all held together called global Greens. So be fully accurate!

**The Hon. MICHAEL COSTA:** No, there are two. What about the American Greens? Why are the American Greens—an overseas political party—donating to the Greens in this State? If that happened to any of us—I am talking about the conservatives as well—there would be outrage.

**Ms LEE RHIANNON:** Be accurate, Minister, like you were not accurate on the jobs.

**CHAIR:** Can we have only one person speaking at a time because Hansard can only record one set of words?

**The Hon. MICHAEL COSTA:** The American Greens—they are competitors with us in the coal industry and a whole bunch of products. It is just a strange alliance for you to have.

**Ms LEE RHIANNON:** You were a little off the mark saying there are a lot of jobs and we cleared that up.

**The Hon. MICHAEL COSTA:** Hang on a minute—

**Ms LEE RHIANNON:** No, I am about to ask a question—

**The Hon. MICHAEL COSTA:** The coal industry is economically crucial for the Hunter. If the Greens do not believe that, they have rocks in their heads. Not coal—I said "rocks".

**Ms LEE RHIANNON:** It is also causing massive economic problems.

**The Hon. MICHAEL COSTA:** So the Greens want to close the coal industry.

**Ms LEE RHIANNON:** I did not say that. I said do not expand the coal industry. There is a difference and I am sure you understand it.

**The Hon. MICHAEL COSTA:** Is the Construction, Mining, Forestry and Energy Union [CFMEU] happy? No wonder you do not get donations from the mining division of the CMFEU! I noticed that you only get them from the construction division.

**Ms LEE RHIANNON:** You made a comment about how well it works when the rehabilitation of these mines occurs.

**The Hon. MICHAEL COSTA:** I have seen it. It is wonderful.

**Ms LEE RHIANNON:** Therefore, why do so many companies not rehabilitate? They sacrifice their bond, which is often more than \$10 million, because it is impossible to rehabilitate many of these sites. Do you acknowledge that?

**The Hon. MICHAEL COSTA:** No. I do not know what you are talking about. Give me an example.

**Ms LEE RHIANNON:** I flew over the—

**The Hon. MICHAEL COSTA:** You flew? What is the carbon profile on flying? Has anybody ever thought about that?

**Ms LEE RHIANNON:** What is your carbon profile?

**The Hon. MICHAEL COSTA:** Hang on—I do not purport to be a green. You flew over it?

**Ms LEE RHIANNON:** Yes.

**The Hon. MICHAEL COSTA:** What? In a small plane, just you?

**Ms LEE RHIANNON:** Yes.

**The Hon. MICHAEL COSTA:** What an inefficient way! Why did you not use public transport?

**Ms LEE RHIANNON:** I saw a half a dozen coalmines. I was taken up by mining companies that are worried about the effect that mining is having in that area.

**The Hon. MICHAEL COSTA:** This is outrageous. Al Gore will not be very happy with you. How many times do you fly? I caught you in the chairman's lounge so you must fly a few times, having all those free bickies and stuff that you get in the chairman's lounge.

**Ms LEE RHIANNON:** This is about the level of your—

**The Hon. MICHAEL COSTA:** This is about the level of your hypocrisy.

**Ms LEE RHIANNON:** No, it is not about hypocrisy. It is about—

**The Hon. MICHAEL COSTA:** You tell us that carbon is a problem and then you get in a plane and fly over the bloody Hunter.

**Ms LEE RHIANNON:** As you are so obsessed with mining, you have also told us that you are very much advocating the need to have flexibility in the budget, and you keep trotting out the example about flu epidemics—

**The Hon. MICHAEL COSTA:** Flu epidemics?

**Ms LEE RHIANNON:** You have been dropping it into the conversation every time you are hard up for an answer. Considering that one of the big variables is the issue of—

**The Hon. MICHAEL COSTA:** I think you inhaled some aviation fuel on your flight.

**Ms LEE RHIANNON:** Do not get insulting. You are the one who said it a number of times today. One of the big variables we are facing is the impact of drought and global warming on our environment and the whole issue of where water will come from. Has Treasury examined the cost to the State of allowing mining companies to permanently damage rivers, creeks and flood plains?

**The Hon. MICHAEL COSTA:** I support mining as a significant part of the State's economy. It is done in an environmentally regulated manner, and it is essential and it certainly will not end in my foreseeable future. I reject the Greens notions on mining. I think they are full of ideology and nonsense, and they are hypocritical.

**Ms LEE RHIANNON:** When you say it is environmentally regulated, can you outline what that means, considering that long wall coalmining has resulted in river beds in a number of rivers cracking and water being lost? In the case of some rivers, such as the Georges River, they put in tap water to pick up the environmental flows of those rivers? Can you outline how it is environmentally sound?

**The Hon. MICHAEL COSTA:** This is ridiculous. There are environmental regulations for undertaking coalmining. The Government has an inspectorate and a regulatory function that ensures that it is done in an environmentally sensitive manner. I repeat: I support coalmining. I would like to see more coalmines in the Hunter Valley. It is economically essential to the development of the Hunter Valley. It is an export industry that earns this country a lot of export dollars, and those export dollars go into other services that are required by the population. Environmental issues are certainly a matter of concern but they must be balanced against the need to ensure that we have a vibrant economy.

**Ms LEE RHIANNON:** You have spoken a lot about linking a vibrant economy with mining, but has Treasury analysed the negative impact of mining expansion on the growth of local industries? For example, in Gloucester there are a number of ecotourism specialty guesthouses, various—

**The Hon. MICHAEL COSTA:** Have you been there?

**Ms LEE RHIANNON:** Yes I have.

**The Hon. MICHAEL COSTA:** What is the carbon profile on that activity?

**Ms LEE RHIANNON:** You are hard up for an answer—

**The Hon. MICHAEL COSTA:** Because you are being ridiculous.

**Ms LEE RHIANNON:** When you give answers like that it shows that you cannot answer the question.

**The Hon. MICHAEL COSTA:** It is a ridiculous question.

**Ms LEE RHIANNON:** You are avoiding the question. You want to talk about the economy. You want to talk about the strength that the mining industry brings to the economy of New South Wales when many local industries, local economies, are being undermined. Is that something that you weigh up? Are you responsible when you undertake your work as Treasurer and Minister for the Hunter?

**The Hon. MICHAEL COSTA:** The Greens are absolutely bonkers on economics and this is a classic example. I have had the opportunity—I direct this at the Chair and other sensible members of this Committee—to sit down with the vigneron, who are producing a high-end agricultural product that also has tourist implications, and the mining industry. I brought them together in the Hunter to look at how they could jointly promote the vineyards and the mining industry. Quite sensibly, they have got together and they are looking at joint programs. For example, the tourist information centre in Cessnock has joint materials so that people can visit wineries, enjoy the high-class accommodation in the area and also visit mines. That is a sensible way—

**The Hon. GREG PEARCE:** And the bus continues down the mines, does it?

**The Hon. MICHAEL COSTA:** They have tours— that is the reality.

**Ms LEE RHIANNON:** Do you acknowledge that a number of vineyards have closed because of the mining industry?

**Ms LEE RHIANNON:** You do not want to answer the question.

**The Hon. MICHAEL COSTA:** I am answering the question. I actually sat down and brought together the winemakers in the Hunter—

**Ms LEE RHIANNON:** There are not many of them left now.

**The Hon. MICHAEL COSTA:** —and the minerals Council and I sat down and said, "You should work together for the Hunter. I think you can coexist. I think you can put a product that shows all of those people who have concerns about mining's impact on wine and agriculture and everything else that it can coexist through a proper structured program." They agreed to do that and they are working co-operatively. That is how you progress an economy, rather than attacking people who are doing nothing other than trying to earn a living in a region that has a comparative advantage in coalmines. There is nothing wrong with that. I just think the Greens are off in cuckoo land. They came to see me about light rail and said, "Light rail is environmentally friendly." I pointed out to the Greens that it uses electricity, which is coal based. Ms Lee Rhiannon wants light rail but she does not want the electricity that runs the lights rail to be produced by coal.

**Ms LEE RHIANNON:** Do not verbal me. I am not saying that we do not have electricity.

**The Hon. MICHAEL COSTA:** It is true.

**Ms LEE RHIANNON:** You are just talking nonsense.

**The Hon. MICHAEL COSTA:** Where will we get electricity from? Bird killers? They put up a bunch of bird killers, wind farms, and even the farmers do not want those bird killers. It is just a joke.

**Ms LEE RHIANNON:** No, you are the one—

**The Hon. MICHAEL COSTA:** The bulk of our power will come from coal for a long, long time to come. That is the reality.

**Ms LEE RHIANNON:** Under this Government it will.

**The Hon. MICHAEL COSTA:** There is no alternative. What will the coalition do? Will it start burning cow dung or something? Ms Lee Rhiannon is being ridiculous. Coal-fired power stations are part of—

**Ms LEE RHIANNON:** No—

**CHAIR:** Can we have only one person speaking at a time?

**Ms LEE RHIANNON:** Renewable energy and energy efficient—

**The Hon. MICHAEL COSTA:** How many megawatts are we talking about—10,000 megawatts?

**Ms LEE RHIANNON:** —are commercially and industrially viable. Have a look at—

**The Hon. MICHAEL COSTA:** Where are they doing that? Sorry, I was wrong; 13,000 is the peak demand megawatts. That is a lot of cow dung to burn to do that.

**The Hon. GREG PEARCE:** You do pretty well at burning cow dung.

**The Hon. MICHAEL COSTA:** No, you are good at it coming out of your mouth but that is a different issue. The reality is that the Greens have lost the plot on this. Coalmining in the Hunter will exist for a long time. The Government is proud to support coalmining. We do it in an environmentally regulated way for it provides employment for people. It provides the security of export income and it is fundamental to our existing power supply in the short term. Cow dung will not replace coal as a source of fuel. People are already objecting to the bird killers that are all over the place, and I would have thought you would be worried about the poor birds that get whipped up in those large blades.

**Ms LEE RHIANNON:** That is a con job. The bird kills are minimal.

**The Hon. MICHAEL COSTA:** They are minimal? So, they do happen?

**Ms LEE RHIANNON:** Yes, they are minimal.

**The Hon. MICHAEL COSTA:** So, you are killing birds. That is not a good thing for a Green.

**Ms LEE RHIANNON:** Come on, you get a balance in life.

**The Hon. MICHAEL COSTA:** I do not know how many birds get killed in coalmining. They stopped using the little canaries. At least coalmines do not kill birds like wind farms. This is ridiculous. The reality is the Government will continue to support the coal industry as long as it operates in an environmentally sensitive way.

**Ms LEE RHIANNON:** Which it cannot.

**CHAIR:** We will move on to some other questions. With regard to the Federal competition policy, a number of areas could facing penalties in New South Wales. What is the current situation? A number of issues have been raised.

**The Hon. MICHAEL COSTA:** It is true and it is unfortunate. The Treasury Secretary will get the final details. There was a penalty of around \$50 million applied on the State for its inability to implement national competition policy requirements. The irony of that is that some of those policies required us to get the Opposition to support us, and it will not support us for good political reasons. We still wear the penalty. We have sought to renegotiate the penalties because we believe they are unfair.

The Treasury Secretary can provide you with the details of where we are up to, because it is handled primarily by the Cabinet office. So, I do not have those details but it is true we have been penalised. The things we have been penalised for are things like rice reform, poultry reform, though we did manage to get some legislation through. I find it absurd. The economic impact of the reform of those areas is marginal and I thought that the Federal competition agency should look at more important things in competition rather than what I think are fairly minor issues and do not add that much to national GDP in any event. So, it is true that we are being penalised.

**The Hon. IAN WEST:** It has a bit dubious to use the word "reform".

**The Hon. MICHAEL COSTA:** I would not call them reforms. They are very narrow.

**Mr PIERCE:** The topic is covered on pages 8-7 through to 8-13 of Budget Paper No. 2. That shows that—

**The Hon. MICHAEL COSTA:** \$26 million.

**Mr PIERCE:** If I can just get our years right. In 2005-06, last year, we were due to get a bit over \$290 million in national competition payments. We were looking at about \$52 million of that not being received through rice marketing, poultry and water sharing plans. After some negotiation and, if memory serves me correctly, the passage of some legislation, we got \$26 million of that back as it related to rice and poultry. I think the main point, though, is that those national competition policy payments cease in 2005-06. They are not a revenue source from 2006-07 onwards, and any future revenues are subject to specific negotiation of reform proposals that COAG will consider.

**The Hon. MICHAEL COSTA:** That came out of the last COAG meeting. The States were arguing for additional incentive payments. The problem with a lot of these reforms is that while they are undertaken at State level the economic benefit is at a national level and there are financial benefits to the Commonwealth through that activity, through tax rates. So, the States have sought some specific payments as incentive for competition reform. What was agreed at COAG was that it would be done on a case-by-case basis. That was not the position of the States but we had no alternative but to agree.

**CHAIR:** There was some pressure at one stage on deregulating the liquor industry, alcohol. Is that still an area of contention?

**The Hon. MICHAEL COSTA:** It is certainly an issue that has been pressed but the Government has rejected it.

**CHAIR:** So there would be a penalty, then?

**The Hon. MICHAEL COSTA:** That was part of the—

**CHAIR:** Part of the \$50 million?

**The Hon. MICHAEL COSTA:** I think they backed down from memory. They backed down on that but there was pressure and we rejected it and I think the Prime Minister supported the States on that. We can confirm that.

**Mr PIERCE:** They did not follow through.

**CHAIR:** So, that idea has lapsed? I want to make sure it is dead and buried.

**The Hon. MICHAEL COSTA:** It will not be in the future proposals because they will be done on a case-by-case rather than a sectoral basis. The National Competition Commission looked at every area where there was regulation, did an assessment of cost regulation versus economic benefits and then made assessments of which areas should be deregulated. That and pharmacies were the two where there was a change of position after campaigns.

**CHAIR:** So they cannot add a new area now?

**The Hon. MICHAEL COSTA:** No, I think they are looking at going to integration at national level of things like the health system and trying to get service levels in the States at a level and form where they can integrate more effectively—water, environment, a whole range of issues are on the COAG agenda. The old regime is gone.

**Mr PIERCE:** Most of the focus will be on what is referred to as the human capital agenda. It is basically the things that can be done within the service provision, particularly education but also health, that can have an impact on the economy's productivity and work force participation. So, the future reform proposals will be very much assessed against and focused on how these will affect productivity and work force participation.

**CHAIR:** It appears they are trying to find work to justify their existence. Are you or the Government campaigning that it should be wound up now that it has done its job, the National Competition Commission?

**The Hon. MICHAEL COSTA:** In a sense yes, but I think the new system they are proposing is very beneficial potentially. If we can get harmonisation across the States in a range of areas, be it workers compensation and other areas—

**CHAIR:** There are no penalties, though?

**The Hon. MICHAEL COSTA:** There will be incentive payments. There will be an attempt to quantify the value of that and share it. That is what we are asking for. The Commonwealth has not been specific on how it sees these incentive payments working.

**CHAIR:** But you would receive money rather than paying it out?

**Mr PIERCE:** Yes. Under the new structure that is being negotiated the onus of proof is restored.

**CHAIR:** That is a big improvement.

**The Hon. MICHAEL COSTA:** Yes.

**CHAIR:** Another matter where you have been very much in the centre of controversy, the cuts to the various departments of the government, what you call government agencies, particularly cut to the parliamentary budget. In evidence, the President of the Legislative Council gave the impression, which may or may not be correct, that when you talk about the cuts to the parliamentary budget you were taking into account the total budget, but had not made an allowance that the majority of the budget was the salary of members of Parliament which is fixed by the remuneration tribunal; that the cuts were to a smaller amount of money such as for staff?

**The Hon. MICHAEL COSTA:** Larger savings needed to be found. To put it into perspective, there has been an increase in the budget for the Legislature. The figures I have over the past 10 years, there has been a \$37 million increase or 11 per cent, and they found no savings for the past three years. So, it has hardly been an exercise in cutbacks. There has been a real increase. One of the things raised with us was that they will be held responsible for increases in parliamentary salaries for parliamentarians where they did not have any control of the outcome. We agreed with that logic. We said that we would fund those because they do go through the Remuneration Tribunal and it is imposed in an external assessment process. So they will be funded for that independent of their savings targets.

But I do not think anyone would disagree that there is scope for all government-funded agencies, including this one, to ensure that they run efficiently. That is all we are asking for. The matters that are under consideration are really up to the Presiding Officers. We have made no determination on what they should be. I think we have been quite generous in quarantining the salaries of MPs. A very generous salary increase was given to MPs recently, which I opposed, by the way. The Remuneration Tribunal agreed to that. I cannot see why we can hold the Presiding Officers and the Legislature responsible for those things. So I think that is fair. The offset is that they do have to meet a savings target like everybody else on the rest of their expenditure, which is controllable expenditure.

**CHAIR:** Where did you personally think the cuts would apply? Did you anticipate such heavy cuts to employment?

**The Hon. MICHAEL COSTA:** I would have thought that you could save a lot of money by getting rid of estimates, after what I have seen today, but clearly they chose not to do that. That is their choice.

**CHAIR:** Did you anticipate the loss of jobs, that is what I was getting at, or were you expecting cuts someone else?

**The Hon. MICHAEL COSTA:** It is up to the Presiding Officers to make those decisions. From the budget point of view I think the Government has been fair. It has said, "Where salaries are outside your control we will fund those." Our salaries have gone up. We have funded those. If they had to find that within their savings it would have been very difficult. What we are asking for is efficiencies in terms of the parts of the budget they can control. This is no different to any other agencies. I think you need a bit of creative thinking. I am not here to give an analysis of whether they are right or wrong. It is really up to the Presiding Officers to work it through. If you got my list it would be a lot different from their list.

**CHAIR:** So you would be sympathetic to the PSA—

**The Hon. MICHAEL COSTA:** I do not know whether I would go that far.

**CHAIR:** —in its complaints about the sacking or voluntary redundancies of their members?

**The Hon. MICHAEL COSTA:** No. Voluntary redundancies are applied across the public sector. There is nothing unusual about that. In reality, it is a matter for the Presiding Officers. I see a lot of waste in the Parliament, mainly to do with upper House committees, estimates committees and other things of that nature. I would probably be cutting back there if I could.

**The Hon. GREG PEARCE:** You do not like them, do you?

**The Hon. MICHAEL COSTA:** No, because they are a waste of time because you ask silly—

**The Hon. GREG PEARCE:** You do not like accountability, do you?

**The Hon. MICHAEL COSTA:** That is not accountability. What you have asked me today is farcical. You could have asked the questions on notice, had the information in front of you and then interrogated the material on notice. These committees cost money. The public is entitled to ask what they are getting for them.

**CHAIR:** I think they are getting a lot of value from the Legislative Council—

**The Hon. MICHAEL COSTA:** From the ones you chair they do. I wonder about some of the ones the Greens run.

**The Hon. GREG PEARCE:** Why don't you get down on bended knees?



**The Hon. MICHAEL COSTA:** He is sensible. He tries to get a result. You guys just do it for stunts. You just have to look at how the costs of this place have been driven up because of the stunts you guys run. It is not up to me. They have chosen to make the cuts where they have. Fine. I cannot see any justification for subsidised alcohol and subsidised food in the Parliament. Long gone are the days when we had 24-hour access to food services.

**The Hon. GREG PEARCE:** Pizza Hut delivers.

**The Hon. MICHAEL COSTA:** That is fine. I have had Pizza Hut deliver. I will not make any other comments.

**Ms LEE RHIANNON:** You have got a bit of product placement going on today, Michael.

**The Hon. MICHAEL COSTA:** A good company, Coca-Cola. It makes a great product, Zero. It is better than Diet Coke.

**Ms LEE RHIANNON:** And it goes well with your pizza.

**The Hon. MICHAEL COSTA:** I notice you are drinking very expensive water over there. What is wrong with Sydney tap water?

**Ms LEE RHIANNON:** Nothing. I drink it all the time.

**The Hon. MICHAEL COSTA:** By the way, I have been told that Mount Franklin is owned by Coca-Cola. So there is a bit of product placement over there.

**The Hon. MICHAEL GALLACHER:** Treasurer, recently you introduced legislation to remove surplus land from government departments.

**The Hon. MICHAEL COSTA:** You opposed that, from memory. Refresh my memory.

**The Hon. MICHAEL GALLACHER:** Yes. In moving all this surplus land under your portfolio of Treasury, who controls it within the Treasury Department?

**The Hon. MICHAEL COSTA:** The administrative structure is that it reports to the Minister for Finance and it reports through the Ministry of Finance to the budget committee. As Treasurer, of course, I have responsibility for it as an agency. However, I question the premise. It is again a misreading of what we are doing. We are doing two things. One is allocating a capital charge to current government property holdings to ensure that they are used efficiently by the agencies. We do not want agencies holding on to property for reasons that may not be within the ambit of what they are supposed to be undertaking as agencies. A capital charge will help clarify the situation.

Property that they do not want can be transferred to the Property Agency and the Property Agency will look at disposing of that property. Some of the allocation may well be to transfer that property to another agency that actually requires it to get better utilisation. There is no point, for example, having Health holding on to a piece of property that could be the site of a school or some other government facility—just holding onto it because it is convenient to do that. With the application of a capital charge they have to make a judgment about whether that is required for the future. If they make a judgment that it is not it will be transferred to us and we will see how it can be best utilised. Ultimately it may be disposed of. I again make the point from my second reading speech that in any year we acquire more property than we dispose of.

**The Hon. MICHAEL GALLACHER:** You might recall that the day that you spoke on this was the day that the Snowy River sale slipped through your hands. Can you please indicate to the Committee your estimation of the total value—whether we are talking nominal dollars or real dollars—of all this surplus land that you now control in your portfolio?

**The Hon. MICHAEL COSTA:** First, we were never going to sell the Snowy River; we were going to sell Snowy Hydro. I am sure that Lee would be very unhappy if we sold the Snowy River. There are a number of estimates on the holding. We do not know what the final estimate will be

because we are undertaking a process at the moment of identifying property. One of the problems we have with many of our agencies is that they do not actually know what property they own. They have inherited it or they have had it absorbed from amalgamations. With the Department of Commerce we are going through an exercise to identify each of those properties. But I think the estimate we were talking about is somewhere in the order of \$80 billion of property assets. That is an estimate. The final figure will not be known until we do the exercise in identifying everything.

**The Hon. MICHAEL GALLACHER:** Do you as LJ Costa have anything to do with the sale of this property?

**The Hon. MICHAEL COSTA:** What do you mean?

**The Hon. MICHAEL GALLACHER:** Are you going to be involved in identifying what property—

**The Hon. MICHAEL COSTA:** No, I am not going to be. Do you mean walking down the street with one of those boards saying "Buy government property"? I do not think so.

**The Hon. MICHAEL GALLACHER:** "Nobody does it better" with little teddy bears.

**The Hon. MICHAEL COSTA:** No, I do not think so. I could borrow one of those suits that that international terrorist organisation uses.

**The Hon. MICHAEL GALLACHER:** With \$80 billion you are not going to be tempted to put any of it on the market?

**The Hon. MICHAEL COSTA:** I do not understand the question.

**The Hon. MICHAEL GALLACHER:** It is quite obvious. You have \$80 billion of surplus land that is going to come under your—

**The Hon. MICHAEL COSTA:** No, we did not say it was surplus land. We said that we had an estimate of a holding of \$80 billion in assets. How much of that is surplus we do not know. That is why we are applying the capital charge, so that the agencies will have to make a determination whether they want the land. If they want to keep it and they are prepared to pay the capital charge that is fine; there is no problem.

**CHAIR:** That would apply to all the schools, would it not?

**The Hon. MICHAEL COSTA:** Yes, that is all of our property holdings. We are not talking about disposing of \$80 billion worth. We will firstly identify what each agency holds, apply a capital charge to make sure it is used efficiently, and then they can choose to hold it or not. If they choose not to hold it they can transfer it to us. We will then make an assessment of whether other agencies need that land in the area in which it is located. If they do not need it we can then look at disposal. The amount that will be disposed of will be, as I said in my second reading speech, probably less than we acquire because every year we acquire more assets for schools, hospitals and everything else. That position will see a better result for the State.

**The Hon. MICHAEL GALLACHER:** What will be the charge?

**The Hon. MICHAEL COSTA:** It will be a commercially determined charge. The Treasury is working through that process at the moment. This is not unique; what is unique is that we have not done it to date. Other States have already done it. Does the Commonwealth do it as well? It cannot even run its infrastructure. It has submarines that when they leave Garden Island can be heard in Singapore, it has helicopters that fall out of the sky—

**The Hon. GREG PEARCE:** For 12 years you have not known what landholdings you have.

**The Hon. MICHAEL COSTA:** —it has a strike fighter that cannot fly.

**The Hon. MICHAEL GALLACHER:** What about the Millennium train?

**The Hon. GREG PEARCE:** I wouldn't talk about infrastructure if I were you.

**The Hon. MICHAEL COSTA:** The Commonwealth is a really good manager of infrastructure! It also has negative net worth. What a great model!

**The Hon. MICHAEL GALLACHER:** It would be nice if you answered the question.

**The Hon. MICHAEL COSTA:** I answered the question.

**The Hon. MICHAEL GALLACHER:** No, you did not. You just rabbitied on.

**The Hon. MICHAEL COSTA:** There will be a charge that reflects the commercial value of that land.

**The Hon. MICHAEL GALLACHER:** And that will come out of each agency.

**The Hon. MICHAEL COSTA:** No, it will not. We will provide funds. Where we think that land is required, or a CSO or something else is necessary, we will work out an arrangement. So it will be a case-by-case exercise.

**The Hon. MICHAEL GALLACHER:** So it will be a case-by-case exercise on \$80 billion worth?

**The Hon. MICHAEL COSTA:** Some of that—

**The Hon. MICHAEL GALLACHER:** Is not a surplus; I understand that.

**The Hon. MICHAEL COSTA:** —will not be surplus. It involves hospitals that already exist.

**The Hon. MICHAEL GALLACHER:** What real figure do you anticipate in the forward estimates?

**The Hon. MICHAEL COSTA:** I will provide the exact figure, because we stated it. We are expecting to save \$300 million a year by 2009-10 and about \$80 million in recurrent savings. That is a small amount given that our budget is about \$42 billion.

**The Hon. MICHAEL GALLACHER:** If you are saving \$300 million a year, you must have worked out an approximate surplus. How much surplus do you expect to have?

**The Hon. MICHAEL COSTA:** We are working through that; that is an approximate figure by 2009-10.

**The Hon. MICHAEL GALLACHER:** How can you work out a saving if you do not know what you are looking at in terms of the surplus?

**The Hon. GREG PEARCE:** You do not know what you own.

**The Hon. MICHAEL COSTA:** I will explain. All of our budgets are based on estimates. That is why this is called the "budget estimates". It is not called the "budget certainty".

**The Hon. MICHAEL GALLACHER:** That is why I am asking you to tell me about the estimates process. What do you estimate the surplus to be?

**The Hon. MICHAEL COSTA:** You estimate, based on a range of variables, what it is likely to be and you produce a budget. The Commonwealth does it the same way. I am sure that the Opposition does it that way, too. You have budgeted that you might get a promotion after the next election. I have told you not to take out a mortgage on it because you will be sadly disappointed. That

is called a budget and an estimate. Do not be ridiculous. The reality is that we make an assessment on what we think is feasible in any year to realise a saving, and that forms the estimate for the future. On a \$300-million capital saving, we can work backwards. We achieve that by working backwards from the commercial rate on the property asset. I am sure the Treasury can provide a methodology.

**The Hon. MICHAEL GALLACHER:** You spoke about estimates and a set of variables. What is your estimate of the amount of surplus land that has been transferred across?

**The Hon. MICHAEL COSTA:** We will not know that until we have completed the review of our holdings. I admit that it is not good not to know how much land our agencies hold.

**The Hon. MICHAEL GALLACHER:** Especially given that you are telling everyone how much you are going to save. You are basing savings on surpluses, but when I ask you questions about the surpluses you say that you do not know. The reality is that you do not want the public to know because you are going to put the "for sale" sign out.

**The Hon. MICHAEL COSTA:** That is rubbish.

**The Hon. MICHAEL GALLACHER:** That is exactly what you are after, LJ Costa.

**The Hon. IAN WEST:** No-one as ever known.

**The Hon. MICHAEL COSTA:** Alan Bond over there is going to give me some lessons in financial management.

**The Hon. MICHAEL GALLACHER:** You have just told us how much the savings will be and I am—

**The Hon. MICHAEL COSTA:** Can I go forward again?

**The Hon. MICHAEL GALLACHER:** Based on what? What surpluses?

**The Hon. MICHAEL COSTA:** Can I go through it again?

**The Hon. MICHAEL GALLACHER:** Based on what?

**The Hon. MICHAEL COSTA:** Estimates.

**The Hon. MICHAEL GALLACHER:** Okay.

**The Hon. MICHAEL COSTA:** It is estimated that by 2009-10 we will be making \$300 million in savings plus \$80 million in recurrent savings. We believe that is a conservative estimate given the amount of property involved. That estimate is based on what we believe, at the moment—another estimate—what the property portfolio is worth. We will know the final figure—I will be able to tighten it up—once we have completed the review of all the properties we hold. Part of the savings will be achieved by amalgamating disparate Government offices into one office. It will not all be achieved through the sale of surplus land; some will be the result of direct efficiencies achieved by co-locating Government activities where there are multiple offices in one location. I went through this in the second reading speech.

**The Hon. MICHAEL GALLACHER:** I still find it remarkable that you can say that you can estimate what your savings will be at \$300 million—

**The Hon. MICHAEL COSTA:** Every budget has an estimate.

**The Hon. MICHAEL GALLACHER:** You again go back to it.

**The Hon. MICHAEL COSTA:** We are estimating the growth rate of the economy.

**The Hon. MICHAEL GALLACHER:** Well, tell us about these so-called variables and how much you surplus land you estimate—

**The Hon. MICHAEL COSTA:** If the honourable member were to look at the budget papers—

**The Hon. MICHAEL GALLACHER:** You do not want the public to know, do you? You do not want the public to know what you estimate the surplus land to be. You have the figure in your head and you know what you are hoping to get, but you do not want the public to know. You are talking only about the savings; you are not telling anyone about what is up for grabs.

**The Hon. MICHAEL COSTA:** What do you mean by "What is up for grabs"?

**The Hon. MICHAEL GALLACHER:** You know what is up for grabs.

**The Hon. MICHAEL COSTA:** I do not have the second reading speech with me, but the honourable member can read it in *Hansard*. I stated that we acquire more land than we sell in any one year, and that will be the case—our net holdings will increase. We have net worth of about \$125 billion, and we expect that to increase. Far from there being any notion of a sell off of Government assets, there will be acquisition of more than \$10 billion a year—

**Ms LEE RHIANNON:** You can have a self off and still be acquiring.

**The Hon. MICHAEL GALLACHER:** That is right. What do you do with surplus land? You are intending to get rid of it.

**The Hon. MICHAEL COSTA:** I love the Greens' economics: You can have a sell off but have more at the end than was sold. Good, I like that.

**Ms LEE RHIANNON:** Of course you can.

**The Hon. MICHAEL COSTA:** I am happy to stand corrected.

**Ms LEE RHIANNON:** You buy it up.

**The Hon. MICHAEL GALLACHER:** You intend to sell off surplus land—

**CHAIR:** We will have one person at a time speaking for the benefit of the Hansard reporter.

**The Hon. MICHAEL COSTA:** You have finally got me: I stand convicted of overseeing an increase in Government net assets.

**Ms LEE RHIANNON:** I did not say that, you just—

**The Hon. MICHAEL COSTA:** That is what will happen.

**CHAIR:** The Hon. Michael Gallacher is asking the questions.

**The Hon. MICHAEL GALLACHER:** I am asking a simple question.

**The Hon. MICHAEL COSTA:** I have answered it.

**The Hon. MICHAEL GALLACHER:** Why can you not give an estimate of the surplus?

**The Hon. MICHAEL COSTA:** Because we have not—

**The Hon. MICHAEL GALLACHER:** You know everything else! You know how much you will be saving every year and you have an idea of how much land we hold in New South Wales. However, when I ask about your calculations to determine the saving of \$300 million—what did you work on as an estimated value of the surplus land—

**The Hon. MICHAEL COSTA:** We worked on an estimated value of Government property assets of \$80 billion.

**The Hon. MICHAEL GALLACHER:** Garbage!

**The Hon. MICHAEL COSTA:** We are not selling \$80 billion worth of land; that is what we estimate we have. We will finally know when we complete the audit, and the savings will be derived from a better utilisation of Government properties and Government assets. The net position is that every year we will acquire more, not less.

**The Hon. MICHAEL GALLACHER:** What day in March do you expect the audit to finish—30 March or 29 March? There is a guarantee that the public will not see it. They will not see how much surplus land has fallen into your hands that you intend to sell.

**The Hon. IAN WEST:** He wants to do some insider trading.

**The Hon. MICHAEL COSTA:** I do not know what he is on about. Your place is probably safe. Is that what you are worried about? Do you want to buy some assets?

**The Hon. MICHAEL GALLACHER:** I am after some accountability from you.

**The Hon. MICHAEL COSTA:** You have accountability; it is called the budget process.

**The Hon. MICHAEL GALLACHER:** What did you base it on?

**The Hon. MICHAEL COSTA:** We based it on an estimate. That is why we call this the "budget estimates". Everything in it is an estimate. The Commonwealth's budget is formulated in the same way. It is not hard to comprehend.

**The Hon. MICHAEL GALLACHER:** Mr Chairman, it is obvious that he refuses to answer what the estimate was for the surplus, so I will move on to something else.

**The Hon. MICHAEL COSTA:** That is not correct.

**The Hon. MICHAEL GALLACHER:** You have. I have asked you a number of times.

**The Hon. MICHAEL COSTA:** Are we going to go through this little game of you saying, "Yes you have", and my saying, "No you haven't"?

**The Hon. MICHAEL GALLACHER:** No. The record shows—

**The Hon. MICHAEL COSTA:** You say it once and I will say it once to save time for the Hansard reporter.

**The Hon. MICHAEL GALLACHER:** The record shows it.

**The Hon. MICHAEL COSTA:** The record shows nothing of the sort.

**The Hon. MICHAEL GALLACHER:** It shows that you refused to answer a question—

**The Hon. MICHAEL COSTA:** The record does not show that.

**The Hon. MICHAEL GALLACHER:** That is fine. The Government committed to developing a new performance management system in December 2005. What progress has been made in the past eight months on the development of that system?

**Mr PIERCE:** A lot. The starting point will be the State Plan that the Premier has referred to. It will articulate a set of priorities that the Government wishes to achieve. The question that we will be asking agencies to answer when they submit their draft results and services plans [RSPs] is how they

will contribute to those priorities. Effectively, the State Plan becomes a filter for our assessment of the RSPs submitted to us as part of the budget process. As part of the finalisation of the State Plan, I understand the accountability mechanisms that go with both the RSPs and the targets in the State Plan will be examined. Once the budget process does what it does, the RSPs are finalised. We are trying to achieve a clear line of sight, a clear linkage, between the priorities in the State Plan, the activities of the agencies as they submit them to us in the RSPs, and the planning and management processes within the agencies to support those service delivery targets through their own corporate planning processes.

What I would hope we could achieve is, if you like, a clear line of sight from whatever the budgets and plans are at the management level within an agency, through to the corporate plan of the agency, through to the budget process and the RSP, through to the State Plan. That label of "new performance budgeting system" is really referring to that clear line of sight. In the reporting of that you may see in future budgets the replacement of the program statements within Budget Paper No. 3 with statements built around results and services plans—the result the agency is seeking to achieve, intermediate results, the services that they think deliver that result, with unit costs and performance indicators. There are some aspects of that within the budget papers now. We are hoping to improve on that over the coming years as we can build the systems to support it.

**The Hon. MICHAEL GALLACHER:** Mr Pierce, with regard to the development of the new budget system, do you still expect to publish in September the *Serving the Public Better* document.

**Mr PIERCE:** What is the document your referring to?

**The Hon. MICHAEL GALLACHER:** I refer you to Budget Paper No. 2, page 2-21. There was an expectation that you would produce in September 2006 a document entitled *Serving the Public Better*.

**Mr PIERCE:** That refers to what we now call the State Plan

**The Hon. MICHAEL GALLACHER:** I take it that has gone?

**Mr PIERCE:** It is the State Plan.

**The Hon. MICHAEL GALLACHER:** It just has a new name?

**Mr PIERCE:** Yes. It is just a new name, but the basic concept is precisely the same. As you know, a rather extensive public consultation process is under way at the moment to finalise that plan, the production of which has been managed through the Premier's Department.

**The Hon. MICHAEL GALLACHER:** When was it first agreed that the *Serving the Public Better* publication would be produced?

**Mr PIERCE:** Could you just help me with the page reference again, please?

**The Hon. MICHAEL GALLACHER:** Budget Paper No. 2, page 2-21. I understand it has been on the agenda for some time.

**Mr PIERCE:** I think that really emerged from the audit of expenditure and assets, the Vertigan-Stokes review. That review commented fairly extensively on systemic issues around the budget process and I suppose this sort of idea emerged: How can we make improvements to the budget and monitoring processes so that we can have increased confidence that the agencies and the budget processes support the service delivery priorities of the Government?

**The Hon. MICHAEL GALLACHER:** When was it? I did not get answers to my question about when the publication *Serving the Public Better* was first decided upon.

**The Hon. MICHAEL COSTA:** I can answer that question. It was a recommendation out of the audit and that was a provisional title. The Premier had a look at it and decided that he would roll back into the State Plan.

**The Hon. MICHAEL GALLACHER:** When was the audit done?

**The Hon. MICHAEL COSTA:** February. The State Plan came out of that audit. That was what they called it. The Premier had a look at it and decided—

**The Hon. MICHAEL GALLACHER:** He said, "Look, that does not poll as well when we do our focus work. Let us rebadge and give it a new name." That is exactly what happened, is it not?

**The Hon. MICHAEL COSTA:** I do not know how the Liberal Party works but I would be sacking the polling company. The fact is that the State Plan concept has been around for a while. Other States have adopted a State plan. It did not take any polling company to come up with the notion that it would be a State Plan. The audit identified the need for priorities in each of our areas in February and the Premier announced the State Plan process and that is what is being undertaken at the moment.

**The Hon. MICHAEL GALLACHER:** I am surprised you have not used "strong and detailed" in any of your comment so far.

**The Hon. GREG PEARCE:** That did not work.

**The Hon. MICHAEL GALLACHER:** No. That did not poll well, either.

**The Hon. MICHAEL COSTA:** That is a faceless issue to raise.

**Ms LEE RHIANNON:** You are on the record as saying that 5,000 public sector jobs need to go.

**The Hon. MICHAEL COSTA:** Sorry? Say that again because I did not hear it.

**Ms LEE RHIANNON:** You are on the record as saying that 5,000 public sector jobs need to go. As you also say that all job losses should be voluntary. How do you ensure that you achieve this goal and do not lose workers from essential services?

**The Hon. MICHAEL COSTA:** Who wrote that, Steve—

**Ms LEE RHIANNON:** Just answer the question.

**The Hon. MICHAEL COSTA:** You have difficulty reading it out. I just assumed the Public Service Association [PSA] had written it for you. I do not blame them. They are good people, the PSA. We have had experience in handling structural reform in the public sector. It is not people that we are looking at, but positions. I keep making that point. There will be an opportunity for redeployment for people who can be fitted into other positions that are not designated as being surplus. There are some principles about the process, and I can get those. The Public Employment Office usually deals with it, but broadly it is a matter of identifying those positions that need to be reduced, offering people voluntary redundancies and then engaging in a mix and match procedure to try to sort people through that process to achieve our outcome.

**Ms LEE RHIANNON:** How many public sector positions do you think need to go?

**The Hon. MICHAEL COSTA:** We have said that we want to reduce by 5,000 positions.

**Ms LEE RHIANNON:** When speaking earlier you indicated that you may well want more positions to go. Is that the case or did I mishear you?

**The Hon. MICHAEL COSTA:** No, I did not say more positions. I said 5,000 positions. That is what we are targeting. There is no point in doing what I think the Opposition is proposing, that



is, getting rid of 29,000 people and then backfilling 29,000 positions. You would achieve no savings. I cannot see how you could reduce back-office component in the public sector from 30,000 to 29,000. It is just inconceivable that it would be possible to do. They are the figures that were determined in the audit as being the positions fitting that back-office criteria. We are talking about reducing positions and that is against the long-term structural benefit. If you simply change people around you just blow out the budget.

**The Hon. GREG PEARCE:** Which you have been doing for 12 years.

**The Hon. MICHAEL COSTA:** Have we? It is interesting that we have a triple A credit rating while you guys were on credit watch and had six consecutive budget deficits. Really, you left this State in a disgraceful state and your Federal counterparts are now ruining the national economy by their inability to deal with skills shortages, their constant pressure on expenditure and their unsustainable tax cuts that have resulted in interest rate increases. What the Commonwealth Government has done to this State is an absolute disgrace.

**Ms LEE RHIANNON:** Over what time period will those 5,000 jobs go?

**The Hon. MICHAEL COSTA:** We are talking about two to three years.

**Ms LEE RHIANNON:** Moving back to the issue the of procurement, your Government is to be congratulated for having moved decisively to introduce a mandatory retailer code regulating procurement of textile, clothing and footwear supplies. However, I did notice that the Government recently dropped its a longstanding code of practice on employment and outwork obligations for textile, clothing and footwear suppliers.

**The Hon. MICHAEL COSTA:** I did not notice that and so cannot answer your question.

**Ms LEE RHIANNON:** Procurement comes under your portfolio.

**The Hon. MICHAEL COSTA:** Procurement guidelines come under my portfolio. I do not actually go out and procure.

**Ms LEE RHIANNON:** I am getting to the guidelines. The remainder of my question deals with that. Clearly, the regime that the Government now has is more lax than it is for the private sector.

**The Hon. MICHAEL COSTA:** No, that is not right. If you are coming to the guidelines, the guidelines are currently under review. There are discussions with the Labour Council. There are no final guidelines, so I do not know how you could draw that conclusion.

**Ms LEE RHIANNON:** When you go on to the web site there is a solitary reference to implementation guidelines for the previous Government's outworkers procurement code, but when you try to access the page for those implementation guidelines, the screen reveals that there is no such page. What is the status for the guidelines?

**The Hon. MICHAEL COSTA:** The existing guidelines remain until the new set of guidelines is put into place.

**Ms LEE RHIANNON:** If the existing guidelines remain why do they not also remain on the web site so people can be confident that that is the current status?

**The Hon. MICHAEL COSTA:** I think the unions and everybody involved in it are well acquainted with the current guidelines.

**Ms LEE RHIANNON:** It is not just about the unions, it is about people who want to actually understand this and ensure that they are doing the right thing. Web sites are not just for a certain few stakeholders, it is supposed to be about accountability and transparency in making this information available. So why is it not available?

**The Hon. MICHAEL COSTA:** I agree with you. I would not have got the information about you receiving political donations from overseas political parties if you had not put it up on your web site.

**Ms LEE RHIANNON:** Once again you try to avoid the question.

**The Hon. MICHAEL COSTA:** I thank you for doing it. I do not know what the Australian people think about that: getting donations from overseas political parties that have, one would have thought, national interests that are different to yours, unless you are talking about some sort of global Green view of the world. It is quite intriguing that you would take money from an overseas political party.

**Ms LEE RHIANNON:** I said what it was for.

**The Hon. MICHAEL COSTA:** There was more than one: you took it off the Swedes, you took it off the US—big amounts. I am sure the public did not know you were taking money off overseas political parties. I did not know.

**Ms LEE RHIANNON:** Why does the Government not simply agree to comply with the same obligations it imposes on the private sector?

**The Hon. MICHAEL COSTA:** We are reviewing the guidelines. We are consulting with the Labor Council on that, and when that review is finalised we will place it up on the web page.

**Ms LEE RHIANNON:** But you are still not explaining why there has to be a different set of rules for the Government compared with the private sector?

**The Hon. MICHAEL COSTA:** Because there is a discussion going on at the moment and I do not intend to pre-empt that discussion.

**Ms LEE RHIANNON:** I am not asking you to pre-empt it, I am just asking why it was even initiated and why there is a separate set of rules for the Government.

**The Hon. MICHAEL COSTA:** Because governments constantly review activities and in this particular case there was something—that you ought to know about—called changes to the Workplace Relations Act that outlawed certain industrial practices, and we have had to take a range of measures to protect workers. One of those measures was to look at our procurement guidelines. I know the answer but I would have thought you would know that as well. Did you not know that?

**Ms LEE RHIANNON:** Yes, I did know it. I was hoping you could elaborate. You could still have the same regime that the private sector has.

**The Hon. MICHAEL COSTA:** I do not know how we could have a regime where a percentage of that regime, in terms of the people covered by old industrial instruments, do not have those industrial instruments. Rather than looking for conspiracies you ought to sometimes acknowledge that the Government—

**Ms LEE RHIANNON:** I did. I started off by congratulating you on the work that you have done.

**The Hon. MICHAEL COSTA:** Do not congratulate me, congratulate John Della Bosca and the Premier. I do not want congratulations off Greens. The reality is that is why we are undertaking this process; there has been a change of circumstances and that is quite sensible to do in the changed circumstances. Do I want to give away all of the intricate details while these matters are subject to High Court challenges and other things? No. I would have thought that even your researchers could have worked that out.

**The Hon. GREG PEARCE:** What is your current expectation for the Star City Casino payment when the exclusivity period ends next year?

**The Hon. MICHAEL COSTA:** You are right, there will be a need to sit down with the proponents of the licence and negotiate, but we have not commenced those discussions yet. In terms of estimates, again, like our estimates in some of the forward estimates in infrastructure, I am not going to give away our negotiating position just so the Opposition can feel comfortable.

**The Hon. GREG PEARCE:** It is hardly giving away a negotiating position. Is \$500 million the sort of figure you would be looking at?

**The Hon. MICHAEL COSTA:** I think you are misunderstanding what is up for discussion.

**The Hon. GREG PEARCE:** Is it an upfront payment or is it a payment—

**The Hon. MICHAEL COSTA:** I am not going to go into that.

**The Hon. GREG PEARCE:** It is a \$500 million potential slush fund for you, is it not, for the election?

**The Hon. MICHAEL COSTA:** That is absolutely wrong.

**The Hon. GREG PEARCE:** Then what is it?

**The Hon. MICHAEL COSTA:** I am not going to go into the details of a negotiation we are to have—

**The Hon. GREG PEARCE:** No, you are not, are you? You do not want to give that away, do you?

**The Hon. MICHAEL COSTA:** What is the point of this exercise? What is the point of having estimates when I make a comment—

**The Hon. GREG PEARCE:** So you will not answer the question?

**The Hon. MICHAEL COSTA:** Because you do not like the answer.

**The Hon. GREG PEARCE:** You are not giving one.

**The Hon. MICHAEL COSTA:** I did. We have not commenced negotiations. When we do commence negotiations clearly the outcome of that will be made public. In the meantime, we are not intending to put out into the marketplace what our negotiating position is. I thought that was a reasonable answer.

**The Hon. GREG PEARCE:** Can I just clarify something with you? You said a few times in relation to your 5,000 staff reduction that it was positions, not people. Are you talking about full-time equivalent positions? What are you actually talking about?

**The Hon. MICHAEL COSTA:** They will be full-time equivalent positions. The reality is that you can take two part-time positions and make it one full-time position. I do not understand what the question is about. It just shows your confusion. Can you explain how you are going to get rid of 29,000 please?

**The Hon. GREG PEARCE:** Can you tell me at this stage what the headcount for the public service was as at 30 June 2006?

**The Hon. MICHAEL COSTA:** It is a question for the Premier's Department. We talked about 300-plus.

**The Hon. GREG PEARCE:** 360,000.

**The Hon. MICHAEL COSTA:** Something like that. You have got the number there.

**The Hon. GREG PEARCE:** I am just clarifying it with you—360,000. I do not have the figure for last year but in the prior year the total number of people who left the public service—

**The Hon. MICHAEL COSTA:** I have got the figure. You are including State-owned corporations [SOCs] there. Without the SOCs it is 252,000.

**The Hon. GREG PEARCE:** I want the headcount, I do not want the SOCs.

**The Hon. MICHAEL COSTA:** It is 252,000.

**The Hon. GREG PEARCE:** And what is the headcount?

**The Hon. MICHAEL COSTA:** 252,000 full-time equivalent public servants.

**The Hon. GREG PEARCE:** I do not want the full-time equivalent, I want the headcount.

**The Hon. MICHAEL COSTA:** You want to know how many of those are part-time?

**The Hon. GREG PEARCE:** How many people are employed in the public service? As you say, it was 360,880 as at 30 June 2005. I am asking what the figure was for 30 June 2006.

**The Hon. MICHAEL COSTA:** You want the figure including SOCs?

**The Hon. GREG PEARCE:** Correct.

**The Hon. MICHAEL COSTA:** We will get you that.

**The Hon. GREG PEARCE:** Could you also get us the number of separations? The number of people who left the public service in the prior year was 34,958—

**The Hon. MICHAEL COSTA:** That is people as opposed to positions?

**The Hon. GREG PEARCE:** Correct. You will take that on notice and get it for us?

**The Hon. MICHAEL COSTA:** Yes.

**The Hon. GREG PEARCE:** Do you regard it as reasonable to expect that a government department, for example, could reduce its work force by 15 per cent or more over, say, an 18-month period?

**The Hon. MICHAEL COSTA:** It depends what government department. Some government departments it is impossible. Take health, education, police, you would see the opposite trend—in fact, an increase, and that is budgeted for. That is where you have got a problem finding your 29,000. No amount of squirming is going to get you out of that problem.

**The Hon. GREG PEARCE:** But you do accept that in various other departments it is quite possible—

**The Hon. MICHAEL COSTA:** I just said to you the bulk of our budget is education, health, transport and police law and order activities. Each of those areas is seeing a budget increase; they will have more staff.

**The Hon. GREG PEARCE:** But you accept that in other departments it is possible to make—

**The Hon. MICHAEL COSTA:** Probably not. I do not deal with hypotheticals.

**The Hon. GREG PEARCE:** All right. The Department of Commerce. Do you know by what percentage it reduced its work force?

**The Hon. MICHAEL COSTA:** No, I do not.

**The Hon. GREG PEARCE:** 16 per cent.

**The Hon. MICHAEL COSTA:** That might be because there were some mergers. Did that include mergers?

**The Hon. GREG PEARCE:** No. It just reduced its work force by more than 16 per cent and its senior executive service contingent by 20 per cent over 18 months.

**The Hon. MICHAEL COSTA:** There were some mergers involved.

**The Hon. GREG PEARCE:** It is not as a result of mergers. That is a straight reduction.

**The Hon. MICHAEL COSTA:** I do not think that is right. I think they absorbed a few other agencies in the process.

**The Hon. GREG PEARCE:** That is taken from the Premier's response to the Vertigan report.

**The Hon. MICHAEL COSTA:** Let me make it absolutely clear, there is no way you can reduce 29,000 positions and have our public sector deliver the services. It is impossible, and it does not matter how much squirming you do, you are not going to be able to jettison that commitment before the next election.

**The Hon. GREG PEARCE:** It is a matter of political will.

**The Hon. MICHAEL GALLACHER:** If I could ask some questions on the Hunter? Could you tell the Committee how many staff you have working in your office in Newcastle?

**The Hon. MICHAEL COSTA:** One. Are you talking about personal staff?

**The Hon. MICHAEL GALLACHER:** No, the total number of staff working in your Hunter office.

**The Hon. MICHAEL COSTA:** I have one person that works for me, and the Premier's Department, which supports the regional agencies, has some staff. They are engaged in a range of processes. I will get you the exact number. It varies because some of them are project-based. If there is a specific project they will bring on some staff. I can get you that.

**The Hon. MICHAEL GALLACHER:** How many ministerial staff do you have in total?

**The Hon. MICHAEL COSTA:** I will give you that in a moment. Not many.

**The Hon. MICHAEL GALLACHER:** You are aware of the Hunter Economic Development Corporation [HEDC] discussion paper, released in August, in relation to the projected growth rates needed for the Hunter Valley?

**The Hon. MICHAEL COSTA:** 11.6. I do not know what the .6 is.

**The Hon. GREG PEARCE:** How many people is that?

**The Hon. MICHAEL COSTA:** It is 12 people.

**The Hon. MICHAEL GALLACHER:** You are aware of the HEDC report released in August in relation to the growth projections for the Hunter. What was your response to the discussion paper?

**The Hon. MICHAEL COSTA:** As you know, there has been a debate going on in the Hunter about population growth rates and I know the Greens have been interested in this. The HEDC

wants a higher figure in line with some of the developers up in the area. The Department of Planning is going through a process at the moment to work out precisely what they think is the appropriate planning figure. If you want my personal view, I always tend towards the economic expansionist sort of view of the world, as Lee knows, so I think higher estimates are probably more appropriate than lower estimates, but the Department of Planning will work that out.

**The Hon. MICHAEL GALLACHER:** I turn to lower health standards in the Hunter. You would be aware that Newcastle and Hunter residents suffer higher numbers of chronic diseases and higher death rates. As Minister for the Hunter, what programs do you want to see put in place to address some of these health issues?

**The Hon. MICHAEL COSTA:** There is no doubt that the Hunter has pockets of so-called disadvantage. I have made public comments about that, but I think it has got to be put in the context of an area that, when the steelworks closed, had higher than average levels of unemployment and is now at the State average and on two allocations from memory has actually been below the State average. Having said that, in some areas around my area of Cessnock and other areas, there are real problems with social disadvantage. There are specific programs that the Health Department is running, and the Premier's Department is also involved in, to try to address those issues, but they are chronic and long term and they will take time to address.

**The Hon. IAN WEST:** WorkChoices will make it worse.

**The Hon. MICHAEL COSTA:** WorkChoices will make it worse; there is no doubt about that.

**The Hon. MICHAEL GALLACHER:** Can you indicate to the Committee how much of the \$6.3 million from the sale of Dudley Old Men's Home a few weeks ago will be spent on Newcastle health facilities?

**The Hon. MICHAEL COSTA:** The Health Minister has already said all of it will be spent on health.

**The Hon. MICHAEL GALLACHER:** How much in Belmont Hospital and how much in John Hunter Hospital?

**The Hon. MICHAEL COSTA:** You will have to ask the Health Minister, but he has made the comment that he will spend all of the proceeds of that particular sale on health services in the Hunter. Remember that in the Hunter it is not a case of which particular suburbs. We have a major hospital, the John Hunter Hospital.

**The Hon. MICHAEL GALLACHER:** That is why I put it in the context of Belmont and John Hunter?

**The Hon. MICHAEL COSTA:** That is getting additional resources and I was involved, to the chagrin of some people in Treasury, in getting the airconditioning fixed up. By the way, the reason the airconditioning was a problem was they used a green environmental design for the building, which does not work. They had to retrofit airconditioning.

**The Hon. MICHAEL GALLACHER:** With respect to Dudley Old Men's Home, what representations did the member for Charlestown make to you in seeking to have the sale stopped?

**The Hon. MICHAEL COSTA:** I am asking whether we got any correspondence. He certainly did speak to me on two or three occasions. In fact, all of the local members spoke to me about the issue and I pointed out that, given the growth of the health budget at a record level—at a level greater than the growth of our general revenue—

**The Hon. GREG PEARCE:** Is he on speaking terms with you?

**The Hon. MICHAEL COSTA:** We are on speaking terms.

**The Hon. PENNY SHARPE:** Better than you lot.

**The Hon. MICHAEL COSTA:** That is a good point—the money would go into the health system.

**The Hon. MICHAEL GALLACHER:** Can you indicate to the Committee what representations the member for Port Stephens made in relation to additional funding for staff and facilities at Tomaree Community Hospital?

**The Hon. MICHAEL COSTA:** I am not aware of what representations he made to my office. I will find that out. I am sure he made representations to the Health Minister, which is the appropriate place for those representations to be made.

**The Hon. MICHAEL GALLACHER:** As the former Police Minister, Minister for the Hunter and also Minister for Infrastructure, can you tell the Committee exactly where the proposed Port Stephens police station will be located?

**The Hon. MICHAEL COSTA:** That is a matter for the Police Minister; it is not a matter for me. You know that is the case. That will be done in consultation with the police. The police will have primary input into location of facilities.

**The Hon. GREG PEARCE:** Mr Achterstraat, with respect to interstate register of vehicles and traffic camera fines, can you tell us the outstanding amount in respect of those offences as at 30 June 2006?

**Mr ACHTERSTRAAT:** I will fill in the picture and come back to the precise figure, maybe on notice. If an interstate car or truck goes through a red light or speeding camera and has a photo taken, the photo is sent to the Infringement Processing Bureau. We then issue an infringement notice to the owner of the vehicle. In relation to the interstate ones, we send an infringement to the interstate address of the owner of the vehicle seeking payment. If there is no payment then we introduce sanctions. My understanding is that about 73 per cent of the interstate ones are paid. For further details, I would have to come back to you in relation to the interstate ones.

There is a slight difference between if a company owns the interstate vehicle or an individual owns it. If the company owns the interstate vehicle, then there is a procedure where we can go to the court and have an order and then that will be enforced by our counterparts in the other States. In relation to getting the address of the interstate vehicle, there is a national database that enables us to get that address.

**The Hon. GREG PEARCE:** What is the order of the amount we are talking about?

**Mr ACHTERSTRAAT:** I am sorry, I do not know. I could work it out roughly but anything I give you would probably be too rough.

**The Hon. GREG PEARCE:** Take it on notice. In the ICT budget there was a suggestion that there should be a single capital fund for ICT?

**The Hon. MICHAEL COSTA:** In the audit?

**The Hon. GREG PEARCE:** Yes. What has happened in relation to that?

**The Hon. MICHAEL COSTA:** Commerce is undertaking a process to do precisely that within the realms that it is feasible because some IT expenditure is very specific. For example, Police would be very specific, but there certainly are savings to be made from ensuring that we have consistent platforms in those areas where it is logical to have those consistent platforms. There will be savings, of course, in things like licences for products, and that is being undertaken at the moment, and across government there is an estimate of around 250 in savings on ICT and property related to it.

**The Hon. GREG PEARCE:** Is that being pursued as a priority by the Department of Commerce?

**The Hon. MICHAEL COSTA:** Yes, the Department of Commerce has a responsibility for that. You can ask the Commerce Minister about that, but certainly it is being pursued.

**The Hon. GREG PEARCE:** Payroll tax staffing for collection of payroll tax has increased by 6.37 per cent for this budget, from 5,800 to 6,200 at a time when for other areas of collection your staffing numbers seem to be going down. Can you explain the reason for that?

**Mr ACHTERSTRAAT:** Yes. If we are looking at page 22-28, the figure you have quoted is \$5.843 million. That is how many millions of dollars we are collecting in 2005-06. Next year we will be collecting \$6.251 million in payroll tax.

**The Hon. GREG PEARCE:** I am sorry, I did not go on to quote the staffing, which has gone from 154 to 181, which is what I was actually directing the question to.

**Mr ACHTERSTRAAT:** Correct. On page 22-29 you can see that the payroll tax staffing numbers were 154 in 2004-05; 181 in the current year; and 181 next year. That is predominantly in relation to a compliance initiative, which I think finishes in 2006-07. In relation to that compliance initiative, we are looking at a number of industries where we have supplementary funding relating to further education and audit activity in a number of different areas. I understand that we need to put in another submission to Treasury to maintain that level of staffing.

**The Hon. GREG PEARCE:** So at this stage you do not know whether you will be retaining that level of staffing.

**Mr ACHTERSTRAAT:** The 181 will definitely be full-time equivalents for 2006-07. As I said, in 2007-08 we will have to put in another submission to maintain that figure, or it may drop down again, which will affect the collections.

**The Hon. GREG PEARCE:** I still find it curious, given modern technology and so on, that you would have that sort of increase, particularly when the figure for land tax—admittedly, this is partly due to the lunacy of the vendor tax and the other changes that were made to thresholds and so on—has gone down from 346 to 268.

**Mr ACHTERSTRAAT:** Correct. What has happened with the land tax is that in the previous two years we had a large number of land taxpayers, plus there was no threshold.

**The Hon. GREG PEARCE:** An extra 500,000 or so.

**Mr ACHTERSTRAAT:** I think it was probably an extra 390,000 persons roughly. That required systems changes and a large number of people to answer inquiries, et cetera. Under the introduction of the threshold, the number of payers will reduce by a certain amount, and as a result we will be able to taper off the number of staff needed to provide services to those land taxpayers.

**The Hon. GREG PEARCE:** So you have 90 people to collect from the extra 390,000 people who were hit by the Government's land tax changes.

**Mr ACHTERSTRAAT:** We put on a number of staff to answer inquiries, register new land taxpayers, provide a general range of services and collections work, et cetera.

(The witnesses withdrew)

**The Committee proceeded to deliberate.**