



The Hon Dominic Perrottet MP
Treasurer and Minister for Industrial Relations

26 October 2018

To the Estimates Committee,

Please see attached additional information for answers taken on notice and supplementary questions.

Yours sincerely,

Dominic Perrottet MP
Treasurer
Minister for Industrial Relations

Treasury portfolio
Further information is sought on the below questions

Further information sought by NSW Labor Opposition members

CBD Light Rail ALTRAC Guarantee (Question on notice)

Question:

Treasurer, despite the best efforts of your colleague the transport Minister, we learnt on Friday that you secretly guarantee to pay back banks \$500 million in the event that ALTRAC becomes insolvent. When did you approve the Transport Minister's request for a secret bailout for the central business district light rail?

Answer:

Guarantees of obligations for all State Government agencies under the PAFA Act is standard for all NSW PPP projects.

Issue:

No indication of when the guarantee was approved.

CLARIFICATION

The guarantee was approved on 2 July 2018.

Liquidity Facility for the CBD Light Rail (Supplementary questions 79-81)

79. Can you confirm that NSW had provided ALTRAC with a \$500 million liquidity facility, and if so, on what date was this approved and established?

80. Can you confirm that the reason Minister Constance gave for this was to avoid ALTRAC's insolvency and ensure that the project continued?

81. Can you confirm that the arrangement involves NSW guaranteeing a \$500 million loan by ALTRAC?

Answer 79-81: I refer you to my answers provided in Budget Estimates.

Issue: Does not answer the questions.

CLARIFICATION

79 - Answer:

No, the NSW Government is not lending the funds, but is providing a guarantee on the drawn down portion of the loan.

80 - Answer:

The State has not provided a Liquidity Facility to ALTRAC but has provided a guarantee of the loan.

81 - Answer:

The NSW Government has provided a guarantee on the drawn down portion of the loan.

Stadiums (Questions on notice)

Question:

The Hon. JOHN GRAHAM: I want to ask now about stadiums. The Sydney Cricket and Sports Ground Trust has said it will borrow money from the Government to pay for the \$300 million business disruption costs involved in the demolition and rebuilding of the Sydney Football Stadium. Have you approved a loan relating to those business demolition costs?

Mr DOMINIC PERROTTET: I will pass to the Treasury Secretary to give the details in relation to that.

Mr PRATT: As Secretary, I have approved an overall facility to the trust. Each component of that facility has to come back to me for individual approval.

The Hon. JOHN GRAHAM: And that would specifically cover those business disruption costs?

Mr PRATT: That is correct.

The Hon. JOHN GRAHAM: Do you have a final amount for those business disruption costs?

Mr PRATT: No, I do not have that yet.

The Hon. JOHN GRAHAM: Do you have a timing for when you expect it?

Mr PRATT: No, I do not.

The Hon. JOHN GRAHAM: It is has been put that it is of the order of \$315 million. Is that about—

Mr PRATT: That is correct. I do not have the absolute number, but directionally it is around that number, yes. I can take it on notice and give you the exact number.

Answer: The Sydney Cricket and Sports Ground Trust is responsible for the final payment of business disruption costs associated with the Sydney Football Stadium. Questions regarding final business disruption costs should be directed to the Minister responsible.

Issue:

No amount was provided even though the Secretary specifically said an exact number could be provided on notice.

CLARIFICATION

The Sydney Cricket and Sports Ground Trust is responsible for the payment of business disruption costs. The Sydney Cricket and Sports Ground Trust previously had a borrowing limit of \$95 million, which was increased by \$155 million. There has been an initial draw down of up to \$39.1 million from the facility. Further questions should be directed to the minister responsible for the Sydney Cricket and Sports Ground Trust.

Question:

The Hon. JOHN GRAHAM: When Treasury looked at the benefit-cost ratio for the stadium, did it take account of those business disruption costs? Were they in or out for the benefit-cost ratio calculations? Mr PRATT: I would have to take that on notice.

Answer:

Treasury was not responsible for the development of the business case for the Sydney Football Stadium.

Issue:

The Secretary indicated that Treasury would have looked at the benefit-cost ratio at some point. Therefore an answer should be provided by Treasury which would have a team responsible for looking at stadiums.

CLARIFICATION

As Treasury was not responsible for the development of the business case for the Sydney Football Stadium, the question is best referred to the Minister for Sport who holds portfolio responsibility for the business case which includes assessment of the benefit-cost ratio.

Oyster Coast investment (Questions on notice)

Question:

Following \$3.3 million of taxpayer's money being invested in Australia's Oyster Coast, do you have concerns, or does Treasury have concerns, that such an investment by Jobs for NSW is in breach of that competitive neutrality policy that you administer?

Answer:

This question should be referred to the Minister for Trade and Industry.

Issue:

The Competitive Neutrality Policy falls under NSW Treasury:

<https://www.treasury.nsw.gov.au/nsw-economy/competition-policy>

CLARIFICATION

NSW Treasury developed the Competitive Neutrality Policy setting principles and guidance for administration by government agencies. The Policy defines the mechanisms for considering competitive neutrality complaints against government businesses. It assigns responsibility for investigating and reporting on issues to the Independent Pricing & Regulatory Tribunal. In accordance with the Policy, competitive neutrality issues should be first raised with the relevant Government Business. Accordingly, the question is more appropriately directed to the Minister for Trade and Industry.

Question:

The Hon. JOHN GRAHAM: Oyster farmers with concerns can appeal this decision including to the Independent Pricing and Regulatory Tribunal [IPART]. Would you support IPART taking a look at this decision and how it interacts?

Mr DOMINIC PERROTTET: I will take that on notice. The issue you are raising is new material to me. I will consider that and I am happy to come back to you and give you a more substantive response.

The Hon. JOHN GRAHAM: I appreciate that response. It goes to the heart of this issue that public funds should not be used to drive private firms out of business. That is at the heart of the policy you administer. It seems it is being breached here.

Mr DOMINIC PERROTTET: Yes. Mr Graham, I am happy to take that on notice and give you a substantive response. The point of Jobs for NSW is to help drive investment and to help businesses get off the ground. My view, as a small Government Liberal is that we should be getting out of the way as much as possible and allowing

Answer:

This question should be referred to the Premier.

Issue:

Does not appear the Treasurer considered this properly at all. The answer provided is not substantive.

CLARIFICATION

As described above, the Competitive Neutrality Policy provides a clear mechanism by which complaints are to be handled. The Premier has portfolio responsibility for IPART.

Question:

Mr DOMINIC PERROTTET: You are saying that Jobs for NSW is going in there and propping up one player in the market as opposed to others who are in that space and they are being penalised and potentially are in a uncompetitive—

The Hon. JOHN GRAHAM: Correct, with public funds.

Mr DOMINIC PERROTTET: Okay. I am more than happy to take that on notice. To be completely constructive, I think that is an important role that Treasury should play to ensure there is a level playing field. I do not have the recording of what you read out in relation to Jobs for NSW.

Answer:

This question should be referred to the Minister for Trade and Industry.

Issue:

Does not appear the Treasurer considered this properly at all. The answer provided is not substantive.

CLARIFICATION

See answers to the previous questions relating to the Oyster Coast investment.

Sydney Motorway Corporation (Supplementary question 52)

Question:

How much has been spent to date on transaction costs for the Sydney Motorway Corporation transaction, and with which firms and for what services?

Answer:

Treasury publishes contracts on the NSW eTendering website where required by the Government Information (Public Access) Act 2009. They are available at <https://tenders.nsw.gov.au>.

Issue:

The eTendering website does not disclose all transactions costs for the SMC transaction.

CLARIFICATION

The SMC Transaction netted the people of NSW \$9.3 billion to be spent on roads, rail, schools and hospitals. As at 30 June 2018, costs associated with the transaction amounts to \$53.7 million, representing less than 1% of transaction proceeds, are spread amongst a range of specialist advisors and consultants who were engaged to ensure the best outcome for the State. These advisory and consultancy services contracts have been published on the NSW eTendering website which is a requirement of the Government Information (Public Access) Act 2009.

Rozelle Interchange (Supplementary question 75)

Question:

What is the cost of the Rozelle Interchange?

Answer:

The budget for WestConnex is publically available and includes funding for the M4-M5 Link Rozelle Interchange.

The Rozelle Interchange is part of the WestConnex project.

Issue:

The question specifically asked for the cost for the Rozelle Interchange component of WestConnex – this was not provided.

CLARIFICATION

Stage 3 of the WestConnex project is budgeted at \$7.2 billion and includes the Rozelle Interchange. The NSW Government is currently in procurement for stage 3B, it would not be appropriate to advise in detail the breakdown for each stage to minimise any prejudice to the procurement process.

Commissioning and Contestability Unit (Supplementary questions 100-102)

Questions:

How much funding has been allocated to this unit?

How many staff are currently employed in this unit?

How many staff have been allocated to education projects in this unit?

Answer:

The CCU has supported and continues to support agencies across government on a range of commissioning-related projects, and CCU staff work flexibly across these to respond to agency needs.

Issue:

Did not reasonably answer the questions. Should provide the figures.

CLARIFICATION

100 - Answer:

The CCU was established as a centre of excellence to support a whole-of-government approach to delivering better services, better outcomes, and better value for the people of NSW.

The total expenditure of the CCU in 2016-17, 2017-18 and budgeted for 2018-19 is:

- 2016-17 total expenditure \$2.4 million
- 2017-18 total expenditure \$2.4 million
- 2018-19 total budget \$2.9 million.

101 - Answer:

There are 16 full-time equivalent (FTE) staff budgeted for the CCU in 2018-19.

102 - Answer:

The CCU has supported and continues to support agencies across government on a range of commissioning-related projects, and CCU staff work flexibly across these to respond to agency needs. During the 2017-18 Financial Year, three CCU staff members spent a portion of their time working on projects that primarily or partly involved the Department of Education including supporting the department to meet the Government's commitment to delivering additional out-of-school hours care places.

Debt (Supplementary questions 109-111)

Questions:

Has Treasury forecasted Total State Sector Borrowings to exceed \$100 billion in the next 10 years?

Has Treasury forecasted Total State Sector Interest Expenses to exceed \$5 billion in the next 10

years?

Has Treasury forecasted Total State Sector Net Financial Liabilities to exceed \$125 billion in the next 10 years?

Answer:

Total State Sector results will be provided through the Total State Sector Accounts.

Issue:

Did not reasonably answer the question. Answers to net debt were a more informative than the answers regarding Total State Sector Borrowings.

CLARIFICATION

109-111 - Answers:

The Budget Papers forecast four years out for the Total State Sector Borrowings, Interest Expenses and Net Financial Liabilities. This can be found in Budget Paper No.1 includes Attachment D - Historical Fiscal Indicators.

Payroll Tax Threshold (Supplementary question 117)

Question:

Has the NSW Productivity Commission inquiry into payroll tax been completed?

(a) If yes, what are the recommendations?

(b) If not, when will it be completed?

Answer:

The Productivity Commission inquiry into Payroll Tax Administration is ongoing.

Issue:

No indicative date or date range was provided in terms of completion date.

CLARIFICATION

The Review is complete and the Government is currently considering the recommendations. A Government response will be issued following cabinet consideration.

Media and Public Relations (Supplementary question 169)

Question:

How many media or public relations advisers are employed for each of your portfolio agencies?

Answer:

Treasury staff numbers are included in the Annual Report

Issue:

Specific amounts regarding number of media and/or public relations advisers are not included in the Annual Report.

CLARIFICATION

Treasury	2 permanent Media Managers directly employed by Treasury
TCorp	NIL
SAS Trustee Corp	NIL
icare	2 permanent staff directly employed by icare

Facebook (Supplementary question 174)

Question:

How much did your Department/agency spend on Facebook advertising or sponsored posts in 2017-18?

Answer:

Where appropriate social media is used by agencies alongside other forms of advertising as a cost effective medium of communication

Issue:

The answer did not provide a dollar amount regarding how much was spent on Facebook advertising or sponsored posts in 2017-18.

CLARIFICATION

Treasury	NIL
TCorp	NIL
SAS Trustee Corp	NIL
icare	icare has spent approximately \$592 on Facebook boosting activities in 2017/18

Further information sought by The Greens

Gaming machine revenue (Questions on notice)

Question:

Treasury has provided forecasts out to the forward estimates on expected gaming machine revenue. The page labelled "Analytical Model" goes through the base estimates of gaming machine revenue for hotels and clubs. It is titled "Analytical Model" and outlines the base assumptions on which gaming machine taxes have been determined. Assumptions are made that the new leasing arrangements for gaming machines will lead to an increase in profits for both hotels and clubs of a factor that is listed and that I have highlighted. Did Treasury prepare that document?

Answer:

Yes.

Question:

On what assumptions were those forecasts for the impact of the new leasing arrangements made?

Answer:

The leasing scheme was intended to assist smaller clubs and hotels improve their financial viability. As at 13 September 2018, only four venues have had approval to lease gaming machine entitlements from other venues.

CLARIFICATION

New leasing arrangements are assumed to make a small positive contribution to the growth of gaming revenue, through a slower decline in the number of gaming machine entitlements and increased intensity of use of existing gaming machine entitlements. The size of this contribution to growth has been estimated based on historic data for the decline of gaming machine entitlements over time.

Question:

What would be the normal process for coming up with those assumptions? Would that be on advice from Liquor and Gaming NSW or is that something that Treasury models itself?

Answer:

Treasury combines data provided by Liquor and Gaming NSW with macro-economic forecasts to provide an estimate of the growth of player loss and tax revenue.

CLARIFICATION

Gaming machine forecasts for clubs and hotels are prepared by Treasury. Treasury's econometrically estimated model combines data provided by Liquor and Gaming NSW with macro-economic forecasts to provide an estimate of the growth of player loss and tax revenue.

Issue:

More information is sought on how the figures attributed to gaming machine tax revenue changes in the budget as a result of the leasing policy were arrived at. There are specific line items on the analytical model in the budget papers relating to the impact of the leasing policy but not information of the assumptions that underpin these figures.