

CORRECTED COPY

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

**Tuesday 15 September 2009**

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

## **TREASURY**

**The Committee met at 9.15 a.m.**

### **MEMBERS**

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

The Hon. K. F. Griffin (Deputy Chair)  
Dr J. Kaye  
The Hon. M. R. Mason-Cox

The Hon. G. S. Pearce  
The Hon. P. G. Sharpe  
The Hon. I. W. West

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### **PRESENT**

**The Hon. E. M. Roozendaal, *Treasurer***

#### **Treasury**

**Mr M. Schur, *Secretary***

**Mr K. Cosgriff, *Deputy Secretary***

**Mr M. Ronsisvalle, *Deputy Secretary, Budget and Financial Management***

#### **Office of State Revenue**

**Mr A. Newbury, *Chief Commissioner of State Revenue***

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## **CORRECTIONS TO TRANSCRIPT OF COMMITTEE PROCEEDINGS**

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

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

**DEPUTY CHAIR:** I declare the hearing for the inquiry into the budget estimates 2009-2010 open to the public. I welcome Treasurer Roozendaal to this hearing. Today the Committee will examine the proposed expenditure for the Treasury portfolio. I will now make some comments about procedural matters for today's budget estimates hearing. In accordance with the 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 the proceedings of this Committee, members of 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 broadcast of proceedings are available on the table by the door. Any messages from attendees in the public gallery should be delivered through the Chamber and support staff or Committee clerks. Minister, I remind you and the officers accompanying you that you are free to pass notes and to refer directly to your advisers whilst at the table. I remind everyone to turn off their mobile phones.

The Committee has agreed to the following format for the hearing. Time for questions will be 20 minutes for the Opposition, 20 minutes for crossbench members and 20 minutes for the Government. There will be a five-minute break at 10.30 a.m. when morning tea arrives. The House has resolved that answers to questions on notice must be provided within 21 days or as otherwise determined by the Committee. The Committee has resolved that answers to questions on notice be provided within 35 days. Transcripts of this hearing will be available on the web from tomorrow morning. All witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. Minister, I remind you that you do not need to be sworn as you have already sworn an oath to your office as a member of Parliament.

**MICHAEL SCHUR**, Secretary, New South Wales Treasury, and

**KEVIN COSGRIFF**, Deputy Secretary, New South Wales Treasury, on former oath.

**MARK ANTHONY RONSISVALLE**, Deputy Secretary, Budget and Financial Management, New South Wales Treasury, and

**ANTHONY JOHN NEWBURY**, Chief Commissioner of State Revenue, Office of State Revenue, New South Wales Treasury, sworn and examined:

**DEPUTY-CHAIR:** I declare the proposed expenditure for the Treasury portfolio open for examination. As there is no provision for a Minister to make an opening statement before the Committee commences questioning, we will begin with questions.

**The Hon. GREG PEARCE:** Treasurer, could you outline the forecast expenses growth for the current year and for the following three years?

**The Hon. ERIC ROOZENDAAL:** As you would understand, all this information is in the budget papers. The 2009-10 budget estimates reveal that general government sector expenses will total about \$53.9 billion. This figure represents growth of around 7.6 per cent on the projected figure for 2008-09. When talking about expense growth for 2009-10 it is worth noting that it would be a lower number—probably around 5 per cent—in the absence of the Commonwealth Government's Nation Building Economic Stimulus Plan and Nation Building for the Future initiatives, which have required additional expenditure from the New South Wales budget.

**The Hon. GREG PEARCE:** And the following three years?

**The Hon. ERIC ROOZENDAAL:** Those figures are outlined in the budget papers.

**The Hon. GREG PEARCE:** I would like you to explain the process.

**The Hon. ERIC ROOZENDAAL:** As those figures are outlined in the budget papers I will not waste the time of the Committee in doing simple research that the member can do.

**The Hon. GREG PEARCE:** It is not wasting our time.

**The Hon. ERIC ROOZENDAAL:** If the member has questions—

**The Hon. GREG PEARCE:** My question is: What will be the expected growth expenses for next year?

**The Hon. ERIC ROOZENDAAL:** Those figures are outlined in the budget papers and the member knows that they are in the budget papers. I draw the attention of the member to chapter 4-8, "Summary of Expenses", table 4.1 in which those figures are outlined.

**The Hon. GREG PEARCE:** Are you so lacking in confidence in your expenses projections that you will not even state the figures?

**The Hon. ERIC ROOZENDAAL:** The figures have all been published, they are in the budget papers, and they have been widely distributed. The figures are also in the appropriate places on the web. I think we should skip the games and get on with serious questions.

**The Hon. GREG PEARCE:** It is not a game. This is a fundamental part of the budget.

**The Hon. ERIC ROOZENDAAL:** Yes, it is. Those figures are clearly outlined. I have directed the member to the section of the budget papers that deals with that issue.

**The Hon. GREG PEARCE:** How do you expect to get expenses growth down from 7.6 per cent to 2.9 per cent?

**The Hon. ERIC ROOZENDAAL:** I explained that that number is inflated because of the Government stimulus packages. Various Council of Australian Governments [COAG] agreements have involved additional funding from New South Wales. When we are talking about expenses and bringing down expenses growth over the forward estimates we need to look at the strategies employed by the Government—and there are a number of them. The public sector wages policy strategy limits wage increases to 2½ per cent and trade-offs for anything above that up to around 4 per cent. The creation of the Better Services and Value Task Force plan involves the creation of the Better Services and Value Task Force. The Better Services and Value Task Force is an important new Treasury unit designed to work with agencies, to embed itself in agencies, and to look for better efficiencies and service delivery for the people of New South Wales. Those are the sorts of strategies we are employing to ensure that we can bring down expenses growth going forward.

**The Hon. GREG PEARCE:** You do not mention your mini-budget measures as part of that.

**The Hon. ERIC ROOZENDAAL:** They have been dealt with at previous hearings so I did not see any need to go into them.

**The Hon. GREG PEARCE:** I think we might actually. One of the measures in the mini-budget was to reduce the senior executive service [SES] by 20 per cent by 30 June. Did that occur?

**The Hon. ERIC ROOZENDAAL:** My advice in relation to the SES cuts is that by the end of June this year we had identified 100 per cent of those SES positions and they have been removed by the Department of Premier and Cabinet.

**The Hon. GREG PEARCE:** What was the number of SES positions at the time of the mini-budget?

**The Hon. ERIC ROOZENDAAL:** When we came to office in 1995—

**The Hon. GREG PEARCE:** No, just at the time of the mini-budget.

**The Hon. ERIC ROOZENDAAL:** Okay. You ask the questions and I will answer them. This Government came to office in 1995 with a pre-election commitment to reduce the 1,434 senior executive service positions by one-third. That target was achieved and maintained. At 30 June 2008 there was a total of 853 senior executives, which was a 40 per cent reduction in the excess of the Liberal-Nationals dark years in Government. I assume that you have a distant memory of those.

**The Hon. GREG PEARCE:** No, I was not in Government.

**The Hon. ERIC ROOZENDAAL:** You look older than you are. In October 2008 the Premier announced there would be a further reduction of the SES by 20 per cent, or 171 positions. The Government met the 20 per cent reduction target with 171 positions being deleted on 30 June 2009. Incidentally, a detailed report on the senior executive service reductions by agency is available on the New South Wales Department of Premier and Cabinet website, which for the information of the gallery is [www.dpc.nsw.gov.au](http://www.dpc.nsw.gov.au).

**The Hon. GREG PEARCE:** In the Department of Commerce the mini-budget described one-off expense savings of \$11 million across a number of areas. Were those savings achieved and what were the areas?

**The Hon. ERIC ROOZENDAAL:** That question is better directed to the Minister for Commerce. I am happy to take it on notice and to get you the exact details.

**The Hon. GREG PEARCE:** Also the \$3 million that was supposed to be achieved in the Better Government Access project.

**The Hon. ERIC ROOZENDAAL:** I will take that question on notice.

**The Hon. GREG PEARCE:** I am trying to work out how we get some verification that these savings have been achieved. How would you verify that?

**The Hon. ERIC ROOZENDAAL:** You will see it in our mid-year numbers that come out at the end of December, and you will see it of course in next year's budget papers.

**The Hon. MATTHEW MASON-COX:** Treasurer, could you give us an insight in relation to savings implementation plans? I understand each department provides a monthly update to Treasury and to the Department of Premier and Cabinet. Would you provide us with the latest update so far as the implementation of those savings plans is concerned—just a general comment on that?

**The Hon. ERIC ROOZENDAAL:** I want to be clear about what you are asking for.

**The Hon. MATTHEW MASON-COX:** The savings implementation plans from each agency detail the savings that will be provided and each month you are provided with an update. Are we on track or are we behind? Where are we in delivering these savings?

**The Hon. ERIC ROOZENDAAL:** On 11 June this year we announced a series of sweeping reforms to the structure of government in New South Wales, amalgamating previously separate departments to form sector-based super agencies. Thirteen new super agencies were announced by the Premier and they have now been formally established by administrative order. The 13 new super agencies are: Premier and Cabinet, Treasury, Health, Education and Training, Services and Administration, Police and Emergency Services, Planning and Local Government, Justice, Human Services, Transport and Infrastructure, Environment, Climate Change and Water, Industry Investment, and Communities.

The purpose of the agency amalgamations is to support further integration of service planning and delivery and should result in the provision of better services for the people of New South Wales. As part of the amalgamations there is global support for the consolidation of back-office functions ensuring that resources are targeted towards supporting front-line services delivery. What the community can expect from these new super agencies is greater client focus, more integrated service provision through one-stop shops and, importantly, less government red tape.

The reforms will also support the Government's forward budget strategy and deliver a sustainable public sector reform. We are committed to delivering improvements in service delivery in New South Wales and that is the agency amalgamations central objective. The advice I have from Treasury is that we are proceeding with the amalgamations and that the timetable is on track.

**The Hon. MATTHEW MASON-COX:** That really was not the point of the question, but it is interesting to hear your comments. In relation to savings implementation plans—and correct me if I am wrong—my understanding is that each agency has developed a savings implementation plan pursuant to the mini-budget. I am asking for an update on the progress of those agencies against those plans.

**The Hon. ERIC ROOZENDAAL:** My advice is that they are on track.

**The Hon. GREG PEARCE:** Can I refer you to comments that have been coming from business and commentators in relation to the savings goals under the budget and mini-budget? Indeed, UBS said that it believes the budget is optimistic on expenses restraint, particularly given that we are looking at a figure of around 3 per cent against a decade average of almost twice as much and three times as fast in the past few years. I refer you also to comments from the ANZ chief economist referring to forecast savings under the budget:

In some ways they are almost too close to the Commonwealth's for a State that has been a serial underperformer.

Treasurer, how can we believe the estimates in this budget in relation to savings on expense growth, given that we are talking about a figure that is half the figure that has been an historical figure for this Government for the past number of years?

**The Hon. ERIC ROOZENDAAL:** That is an excellent question. I think the danger for inexperienced members when they selectively quote is that they run a big risk of being exposed. I think it is important, when we talk about the state of the New South Wales economy and particularly where we are with the budget, not to select comments from a couple of commentators. I refer to an internationally accredited rating agency, one of the two that rate New South Wales. I am talking about Standard and Poor's. I will table a copy of the latest Standard and Poor's "RatingsDirect" review of New South Wales because it is very informative. I will refer to it first, then table it at the end of the hearing.

**The Hon. GREG PEARCE:** This is the same organisation that referred to you as inexperienced and lacking in political will, is it not?

**The Hon. ERIC ROOZENDAAL:** Well, there you go again! When you selectively quote you show how inexperienced you are. Indeed, there was some reflection around the time of the mini-budget, but let us look at the latest report of Standard and Poor's, which is dated the end of August and is an update. I quote from that report:

The Government continues to demonstrate fiscal discipline thereby increasing its fiscal flexibility. Despite the cyclical weakening in finances, the government introduced in its November 2008 mini-budget and is on track to delivering a number of measures to increase revenue, cut operating expenditure, and reduce capital spending. These measures are expected to improve the State's fiscal flexibility and provide support to the current rating.

That is interesting, because the real test of the strength of a State's economy and the performance of the government is indeed its credit rating. I remind members that when I last came here we were in a very different situation: the global financial crisis—

**The Hon. GREG PEARCE:** All your own work.

**The Hon. ERIC ROOZENDAAL:** I do not think I am responsible for the global financial crisis. At the time, the global financial crisis was upon us, and of course we were on negative outlook. Despite the global financial crisis, despite the downturn in GST revenues, despite the downturn in land transfer duties, in its last budget this Government was able to increase funding to all front-line services and at the same time have our triple-A credit rating reconfirmed and taken off negative outlook. These are very uncertain times, and creditworthiness is critical in these uncertain times. For the New South Wales Government to improve the State's credit rating to triple-A stable is an achievement of this Government and it is an achievement of the New South Wales economy. Some people are a bit more honest about the state of the New South Wales economy. I quote a member of the lower House, Mr Baird, who said it was good news for New South Wales that the triple-A rating was retained. He said keeping expense growth in line with revenue growth is what is needed to retain the credit rating.

**The Hon. MATTHEW MASON-COX:** The issue, Treasurer, is your competence and ability to do exactly that.

**The Hon. ERIC ROOZENDAAL:** We have another comment of Mr Baird. This was one of his more prophetic statements:

Report card day is looming in NSW. Budget day is June 16, when the people of NSW will be handed the report card on the State Government. It will show what Treasury thinks the deficit will be, but another important question will be: will the State retain its AAA credit rating?

That is in capitals and bold print, with a big, fat question mark. It is important. He goes on to pontificate—

**The Hon. MATTHEW MASON-COX:** Point of order: I think we have heard enough of this. The Treasurer is not answering the question.

**The Hon. ERIC ROOZENDAAL:** I am on a roll and enjoying myself. I can see the member squirming in the gallery. He posed the question: Is the triple-A rating important? He went on to say, in answer to the second question:

Yes, it is. For a variety of reasons, many outlined in the Government's own mini-budget, keeping a AAA rating is imperative.

**The Hon. MATTHEW MASON-COX:** Point of order: We have heard enough of the ranting of the Treasurer.

**CHAIR:** Order! He is answering the question on the rating.

**The Hon. MATTHEW MASON-COX:** The question was on savings, not on the rating of the economy.

**CHAIR:** It related to ratings.

**The Hon. ERIC ROOZENDAAL:** I can understand the embarrassment of the member caused by the Standard and Poor's report. I will table it, because it should go on the record. This is the most current piece of research and review of the New South Wales economy, and I am happy to table it.

**Document tabled.**

**The Hon. MATTHEW MASON-COX:** Treasurer, could I take you back to savings. In particular I refer you to an item in the mini-budget dealing with area health services and savings from reprioritising the various initiatives and abolishing of OzHealth International. In 2008-09 that was \$64 million. Can you apprise us of the progress against that and how you have measured the savings in that regard?

**The Hon. ERIC ROOZENDAAL:** Chair, I can understand how uncomfortable the members must feel in that they want to jump in the time machine and go back to the mini-budget. For the information of the Chair and those who may be interested, there was of course a special hearing into whether we should call a mini-budget back then. We have already had one look at the mini-budget, and they have jumped in the time machine and taken us back to the mini-budget. I actually thought we were dealing with budget estimates! I can understand why members do not want to talk about the 16 June budget—

**The Hon. MATTHEW MASON-COX:** Perhaps you need to understand how the mini-budget fits in.

**The Hon. ERIC ROOZENDAAL:** I do understand. There is a triple-A credit rating, sitting right up there, which shows how it all fits together.

**The Hon. MATTHEW MASON-COX:** Treasurer, it feeds through to and relates to the estimates.

**The Hon. ERIC ROOZENDAAL:** The reality is that it is critical that this Committee be aware that the budget delivered massive improvements to front-line funding in all key areas, record investment in infrastructure, the largest amount of money being invested in infrastructure in this State ever and, over the next four years, the most being invested by any government in any budget—\$62.9 billion. What does that mean? It means 160,000 jobs being supported each year. I can understand that the members do not want to talk about that because it does not suit their agenda, because the two of them have had a record of talking down this State and talking down the New South Wales economy consistently and contemptuously for the people of New South Wales. That is their form. That is what they are doing today. They are not focusing on the good news for the New South Wales economy, on the green shoots of the New South Wales economy.

**The Hon. GREG PEARCE:** You were very embarrassed about the mini-budget, and I understand that—

**The Hon. ERIC ROOZENDAAL:** I am embarrassed by how poor your questions are. I feel sorry for you.

**The Hon. GREG PEARCE:** You have embraced Standard and Poor's.

**The Hon. ERIC ROOZENDAAL:** Yes.

**The Hon. GREG PEARCE:** It has said that its rating depends on you achieving expense savings in the mini-budget, amongst other things. We want to understand from you how you are monitoring those savings, and whether or not they are being achieved. Let us go to one example, that is, the local saving strategies in area health services that were supposed to save \$64 million in 2008-09. Was that saving achieved? If so, how did you monitor it, and how can you verify that it was achieved? Do I take it that you do not know whether or not your saving was achieved?

**The Hon. ERIC ROOZENDAAL:** I have a \$53.9 billion budget to look after. I am happy to take that on notice. It would have been more appropriately directed to the Minister for Health, but I am happy to take it on a notice.

**The Hon. GREG PEARCE:** You should remember; you are the Treasurer. This is your mini-budget we are talking about.

**The Hon. ERIC ROOZENDAAL:** And what is your title again, Greg?



**The Hon. GREG PEARCE:** And your savings.

**The Hon. ERIC ROOZENDAAL:** What is your title again? I have forgotten.

**The Hon. GREG PEARCE:** The first question I am asking you is have you verified that these savings have been achieved? Have they been achieved and how can you verify them?

**The Hon. ERIC ROOZENDAAL:** I think in relation to your first question and now your follow-up, you actually requested Standard and Poor's, so I think I will respond. In fact, what Standard and Poor's said in relation to its annual report on the State's finances, apart from yet again reaffirming the triple-A credit rating, which must have upset you because you were betting on so much—

**The Hon. GREG PEARCE:** So you cannot verify that these savings were achieved?

**The Hon. ERIC ROOZENDAAL:** Shush! What they actually said was a strong balance sheet and a demonstrated fiscal discipline—

**The Hon. GREG PEARCE:** You cannot verify that the savings have been achieved?

**The Hon. ERIC ROOZENDAAL:** A demonstrated fiscal discipline. You can dance around with your little questions, but the proof is in the eating. S and P have judged this budget and they have rated it. They are qualified.

**The Hon. GREG PEARCE:** Can Mr Schur verify that the savings were achieved?

**The Hon. ERIC ROOZENDAAL:** I think you are out of time. I think your time has run out, has it not?

**The Hon. GREG PEARCE:** I do not think you are the Chair. You are the witness.

**The Hon. ERIC ROOZENDAAL:** I am simply asking the Chair for some advice.

**The Hon. GREG PEARCE:** Mr Schur, can you verify that the savings have been achieved?

**Mr SCHUR:** Mr Pearce, I cannot verify that—

**The Hon. GREG PEARCE:** Thank you.

**Mr SCHUR:** Can I finish answering your question?

**The Hon. GREG PEARCE:** You just did answer my question.

**Mr SCHUR:** No, I did not.

**The Hon. GREG PEARCE:** You cannot verify whether the savings have been achieved?

**Mr SCHUR:** Can I finish answering the question, Mr Pearce?

**CHAIR:** Let Mr Schur finish his answer.

**Mr SCHUR:** I cannot verify that specific saving, but what you have to understand is that those savings have now been taken out of agency budgets for 2009-10. They do not exist in those agency budgets anymore.

**Dr JOHN KAYE:** Treasurer, in the development of the New South Wales submission to the Henry review into Australia's taxation system was there ever any discussion about the development of any document other than the IPART review of New South Wales taxation being the New South Wales submission to the Henry review?

**The Hon. ERIC ROOZENDAAL:** You may be aware that this is very similar to the question you asked on 2 September. However, I think—

**Dr JOHN KAYE:** Yes, but the difference then is that you did not answer it.

**The Hon. ERIC ROOZENDAAL:** Well—

**Dr JOHN KAYE:** Because this is a question that actually requires a yes or no answer.

**The Hon. ERIC ROOZENDAAL:** Chair, I am more than happy to respond, but the member seems to be a little bit agitated this morning. If I can be allowed to answer it, I would like to.

**Dr JOHN KAYE:** Go for it, Eric, it's all yours.

**The Hon. ERIC ROOZENDAAL:** Are you sure?

**Dr JOHN KAYE:** Yes.

**The Hon. ERIC ROOZENDAAL:** Are you sure?

**Dr JOHN KAYE:** Yes.

**The Hon. ERIC ROOZENDAAL:** Are you finished?

**Dr JOHN KAYE:** Yes. We're all ears. Yes.

**The Hon. ERIC ROOZENDAAL:** Are you right?

**Dr JOHN KAYE:** Yes. Go for it.

**The Hon. ERIC ROOZENDAAL:** Stopping? Finished? Fine. Thank you. I think his interest in the review is quite understandable because it is a comprehensive so-called root and branch review of taxation. I do not believe there has been such an extensive review of taxation undertaken for many years at a national level. I think it is very important. It is a pity that the Opposition does not share Dr Kaye's interests in such serious policy matters like State-Federal tax relations because they are very important. The way the member has asked the question may give the impression that he is under the impression that after our submission to the Henry review last October the Government walked away and just left it there. As I said to the House on 2 September, the New South Wales Government submitted the most comprehensive submission to the Henry review of all of the States, a massive document, that dwarfed in fact—

**The Hon. GREG PEARCE:** A big document, was it Eric?

**The Hon. ERIC ROOZENDAAL:** A massive document, yes. I think it was 295 pages.

**Dr JOHN KAYE:** I have little interest in the size of the document. My question was: Was there another document in preparation or a discussion—

**The Hon. ERIC ROOZENDAAL:** Let me finish. Yes, I can understand why you do not think size counts. I can understand the interest. Since our submission we have continued to raise with the Commonwealth through various forums and opportunities issues around tax reform. The opportunities for innovation and financing of PPP projects is an example of this. The New South Wales Government has identified this as an important area of potential tax reform with the Henry review and asked it to look at that. This is a review of national significance and the Government will consider any proposals when the Henry review final report is completed at the end of the year. Just in relation to the Henry review, only on 3 September I met with the Western Australian Premier, Mr Colin Barnett, to discuss issues around the Henry tax review and also the distribution of GST. That was a pretty robust and interesting discussion.

**Dr JOHN KAYE:** I am pleased to hear this Treasurer, but you have not answered my question.

**The Hon. ERIC ROOZENDAAL:** Shush. Yes, and in relation—

**Dr JOHN KAYE:** My question was: Was there a discussion about another document being prepared or was it always only going to be the IPART submission?

**The Hon. ERIC ROOZENDAAL:** Well, what I am explaining is that there has been correspondence in addition to the IPART submission, which was prepared at the request of the New South Wales Government. There has been additional correspondence to the Henry tax review in relation to the financing of PPPs. I think I alluded to the House that there has been correspondence from other areas in relation to issues around distance tolling for heavy vehicles I believe through the transport NEMMCO, again generated from New South Wales. In fact, only the other day I met with a member of the Henry tax review for a chat on issues around the Henry tax review, and that was only last week. So, there is ongoing feedback occurring between the New South Wales Government and the Henry tax review because we believe it is a critical area of review for the nation and I think it is an important—

**Dr JOHN KAYE:** Okay, thank you for that answer, Treasurer. Can I ask Mr Schur—

**The Hon. ERIC ROOZENDAAL:** Excuse me, I have not finished.

**Dr JOHN KAYE:** You can try to talk my time out, but you have not answered my question.

**The Hon. ERIC ROOZENDAAL:** Well, no, I am not talking your time out.

**Dr JOHN KAYE:** I want to ask a question of Mr Schur.

**The Hon. ERIC ROOZENDAAL:** Chair, I am trying to respond and I have not finished my answer. I think it is really rude that he would speak like that and just speak over the top of me. Thank you for being quiet again.

**Dr JOHN KAYE:** Thank you. My question to Mr Schur—

**The Hon. ERIC ROOZENDAAL:** I think it is a very important proposal—

**CHAIR:** The Treasurer will come to the point and give the answer to the question.

**Dr JOHN KAYE:** No, I think he has had enough time. I actually have a limited amount of time. I want to ask a question now of Mr Schur.

**CHAIR:** Yes.

**Dr JOHN KAYE:** Mr Schur, were you ever aware of another submission to the Henry review or any other documents prepared by your department or by any other department that could have been a submission to the Henry review?

**Mr SCHUR:** Dr Kaye, we participated in the preparation of the Council for the Australian Federation [CAF] report that went to the Henry review. We did not formally submit any other submission. We felt that the IPART submission was adequate. In terms of other documents, it was brought to my attention after the fact that in Kevin's area—Kevin is responsible for fiscal and economic policy—after a conference on the Henry tax review in Melbourne there were some discussions in Kevin's department about looking and exploring whether there were some other issues that we have not addressed, either through our contribution to the CAF report or were not dealt with in the IPART review. An internal document was prepared. When the document was reviewed and this was brought to my attention afterwards, it was decided that it did not in fact add anything new to the process. We decided—

**Dr JOHN KAYE:** Would you be prepared to table that document?

**Mr SCHUR:** My understanding is that the Crown Solicitor has advised that Committees do not have the power to order the production of documents.

**Dr JOHN KAYE:** No, I was not ordering it. I was asking would you be prepared to table that document, Mr Schur?

**Mr SCHUR:** I will have to take that on notice.

**Dr JOHN KAYE:** Mr Cosgriff, on what date was this document prepared, this other submission, the shadow submission that was never submitted?

**Mr SCHUR:** Dr Kaye, I did not say it was a submission. I clearly stated that it was an internal working document to look at whether it was—

**Dr JOHN KAYE:** Thank you for that correction, Mr Schur. On what date was this internal working document prepared?

**Mr COSGRIFF:** I am sorry, I do not have that information in front of me.

**Dr JOHN KAYE:** Are you prepared to give us that information?

**Mr COSGRIFF:** I will obtain information.

**Dr JOHN KAYE:** And you will provide that on notice?

**Mr COSGRIFF:** Yes.

**Dr JOHN KAYE:** How big was this internal working document? Was it 2 pages, 20 pages, 100 pages?

**Mr COSGRIFF:** It certainly would not have been 100 pages. It probably would have been more in the order of 20 pages.

**Dr JOHN KAYE:** Was it drafted as a submission?

**Mr COSGRIFF:** I cannot recall exactly the form in which it was drafted.

**Dr JOHN KAYE:** You cannot recall the form in which it was drafted? But you recall the document itself?

**Mr COSGRIFF:** I recall that some notes were prepared following the conference in Melbourne that had been hosted by Ken Henry that explored whether there were any other comments the State could make to the Henry tax review.

**Dr JOHN KAYE:** That conference occurred before or after you submitted the IPART submission?

**Mr COSGRIFF:** After—after the IPART submission.

**Dr JOHN KAYE:** It was after the closing date, or before the closing date?

**Mr COSGRIFF:** I imagine it was after the closing date. I will have to take on notice the exact time line.

**Dr JOHN KAYE:** Who suggested to you that there should be notes put together for such an activity?

**Mr COSGRIFF:** I am sorry, who suggested it?

**Dr JOHN KAYE:** Who suggested it to you? Was it your own initiative, or did it come from Mr Schur, Mr Roozendaal, or the Premier?

**Mr COSGRIFF:** No. It came from inside the directorate. I cannot remember whether it was an initiative of—

**Dr JOHN KAYE:** You cannot recall where that came from?

**Mr COSGRIFF:** No.

**Dr JOHN KAYE:** At what point was it decided that those notes would not become, if you like, a supplementary submission?

**Mr COSGRIFF:** When it was reviewed by the directors and they decided there was no further information that had not been either in the IPART report or in the Council of Australian Governments submission.

**Dr JOHN KAYE:** Can you give us a date on which that review happened?

**Mr COSGRIFF:** I do not have that information in front of me.

**Dr JOHN KAYE:** But you will give that to us?

**Mr COSGRIFF:** I will take that on notice.

**Dr JOHN KAYE:** Did that document or any other document ever go to the Premier?

**Mr COSGRIFF:** No. I do not believe so.

**Dr JOHN KAYE:** You do not believe so, or you know that no other document went to the Premier?

**Mr COSGRIFF:** I believe that is the case.

**Dr JOHN KAYE:** You believe that is the case.

**Mr COSGRIFF:** Yes.

**Dr JOHN KAYE:** And you are on oath

**Mr COSGRIFF:** Yes.

**Dr JOHN KAYE:** And you are telling us that no document went from Treasury—

**Mr COSGRIFF:** I am on oath and I am telling you as far as I believe no document went out of the Treasury.

**Dr JOHN KAYE:** Mr Schur, would you also state on oath that no document that purported in any way to be a draft, or notes for a draft for a submission other than the IPART submission, left your department and went to the Premier's Department, or any other department?

**Mr SCHUR:** I mentioned, Dr Kaye—

**The Hon. ERIC ROOZENDAAL:** I am sorry: Chair, I find this sort of switching of questions—he asked the Assistant Deputy Secretary in relation to the Premier's Department—

**Dr JOHN KAYE:** Sorry, Chair—

**The Hon. GREG PEARCE:** Minister, do not take up the time.

**Dr JOHN KAYE:** I have a right to ask.

**The Hon. ERIC ROOZENDAAL:** —and now he is changing the question and is threatening and trying to bully.

**The Hon. GREG PEARCE:** The Minister is debating the question.

**The Hon. ERIC ROOZENDAAL:** I am happy to answer all the questions here, so stop your little games of trying to bully people, right?

**Dr JOHN KAYE:** Just let me ask the questions, will you?

**The Hon. ERIC ROOZENDAAL:** I see you are a bully, yes.

**Dr JOHN KAYE:** I know what you are trying to cover up.

**The Hon. ERIC ROOZENDAAL:** I know what you are trying to do.

**Dr JOHN KAYE:** Mr Schur, my question was to you.

**The Hon. ERIC ROOZENDAAL:** You are using your paranoid conspiracy theory. That is what it is.

**Dr JOHN KAYE:** My question to you, Mr Schur, was: Will you state on oath that no document left Treasury and went to either the Premier's Department, the Premier's office, or any other office?

**Mr SCHUR:** I cannot answer that question, Dr Kaye, because I do not know. All I know is that there was an internal document worked on within Treasury, and we decided not to pursue it any further. That is all I know. It was brought to my attention after the fact.

**Dr JOHN KAYE:** Will you get back to us and tell us whether that document or any documents ever left—

**The Hon. ERIC ROOZENDAAL:** He has answered the question.

**Mr SCHUR:** I have answered that question. I said we will take that on notice.

**CHAIR:** Treasurer, I apologise for being delayed due to a heavy traffic jam.

**The Hon. ERIC ROOZENDAAL:** That is all right.

**CHAIR:** In the document you gave us, Standard and Poor's "RatingsDirect", there is a statement headed "Comparative Analysis" which states, "Similarly rated, Victoria is an excellent peer for New South Wales as each has not enjoyed cyclical high economic growth due to the commodities boom." It goes on to state, "While New South Wales operating performance is weaker than Victoria, it is still adequate." How would you compare New South Wales with Victoria? If Victoria's operating performance is better, what are they doing that we should be doing in New South Wales?

**The Hon. ERIC ROOZENDAAL:** Well, I think we need to be cautious in comparing the two economies. The latest unemployment figures that just came out probably are a good point of differentiation. We have seen that in Victoria unemployment has now risen to 6.3 per cent; in New South Wales, unemployment is stable at 6.1 per cent. So Victoria now is doing proportionately worse than New South Wales in terms of unemployment. In terms of retail numbers, New South Wales is leading the country in high retail sales above the national average. On different comparisons, there are different results.

I think it is worth noting that the reason that the New South Wales economy has felt the full impact of the global financial crisis can be explained in a number of ways. Firstly, mortgages in New South Wales are much higher than in other States—somewhere between \$80,000 and \$100,000 on average higher than in other States. What that means, quite clearly, is that in the event of movement in interest rates—and some 12 to 15 months ago we had much higher interest rates than we have now—the impact is felt a lot harder on New South Wales dwellers because they are carrying much higher mortgages. So increased interest rates had an adverse impact way back then on the economy.

Of course, New South Wales as the financial capital of Australia has felt the real flow-on in terms of impacts from the global financial crisis, particularly in the finance and insurance sectors that have really felt the impact of the global financial crisis, which is now the global recession. There are a couple of reasons why our economy in particular has slowed down and has been finding some difficulties during this international financial crisis.

**CHAIR:** Is there any factor that is affecting the comparison between the two States, such as the way the Federal Government is providing assistance to Victoria which is greater than that which is provided to New South Wales?

**The Hon. ERIC ROOZENDAAL:** No, I do not see that. I do not see any great difference. In fact what we have seen under the Rudd Labor Government is an increase in assistance to the States through COAG agreements and streamlining what was, from memory, 19 agreements down to a revised six through a revised COAG process at the end of last year and increased funding. For the first time we have seen increased funding in areas like Health through COAG agreements and the Rudd Labor Government. We actually have seen an increase in funding to States. The support that the feds give all the States, I think, is very welcome.

**CHAIR:** I was looking more not at the COAG break-up but at the extra funds that the Federal Government has been giving with the stimulus package and to encourage projects in Victoria, such as the road and rail projects in Victoria. Has the Federal Government been more generous to Victoria than to New South Wales?

**The Hon. ERIC ROOZENDAAL:** My advice is that we will receive around \$19.5 billion in nation building infrastructure from the Australian Government over the six years from 2008-09 to 2013-14. That represents about 31 per cent of the total nation building funding for individual States. That is roughly equal to our share of the national population, which is 32 per cent. That \$19.5 billion for New South Wales's government and non-government projects includes funding announced earlier this year, and that is in addition to funding announced in the Commonwealth Budget. That includes a number of programs that I could go into, but I will not, to save a bit of time. Basically I think we have been treated quite fairly.

**CHAIR:** There have been some questions already about the New South Wales Department of Health. What is your response to ongoing complaints from suppliers that the New South Wales Department of Health is very overdue in paying its accounts? I know it is a Department of Health primary responsibility, but you, as Treasurer, are over the whole financial operations of the State Government. Have you done any review as to why there are those consistent complaints, or have you made any recommendations to the Department of Health on how they can be more efficient in paying those funds to suppliers who are virtually acting as bankers by giving the Department of Health credit while carrying its debts?

**The Hon. ERIC ROOZENDAAL:** We have a process through the Expenditure Review Committee that meets with individual agencies on a regular basis as a subcommittee of Cabinet to look at the expenditure and performance of agencies. Certainly issues around the performance of area health services are canvassed through that Expenditure Review Committee process, as is appropriate. There has been a lot of discussion in relation to the Health portfolio to find better service delivery and better efficiencies, and there has been a lot of discussion in relation to how area health services can better manage their budgets.

**CHAIR:** Are you confident there will be a dramatic improvement in that payment process?

**The Hon. ERIC ROOZENDAAL:** I am confident that the Minister for Health understands the challenges there, and is working very hard to address them.

**CHAIR:** There has been a lot of criticism about the proposed new 7-kilometre metro line to Rozelle. I do not remember seeing any comment praising it, saying it is needed, or saying it is justified. As Treasurer, what was your advice on that as a priority in view of the other conflicting demands on the State budget?

**The Hon. ERIC ROOZENDAAL:** The New South Wales Government is investing more than \$580 million in 2009-10 in the Sydney Metro with an additional \$108 million allocated for the Western Metro. Really, when you talk about the Sydney Metro stage one, you are talking about the future.

**The Hon. GREG PEARCE:** You sure are.

**The Hon. ERIC ROOZENDAAL:** And it is about planning transport for the future. Our plan includes a highly integrated metro network with a high-speed, high-frequency, environmentally friendly rapid mass transit system. The Rees Government's commitment to a new metro network has been boosted by the Federal Government's allocation of \$91 million towards the Western Metro. It is worth noting that out of the top 50 urban cities in the world, based on gross domestic product [GDP], 45 have a metro network; Sydney is one of five that does not.

Clearly, developing a metro network for the future needs of this city is important, and the Sydney metro stage one plan is the first step in what will be a modern, efficient rapid transit system for New South Wales. That is why we are letting the planning on the Sydney Metro and commencing construction next year. It will improve public transport. It will make transport more convenient, more environmentally friendly and more environmentally sustainable. Of course, part of the metro strategy is also to service the new Barangaroo development, as well as to service a number of stations in the central business district [CBD]. It is worth emphasising that this is stage one of what will be an extensive metro network for Sydney when it finally comes to completion. Design work, planning and construction, and managing the operation of the new metro are being managed by Sydney Metro. If you have further questions, I suggest you ask the Minister for Transport for more information.

**CHAIR:** A moment ago you mentioned that you have no complaints about the Council of Australian Government's break-up of allocations to New South Wales. Mr Costa, when he was Treasurer, was very critical of the GST distribution. What is your response? Have you lobbied for a fairer distribution of the GST?

**The Hon. ERIC ROOZENDAAL:** That is a different issue to budget allocation from the Federal Government. The GST split is determined through a formula that has not necessarily been to the best benefit of New South Wales. You may have seen my recent comments in relation to the Commonwealth Grants Commission review of the methodology in relation to the GST break-up. The commission is looking at a new methodology that we believe will adversely impact on New South Wales and will actually benefit Queensland in particular. I do not think it is appropriate for families in New South Wales to be funding a Gold Coast lifestyle for Queenslanders, which is precisely why we have been raising the issue publicly with the Commonwealth Grants Commission on a better methodology for distribution of GST.

The Commonwealth Grants Commission has a draft report at the moment, and its final review is due on 26 February next year. We are due to put in another submission by the end of this month. There is a lot of work occurring at the moment within Treasury in developing that submission. We are also seeking some external advice and input into improving that submission. Primarily, the issue relates to how capital will be treated and the three-year averaging for the Commonwealth Grants Commission in calculating GST returns back to the States. What it will mean is that States with a growing population will receive a larger cut of the GST than States with a lesser growing population.

We do not agree that that methodology gives the best outcome; we do not accept that just because you have an increased population you suddenly need increased infrastructure, and it does not deal with some of the so-called State disabilities that each State experiences. New South Wales, with the largest city in the country of more than four million people, has particular challenges: urban congestion, the high cost of delivering infrastructure within Sydney and issues like that, which we think are important and should be taken into account. Another major area that we want to talk to the Commonwealth Grants Commission about is the indigenous population. We have the largest indigenous population in the nation in Sydney and we believe that that brings its own series of challenges that need to be taken into account.

So we are developing a submission at the moment that raises a number of these so-called State disabilities. We will be talking to the Commonwealth Grants Commission between now and the close of submissions on whether we think we can come up with a better methodology that will deliver a better result for the people of New South Wales. As it stands, the draft report for New South Wales means that we will lose about \$400 million in GST revenue in 2010-11, and that increases in the out years. So we think it is important that we argue a strong case for the State to defend New South Wales as much as we can.

**The Hon. KAYEE GRIFFIN:** Can you update the Committee on the steps the New South Wales Government has taken in the past 12 months to respond to the global financial crisis?

**The Hon. ERIC ROOZENDAAL:** When I addressed the Committee this time last year we were facing uncertain times, unprecedented in economic history—indeed, the toughest economic conditions in 75 years. Most of our trading partners were in, or were going into, recession. Australia, thankfully, avoided that fate, in large part due to the stimulus measures of Federal and State governments. It was the tough decisions that have put us in our strong position. This is all the more remarkable, given that Australia is a small open economy whose economic fortunes are linked to the health of our economic trading partners. We are intrinsically part of the international marketplace. The strength of our financial institutions and the underlying competitiveness of the Australian economy shielded us from the full brunt of the financial storm. I am not surprised that the



Coalition and Greens members have wandered out of the room. They show such contempt for the families of New South Wales. They only want to ask their own questions; they are not interested in hearing about the New South Wales economy.

**The Hon. MATTHEW MASON-COX:** You should just table the answer, instead of treating this Committee with contempt.

**The Hon. PENNY SHARPE:** We are entitled to ask questions.

**CHAIR:** The Treasurer is following the Committee procedure set up by the Legislative Council.

**The Hon. ERIC ROOZENDAAL:** But the New South Wales economy is not immune to national and international developments. Because the bulk of our economy is services based, we are exposed to the challenging international situation. New South Wales was hit first and hardest when the global financial crisis struck but, thanks to the swift and decisive action of the New South Wales Government in introducing economic stimulus measures and delivering a sound budget, we are starting to see the green shoots of recovery. Our triple-A credit rating has been reaffirmed and our economy continues to strengthen. Over the past year the New South Wales Government has taken some tough decisions which have allowed us to keep the New South Wales economy strong during the global recession.

The number one priority of the New South Wales Government has been, and still is, to support jobs in New South Wales. That is why, in the New South Wales budget, we announced a record \$62.9 billion infrastructure building program over the next four years, which will support about 160,000 jobs each year. The Rudd Labor Government's \$42 billion nation building and jobs plan comes on top of our massive program of works, further supporting jobs and investment for future long-term economic growth across Australia. The New South Wales share of this is about \$14 billion, and about \$6.4 billion of that includes funding for new social housing and schools.

When you invest in infrastructure you invest in jobs and in the future. Infrastructure spending creates significant short-term and long-term economic benefits to both the New South Wales and Australian economies. The benefits include immediate direct job creation in many sectors during the construction phase and indirect long-term job creation after construction and implementation of infrastructure. As well as being an immediate stimulus to the economy, infrastructure investment drives business productivity and competitiveness over the longer term. It is the engine room of future economic growth. In short, infrastructure investment generates sustainable and long-term economic growth and long-term job creation.

Recently, Barry O'Farrell and Malcolm Turnbull said that the Australian Government spent too much on stimulus measures. That is simply an absurd position—a position of reckless economic vandals, a position that would cause the economy to contract, smash business confidence and put people out of work.

Every major economy and global economic institution has supported the use of stimulus measures—G20, United States Reserve Bank, the International Monetary Fund [IMF], you name them, they have supported it—except Malcolm Turnbull and Barry O'Farrell who rides around on his long coat tails. Together they are like two peas in a pod, only interested in talking down the economy. Barry O'Farrell is only interested in talking down the New South Wales economy and putting his political interests above the welfare of New South Wales families and businesses. There is no doubt that the reckless policies of Barry O'Farrell threaten the green shoots of recovery of the New South Wales economy. I notice members of the gallery nodding in agreement with me. The Hon. Matthew Mason-Cox's head almost moved in agreement on that one too.

**The Hon. MATTHEW MASON-COX:** I think you are dreaming, Treasurer.

**The Hon. ERIC ROOZENDAAL:** Australia was the only advanced industrial nation not to fall into recession in the past 12 months.

**The Hon. MATTHEW MASON-COX:** What a legacy of the Howard Government. Let's be business like about the economy. Let's give credit where it is due.

**The Hon. ERIC ROOZENDAAL:** Yes, and now you plan to bring back WorkChoices.

**The Hon. MATTHEW MASON-COX:** No.

**The Hon. ERIC ROOZENDAAL:** Did you get an email from Grech on that one? Did you?

**The Hon. MATTHEW MASON-COX:** Let's be honest about these things.

**The Hon. ERIC ROOZENDAAL:** There are serious concerns in Europe of a second wave of economic contraction if stimulus programs are removed too early. In the United States there is serious concern about a jobless recovery where the economy recovers but employment fails to increase. This month the Australian Bureau of Statistics released data on national output. It shows an increase in Gross Domestic Product of 0.6 per cent in the June quarter. In New South Wales, State Final Demand increased by 0.5 per cent following a decrease of 0.3 per cent in the March quarter. In contrast, Queensland recorded a decline in State Final Demand in the June quarter, compared to the increase in New South Wales. Through the year, New South Wales State Final Demand grew by 0.8 per cent, which, for members of the committee, is above growth of 0.7 per cent in the Australian Domestic Final Demand.

The main contributors to growth in the quarter were State infrastructure spending, consumer spending and business investment. Housing stimulus measures announced in the budget have also contributed to the rise in confidence. Today I announce further reforms to First Home Owners Grants, important reforms for the men and women who defend our country. We will expand the eligibility criteria for First Home Owners Grants to ensure defence personnel do not miss out. We are leading the nation in making these changes. The men and women who serve in our Armed Forces are prepared to sacrifice their lives and deserve to be supported in every possible way. New South Wales will change the rules so that men and women protecting our country are not unfairly disadvantaged by the First Home Owners Grants criteria. Further, on the issue of the State's housing sector, I am pleased to report that we are seeing positive signs, those green shoots of recovery in residential building approvals in the wake of the global recession. I will table a chart of New South Wales residential building approvals from October 2008 to June 2009.

**The HON. GREG PEARCE:** It looks pretty sick to me.

**The Hon. ERIC ROOZENDAAL:** I will explain it to the Hon. Greg Pearce. They were going down, and now they are going up. Whenever I show a good bit of news they get all snide and negative because it sticks in their craw.

**The Hon. GREG PEARCE:** What is the scale?

**The Hon. ERIC ROOZENDAAL:** I will table it, don't worry.

**Dr JOHN KAYE:** What is the scale? It is meaningless without the scale. Tell us what the scales are?

**The Hon. ERIC ROOZENDAAL:** I will table it if I am allowed to finish. As the graph shows growth in New South Wales residential building approvals has improved since the March quarter this year compared to the same time last year. At a time of low interest rates and generous First Home Owners Grants, as well as the 50 per cent cut to stamp duty for new dwellings under \$600,000, this is more good news for the New South Wales economy. The private residential housing sector is worth approximately \$16 billion to the New South Wales economy every year, and accounts for approximately 4 per cent of the State economy. As I have done previously, I urge the Reserve Bank to act with caution when it meets next month. Any change to interest rates will have serious impact on New South Wales families. I ask the Reserve Bank to move carefully and in a considered way when reviewing interest rates.

We are just beginning to see the green shoots of recovery in the New South Wales economy and we do not want to see them stifled or cut by hasty action. For the information of the committee, the average home loan in New South Wales is just under \$400,000. Even a 0.25 per cent, a quarter of a per cent, increase in interest rates will mean that New South Wales families are paying approximately \$72 a month more in repayments to an average home loan. Yes, we are coming out of one of the most savage global economic events since the Great Depression, but there is no place for complacency. The international situation certainly confirms that. In the second quarter of 2009 the major economies of Japan, Germany and France reported strong positive growth above expectation. However, on the other side of the ledger in the United States of America and the United Kingdom there were still reports of negative growth, albeit smaller than might have been expected. The IMF has indicated that although world output will increase by 2.5 per cent as a whole in 2010, the 2009 output will still be negative, a decline by 1.4 per cent.

The New South Wales Labor Government is right in the middle of delivering its infrastructure stimulus program as far as it possibly can, of course, against the absurd call by the Opposition that it should adopt a complacent position of cutting stimulus. We are doing this because it is precisely the right fiscal policy required to support jobs and lead New South Wales into recovery. Our recent economic indicators have shown signs of recovery, including the monthly business survey of the NAB showing Australian business confidence jumped in August to a near six-year high. The Chief Economist of the NAB, Alan Oster, is quoted as saying that confidence levels are now considerably above long-term average levels and, indeed, the highest level since October 2003. The survey shows a rise in business confidence in retail, finance, manufacturing and personnel service areas.

In addition, there is positive news in the labour market. Last week the Acting Chief Economist of the ANZ Bank, Warren Hogan, said that the number of jobs advertised nationally had grown by 4.1 per cent in August but in New South Wales the number of jobs advertised in newspapers rose by 24.1 per cent, the highest in the nation. We are also seeing business optimism increasing, reflected in the Dunn and Bradstreet's "Business Expectation Survey" for September. Its report indicated that capital investment expectations are at their highest level in two years. Sales and profit expectation have risen significantly and 16 per cent of businesses are expecting to increase staff. Dunn and Bradstreet's belief is that a lot of the business confidence is built on the back of various stimulus measures.

On top of that, we have indications such as United States retail giant Costco planning to expand New South Wales with its first warehouse in Auburn which will support around 200 jobs and the recent announcement of JB Hi-Fi that it will open 17 new stores during three years in New South Wales, creating approximately 765 new jobs. Bunnings has recently announced it will be creating approximately 700 more jobs in New South Wales through almost \$150 million worth of investment opening six new Bunnings stores, and the good news continues. I note the retail giant Myer is planning an expansion in New South Wales of three new stores between now and 2013. That is supporting jobs and more good news for the New South Wales economy. The retailer currently employs approximately 3,900 people in New South Wales. Last year, Myer completed store refurbishments at Castle Hill, the Sydney central business district and Bankstown. Myer is doing further refurbishment of its Blacktown store. The construction of its top Ryde store is progressing well and on track for July 2010.

This is all good news for consumer confidence, and despite the State Opposition constantly talking down the New South Wales economy I am encouraged by some of the latest data, which reveals an improved confidence that consumers have in the economy. I have another graph headed "Consumer Sentiment for Australia". It is percentage on the same quarter a year ago. Again, as this graph shows, the latest Westpac—Melbourne Institute Consumer Survey of Sentiment Index is good news. The index surged by 34.4 per cent over the past four months.

**The Hon. MATTHEW MASON-COX:** From a very low base by looking at that. Let's be honest.

**The Hon. ERIC ROOZENDAAL:** Just take your foot out of your mouth and let me finish. It is the largest four-month increase in the 35-year history of the index.

**The Hon. MATTHEW MASON-COX:** It is a low base.

**The Hon. ERIC ROOZENDAAL:** Look at the dip. This is the strongest data in more than a generation. I echo the sentiments of Westpac's chief economist Bill Evans that it is truly an extraordinary result. As Mr Evans said, consumers appear to be relieved that the economy has avoided recession.

During the past year I have met with both Standard and Poor's and Moody's ratings agency on a number of occasions. In June this year we had our triple-A rating restored by the agency and just two weeks ago Standard and Poor's reaffirmed our triple-A credit rating, which is good news for New South Wales, good news for the New South Wales economy and a big tick for economic management in this State. I have already gone through the details of what Standard and Poor's have said and I can confirm to the Committee that the Government remains committed to maintaining our triple-A credit rating and that the budget continues our record of prudent financial management. With a global recession bearing down on New South Wales, we have not discarded fiscal prudence. The budget has maintained front-line services and delivered significant increases for health services, Department of Community Services, roads and transport. That is on top of our \$62.9 billion

investment in infrastructure over four years. This underlines the strong action the Government has taken to support the New South Wales economy and the people of New South Wales.

I have mentioned that our unemployment rate for August 2009 remained unchanged at 6.1 per cent and that in fact Victoria now exceeds our unemployment rate at 6.3 per cent. The forecast from the Commonwealth Government previously had been for national unemployment to rise to perhaps 8.5 per cent by the 2010-11 financial years. These figures, while stable, are a reminder that New South Wales has been hit by the global recession. There is a lot more work to do and supporting and protecting jobs remains the Government's number one priority. The New South Wales budget delivered in June was framed on that basis.

Just as important to our job supporting infrastructure investment are our housing stimulus measures, announced in the budget, which directly contribute to rising confidence. Our housing stimulus measures include the \$7,000 home owners grant for first home buyers, an extra \$3,000 to first home buyers who build a new home or buy a newly constructed home, and we extended that plan to 30 June 2010. The measures include stamp duty exemptions for first home buyers under \$500,000 and concessions up to \$600,000, as well as the housing construction acceleration plan, which provides a 50 per cent discount for transfer duty on newly constructed dwellings up to \$600,000, which I am advised by the Housing Industry Association [HIA] is the most generous support in the nation for investors on newly constructed dwellings up to \$600,000.

The Government's payroll tax reductions are worth about \$2.7 billion over five years to 2012-13, and that is another boost to business and another way in which the Government is supporting jobs. We want to ensure that those who have jobs keep them and those who do not have jobs get them. The national partnership for the Productivity Places Program will fund an additional 175,000 training places over four years for job seekers, school leavers and unskilled workers. This will help to build up the skilled workforce in New South Wales. New South Wales is performing well against the other States thanks to our commitment to vocational education and training and our record \$14.7 billion investment in education and training over the 2009-10 financial year. The Government understands the need to act urgently to provide training and job opportunities to help the most vulnerable weather the global economic downturn. Billions of dollars are being spent on investment in job creation in this State and we now begin to track a path to recovery. The New South Wales Government is committed to stimulating investment and protecting jobs. [*Charts tabled.*]

**The Hon. IAN WEST:** Could the Treasurer further detail the reforms to the first home buyers program in relation to our defence service personnel?

**The Hon. ERIC ROOZENDAAL:** The First Home Owners Grant has allowed hundreds of thousands of families to fulfil the great Australian dream. Since the introduction of First Home Owners Grants in July 2000 more than 422,000 first home buyers in New South Wales have received grants and stamp duty exemptions. That has been worth around \$6.2 billion—a massive injection into the New South Wales economy and housing sector. Today I can detail further reforms to the grants and important reform affecting the brave men and women who serve our country as defence personnel. In coming weeks we will be expanding eligibility criteria for First Home Owners Grants to ensure that defence personnel do not miss out or become disadvantaged. We are leading the nation in these changes. The men and women who serve in our armed forces are prepared to sacrifice their lives in active duty and they deserve to be supported in every possible way.

A key regulation to the First Home Owners Grant is that first home buyers must live in the dwelling for six months. Obviously this regulation can be a problem for defence personnel when they are called away at short notice for duty to serve our country overseas. New South Wales will change the rules so that men and women protecting our country are not unfairly disadvantaged. Revising these residency provisions will give our servicemen and women one less thing to worry about while they are serving Australia's interests. The Australian Defence Force has around 3,000 members deployed to 12 different overseas operations from Iraq and Afghanistan to East Timor.

As I have said many times, the New South Wales Government is committed to helping as many people as possible to buy their first home. We are about getting more young families into their first home than ever before and helping them to get on with establishing their lives. The State and Commonwealth governments boost to First Home Owners Grants are a major economic stimulus and combined with lower interest rates, some of the most generous stamp duty concessions in Australia. At the moment first home buyers in New South Wales can receive up to \$41,990 in grants and stamp duty cuts. They are the most generous in Australia. I urge all eligible first home buyers to check the website for further information: [www.homebuyer.nsw.gov.au](http://www.homebuyer.nsw.gov.au)

**The Hon. GREG PEARCE:** Mr Schur, last year your predecessor John Pierce told this Committee that the Government's new power sale model was second best. Do you believe that the current sale process is the best solution to New South Wales electricity sector issues?

**Mr SCHUR:** Yes, I do.

**The Hon. GREG PEARCE:** You do believe it is the best solution?

**Mr SCHUR:** Yes.

**The Hon. GREG PEARCE:** Mr Cosgriff?

**Mr COSGRIFF:** Yes.

**The Hon. GREG PEARCE:** You do too?

**Mr COSGRIFF:** Yes.

**The Hon. GREG PEARCE:** So you are confident that the complicated model that we have at the moment is the best solution for the New South Wales electricity sector? That is what you would have done if you had started the process?

**The Hon. IAN WEST:** It is not his position to say that.

**The Hon. ERIC ROOZENDAAL:** It is a hypothetical question.

**The Hon. GREG PEARCE:** Treasurer, thank you for giving us the Standard and Poor's document, which on page 5 states:

The Australian Labor Party appointed a new premier and treasurer in September 2008 after the previous premier and treasurer were unable to secure their political party's support for the sale of the state's electricity assets.

Why is Mr Tripodi conducting the sale process, Treasurer? Is it that you do not have the courage or the conviction to undertake the task that your predecessor failed in?

**The Hon. ERIC ROOZENDAAL:** I think it is important when reflecting on what happened with power to first look at the Olympic-style flip-flop of your leader, because you cannot have a conversation—

**The Hon. GREG PEARCE:** Let's have an answer to the question.

**The Hon. ERIC ROOZENDAAL:** You have raised the issue, you have bowled the ball and I am now going to hit it out of the ground, so you sit there and cop it.

**The Hon. GREG PEARCE:** Is it that you do not have the courage or the conviction to do it?

**The Hon. ERIC ROOZENDAAL:** What we had here was, of course, Barry O'Farrell—

**The Hon. GREG PEARCE:** You have punted it to Mr Tripodi.

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

**The Hon. GREG PEARCE:** You have punted it to Mr Tripodi because you were not game to do it.

**The Hon. ERIC ROOZENDAAL:** We had here Barry O'Farrell who, in support of power privatisation—and I believe Mr Baird is on the public record. I see him sitting behind Louise smiling—no, he is trying not to smile—no, he is smiling, because he is on the record supporting the sale of assets.

**The Hon. GREG PEARCE:** You have punted it to Mr Tripodi because you do not have any guts.

**The Hon. ERIC ROOZENDAAL:** What we saw was one of those spectacular backflips of Barry O'Farrell. Just put that in your mind. What a backflip that is, for him to do a full 360. He did a full 360 and

reversed his position. But let me say this: Out there in the business community they are disgusted by the way the Coalition has conducted itself and when I go to boardroom lunches and to various infrastructure summits—

**Dr JOHN KAYE:** Which you do a lot.

**The Hon. ERIC ROOZENDAAL:** I absolutely do. I spend a lot of time talking and encouraging investors in this State. We know you hate big business, John. When I talk to the business community, they are horrified at the record of Barry O'Farrell and his opposition to power, his recent backflip on lotteries and his consistent political point-scoring at the expense and benefit of this State. That is a fact. Out there in the business community your show is a laughing stock. Your show is a laughing stock!

**The Hon. GREG PEARCE:** Why don't you have the guts to conduct the process? Why have you punted it to Mr Tripodi? Because you don't have the courage or conviction about this sale process!

**The Hon. ERIC ROOZENDAAL:** I fully support the process being undertaken by the Minister for Finance and I think it is appropriate that divisions of responsibilities are spread over Government.

**The Hon. GREG PEARCE:** As long as you do not have responsibility for electricity privatisation.

**CHAIR:** Could you ask a question?

**The Hon. ERIC ROOZENDAAL:** Any more questions or are you just going to be snide? You do not do snide very well, Greg.

**The Hon. GREG PEARCE:** You have not answered the question yet.

**The Hon. ERIC ROOZENDAAL:** I have. I refer to my previous answers.

**The Hon. GREG PEARCE:** Oh, he refers to a previous answer. Treasurer, are you aware that over the last year EnergyAustralia has virtually cut its retail business in half? What impact will that have on the sale proceeds?

**The Hon. ERIC ROOZENDAAL:** I am not aware of that information, so I will take it on notice.

**The Hon. GREG PEARCE:** Mr Cosgriff, are you aware of that?

**Mr COSGRIFF:** I am not aware of that information.

**The Hon. GREG PEARCE:** So, you have not been monitoring the retailers and how their businesses are proceeding?

**Mr COSGRIFF:** Yes we do monitor the retailers and I am not aware of that information. I will take it on notice to find out exactly what the size of the EnergyAustralia retail book is currently compared to what it has been over—did you say 12 months?

**The Hon. GREG PEARCE:** Yes, over the last 12 months it has virtually reduced by half. What sort of impact would that have on value?

**Mr COSGRIFF:** I will take that on notice.

**The Hon. GREG PEARCE:** I am astonished when we ask you these questions you do not seem to—you are responsible for this process, are you not?

**The Hon. ERIC ROOZENDAAL:** He said he would take it on notice. Stop trying to bully him. You are not back in the Local Court now.

**The Hon. GREG PEARCE:** You are responsible for this process, aren't you, Mr Cosgriff?

**The Hon. ERIC ROOZENDAAL:** He has answered the question.

**The Hon. GREG PEARCE:** I am asking another question. Are you responsible for the electricity privatisation process?

**Mr COSGRIFF:** I carry the responsibility in Treasury.

**The Hon. GREG PEARCE:** Are you playing any role in putting together the data in the data room? Are you monitoring that?

**Mr COSGRIFF:** Yes, the data is being compiled.

**The Hon. GREG PEARCE:** It is being compiled. Would it include information such as the retail book for EnergyAustralia?

**Mr COSGRIFF:** Yes.

**The Hon. GREG PEARCE:** And no-one has mentioned to you that the retail book has collapsed by half?

**Mr COSGRIFF:** No, which is why I have taken the question on notice.

*[Short adjournment]*

**The Hon. GREG PEARCE:** Mr Newbury, what is your estimate of the number of applicants who will benefit by today's announcement of the expansion of the first home buyers scheme?

**Mr NEWBURY:** We do not have an estimate of the number. It will depend on the number that see the change and decide that they want to take up the opportunity to buy a first home.

**The Hon. GREG PEARCE:** So you do not have an estimate at all?

**Mr NEWBURY:** No.

**The Hon. GREG PEARCE:** You do not have any sort of idea?

**Mr NEWBURY:** No.

**The Hon. GREG PEARCE:** No idea?

**Mr NEWBURY:** No.

**The Hon. GREG PEARCE:** You do not have a total amount of funds that will be required?

**Mr NEWBURY:** No.

**The Hon. GREG PEARCE:** Did you do any research on the issue before it was announced?

**Mr NEWBURY:** Not in terms of the number because you are trying to anticipate the number of Defence Force personnel who will take up the opportunity to buy a first home.

**The Hon. GREG PEARCE:** What research did you do then?

**Mr NEWBURY:** The Office of State Revenue did not do any research on that particular issue.

**The Hon. GREG PEARCE:** You did not do anything on it?

**Mr NEWBURY:** No.

**The Hon. ERIC ROOZENDAAL:** Can I just add to that?

**The Hon. GREG PEARCE:** I do not think you need to, Treasurer.

**The Hon. ERIC ROOZENDAAL:** I think I will. I have just received some advice. You asked the question. Either you are here to ask serious questions or you are here to grandstand.

**The Hon. GREG PEARCE:** I did not ask you the question.

**The Hon. ERIC ROOZENDAAL:** You are doing neither particularly well. You asked a question and I will give you an answer. My advice is that—

**The Hon. GREG PEARCE:** Who is the advice from?

**The Hon. ERIC ROOZENDAAL:** From Treasury. My advice is that the costing is around \$3 million.

**The Hon. GREG PEARCE:** How many applicants?

**The Hon. ERIC ROOZENDAAL:** I will take that on notice because the way it works—

**The Hon. GREG PEARCE:** Oh, I see. You do not know either.

**The Hon. ERIC ROOZENDAAL:** Let me explain.

**The Hon. GREG PEARCE:** You do not have a clue.

**The Hon. ERIC ROOZENDAAL:** I am stunned. This is a critical area, so I am going to explain it, since you asked. The way it works with Defence personnel is that they seek the First Home Owners Grant. The grant requires that the person must live in the residence for a minimum of six months. The problem we have is that Defence personnel can be ordered overseas on very short notice. If someone buys a new house and after two months is ordered overseas, they are in theory in breach of the First Home Owners Grant criteria.

**The Hon. GREG PEARCE:** How many complaints have you had?

**The Hon. ERIC ROOZENDAAL:** We have had some complaints about it. The way it was raised with my office—

**The Hon. GREG PEARCE:** How many?

**The Hon. ERIC ROOZENDAAL:** I am not going to get into the details. I want to talk about the principle, which is critical.

**The Hon. GREG PEARCE:** Did you have any complaints?

**The Hon. ERIC ROOZENDAAL:** Either you want to support defence personnel or you do not. We had complaints from defence personnel. There was one in particular that came into my office—

**The Hon. GREG PEARCE:** Oh, one. So there is one applicant?

**The Hon. ERIC ROOZENDAAL:** Here we have it! I want the gallery to pay attention.

**The Hon. GREG PEARCE:** One applicant!

**The Hon. ERIC ROOZENDAAL:** This is a bloke that does not want us to support defence personnel. Why do you not go over to Afghanistan or to Iraq, Greg, because clearly you have no support for them here? How outrageous that we do the right thing by defence personnel and you want to belittle it! This is typical of you and your pathetic leader, who just want to talk down this economy and talk down this State. When we do the right thing by people who are putting their lives on the line in Afghanistan and Iraq—

**The Hon. GREG PEARCE:** Did we rain on your parade?

**The Hon. ERIC ROOZENDAAL:** —or are helping to rebuild the nation in East Timor—



**The Hon. GREG PEARCE:** Did we rain on your green shoots?

**The Hon. ERIC ROOZENDAAL:** —you want to talk it down. What sort of person are you that you do not want to do the right thing to support defence personnel in this State? That is disgusting!

**The Hon. GREG PEARCE:** Have you finished your rant?

**The Hon. ERIC ROOZENDAAL:** I am shocked by that outburst—shocked that you do not want to support defence personnel.

**The Hon. GREG PEARCE:** How shocked are you?

**Dr JOHN KAYE:** Are you shocked—

**The Hon. ERIC ROOZENDAAL:** John, you should not jump into it.

**Dr JOHN KAYE:** That is an outrageous accusation to make. As the son of a man who served in the Navy, I find that accusation really offensive and outrageous, and I ask you to withdraw it.

**The Hon. ERIC ROOZENDAAL:** Okay.

**The Hon. GREG PEARCE:** Withdraw it.

**The Hon. ERIC ROOZENDAAL:** Okay.

**The Hon. GREG PEARCE:** Mr Cosgriff, we were just talking about the due diligence process of the data room. Have you become aware of the Smithfield generation contract with EnergyAustralia?

**Mr COSGRIFF:** I am aware there is a Smithfield energy contract, yes.

**The Hon. GREG PEARCE:** What are the implications of that contract in relation to the revenues of EnergyAustralia?

**Mr COSGRIFF:** I do not have that information in front of me. I can take that question on notice.

**The Hon. GREG PEARCE:** You will take it on notice, will you?

**Mr COSGRIFF:** Yes.

**The Hon. GREG PEARCE:** Thank you.

**The Hon. MATTHEW MASON-COX:** Mr Cosgriff, could we go back to why EnergyAustralia is running down its forward book? Can you give us an understanding of what reasons there may be behind such an action by EnergyAustralia?

**Mr COSGRIFF:** As I said previously, I have not got that information in front of me, so I cannot deal with that at a hypothetical level. I will take that question on notice.

**The Hon. MATTHEW MASON-COX:** Could you perhaps speculate as to why—

**The Hon. ERIC ROOZENDAAL:** No. He said he would take it on notice. We do not want to speculate.

**The Hon. MATTHEW MASON-COX:** I just think it would be interesting to have an answer to the question.

**The Hon. ERIC ROOZENDAAL:** I am sorry it does not satisfy you, but he has answered the question. He will take it on notice and furnish you with an appropriate response.

**The Hon. GREG PEARCE:** Treasurer, I am still curious to know what your role is in relation to electricity privatisation and, in particular, to what extent you are participating in, for example, the analysis and assessment of the sales options, value and pricing. Could you outline for us what your role is?

**The Hon. ERIC ROOZENDAAL:** I participate through the process as a member of the budget committee, reviewing all aspects of the sale as brought to the budget committee.

**The Hon. GREG PEARCE:** So you are not actually involved in assessing the process as it proceeds?

**The Hon. ERIC ROOZENDAAL:** The budget committee has overall responsibility for dealing with all the processes of the power sale, as an appropriate budget committee of Cabinet.

**The Hon. GREG PEARCE:** When did the budget committee of Cabinet last consider the electricity sales process?

**The Hon. ERIC ROOZENDAAL:** Quite recently, I understand from memory.

**The Hon. GREG PEARCE:** Quite recently. And did you express any concern about the failure to have a strategy or a timetable or pricing options?

**The Hon. ERIC ROOZENDAAL:** No. On the contrary, the process and information brought forward to announce five generation trader contracts and the sale of retailers with a simultaneous IPO in the event we do not get a new entrant was, I thought, a good strategy.

**The Hon. GREG PEARCE:** A good strategy?

**The Hon. ERIC ROOZENDAAL:** Yes.

**The Hon. GREG PEARCE:** Is it simply that you are not experienced in this sort of process and that is the reason you are not participating fully? Is that the reason?

**The Hon. ERIC ROOZENDAAL:** I participate through the budget committee process as a member of the budget committee.

**The Hon. GREG PEARCE:** So you would want to stay as far away from it as you can.

**The Hon. ERIC ROOZENDAAL:** On the contrary. As Treasurer I have responsibility for the New South Wales State budget and for ensuring that the budget—which incidentally got that triple-A credit rating from Standard and Poor's reaffirmed only last week—

**The Hon. GREG PEARCE:** Treasurer, can we just stick to electricity?

**The Hon. ERIC ROOZENDAAL:** —has increased funding in all the front-line areas of the State. I am the Treasurer. I have the responsibility for ensuring the budget is in place and that we are a fiscally disciplined and responsible State. As with all good government, various responsibilities are divvied up between the Ministers, and through the budget committee we monitor the processes in relation to budget implications, and that is the appropriate way to address these issues.

**The Hon. MATTHEW MASON-COX:** Treasurer, I put it to you that the rundown of the EnergyAustralia book really reflects on the lack of confidence in the process from EnergyAustralia and indeed perhaps is a step towards sabotaging the sale itself. I put that to you, and I wish to have a response from you in that regard.

**The Hon. ERIC ROOZENDAAL:** I am not aware of the information that you claim. As the Deputy Secretary has said, I will have it taken on notice. But I reject the assertion.

**Dr JOHN KAYE:** Which assertion do you reject?

**The Hon. ERIC ROOZENDAAL:** His previous question.

**Dr JOHN KAYE:** You reject the underlying—

**The Hon. ERIC ROOZENDAAL:** I do not believe it is your turn, Dr Kaye. Why do you not wait your turn?

**CHAIR:** The assertion was that they were sabotaging the sale.

**The Hon. MATTHEW MASON-COX:** Could you outline how much the Government spends each year on temporary staff?

**The Hon. ERIC ROOZENDAAL:** I am advised that that is an issue for the Department of Premier and Cabinet.

**The Hon. MATTHEW MASON-COX:** As Treasurer, surely you would be aware of the cost of items attributable to temporary staff across the public sector?

**The Hon. ERIC ROOZENDAAL:** Every agency looks after its own and it is all confirmed through the Department of Premier and Cabinet.

**The Hon. MATTHEW MASON-COX:** I put it to you Treasurer that the New South Wales Government spends of the order of \$400 million on temporary staff. Indeed, who in Treasury would be the best person to ask this question? Mr Schur, are you able to respond?

**Mr SCHUR:** I cannot confirm that figure.

**The Hon. MATTHEW MASON-COX:** Mr Schur, are you aware of the temporary staff contingent workforce contract No. 100 through the Department of Services, Technology and Administration (DSTA), which consolidates the hiring of temporary staff with an estimated value of \$400 million?

**Mr SCHUR:** Only in a general sense.

**The Hon. MATTHEW MASON-COX:** So you would not be able to comment specifically on the success of that approach?

**Mr SCHUR:** No. I suggest that you take that up with the Department of Services, Technology and Administration.

**The Hon. MATTHEW MASON-COX:** It strikes me as incredulous that you would not be aware of such a major contract and the detail of it.

**The Hon. ERIC ROOZENDAAL:** Mr Schur has given you an answer and suggested the appropriate place to take it. So move on.

**The Hon. MATTHEW MASON-COX:** Is it the practice of agencies also to use external recruiting agencies?

**The Hon. ERIC ROOZENDAAL:** I suggest you refer that matter to the Department of Services, Technology and Administration.

**The Hon. MATTHEW MASON-COX:** Mr Schur, were savings implementation plans an issue brought forward and identified by agencies as part of the mini-budget process?

**Mr SCHUR:** So I am clear and I understand your question, are you referring to the specific savings that were brought forward as part of the mini-budget?

**The Hon. MATTHEW MASON-COX:** Yes. Was temporary staff one of those specific savings brought forward as part of that mini-budget process?

**Mr SCHUR:** I cannot recall.

**The Hon. MATTHEW MASON-COX:** Is there any reason why temporary staff is not a line item in the budget?

**Mr SCHUR:** No.

**The Hon. MATTHEW MASON-COX:** Is it just not seen as something worth commenting on or providing detail about?

**Mr SCHUR:** Mr Mason-Cox, the budget would be literally thousands and thousands of pages long if you dealt with every single line item. The budget focuses on aggregates. We have numbers relating to employee costs in general. I think you would have to get specific information relating to specific agencies from the agencies themselves.

**The Hon. MATTHEW MASON-COX:** The reason I ask is that it is an aggregation that, as you say, is determined by the Department of Services, Technology and Administration, but it is an aggregation for all departments about which, no doubt Treasury is fully aware under contract No. 100. Given the aggregation across departments, why is it not also aggregated in the budget as a line item?

**Mr RONSISVALLE:** As Mr Schur said, I think we collect the number of line items in respect to employee-related costs, but I do not recall whether temporary staff is one of those. The numbers that are in the budget papers are for individual agencies. We do not aggregate this contract to which you refer in any place in the budget papers.

**The Hon. MATTHEW MASON-COX:** Are you aware of any other Australian jurisdictions that provide that number as an aggregation budget line?

**Mr RONSISVALLE:** Not that I am aware of.

**The Hon. MATTHEW MASON-COX:** Not that you are aware of. Have you looked at best practice in that regard in other jurisdictions?

**Mr RONSISVALLE:** We review the budget papers each year to see what improvements we can put in place, and part of that involves looking at what other jurisdictions are doing.

**The Hon. MATTHEW MASON-COX:** What have you found from that course of investigation?

**Mr RONSISVALLE:** We believe that the New South Wales budget papers are among the best budget papers and jurisdiction.

**The Hon. MATTHEW MASON-COX:** That is an extraordinary comment, Mr Ronsisvalle. I have in front of me the budget papers for Ethiopia, which I thought were an interesting comparison in that the Ethiopians think it is a very good idea to show the actual amount of money spent by the government on temporary staff, but I understand other Australian jurisdictions do so as well. Why do we not provide that sort of detail, given that it is available to the Government?

**Mr RONSISVALLE:** I think, as Mr Schur pointed out, the chart of accounts we use for the budget papers has thousands of different line items. A decision must be made as to which line items are published.

**The Hon. ERIC ROOZENDAAL:** If the member thinks we should take the standards of Ethiopia and apply them to the New South Wales economy, which is roughly one-third of the national economy, I am stunned.

**The Hon. MATTHEW MASON-COX:** It was interesting that the government of Ethiopia provides—

**The Hon. ERIC ROOZENDAAL:** Maybe Zimbabwe as well, or Zambia or North Korea. I do not know. What nonsense!

**The Hon. MATTHEW MASON-COX:** The government of Ethiopia provides more detail than you and every State in Australia provide. Treasurer, the point is—

**The Hon. ERIC ROOZENDAAL:** What nonsense!

**The Hon. MATTHEW MASON-COX:** Why can we not get some transparency and accountability from this Government?

**The Hon. ERIC ROOZENDAAL:** What an absolute nonsense. You want to apply the Ethiopian standards to Australia. It is just a joke.

**The Hon. MATTHEW MASON-COX:** It is clear on the face of it that we have an aggregated contract that provides no details and no transparency.

**The Hon. ERIC ROOZENDAAL:** This is tragic. I cannot believe, Matthew, that you wrote this one. Come on!

**The Hon. MATTHEW MASON-COX:** The tragic state of affairs, Eric, is this Government's lack of transparency.

**The Hon. ERIC ROOZENDAAL:** No, what is tragic is that you have an opportunity to talk about the budget and you want to compare New South Wales to Ethiopia. Well, there you have it. This is the plan of Opposition members. They talk down the State economy and now they want to compare New South Wales, which has one-third of the national economy, with Ethiopia. We have a State economy of around \$360 billion and these geniuses want to compare us to Ethiopia. That says it all. Well done! Own goal. Keep it up.

**Dr JOHN KAYE:** Treasurer, I take you back to the mini-budget and to the commitment of accelerated sale of surplus land and vacant school sites in the amount of \$239 million. In your mini-budget speech you identified Hurlstone Agricultural High School in Glenfield in south-western Sydney and, surprisingly enough, Seaforth TAFE in Seaforth. Does that \$239 million commitment of accelerated land sales in public education land still exist?

**The Hon. ERIC ROOZENDAAL:** My advice is that the figures in the mini-budget have not changed. The mini-budget provides that \$239 million will be raised over the coming years by selling lands held by the education department that are not needed for educational purposes. These lands include a range of vacant sites purchased for residential growth that has not occurred, former sites no longer in use and excess land not required for educational purposes. The education department has advised the Government that some land at Hurlstone should be included as part of the program and the proceeds used to modernise that and other south-west Sydney schools. The Government has always said that the amount of land to be sold at Hurlstone Agricultural High School will be determined after community consultation and will not exceed 140 hectares. I am advised that no decision has been made on how much of the site should be sold and no decision will be made until an inquiry into the sale, announced by the Minister for Education and Training, has done all of its work.

**Dr JOHN KAYE:** Treasurer, on 15 July 2009 the education Minister, Verity Firth, issued a media release that stated:

Ms Firth said there was no plan by the NSW Government to sell off large quantities of school land.

Ms Firth said, "There is no pressure from Treasury to sell large quantities of school land."

Treasurer, is \$239 million worth of school lands a large quantity?

**The Hon. ERIC ROOZENDAAL:** I refer to my previous answer.

**Dr JOHN KAYE:** Treasurer, is there pressure from Treasury to sell large quantities of school land?

**The Hon. ERIC ROOZENDAAL:** It is important when looking at public assets to recognise that over time population spreads change, demographics change and demands change for public assets, whether it be schools or other assets. From time to time it is appropriate for us to reallocate public assets to new growth areas. In areas where they are not required we may dispose of them and use that value to buy other public assets in other areas.

**Dr JOHN KAYE:** Hang on, Treasurer; I am confused.

**The Hon. ERIC ROOZENDAAL:** We have noticed.

**Dr JOHN KAYE:** On the one hand the mini-budget statement on 11 November 2008 states that you will sell off \$239 million worth of public school land. Nine months later—in July 2009—the education Minister said, "There is no pressure from Treasury to sell off large quantities of school land. There was no plan by the New South Wales Government to sell off large quantities of school land." One of you is right and one of you is wrong.

**The Hon. ERIC ROOZENDAAL:** Well, no.

**Dr JOHN KAYE:** Could you clarify whether you are senior to the education Minister or whether the education Minister gets to rewrite the mini-budget?

**The Hon. ERIC ROOZENDAAL:** I would like to think that everybody in Cabinet is equal because I am that sort of person, John.

**The Hon. MATTHEW MASON-COX:** Are you not the first among equals, Eric?

**The Hon. ERIC ROOZENDAAL:** No. That is the Liberal Party. The Liberal Party thinks like that—that elitist style. That is the Liberal Party.

**Dr JOHN KAYE:** What you are telling us, Treasurer, is that there is not the \$239 million; your previous statement was wrong. There is not a mini-budget commitment for \$239 million.

**The Hon. ERIC ROOZENDAAL:** If we were in a courtroom this would be what is known as a leading question.

**Dr JOHN KAYE:** We are not in a courtroom.

**The Hon. ERIC ROOZENDAAL:** No.

**Dr JOHN KAYE:** We are in a budget estimates session.

**The Hon. ERIC ROOZENDAAL:** That is right. Then why are you making such a farce of it?

**Dr JOHN KAYE:** I would like you to answer the question.

**The Hon. ERIC ROOZENDAAL:** I have answered. I have answered the question.

**Dr JOHN KAYE:** You are going to sell \$239 million worth of land—

**The Hon. ERIC ROOZENDAAL:** That figure—

**Dr JOHN KAYE:** —and the education Minister is wrong?

**The Hon. ERIC ROOZENDAAL:** Well, no. You see, what you have here is your classic, typical bullying style. You draw on one thing that is fact—it is public fact and it has been on the public record that over a number of years we are committed to getting rid of vacant land and other lands that are not required for educational purposes up to the value in the mini-budget. That is on the public record and it is no great surprise; it is well and truly published. That will be done over a period of years. That is quite appropriate because we are also building new schools, and as the demands for education change, it may well be that we dispose of some lands. It is all on the public record. You can use large or small. That is your typical small-minded, petty analysis to score your cheap political points for which you are so well known, but the reality is that it is all on the public record. There is nothing to see here—no new surprise—except some very poor point scoring by you.

**The Hon. MATTHEW MASON-COX:** Stop bullying, Eric.

**Dr JOHN KAYE:** Apart from being flattered by being called "well known", Treasurer, I would like to get an understanding here.

**The Hon. ERIC ROOZENDAAL:** You take your praise where you find it.

**Dr JOHN KAYE:** Well, yes. Indeed, I would be desperate to take it from you. You are saying that \$239 million worth of land sales over the next three years—in fact, now over the next two years—will go ahead? The Minister for Education and Training is indeed wrong when she says that there will be no sell-off, no large—

**The Hon. ERIC ROOZENDAAL:** I have answered this question. Move on.

**Dr JOHN KAYE:** Well—

**The Hon. ERIC ROOZENDAAL:** I have answered the question.

**Dr JOHN KAYE:** You are not in a position to instruct me to move on. If I wish to dwell on this question, I may, Treasurer; and I choose to do so because, as you would be aware, there are a large number of—

**The Hon. ERIC ROOZENDAAL:** Is there a question in here, or is he just going to lecture?

**Dr JOHN KAYE:** Are you aware, Treasurer—

**The Hon. ERIC ROOZENDAAL:** I have responded to this question.

**Dr JOHN KAYE:** Are you aware, Treasurer, that a large number of people are deeply concerned about your \$239 million worth of land sale, particularly when you identified at least one site in your speech where the land was fully occupied, which was Hurlstone, and when there are Department of Education and Training documents—

**The Hon. ERIC ROOZENDAAL:** And in relation to which there was an independent inquiry looking into that, which you well know and of course which you forget to mention. You know there is an independent process into that.

**Dr JOHN KAYE:** Of course, I am aware of it: I made a submission to it.

**The Hon. ERIC ROOZENDAAL:** Then you know.

**Dr JOHN KAYE:** My question to you, Treasurer, is: If you are not going to sell Hurlstone, where are you going to find the remaining \$239 million, which you are committed to do by the end of budget year 2011-12?

**The Hon. ERIC ROOZENDAAL:** I have answered the question.

**Dr JOHN KAYE:** Let me ask you another question: Treasurer, on what data was the \$239 million based? Where did you get the data that you could sell \$239 million of surplus land on vacant school sites?

**The Hon. ERIC ROOZENDAAL:** It is not just vacant school sites. There may well be sites that are not required or that have become surplus, which happens from time to time.

**Dr JOHN KAYE:** Sure. But from where did you get the data that there was \$239 million worth of land?

**The Hon. ERIC ROOZENDAAL:** That was developed through the budget committee process.

**Dr JOHN KAYE:** Did that come out of a report from the Department of Education and Training? Who told the budget committee process? Who told them?

**The Hon. ERIC ROOZENDAAL:** It was developed through the budget committee process. I cannot give you any more detail than that.

**Dr JOHN KAYE:** Because you do not remember, or you choose not to tell us?

**The Hon. ERIC ROOZENDAAL:** I have answered the question.

**Dr JOHN KAYE:** Will you take that question on notice and get back to us with further details as to how that figure of \$239 million was arrived at?

**The Hon. ERIC ROOZENDAAL:** I have answered the question.

**Dr JOHN KAYE:** Mr Schur, are you aware of where the \$239 million came from?

**Mr SCHUR:** That specific analysis, no. I presume it would have come from data provided by the department and assessed by Treasury. But it is a presumption: I cannot say for certain.

**Dr JOHN KAYE:** Are you prepared to take on notice the question as to where the \$239 million came from, how that figure was derived and on what data it was based?

**The Hon. ERIC ROOZENDAAL:** Budget committee processes are Cabinet protected and will remain so.

**Dr JOHN KAYE:** The people of New South Wales, who are about to lose \$239 million out of their public education land—

**The Hon. PENNY SHARPE:** An inquiry is going on at the moment.

**Dr JOHN KAYE:** Are you telling us, Treasurer, that we are never to be told where that figure of \$239 million came from?

**The Hon. ERIC ROOZENDAAL:** This is the classic conspiracy strategy of the Greens. I am going to pin you down on this.

**Dr JOHN KAYE:** I cannot wait.

**The Hon. ERIC ROOZENDAAL:** Can I move away a bit as I am nervous? He is giving me those longing looks, Chair. I am getting a bit nervous. I am a happily married man with three children, John. All right? I am happily married with three children.

**Dr JOHN KAYE:** I am pleased to hear that. Are you not going to tell us about where the \$239 million came from?

**The Hon. ERIC ROOZENDAAL:** This figure is a public figure that has well and truly been out in the public arena. It is no surprise to anyone. In fact there is community debate—and quite rightly so—about some of those assets. When talking about education assets or any other assets it is important to look at the whole picture. The Greens—no, I take that back—John Kaye has a history of deliberate twisting and manipulation of facts to try to prove a political point. Here are the facts: we are investing more into schools and TAFE than ever before in the history of this State. An amount of \$14.7 billion is being invested.

**Dr JOHN KAYE:** Treasurer, to the point of relevancy.

**The Hon. ERIC ROOZENDAAL:** The Chair may be interested to know.

**Dr JOHN KAYE:** Point of order—

**The Hon. ERIC ROOZENDAAL:** I am getting to it. We are investing—

**Dr JOHN KAYE:** Point of order—

**The Hon. ERIC ROOZENDAAL:** We are investing in the construction and upgrade of schools and TAFE around—

**CHAIR:** Treasurer, the member has taken a point of order.



**Dr JOHN KAYE:** To the point of relevancy, the question was about the \$239 million Department of Education and Training accelerated sale of surplus land and vacant school sites. It has nothing to do with whether or not there is additional investment in the Department of Education and Training, particularly with respect to TAFE—which is a whole separate issue and one that we would contest. But leaving that aside, the question was: Will the Treasurer tell us from where the \$239 million came? On what was it based? It has nothing to do with what the Treasurer is answering.

**The Hon. ERIC ROOZENDAAL:** In fact we have invested and we are investing \$560 million in 2009-10. To put that in context—

**CHAIR:** Would the Treasurer be relevant in his answer?

**The Hon. ERIC ROOZENDAAL:** Yes, absolutely.

**CHAIR:** If you have the information, or the information is not available to you today, will you take that question on notice and supply that information to the Committee?

**The Hon. ERIC ROOZENDAAL:** Chair, I have already responded several times to the member's question. I have no intention of adding to it.

**CHAIR:** Treasurer, in your earlier response you said that you are very concerned about the interest rates and you were hoping that the Reserve Bank did not increase interest rates. You implied that there were some attempts to talk to it or to ask it to do that, or was that in your own mind? What action have you taken?

**The Hon. ERIC ROOZENDAAL:** Chair, what I have done on behalf of the people of New South Wales on a number of occasions is publicly express a view, through the good services of the media, cautioning the Reserve Bank. I think it is very important that the people of this State are confident that we are speaking out on their behalf. As I explained to the Committee earlier, mortgages in this State are much higher on average than are mortgages in other States. Any movement in interest rates potentially could have quite an adverse effect on the State economy. That is precisely why on a number of occasions I have urged the Reserve Bank to be very cautious in reviewing any change to the cash rate. For the information of the Chair, that is not just the Reserve Bank: I have also put the banks on notice.

**CHAIR:** That was the point I was getting to. My next question is: What have you done about the banks? They are forecasting an increase.

**The Hon. ERIC ROOZENDAAL:** Only recently I made some public comment about the banks also being responsible for looking at any change to home buyers interest rates. My strong view is that the banks need to be good corporate citizens and give our economy a chance to recover, in particular, in New South Wales. We believe that any greedy increases in interest rates by the banks will have an adverse effect on the State economy.

**CHAIR:** Are you planning to have any roundtable meeting with the heads of the four major banks?

**The Hon. ERIC ROOZENDAAL:** I have met with a number of the banks on an individual basis and I will continue to do so.

**CHAIR:** Are they sympathetic to what you are presenting?

**The Hon. ERIC ROOZENDAAL:** They listen politely.

**CHAIR:** You have no guarantee that they will not increase rates in the next few weeks?

**The Hon. ERIC ROOZENDAAL:** I think it is very hard to get guarantees out of banks as to what they may or may not do. They are commercial entities and they make decisions. But I have made it very clear publicly that if they decide to act in a way that I believe to be inappropriate, I will not be shy in coming forward and publicly commenting on that.

**CHAIR:** Should there be discussions with the Commonwealth Government as to whether—although I know it would mean regulation again—interest rates should be set by the Reserve Bank and that the rates should go up and down in accordance with what is set by the Reserve Bank, not by the banks themselves?

**The Hon. ERIC ROOZENDAAL:** I would not be in favour of that, no. I think we have come a long way in the development of markets, and it would be adverse to the markets to look at restricting interest rate movements through regulation.

**CHAIR:** But the original principle was that the Reserve Bank set the interest rates. That was the practice for many years.

**The Hon. ERIC ROOZENDAAL:** It is worth noting that our top four banks now rate, I think, in the top 10 in the world post global financial crisis—it could be the top 12 in the world. They are very well positioned for the future growth of the economy and the country and particularly for the State. To put an artificial control over their interest movements—they need to make commercial decisions but they need to make those commercial decisions in the full blaze of comment from both the media and government.

**CHAIR:** In your budget material you stated that the policy was to restrict public sector wage increases to 2.5 per cent, and if they were above that there had to be some offsets. Are you achieving that objective? Did that occur in the recent negotiations with the New South Wales Police Force?

**The Hon. ERIC ROOZENDAAL:** We have a government wages policy to limit the net cost of wage increases to 2.5 per cent a year. That 2.5 per cent is the mid point of the Reserve Bank's inflation target, and that is how it was derived. Under that policy, any wage increase above 2.5 per cent must be funded by employee-related cost savings. That wages policy is the key component to the better services and value plan to limit future expenses growth. The Better Services and Value Taskforce will monitor agencies to help ensure the employee-related savings identified as part of the wage bargaining process are achieved. More than 60 wage agreements have been settled. The vast majority of public sector employees are now covered by agreements negotiated under the current wages policy. These agreements have generally provided wage increases of about 4 per cent a year, with savings funding the additional cost above 2.5 per cent. In relation to the New South Wales Police Force and the police award, there is an agreement in place for two years at 4 per cent per year. I am advised that the agreement was negotiated in accordance with the wages policy, with the appropriate cost savings to fund it.

**CHAIR:** Are you experiencing resistance from the public service union bodies to the offset procedure?

**The Hon. ERIC ROOZENDAAL:** Labour relations are always challenging and obviously negotiations are precisely that—negotiations. While they can be challenging for different sectors of the public sector workforce, it is about a team effort. The Government cannot do without the labour movement; the labour movement cannot do without government. We work together to get better outcomes.

**CHAIR:** You also said that you were looking at the first deficit in New South Wales for 2008-09 since 1996—a forecast deficit of \$1.3 billion. Are you still on track for that? Have there been any changes in view of the improvement in the economy and the way Australia is responding to the economic crisis?

**The Hon. ERIC ROOZENDAAL:** We are basically roughly on track at this stage. We will have a clearer position once we have the report of the auditing of the budget after October, and we will release an update in relation to the deficit with the mid-year numbers in December.

**CHAIR:** Are you anticipating that there may be a better report, in other words, that the deficit may be less?

**The Hon. ERIC ROOZENDAAL:** We will have to wait and see. There have been swings and roundabouts in terms of revenues.

**CHAIR:** I noted that there is a large allocation of \$207 million for 424 new buses. I am trying to clarify as to how many of those new buses are for government services and how many are for private services.

**The Hon. ERIC ROOZENDAAL:** That question is probably better put to the Minister for Transport. Otherwise I am happy to take it on notice.

**CHAIR:** I understand that it includes supplying buses to private operators. I am trying to clarify the contractual arrangement. Why would the government be funding buses for private operators?

**The Hon. ERIC ROOZENDAAL:** I have some further information. I understand that in 2009-2010 there was investment in New South Wales bus services of \$966.2 million, and that was divided into \$319.4 million for State Transit and \$646.8 million for private bus operators. Of the private operator budget, \$323.3 million is being spent on rural and regional New South Wales, providing regular school services as well as travel concessions for pensioners and students. Some \$72.6 million will be used to purchase 156 replacement buses for private and public operators in Sydney; \$74 million is being spent on 170 buses as part of the \$128.9 million program to purchase 200 growth buses to expand Sydney's metropolitan and outer metropolitan bus fleet, with delivery by the end of 2010. We have another 50 bendy buses coming, at a cost of about \$38 million. That is part of a \$113 million program to purchase 150 bendy buses for State Transit by 2011. There is also \$109 million being invested in installing closed-circuit television on State Transit Authority buses to improve driver and passenger safety.

**CHAIR:** What is the contractual arrangement with the private bus owners if the Government supplies the buses?

**Mr RONISISVALLE:** Under the bus contracts, the bus operators actually purchase the buses. Under accounting standards, we have to recognise them in the State's accounts as a finance lease, and that relates to the nature of the contract we have with the private bus operators. The contract provides that if, when we move to retendering each of the contract areas, the existing incumbent is not renewed, does not get the contract again, those buses that have been purchased during the contract term are available to the State to pass on to the new operator in the area. The buses do not physically belong to us but we have a contractual provision which allows us to transfer those buses to the new operator.

**CHAIR:** And the new operator has no responsibility to refund the money or pay money for the buses that they are leasing from the government?

**Mr RONISISVALLE:** It is probably best to ask the Ministry of Transport or the Department of Transport Infrastructure the exact details of the contract, but I am aware in broad terms of the contract provisions.

**CHAIR:** I am concerned that there is a need to review that Treasury item if the companies pay for the buses as a budget item.

**Mr RONISISVALLE:** I would be certain that there are appropriate provisions in place to allow for the transition from one contractor to another contractor.

**CHAIR:** Can you take that question on notice as to whether there is any payment back to the Government?

**Mr RONISISVALLE:** That is fine.

**CHAIR:** I agree with what you have announced about the first home grant for defence personnel. I note in the budget papers that you have forecast an increase in the First Home Owners Grants. In 2008-09 it was \$325 million; in 2009-10 it is \$656 million. Was that already included in the potential defence—

**The Hon. ERIC ROOZENDAAL:** No, that is a new announcement.

**CHAIR:** So you anticipated greater demand for the first home buyer grant, that the demand would increase so the amount would increase, separate from defence.

**The Hon. ERIC ROOZENDAAL:** In relation to defence personnel?

**CHAIR:** There is an increase in your budget.

**The Hon. ERIC ROOZENDAAL:** Yes.

**CHAIR:** Were you basing that simply on expecting an increase in first home buyers in New South Wales?

**The Hon. ERIC ROOZENDAAL:** Yes.

**CHAIR:** That would increase over the next budget period.

**The Hon. ERIC ROOZENDAAL:** Yes.

**CHAIR:** So you did an estimate. How did you do that estimate?

**The Hon. ERIC ROOZENDAAL:** That is based on projections from Treasury into what we think the uptake will be. Do you want some more on that?

**CHAIR:** I do not know whether you are getting a more detailed answer.

**The Hon. ERIC ROOZENDAAL:** No. Are you talking about defence personnel or first home buyers?

**CHAIR:** No. I am quoting your budget, which has a 100 per cent increase. You have now indicated that it does not include the defence personnel.

**The Hon. ERIC ROOZENDAAL:** No.

**CHAIR:** What was the explanation for the increase? Is that simply based on your expected increase in first home buyer applications?

**The Hon. ERIC ROOZENDAAL:** A combination of increased funding through the Federal Government, with its boost, and our increased boost. We added an extra \$3,000 on top for new dwellings—that was announced in the mini-budget for new dwellings—on top of the Federal Government's boost, which actually steps down at the end of this month. The first home buyers boost from the Federal Government steps down at the end of this month and then ceases at the end of December. We factored in the additional support by State and Federal governments.

**CHAIR:** The announcement of the north-west rail line was received with a lot of enthusiasm and anticipation but it was subsequently abruptly cancelled. Do you have a projection on when funding might be available for that very urgent line in view of the rapid increase in population in new housing areas?

**The Hon. ERIC ROOZENDAAL:** The advice is that that is something that will be developed at the time that the population is there to support it, and it is needed. Further information in relation to your question should be taken up with the Minister for Transport as it falls within his portfolio.

**CHAIR:** I was more concerned with your role as Treasurer and the budget. Do you have a forecasting for it? I assume the Minister for Transport would like to have that line but it has to be vetoed by the Treasurer.

**The Hon. ERIC ROOZENDAAL:** Every year the Minister for Transport brings forward his budget bids, as do all agencies, and they are judged on the merits of competing pressures right across the State. It is something you need to take up with the Minister for Transport.

**CHAIR:** If that were one of his bids, what would be your reaction to it?

**The Hon. ERIC ROOZENDAAL:** It would be carefully weighed against all the other competing bids from other agencies and infrastructure projects right across the State.

**CHAIR:** It has no priority in your mind at the moment?

**The Hon. ERIC ROOZENDAAL:** Each project is weighed up on its merits in comparison to other projects competing for the limited funds or the finite funds of the State.

**The Hon. PENNY SHARPE:** The Chair raised this issue earlier in the hearing, but will you provide more information to the committee on recent developments in State-Federal tax relations, in particular, the current work of the Commonwealth Grants Commission?

**The Hon. ERIC ROOZENDAAL:** I do not think there is any more important an issue for the State's finances than tax relations between the New South Wales and Commonwealth governments. In fact,

approximately 48 per cent of general government revenue is expected to come from the Commonwealth Government this year. That is either through general purpose grants or funding to implement national agreements and partnerships. That is why of serious concern to the New South Wales Government are the proposals currently being considered by the Commonwealth Grants Commission on how to distribute GST revenue. The State could see around \$400 million ripped out of the New South Wales budget in 2010-11.

This potential to hit on our budget comes on top of \$10 billion that has already been wiped out from our revenues over four years to 2001-12, including 4.8 billion in GST revenue due to the global recession. I have written to the Federal Treasurer, Wayne Swan, to outline the State's concerns. The proposals under consideration by the Commonwealth Grants Commission will directly affect our ability to provide essential front-line services. Treasury estimates that the new proposals would result in a loss of \$400 million in GST revenue 2010-11, a loss of \$600 million in 2011-12 and a loss of \$900 million in 2012-13. We want to work in partnership with the Federal Government to ensure that New South Wales families and businesses get their fair share. We see a strong case for supporting the Northern Territory with its unique challenges, due to its Indigenous population, however, we do not see a case for supporting the so-called Gold Coast lifestyles of Queenslanders.

A number of New South Wales businesses share our view. The Chief Executive Officer of the New South Wales Business Chamber, Stephen Cartwright, wrote to the Federal Government on 12 August supporting our case for a fairer share of the GST in New South Wales. It is worth remembering that while we continue to subsidise other States with GST revenue, New South Wales is also investing more in infrastructure than any other State. We are already spending more on roads, rail, ports, hospitals and schools than any other State. I think for too long New South Wales has subsidised other States and Territories through the Grants Commission, and we will not be supporting a new distribution methodology that makes a situation we are not happy with even worse. I assure the committee that the New South Wales Government will pursue every possible avenue to secure its fair share of GST revenue.

Another important issue concerning the future of State-Federal relations is the Ken Henry review on Australia's future tax system which has already been canvassed. In particular, the Independent Pricing and Regulatory Tribunal's submission, commissioned by the New South Wales Government, to look at international State taxation issues. That report examined State and Commonwealth taxes against standard tax principles and reviewed Commonwealth-State financial relations, including the issues of vertical fiscal imbalance. The New South Wales submission was one of the most comprehensive submissions prepared by any State or Territory to the Henry review into taxation. Ken Henry wrote to me on 7 November 2008 and thanked New South Wales for its submission and said that the review panel will find the analysis and recommendations contained in Independent Pricing and Regulatory Tribunal's final report particularly useful.

Since making our submission last October, the Government has continued to engage with the Commonwealth and put forward suggestions for tax reform. As I have previously stated, we recently wrote to the Treasurer about public private partnership [PPP] project financing and reforms to encourage investment from superannuation funds in State significant public private infrastructure projects. We want to make it easier and more attractive for super funds to invest in infrastructure development, and see that as a major potential source of funding to help PPPs secure project finance, particularly while the debt markets are still in the recovery stage. The Government will consider any proposals when the Henry review's final report is completed at the end of the year. We will support reforms that lead to a State tax system that is more efficient, less volatile and able to provide growth funding for increasing demand for services over time. Any action that will ease the tax burden without harming the State's bottom line or our ability to deliver essential services will be seriously considered.

**The Hon. KAYEE GRIFFIN:** Treasurer, earlier you referred to the First Home Owners Grants in New South Wales. Do you have further information you want to provide to the committee regarding those grants?

**The Hon. ERIC ROOZENDAAL:** I am pleased to report that there is good news for New South Wales families. We have set another record in terms of first home buyers. More than \$135 million in first home buyer benefits were handed out last month, that is, \$135 million in grants and stamp duty concessions for first home buyers during August. August was the best performing August since the first home buyers benefits began in 2000 so it is the best performing August in almost 10 years. Approximately 5,844 first home buyers in New South Wales achieved their dream of buying their first home in August this year alone. We are doing more as a

Government than ever before to get young families into their first homes, and helping them get on with establishing their lives.

We are still seeing record low interest rates and we are providing major government grants and stamp duty exemptions. We are helping families achieve the dream of owning their own home. First home buyer grants are proving to be a major economic stimulus, especially in western Sydney. In fact, we are still seeing a major movement of first home buyers to Sydney's west. The region again dominates the top five suburbs for first home buyer benefits handed out in August. The first was Liverpool with benefits worth \$3.2 million, second, Wentworthville with benefits worth \$2.3 million, third, Blacktown with benefits worth \$2.2 million, fourth, Parramatta with benefits worth \$1.7 million, and fifth, Kellyville with benefits worth \$1.5 million. Those New South Wales Office of State Revenue figures show that 5,844 first home buyer grants worth \$88.7 million were paid out, compared to 3,418 grants worth \$23.9 million paid out in August 2008, so it is a huge difference. There was also \$50.3 million worth of stamp duty waived in August 2009 compared to \$30.3 million worth of concessions in August 2008—again a massive variation. Stamp duty concessions and first home buyer grants mean benefits of up to \$41,990 are available to first home buyers—a big support for families, a big shot in the arm to the economy.

On top of that, this year I announced the New South Wales Housing Construction Acceleration Plan, half-price stamp duty for new dwellings up to \$600,000, which came into effect on 1 July, and I can advise that dwellings worth almost \$200 million have been sold under the new Housing Construction Acceleration Plan. Almost 460 families, including investors, have taken advantage of the 50 per cent stamp duty cut, putting around \$3.4 million worth of stamp duty back into their pockets, and that is as of last week. That is more good news for the economy of New South Wales.

First home buyers of New South Wales have received \$726 million in grants for the first eight months of this year compared to just \$200 million for the same period last year. The Government has waived around \$463 million worth of stamp duty for New South Wales first home buyers for the first eight months of 2009 compared to \$252 million in 2008. I encourage anyone who wants further information about home benefits to check the [www.homebuyer.nsw.gov.au](http://www.homebuyer.nsw.gov.au) site or they can call the first home benefits hotline on 1300 130 624.

**The Hon. IAN WEST:** Could the Treasurer provide further details about the delivery of the New South Wales Government's infrastructure program?

**The Hon. ERIC ROOZENDAAL:** I thank the honourable member for his question. Putting it simply, investing in infrastructure means investing in jobs and, as I have said, the No. 1 priority of the New South Wales Government is jobs. That is why in the budget we announced job-supporting infrastructure investment of around \$62.9 billion in terms of the largest infrastructure-building program ever seen in New South Wales over any four-year period. That massive stimulus measure supports around 160,000 jobs each year and that is building vital infrastructure for the future of this great State. Infrastructure spending creates significant short and long-term economic benefits for New South Wales and the national economy. Those benefits include direct job creation in many sectors during the construction phase and indirect long-term job creation after construction.

As well as being an immediate stimulus to the economy, infrastructure investment drives business productivity and competitiveness over the long term. It is the engine of future economic growth. The strength of the New South Wales balance sheet will be used to help fund the New South Wales Government's record infrastructure investment program worth around \$62.9 billion over the four years to 2013. The size of the infrastructure program will then return to levels that, as a share of the economy, are more sustainable over the long run. Capital expenditure will continue to be at high levels relative to the historical experience.

I think it is worth pointing out that between 1995-96 and 2008-09 the New South Wales Labor Government has spent about \$120.6 billion on infrastructure, or an average of \$8.6 billion a year in real terms. Total State capital expenditure for 2008-09 in real terms is at record levels and is more than double the level of the 1990s. The 2009-10 budget will support the economy by delivering a record State infrastructure program and delivering the Australian Government fiscal stimulus measures through a series of targeted initiatives. The New South Wales record infrastructure investment program of \$62.9 billion is an increase of \$19.9 billion or around 46.3 per cent compared to the four years to 2008-09. This is the largest infrastructure investment program of any state government over the four years to 30 June 2013. The State's infrastructure investment program ranges from the construction of major infrastructure such as road, rail, housing, electricity, hospitals and schools to the acquisition and maintenance of minor plant and equipment. Both the New South Wales

Government and Commonwealth Government are committed to investment in infrastructure that generates long-term economic growth, jobs and future recovery.

**The Hon. IAN WEST:** And apprenticeships and traineeships?

**The Hon. ERIC ROOZENDAAL:** Absolutely. New South Wales will benefit from \$19.5 billion in nation building infrastructure from the Australian Government over the next six years to 2013-14. That funding is provided under a number of programs worth noting, including \$6.9 billion from the Nation Building Economic Stimulus Plan for State and non-government schools, social housing, road blackspots and other assorted issues. Prior to the budget the Commonwealth also announced \$8.3 billion under the Nation Building Program for road, rail and land transport projects. The Commonwealth budget has also included a further \$2.9 billion to the funding announced earlier in the year for health, education, road and rail. This includes \$2.2 billion from the Building Australia Fund for New South Wales government projects submitted to Infrastructure Australia.

We, as a Government, remain committed to delivering the Commonwealth's Nation Building Economic Stimulus Plan as fast as can be done. Under the Building the Education Revolution program more than 1,700 New South Wales schools have had projects approved under rounds 1, 2 and 3 of the Primary Schools for the 21<sup>st</sup> Century [P21] component. The total value of these projects is around \$3 billion. Under the social housing program around \$2 billion has been provided for New South Wales to build 6,500 homes with repairs and maintenance to existing public housing. In 2008-09 seven dwellings were completed and construction on 705 dwellings commenced under stages 1 and 2 of the plan. By June next year, 851 dwellings will be completed as part of stage 1. This is more housing commencements than in any other jurisdiction.

Over the next four years major infrastructure expenditure by the New South Wales Government will include: \$23.6 billion for transport, including \$2.7 billion towards the Sydney Metro, \$804 million for the South-West Rail Link, \$935 million for the Rail Clearways program and \$10.8 billion on new road infrastructure, including \$3.2 billion for the Pacific Highway, \$1.5 billion for the Hunter expressway and \$1 billion for the Southern Hume duplication and bypasses; \$15.7 billion for electricity, including substantially enhanced funding for a major upgrade of the State's generation, including commissioning of the Colongra power station, transmission and distribution systems; \$5.4 billion for water and sewerage, including \$338 million for the completion of the Sydney desalination plant in 2010, a total investment of \$1.9 billion, and \$335 million towards the completion of the Tillegra dam by 2014, as part of a comprehensive program to provide a secure and sustainable water supply for the Hunter; \$5.7 billion for education, including \$2.9 billion for the Building the Education Revolution program, \$176 million for the Digital Education Revolution program and around \$600 million each year for schools and TAFE colleges; \$4.3 billion for housing, including \$2 billion as part of the Nation Building Economic Stimulus Plan, which will support the delivery of up to 6,500 new social housing dwellings and upgrade works on existing homes and around \$500 million each year for Housing New South Wales ongoing program of new homes and capital improvements to existing dwellings; \$2.2 billion for health, including \$286 million for Liverpool Hospital redevelopment stage 2, which is a total investment of \$394 million, \$215 million for the Orange Bloomfield redevelopment, which is a total investment of \$251 million, and \$138 million for the Royal North Shore Hospital, which is a total investment of close to \$1 billion.

After peaking in 2009-10, the size of the capital program begins to adjust to a more long-term sustainable level. This reflects the completion of a number of large projects, including the third container terminal at Port Botany, Sydney Water's desalination project, a number of major transport projects and projects under the Australian Government's economic stimulus and nation building programs. Despite this reduction, the State capital program will remain at historically high levels.

**The Hon. PENNY SHARPE:** Treasurer, could you provide more information to the Committee about the State's credit rating?

**The Hon. ERIC ROOZENDAAL:** I thank the member for her question.

**Dr JOHN KAYE:** And her ongoing interest in credit ratings.

**The Hon. PENNY SHARPE:** I have a very strong interest in this matter.

**Dr JOHN KAYE:** Clearly, given the sophistication of your questions.

**The Hon. PENNY SHARPE:** I will critique your questions next time.

**Dr JOHN KAYE:** Please do.

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

**The Hon. ERIC ROOZENDAAL:** The news is all good for the State's credit rating. Just two weeks ago we had the New York based international ratings agency Standard and Poor's reaffirm the New South Wales triple-A credit rating. Standard and Poor's annual report on New South Wales found our State has a strong balance sheet and a demonstrated fiscal discipline. Let me repeat that for those members who insist on talking down New South Wales—

**The Hon. PENNY SHARPE:** And talking during your answer.

**The Hon. MATTHEW MASON-COX:** We are just trying to get some straight answers.

**The Hon. ERIC ROOZENDAAL:** —who insist on joining the Leader of the Opposition on his daily quest to talk down New South Wales. New South Wales has a strong balance sheet. New South Wales has a demonstrated fiscal discipline. These are big ticks for New South Wales. Standard and Poor's reaffirmed the New South Wales credit rating of triple-A with a stable outlook. That is good news for families and it is very good news for business investment in this State.

It is good news for confidence in our economy as we see the green shoots of recovery coming through. As all Committee members should be well aware, we have taken some tough decisions over the past year since we last met, but these decisions have allowed us to keep the New South Wales economy strong during the global recession. The number one priority of the New South Wales Government is supporting jobs. That is why in the New South Wales Budget I announced a \$62.9 billion building program over the next four years supporting around 160,000 jobs a year. I think it is worth reminding the Committee of what Standard and Poor's report found. It said:

Standard & Poor's expectation is that the State's balance sheet will remain strong and consistent with an 'AAA' rating.

The government continues to demonstrate fiscal discipline, thereby increasing its fiscal flexibility.

The stable outlook reflects Standard & Poor's opinion that the government will remain committed to the structural improvement in its budgetary performance.

On the triple-A credit rating and the outlook for the rating, Standard and Poor's said:

The ratings on the State of New South Wales reflect a low debt burden, demonstrated fiscal discipline, and a supportive relationship with the federal government.

The stable outlook reflects Standard & Poor's opinion that the government will remain committed to the structural improvement in its budgetary performance.

In terms of budgetary performance, Standard and Poor's noted:

New South Wales' budgetary performance remains consistent with the current rating despite the impact of the economic downturn on operating revenues.

As I have said before, the number one focus of the Government is supporting jobs. There is no doubt that when the global recession hit Australia, it hit New South Wales first, and it hit us hard. The Government's focus throughout has been on maintaining business confidence and keeping the New South Wales economy strong. That is why we are seeing the green shoots of recovery in our economy, which is contrary to the constant efforts of the Coalition to talk down New South Wales. It is all good news for the New South Wales economy. We should not be complacent because we are not through it all yet, but we are beginning to see the first green shoots.

**The Hon. GREG PEARCE:** I refer again to the question of temporary employment. When asked about responsibility for temporary employment, Treasurer, I think you answered that it was a matter for the Premier's Department. Can you explain what you understand to be your responsibilities under the Public Sector Employment and Management Act in relation to temporary employment?

**The Hon. ERIC ROOZENDAAL:** I refer to my previous answer.



**The Hon. GREG PEARCE:** Your previous answer did not address that.

**The Hon. ERIC ROOZENDAAL:** That is what I am referring to.

**The Hon. GREG PEARCE:** What is your understanding of your responsibilities under that Act?

**The Hon. ERIC ROOZENDAAL:** If you want to ask me something serious, then ask it. I am not going to get into these games.

**The Hon. GREG PEARCE:** It is very serious.

**The Hon. ERIC ROOZENDAAL:** Move on.

**The Hon. GREG PEARCE:** You do not understand what your responsibilities are.

**The Hon. ERIC ROOZENDAAL:** I refer to my previous answer.

**The Hon. GREG PEARCE:** Do you take note of Auditor-General reports?

**The Hon. ERIC ROOZENDAAL:** I am aware of them.

**The Hon. GREG PEARCE:** If the Auditor-General makes a report that is critical of financial management, do you follow that up? Do you take any notice of it?

**The Hon. ERIC ROOZENDAAL:** In the event that the Auditor-General makes reports I refer them to Treasury for analysis and comment.

**The Hon. GREG PEARCE:** Would the Auditor-General's report for 2007, which referred to temporary employment contracts, have been referred to Treasury for comment?

**The Hon. ERIC ROOZENDAAL:** That was before I was Treasurer, so I cannot really respond to that.

**The Hon. GREG PEARCE:** Mr Schur, can you answer that question?

**Mr SCHUR:** I am sorry, I am not sure of the details of the report.

**The Hon. GREG PEARCE:** The Auditor-General reported in relation to contractors and temporary employees. He particularly focused on the Department of Commerce and said in Volume 5, 2007, page 98, there was a lack of policy and centralised control over the employment of long-term contractors. He said the department had engaged a number of contractors for lengthy periods, some continuously for up to 15 years, through employment agencies. Has someone in Treasury investigated that and done something about it?

**Mr SCHUR:** My understanding is that that is an issue for the Department of Premier and Cabinet.

**The Hon. GREG PEARCE:** So when the Treasurer said that Auditor-General reports would be referred to Treasury for comment he was wrong?

**Mr SCHUR:** I think the specific issue raised by the Auditor-General needs to be taken up by the Department of Premier and Cabinet.

**The Hon. GREG PEARCE:** Do you have any monitoring at all of temporary employment contracts?

**Mr SCHUR:** No, not specifically.

**The Hon. GREG PEARCE:** None at all. Are you aware of contract C100, which is \$400 million for temporary employment of administrative staff?

**Mr SCHUR:** I was asked that question by Mr Mason-Cox. I said I do not, not in detail, no.

**The Hon. GREG PEARCE:** How does temporary employment relate to the Government's wages policy if you do not even know what contracts there are?

**Mr SCHUR:** Mr Pearce, we have answered this question several times I believe.

**The Hon. GREG PEARCE:** I do not think you have.

**The Hon. ERIC ROOZENDAAL:** He has answered it.

**Mr SCHUR:** I believe we have answered it. We do not focus on individual line items. We focus on employee costs at that level and we monitor employee costs, and that is what we are concerned with in regard to our wages policy.

**The Hon. GREG PEARCE:** Do you have any policy at all in relation to temporary employment, the use of temps?

**The Hon. ERIC ROOZENDAAL:** This is an issue for the Department of Commerce.

**The Hon. GREG PEARCE:** No, it is an issue for the Treasury.

**The Hon. ERIC ROOZENDAAL:** No, you are trying to make it an issue for the Treasury. We allow the Department of Commerce to manage issues of procurement.

**The Hon. GREG PEARCE:** Is Commerce the only department that uses temps?

**The Hon. ERIC ROOZENDAAL:** No, but my advice is they are the ones that have overall supervision of procurement—

**The Hon. GREG PEARCE:** So they would have details of each of the temporary employment contracts?

**The Hon. ERIC ROOZENDAAL:** You would have to ask the Minister for Commerce.

**The Hon. GREG PEARCE:** But you believe the Minister for Commerce would have the details—

**The Hon. ERIC ROOZENDAAL:** I am happy to take it on notice if you require further information.

**The Hon. GREG PEARCE:** Yes, I would like to know what temporary employment contracts exist across agencies.

**The Hon. ERIC ROOZENDAAL:** I am happy to take it on notice.

**The Hon. GREG PEARCE:** Thank you. I turn to the infrastructure spend and I want to clarify a couple of things. Treasurer, do you remember what the infrastructure spend was in the 2008-09 budget?

**The Hon. ERIC ROOZENDAAL:** That would be in the budget papers.

**The Hon. GREG PEARCE:** It was \$57.64 billion over four years. This year's budget, which you often quote, is \$62.9 billion, is it not?

**The Hon. ERIC ROOZENDAAL:** Yes.

**The Hon. GREG PEARCE:** That is an increase of \$5.29 billion over four years.

**The Hon. ERIC ROOZENDAAL:** That sounds about right.

**The Hon. GREG PEARCE:** Would you have any idea how much of that is simply a result of inflation? Would the Treasury officials be able to help with that?

**The Hon. ERIC ROOZENDAAL:** What do you mean by "a result of inflation"?

**The Hon. GREG PEARCE:** How much of that is extra real spending as distinct from inflated spending?

**The Hon. ERIC ROOZENDAAL:** What do you mean by inflated spending?

**The Hon. GREG PEARCE:** The Treasury officials will understand what I am asking.

**The Hon. ERIC ROOZENDAAL:** No, I am asking what you mean by inflated spending.

**The Hon. GREG PEARCE:** Each year there is inflation so when you quote forward dollar figures they are impacted by inflation. To find out the real increase you have to bring it back to the current day figures. Do you understand that, Treasurer? Take as long as you like to explain it guys.

**The Hon. ERIC ROOZENDAAL:** I am just getting the right answer.

**Mr RONSISVALLE:** The infrastructure program is quoted in dollars in the years in which they are spent, so in moving the program on one year there is obviously some inflation associated with it. The exact inflation that is embedded in that will depend on the individual contracts. The world is being disrupted quite considerably by what has happened in the global financial crisis and some contracts have actually come in cheaper than they would otherwise have been.

**The Hon. GREG PEARCE:** Can you give me a sort of ballpark figure as to the real—

**Mr RONSISVALLE:** I do not have a ballpark figure. It boils down to the individual contracts—whether in total prices went up or stayed the same or potentially went down in some areas. I do not have the figure for the aggregate numbers.

**The Hon. GREG PEARCE:** In real terms it is probably less than the \$5.29 billion?

**Mr RONSISVALLE:** I could not comment on it because I do not know what the real spending would be.

**The Hon. GREG PEARCE:** I refer to Budget Paper No. 2 on page 6.8, where it refers to "Nation Building - Economic Stimulus Plan". We were just talking about the increase in the infrastructure spend of \$5.29 billion. According to your budget papers, New South Wales will receive \$5.39 billion in extra infrastructure funding over the next four years as a result of the Federal stimulus. Are you aware of that?

**The Hon. ERIC ROOZENDAAL:** I am aware of the stimulus, yes.

**The Hon. GREG PEARCE:** Is it clear to you that the New South Wales Government is not actually spending any extra money on infrastructure other than the Federal Government stimulus?

**The Hon. ERIC ROOZENDAAL:** No. We are spending \$62.9 billion in New South Wales on infrastructure, which is more over four years than any other State and is a record for New South Wales.

**The Hon. GREG PEARCE:** We have heard about that record over and over again.

**The Hon. ERIC ROOZENDAAL:** Yes.

**The Hon. GREG PEARCE:** My question is whether New South Wales has actually added any New South Wales funding to the infrastructure spend, given that since the 2008-09 budget the figure has increased by \$5.29 billion, which is less than the \$5.39 billion extra coming from the Federal Government. Do you understand the question?

**The Hon. ERIC ROOZENDAAL:** I do. The reality is that I do not think the people of New South Wales are particularly concerned where each dollar comes from. As you would be well aware, roughly—

**The Hon. GREG PEARCE:** So you accept that the State is not actually putting up any extra money for infrastructure spending?

**The Hon. ERIC ROOZENDAAL:** We are spending \$62.9 billion in New South Wales.

**The Hon. GREG PEARCE:** None extra.

**The Hon. ERIC ROOZENDAAL:** That is rubber on the road in New South Wales, on top of what was record infrastructure spends in previous years. That represents, over the previous four years, roughly a 40 per cent increase in infrastructure spend. That is supporting 160,000 jobs in this State. Frankly, we are quite happy—

**The Hon. GREG PEARCE:** I think we have got the point.

**The Hon. ERIC ROOZENDAAL:** —to work closely with the Federal Government because what we see is a massive contrast between the support from the Commonwealth under the Rudd Labor Government to what we saw in the Howard and Costello period. This is a massive increase in funding to this State, and that is good for the State and good for families in this State.

**The Hon. GREG PEARCE:** Mr Schur, the Treasurer has provided us a written answer, in relation to the calculation of the up to 160,000 jobs, in which he says that it is based on Treasury calculations or Treasury formula. Could you provide us with that Treasury formula and explain how it operates?

**Mr SCHUR:** The calculations for the jobs supported by the infrastructure program are based on ABS data using input/output tables and using the specific projects to get the correct categories to apply the appropriate weightings to those jobs, and I believe that determines a multiplier of ten jobs for every \$1 million of spending annually. This would be very normal on standard practice to rely on most recent ABS data available and using the input/output tables to make that assessment.

**The Hon. GREG PEARCE:** Can you provide us with those calculations?

**Mr SCHUR:** I will take that on notice.

**The Hon. GREG PEARCE:** Mr Schur, who actually does that calculation? Who within Treasury is responsible for that calculation?

**Mr SCHUR:** It would probably be in our economics group.

**Mr COSGRIFF:** It is done by the economics group, in my group.

**The Hon. GREG PEARCE:** In your group?

**Mr COSGRIFF:** Yes.

**The Hon. GREG PEARCE:** Can you enlighten us on who actually does it?

**Mr COSGRIFF:** It would be signed off by the director of the economics group.

**The Hon. GREG PEARCE:** So, yourself?

**Mr COSGRIFF:** Well—

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

**Mr COSGRIFF:** Yes.

**The Hon. GREG PEARCE:** So you have signed off on it?

**Mr COSGRIFF:** Yes.

**The Hon. GREG PEARCE:** It is your figure, Mr Cosgriff?

**Mr COSGRIFF:** It is the Treasury's figure, yes.

**The Hon. GREG PEARCE:** Ten per million dollars?

**Mr COSGRIFF:** That is the calculation that comes from the input/output tables.

**The Hon. GREG PEARCE:** Mr Schur mentioned that you had taken into account different categories of work and so on. How do you reconcile the electricity proportion of that spending, given that electricity, basically equipment, represents nearly 20 per cent of the total infrastructure investment? How many jobs come as a result of that investment?

**Mr SCHUR:** Mr Pearce, we are going to have to take that on notice. I cannot give you a detailed breakdown of the calculations for each category. The point is that this is not Mr Cosgriff's calculation. He uses independent data provided by the ABS.

**The Hon. GREG PEARCE:** That is why we wanted to see the calculation. So it does exist? Or is like your documents in relation to the infrastructure levies: when you take it away on notice, they will not exist after all? Does it exist?

**The Hon. ERIC ROOZENDAAL:** He said he will take it on notice.

**The Hon. GREG PEARCE:** I am not satisfied with the way in which Mr Schur has taken things on notice before in terms of answering. I want him to answer whether the calculation exists or not.

**The Hon. ERIC ROOZENDAAL:** Mr Schur has said he will take it on notice. He has responded to the question. Whether Mr Pearce is satisfied or not satisfied with life is not really my problem or Mr Schur's problem. Mr Schur has agreed to take the question on notice, and that is an appropriate response.

**The Hon. IAN WEST:** Yes. Move on.

**The Hon. GREG PEARCE:** I am happy to move on. Treasurer, could you tell me who are the members of the Better Service and Value Taskforce?

**The Hon. ERIC ROOZENDAAL:** The chair is Stephen Sedgwick, who recently was appointed the independent chair. It also includes the secretary of Treasury and the Director-General of the Department of Premier and Cabinet as well as Mr Sedgwick.

**The Hon. GREG PEARCE:** How does the Taskforce verify cost savings?

**The Hon. ERIC ROOZENDAAL:** How does the Taskforce verify cost savings?

**The Hon. GREG PEARCE:** Yes. Have you given them any instructions?

**The Hon. ERIC ROOZENDAAL:** The way it will work is that the Taskforce will have working under it a unit—headed up by, I think it is, Stephen Brady from Treasury—which will work its way through agencies, looking for better service delivery and for efficiencies and savings.

**The Hon. MATTHEW MASON-COX:** Treasurer, can I get from you an estimate of the cost to Government of the ministerial reshuffle?

**The Hon. ERIC ROOZENDAAL:** I will take that on notice.

**The Hon. MATTHEW MASON-COX:** Would you like to speculate about the impact that that has on the budget bottom line?

**The Hon. ERIC ROOZENDAAL:** I will take that on notice.

**The Hon. MATTHEW MASON-COX:** Insofar as the Better Service and Value Taskforce is concerned, what level of savings are you expecting from the restructure of government departments?

**The Hon. ERIC ROOZENDAAL:** The restructure of government departments is part of the overall strategy to drive down expenses across government. It should not be taken independently of the other aspects. The restructure is occurring of some 160-odd agencies and departments down to 13 super agencies, combined with the public sector wages policy of the Government, plus the work of the Better Service and Value Taskforce. The Better Service and Value Taskforce is doing line-by-line audits of agencies' activities. Also, we have the freeze on non-frontline public sector employees, to help keep those numbers under control. In addition are a number of strategic whole-of-government reviews of expenditure. The two that we will be kicking off there particularly regarding whole-of-government costs are in the areas of legal costs and ICT. Those are the two major areas. The reason we have chosen those two areas is that we believe that they are ripe areas in which to find savings in better service delivery.

Particularly in the area of ICT, we want to build on the good work done by the Federal Government through the Gershon review, which I think found savings of around \$400 million in that review of Federal Government ICT costs. I understand that the Better Service and Value Taskforce has been liaising with the appropriate Federal agencies to get a lot of that Gershon inquiry information, so that they can better look at how they can improve the whole-of-government approach to ICT in particular. So it is by that combination of different strategies that we are looking to curtail expense.

**The Hon. MATTHEW MASON-COX:** Given this is a key plank in relation to driving down expenses for the Government, what amount of money do you expect to actually save by the implementation of this task force? Perhaps you could answer that, Mr Schur.

**Mr SCHUR:** Mr Mason-Cox, the way we have reflected the savings associated with the Better Service and Value plan is to increase the global efficiency dividend, which is ordinarily 1 per cent in each year of the forward estimates. We have increased that to 1½ per cent for the latter two years of the forward estimates because we believe it takes time for these savings to materialise. In dollar terms—and we exclude health from this because there is a separate funding arrangement for health—but, if you exclude health, in dollar terms, it is \$200 million in the first year, and this is cumulative, an additional \$200 million in the second year, an additional \$300 million in the third year of the forward estimates, and an additional \$300 million in the fourth year.

**The Hon. MATTHEW MASON-COX:** Mr Schur, in finding those figures all you have done is assumed an efficiency dividend rather than actually identified any specific savings?

**Mr SCHUR:** No. What we have done for the purpose of the budget papers is to embed those aggregate savings in the budget. We believe that the actual savings will be larger than that. By the way, those savings are what gives us the average 4 per cent growth in expenditure each year of the forward estimates. We believe that this is a conservative and prudent approach. The experience of Victoria, for example, in relation to the amalgamations that happened under Kennett was that the savings were considerably larger than what we have allowed for in the budget.

**The Hon. MATTHEW MASON-COX:** Given that experience and your own Stokes and Vertigan Report a few years ago, which identified all sorts of potential savings from a rationalisation of the public sector, and the Victorian experience well before that, why has it taken so long to put such a strategy into place?

**The Hon. ERIC ROOZENDAAL:** That is a question I am happy to respond to. Obviously, out of Stokes and Vertigan there were a number of recommendations, including a public sector wages policy that was adopted. In relation to the Better Service and Value Plan, it is appropriate that we respond to the economic circumstances and look at better efficiency of government and better service delivery. That is exactly what we did in the budget and came out with the Better Service and Value Plan.

**The Hon. MATTHEW MASON-COX:** It has taken 14 years to understand that there are some problems with service delivery and efficiency in government, is that right Treasurer?

**The Hon. ERIC ROOZENDAAL:** It is important for the public sector to continue to evolve and for government to drive better service delivery and better efficiencies through government. We are continually improving service delivery and efficiencies in the public sector for the benefit of the people of New South Wales.

**Dr JOHN KAYE:** Treasurer, how much has New South Wales paid to the ratings agencies Standard and Poor's, and Moody's, over the past 12 months in respect of credit rating services?

**The Hon. ERIC ROOZENDAAL:** I will have to take that on notice.

**Dr JOHN KAYE:** Can you provide that broken down by each agency for the past two financial 12-month periods?

**The Hon. ERIC ROOZENDAAL:** I will take that on notice.

**Dr JOHN KAYE:** Would it be a fair summary to say that the State Government's concern with credit ratings largely is because of their credibility in the capital markets?

**The Hon. ERIC ROOZENDAAL:** The issues around the State's credit rating are pretty important for a number of reasons. Firstly, the cost of raising debt offshore obviously is impacted by your credit rating. We know from the experience of Queensland, which lost its triple-A credit rating, there was a period of time when it was unable to raise any debt offshore. There is a real cost for being downgraded. Secondly, if you lose your triple-A credit rating—we went through this at last year's estimates hearings in some detail, from memory, and I am happy to refer the member to *Hansard*—you run the risk of what happened, say, in Victoria, where it took a decade to actually restore its triple-A credit rating. In fact, the only way Victoria could restore its triple-A credit rating was under Kennett when he cut the public sector I think by 15 per cent. He shut schools and hospitals, and he sacked teachers and nurses. A whole series of events took place.

**Dr JOHN KAYE:** Sure, but the significance of that—

**The Hon. ERIC ROOZENDAAL:** Hold on. You asked a question and I am answering it. I would like to finish my answer. Once you enter into that slippery slide of losing your triple-A and being downgraded, it is flagged by the agencies that you need to take structural reform to address the challenges of reinstating your credit rating. If you do not take those structural reforms, you run the risk of further downgrades, which is precisely what happened in Victoria, and it took a decade for Victoria to restore it. The other major issue about a triple-A credit rating is that for businesses looking to invest into a State, one of the first things they will look at is the credit rating of the State. In States that do not have good credit ratings—I am saying in Australia—businesses will look to see how the Government is going to address the underlying reasons for the downgrading of the credit rating. It can do that in a couple of ways: either cut services, as Kennett did, and that would have an impact on what that would mean for a business considering investing into a State if that State is going to begin to cut services; or the Government can go the other way, or a combination, and increase revenues. In other words, they can increase taxation. For a footloose international company looking to invest and having to choose between one of the Australian States, they would weigh up those risks—

**Dr JOHN KAYE:** I understand that, Treasurer.

**The Hon. ERIC ROOZENDAAL:** I am glad because I need to finish. The businesses would weigh up the risks of the investment and that may well play a large role in whether they invest in New South Wales, Queensland or Victoria. One of the issues they will take into account will be the credit rating of that State. That is why the credit rating is important for the State.

**Dr JOHN KAYE:** Do you agree with Prime Minister Kevin Rudd when he said, "The rating agencies are hopelessly conflicted by the lure of big profits in return for easy ratings"?

**The Hon. ERIC ROOZENDAAL:** That was an observation made by the Prime Minister in relation to their ratings of the various financial products in the United States that led to the sub-prime issues. The agencies are very conscious, certainly post-global financial downturn, of the role they played in rating products that clearly should not have been rated in that way. They are certainly very conscious of that going forward.

**Dr JOHN KAYE:** You are aware that the Australian Securities and Investments Commission currently is requiring by 1 January next year all credit rating agencies to hold Australian Financial Services licences?

**The Hon. ERIC ROOZENDAAL:** I was not aware of that, but I will take that on notice.

**Dr JOHN KAYE:** So you are unaware of moves by ASIC to regulate the ratings agencies?

**The Hon. ERIC ROOZENDAAL:** I am waiting for a question.

**Dr JOHN KAYE:** That was the question: You are telling us that you are unaware of the move by ASIC to rate the credit agencies?

**The Hon. ERIC ROOZENDAAL:** I am aware of the general debate, but not the specifics.

**Dr JOHN KAYE:** Are you concerned that a large proportion of economic policy in New South Wales is being driven by agencies in which, on the one hand, ASIC no longer has confidence and feels the need to force them to take liability for their decisions and, on the other hand, to which the Prime Minister refers as hopelessly conflicted?

**The Hon. ERIC ROOZENDAAL:** What is the date of the Prime Minister's quote?

**Dr JOHN KAYE:** The Prime Minister's quote was this year. I think it was September—no, it was October.

**The Hon. ERIC ROOZENDAAL:** In relation to sub-prime issues.

**Dr JOHN KAYE:** No, it was not actually in relation to sub-prime issues.

**The Hon. ERIC ROOZENDAAL:** The issue is this—

**Dr JOHN KAYE:** Actually I should correct that: It was in the monthly. Clearly you did not read it?

**The Hon. ERIC ROOZENDAAL:** The issue is that we raise substantial money offshore. We have one of the largest international borrowings of any of the States, in fact the largest of any of the States and, up until recently, the largest borrowings in the country prior to the Federal Government's borrowings offshore. What is important with the credit rating is that it has a direct input on the judgement of bond purchasers who buy our bonds and what they are prepared to pay for them, and the cost for us to raise debt offshore. We work within those parameters. There has been a lot of criticism of the ratings agencies. That is fair enough, but the reality is in measuring the value of our bond raisings offshore, credit rating agencies' ratings are still critical to our bond purchases off shore.

**Dr JOHN KAYE:** To that extent are we captive of the capital market's sense of credibility of the rating agencies?

**The Hon. ERIC ROOZENDAAL:** I believe to that extent that we are part of a world capital market and we need to work within those parameters.

**Dr JOHN KAYE:** What are your current estimates of the total losses experienced by local government in New South Wales as a result of the loss of value in collateralised debt obligations? You will recall that as of January 2008 the Cole Inquiry suggested there was about \$200 million worth of losses. I seek an update on that number?

**The Hon. ERIC ROOZENDAAL:** My advice is that that sort of information is not, to the best of my knowledge, within Treasury and is more likely to be collected by the Department of Local Government.

**Dr JOHN KAYE:** You co-sign the local government borrowing orders, do you not?

**The Hon. ERIC ROOZENDAAL:** Yes.

**Dr JOHN KAYE:** Yes, you do. Do you believe there is a moral obligation on Treasury, obtaining from the signature of your predecessor on a local government borrowing order stating that anything that was triple-A rated was okay, and that therefore opened up local government to a thorough scalping from the collateralised debt obligation [CDO] merchants?

**The Hon. ERIC ROOZENDAAL:** My advice in relation to that matter is that any judgement by Treasury is always carefully worded to require any local government authority to do its own due diligence into investment. I think it is good practice for any authority investing to do its own due diligence, and that has certainly been the consistent advice from the New South Wales Treasury.



**Dr JOHN KAYE:** Do you accept that the government borrowing order that was in force until late last year said that anything that was rated triple-A by Standard and Poor's, Moody's or Fitch would indeed be acceptable borrowing material for local government in New South Wales?

**The Hon. ERIC ROOZENDAAL:** My advice is that that particular document is an advisory document, and that the obligation for due diligence still rests with the local government authority. It is simply up to local government authorities. Local government authorities must do, and must continue to do, their own due diligence in relation to all investment and expenses decisions that they take.

**Dr JOHN KAYE:** Perhaps I misunderstood you. Are you saying that local government is not bound by the local government borrowing order; that they can borrow however they like and it is just advice that you are giving? Is that what you are saying, Treasurer?

**The Hon. ERIC ROOZENDAAL:** No.

**Dr JOHN KAYE:** You said that this is an advisory document.

**The Hon. ERIC ROOZENDAAL:** No. They are bound by it but they are still required to do their own due diligence. It does not release them from doing their own due diligence.

**Dr JOHN KAYE:** Did you sign another revised local government borrowing order in June or July this year? Did that local government borrowing order deregulate the rates of interest at which local government can borrow?

**The Hon. ERIC ROOZENDAAL:** I will have to take that one on notice.

**Dr JOHN KAYE:** You are not aware that you sign such a document? Are you unaware that you signed a document by which you deregulated the interest rates at which local government could borrow?

**The Hon. ERIC ROOZENDAAL:** I will take it on notice.

**The Hon. PENNY SHARPE:** Time is up.

**Dr JOHN KAYE:** Mr Schur, are you aware that your Treasurer signed such a document?

**Mr SCHUR:** I would have to take it on notice.

**Dr JOHN KAYE:** Mr Cosgriff?

**The Hon. PENNY SHARPE:** Time!

**Mr COSGRIFF:** I will take it on notice.

**Dr JOHN KAYE:** So nobody here knows.

**The Hon. ERIC ROOZENDAAL:** Could I have a short break?

**CHAIR:** Dr John Kaye is just finishing his question.

**The Hon. ERIC ROOZENDAAL:** Okay. Then can I have two minutes?

**Dr JOHN KAYE:** I think we should break. That is fine. I have finished.

*[Short adjournment]*

**CHAIR:** Treasurer, I am following up the document you gave us on the credit rating for New South Wales. It states that Standard and Poor's expectation is that the State's balance sheet will remain strong and consistent with a triple-A rating.

**The Hon. ERIC ROOZENDAAL:** What page are you referring to, Chair?

**CHAIR:** That appears on page 2, but I would also comment that on page 3 there is another comment under Short Term Rating Factors, "New South Wales short-term rating of A-1+ is supported by the State's very strong liquidity". Would you like to comment on that? Apparently the debt is managed by TCorp, which seems to hold high levels of cash and negotiable securities.

**Mr COSGRIFF:** What the credit rating agency is referring to is the funding program that TCorp put in place to manage the State's debt. Effectively it is saying that it has a high level of cash and negotiable securities as part of its funding program. Effectively it means that the short-term liabilities that the State has are offset by a cash position that could provide cash to meet those liabilities in the short term. It is saying that not only is the State's overall long-term funding program appropriate, but also that the short-term capital is there to meet any short-term and financing needs.

**CHAIR:** Do the other States and New South Wales all have that same high rating of A-1+?

**Mr RONISISVALLE:** Those that are triple-A rated all have that A-1+ rating for the short term as well. That is my recollection.

**CHAIR:** Does it flow on automatically?

**Mr RONISISVALLE:** I think that is the sort of questioning you need to direct to the rating agencies.

**CHAIR:** The other question relates to the Treasurer's mention of the larger borrowings from overseas countries. Is it possible to have a percentage of overseas borrowings per country? I know there may be some commercial question about revealing where it all comes from, but can you say that there is so much of a percentage from the United States, et cetera?

**The Hon. ERIC ROOZENDAAL:** Chair, we are happy to take that on notice for you.

**CHAIR:** In view of the borrowings, is there any way you can advise us of the total interest payment on borrowings you anticipate for 2008-09 and 2009-10, approximately?

**Mr RONISISVALLE:** Interest costs are shown—

**CHAIR:** I know a big factor in Mr Egan's mind was the reduction of that interest payment.

**Mr RONISISVALLE:** Interest costs are shown in table 1.1 of Budget Paper No. 2 for the budget year of \$1.531 billion.

**CHAIR:** It is \$1.5 billion?

**Mr RONISISVALLE:** Yes.

**CHAIR:** Previously it would have been around \$1 billion.

**Mr RONISISVALLE:** You would need to go back some years. In 2007-08, it was just under \$1.3 billion.

**CHAIR:** Are you confident that you can cope with that very large interest payment of \$1.5 billion per year under borrowings?

**The Hon. ERIC ROOZENDAAL:** Yes.

**CHAIR:** Is that incorporated in your financial planning?

**The Hon. ERIC ROOZENDAAL:** Yes.

**CHAIR:** To follow up on the restructuring and building of the super departments, there has been an announcement that DOCS wants to change its name from "DOCS" to "CS". Apparently the rationale is that it

will be incorporated and not a department and cannot keep the letter D in its acronym. How many other departments will take a similar view and involve a great deal of expenditure to reprint documents, letterheads and stationery? Is that necessary? Is it possible for you to issue an instruction that departments maintain at the maximum level all the current descriptions of departments so that they can continue to use all the stationery and other material that they have published?

**The Hon. ERIC ROOZENDAAL:** Treasury is addressing a number of budgetary and financial matters arising from the agency amalgamations, including taxation, GST, and financial and budget reporting. We are supporting agencies with advice and guidance across these areas. In relation to broader areas of name changes, those sorts of responsibilities would fall with the Minister for Public Sector Reform. He has carriage of them.

**CHAIR:** But you would be concerned if it led to unnecessary expenditure.

**The Hon. ERIC ROOZENDAAL:** I am always concerned if there is unnecessary expenditure in the public sector.

**CHAIR:** You might look at that issue?

**The Hon. ERIC ROOZENDAAL:** I am happy to look at any issue where we think there is unnecessary expenditure.

**The Hon. GREG PEARCE:** I want to understand a bit more about the Australian Bureau of Statistics [ABS] calculation for the numbers of jobs. Are we talking only about full-time jobs or is it full-time and part-time jobs?

**Mr SCHUR:** I believe it is full-time equivalents.

**The Hon. GREG PEARCE:** Full-time equivalents?

**Mr SCHUR:** I believe so, yes.

**The Hon. GREG PEARCE:** Those ABS statistics are obviously national. Are we confident that using those statistics we are actually talking about jobs located in New South Wales, or are they jobs located somewhere in Australia?

**Mr SCHUR:** Australian jobs.

**The Hon. GREG PEARCE:** Australian jobs?

**Mr SCHUR:** Yes.

**The Hon. GREG PEARCE:** So roughly speaking, as New South Wales has one-third of the economy, we are talking about one-third of those jobs being located in New South Wales.

**The Hon. ERIC ROOZENDAAL:** No, you cannot make that assumption.

**The Hon. GREG PEARCE:** How many of them are located in New South Wales?

**Mr SCHUR:** I do not believe the analysis can indicate that.

**The Hon. GREG PEARCE:** So your 160,000 jobs is not for New South Wales; it is for the whole of Australia?

**Mr SCHUR:** Yes.

**Mr COSGRIFF:** Yes, Even for construction, for projects that are located in New South Wales and where the direct employment will be in New South Wales, we will use inputs that are sourced potentially from other States. But a large number of the jobs will be in New South Wales.

**The Hon. GREG PEARCE:** The budget is meant to be a performance management type budget. How do you go about agreeing the performance measures that are included in the budget?

**The Hon. ERIC ROOZENDAAL:** They are carefully worked out through a budget committee process.

**The Hon. GREG PEARCE:** Through the budget committee process. For example, if I take education and training, Budget Paper No. 3, page 8-3, is that a satisfactory level of disclosure? Is that the sort of information—

**The Hon. ERIC ROOZENDAAL:** You are referring to the results, are you?

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

**The Hon. ERIC ROOZENDAAL:** I think we have to look at all the other following information that is part of the report. You then go to page 8-11, where there are increased levels of attainment of students and also result indicators, both actual, forecast and revised, and they continue over into students completing year 12 or accredited vocational education, the number of people participating in education and training throughout their lives, preschool education services in government schools—you can see there are a number of pages that deal with it.

**The Hon. GREG PEARCE:** As it is the budget I am just wondering why we do not have information such as the actual cost of services per student.

**The Hon. ERIC ROOZENDAAL:** My advice is that we are interested in the outcomes and that is why we publish the results. That is merely an input.

**The Hon. GREG PEARCE:** Would it surprise you that, say, the Queensland budget includes that sort of information—average cost of service per student? Does the shrug mean that you are surprised or not surprised?

**The Hon. ERIC ROOZENDAAL:** I am waiting for a question.

**The Hon. GREG PEARCE:** The question was: Does it surprise you that the Queensland budget includes that level of disclosure?

**The Hon. ERIC ROOZENDAAL:** I do not have a copy of the Queensland budget papers to check whether that is accurate.

**The Hon. GREG PEARCE:** I could hand it to you, if you would like.

**The Hon. ERIC ROOZENDAAL:** In New South Wales we are focused on results and outcomes rather than pedantic games. That is why we have extensive analysis of the results in education, including participation rates right through education. That is why we are investing more in education than ever before in the history of this State. I think it is roughly \$14.7 billion. You want to look at students achieving above the national minimum standard of reading, for all students, for indigenous students—it is all outlined there. A number of indicators are showing the results through the education system.

**The Hon. GREG PEARCE:** While we are talking about results, I take you back to our old favourite—the Fiscal Responsibility Act. What relevance is the Act to your management of the budget in this State, given that there are no achievements against the legislated targets?

**The Hon. ERIC ROOZENDAAL:** The Fiscal Responsibility Act sets out the fiscal strategy—we need to be clear here—short-term, medium-term and long-term targets. A key principle of the Act is making sure that expenses growth is aligned to a sustainable growth in revenues over the medium term. That is important. Time frame is very important in this.

**The Hon. GREG PEARCE:** What do you consider is the medium term?

**The Hon. ERIC ROOZENDAAL:** Let me finish. State revenues tend to be more volatile than expenses growth so it is important to align average growth rates with expenses and revenues over the course of economical cycles. What we do not want to do—as the shadow Treasurer, Mike Baird, would like to do—is keep expenses growth below revenue growth in any one year. Such a policy would have disastrous impacts on the budget. It is worth noting that the Fiscal Responsibility Act contains two medium-term targets, three long-term targets and 10 fiscal principles. The medium-term targets will not be met due to the cyclical weakening of the State's revenues and the record State infrastructure program. Net debt and net financial liabilities will, however, decline as a share of the economy over the forward estimates period.

The medium-term targets for net debt of 0.9 per cent of Gross State product [GSP] and net financial liabilities of 7.5 per cent of GSP will be exceeded for two reasons. Firstly, borrowings are higher due to the cyclical weakening in revenues and we are funding a record infrastructure program that is now twice the size it was when the targets were set; and the net financial liabilities have increased sharply in 2008-09 due to a large increase in unfunded superannuation liabilities and a fall in asset market values. Almost half the increase is due to using a lower discount rate as required under the accounting standard.

Net debt will start to decline as a share of GSP over the forward estimates, with the Government applying above future trend revenues to repay debt as the economy recovers. Proceeds from asset sales will partly be used to further reduce debt. Net financial liabilities are projected to resume a downward trend after 2009-10, falling to 12.6 per cent of GSP by 2010. The resumption of the downward trend means that progress is being made towards the 2015 target and the long-term target to fully fund superannuation liabilities by 2030 remains on track.

**The Hon. GREG PEARCE:** Mr, Newbury, what statistics do you keep relating to the size of companies that pay payroll tax? For example, do you keep any statistics or view any surveys relating to the number of employees?

**Mr NEWBURY:** We do not require employers to provide that information as part of their annual returns.

**The Hon. GREG PEARCE:** Do you perform voluntary surveys or conduct any other sort of study?

**Mr NEWBURY:** No.

**The Hon. GREG PEARCE:** So you do not have any indication of the number of employees that firms might have?

**Mr NEWBURY:** For our purpose it is not really relevant to the calculation of payroll tax.

**The Hon. GREG PEARCE:** Do you keep statistics relating to turnover? What sorts of statistics do you produce relating to payroll tax?

**Mr NEWBURY:** We produce annual revenue. We can do it demographically but, as I said, the number of employees and the turnover of employees inside those companies is not really relevant to the calculation of payroll tax.

**The Hon. MATTHEW MASON-COX:** I refer to electricity privatisation. Treasurer, as a shareholder Minister, what is your view of the estimated proceeds on privatisation?

**The Hon. ERIC ROOZENDAAL:** They will be considerable.

**The Hon. MATTHEW MASON-COX:** Of what order or magnitude?

**The Hon. ERIC ROOZENDAAL:** I do not think that is appropriate.

**The Hon. MATTHEW MASON-COX:** What is the range that you are expecting?

**The Hon. ERIC ROOZENDAAL:** I do not think it is appropriate to comment on that. That would not be advantageous for the people of New South Wales. Obviously we want to maximise the return through the

sale of power assets, development sites and trader contracts to get the maximum value for the people of New South Wales.

**The Hon. MATTHEW MASON-COX:** Do you have concerns regarding the potential impacts of the Carbon Pollution Reduction Scheme [CPRS] in relation to proceeds and, in particular, price?

**The Hon. ERIC ROOZENDAAL:** The CPRS certainly is a factor that will be taken into account by potential bidders in the process and it is one that they will value accordingly.

**The Hon. MATTHEW MASON-COX:** I note today in the *Australian* that the Business Council, on behalf of generators, is calling for more compensation. Can you rule out any allocation of risk to the State in providing indemnities or some other accommodation to bidders insofar as the risk of the CPRS is concerned?

**The Hon. ERIC ROOZENDAAL:** I am advised that the Minister for Finance responded to this question yesterday during estimates. I refer you to that answer.

**The Hon. MATTHEW MASON-COX:** Mr Cosgriff is well aware that yesterday the Minister refused to answer that question. I am asking you Treasurer, as a shareholder Minister, for your view.

**The Hon. ERIC ROOZENDAAL:** I have answered that question, and that is the advice.

**The Hon. MATTHEW MASON-COX:** I refer to the Government's wages policy and note that earlier the Treasurer mentioned that 60 per cent of wage agreements had been settled, which is a 4 per cent increase per annum.

**The Hon. ERIC ROOZENDAAL:** Yes.

**The Hon. MATTHEW MASON-COX:** You have been advised that other savings have met the 1.5 per cent increase above the 2.5 per cent wages policy. Who provided that advice to you? Did Treasury provide that advice?

**The Hon. ERIC ROOZENDAAL:** I am sorry, in relation to which agency?

**The Hon. MATTHEW MASON-COX:** In relation to the 1.5 per cent over and above the 2.5 per cent wages policy, for example, the police agency—the latest one. Is that something about which Treasury advises you?

**The Hon. ERIC ROOZENDAAL:** The process involves agencies being funded through the budget process to 2.5 per cent and they are then required to negotiate with their labour force to find appropriate offsets to fund the other 1.5 per cent, should they wish to go up to a total of 4 per cent. Let me explain the way in which the process works. Each agency presents its wages negotiation parameters and offsets them through a budget committee process for appropriate assessment. Once they are ticked off they go back and negotiate through the issues with labour force representation.

**The Hon. MATTHEW MASON-COX:** Mr Schur, referring to the police example, does Treasury independently test those savings through the budget committee process?

**Mr SCHUR:** The veracity of the offsets is determined in advance of the agreement being signed. Once the award has been signed the respective agency—police or any other—is required to report back on a regular basis to the Budget Expenditure Review Committee and to provide the Committee with updates and progress on meeting those offsets. Treasury would be aware, in a general sense, of the risks to those offsets not being met in an individual agency. That is done on an ongoing basis for the agencies.

**The Hon. MATTHEW MASON-COX:** In that process do you go back on a regular basis to assess the progress?

**The Hon. ERIC ROOZENDAAL:** I will answer that question. Once an agreement is in place through the expenditure review committee we then talk to the agencies on a regular basis about how they are managing their expenditure and, in particular, how they are securing the offsets that were agreed to through the wage negotiation process.

**CHAIR:** We will finish early because Government members will not ask any further questions. Dr Kaye, do you have a question?

**Dr JOHN KAYE:** I have two questions. Treasurer, my first question relates to your media release of 20 August this year.

**The Hon. IAN WEST:** We will not do that again.

**Dr JOHN KAYE:** I am sorry, I do not understand.

**The Hon. IAN WEST:** This is the time of Government members. You now want to take up our time and not stop.

**Dr JOHN KAYE:** I will ask one quick question. I am unaware of what is going on here. Treasurer, your media release of 20 August 2009, which refers to an inquiry being conducted by the Better Services and Value Taskforce, states that one of the first departments for forensic examination is the Department of Education and Training. It will also target expenditure in the area of legal services and information technology. Those are two separate inquiries: the first into the Department of Education and Training—

**The Hon. ERIC ROOZENDAAL:** Yes.

**Dr JOHN KAYE:** There are two separate inquiries?

**The Hon. ERIC ROOZENDAAL:** Yes.

**Dr JOHN KAYE:** Mr Schur, at what aspects will your inquiry into the Department of Education and Training look?

**The Hon. ERIC ROOZENDAAL:** It will be a line-by-line review of the agency. It is intended to go through each agency. Education is a big part of the budget and it volunteered to be first cab off the rank through the Better Services and Value Taskforce.

**Dr JOHN KAYE:** Will the inquiry review the entire functions of the department?

**The Hon. ERIC ROOZENDAAL:** It will go through it, yes.

**Dr JOHN KAYE:** Everything in the department?

**The Hon. ERIC ROOZENDAAL:** Pretty much, yes.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**

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