

## **PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE**

**Monday 28 February 2022**

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

### **TREASURER AND ENERGY**

**CORRECTED**

**The Committee met at 9:30.**

#### **MEMBERS**

The Hon. Tara Moriarty (Chair)  
The Hon. Robert Borsak (Deputy Chair)  
Ms Abigail Boyd  
Ms Cate Faehrmann  
The Hon. Scott Farlow  
The Hon. Don Harwin  
The Hon. Mark Latham  
The Hon. Taylor Martin  
The Hon. Daniel Mookhey  
The Hon. Penny Sharpe  
Mr David Shoebridge

#### **PRESENT**

**The Hon. Matt Kean, *Treasurer, and Minister for Energy***

\* Please note:

[inaudible] is used when audio words cannot be deciphered.

[audio malfunction] is used when words are lost due to a technical malfunction.

[disorder] is used when members or witnesses speak over one another.



**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**



**The CHAIR:** Good morning, everybody. Welcome to the additional public hearing for the inquiry into budget estimates 2021-2022. Before I commence I would like to acknowledge the Gadigal people, who are the traditional custodians of this land. I would also like to pay respect to the Elders past, present and emerging of the Eora nation and extend that respect to other Aboriginal people present. Welcome Minister Matt Kean and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolios of Treasurer and Energy.

Before we commence, I would like to make some brief comments about the procedures for today's hearing. Today's proceedings are being broadcast live from the Parliament's website and a transcript will be placed on the Committee's website once it becomes available. In accordance with the broadcast guidelines, media representatives are reminded that they must take responsibility for what they publish about the Committee's proceedings. All witnesses in budget estimates have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018.

There may be some questions that a witness could answer only if they had more time or with certain documents to hand. In those circumstances witnesses are advised that they can take a question on notice and provide an answer within 21 days. If witnesses wish to hand up documents, they should do so through the Committee staff. Minister, I remind you and the officers accompanying you that you are free to pass notes and refer directly to your advisers seated at the table behind you. Finally, could everyone please turn their mobile phones to silent for the duration of the hearing.

**Mr SAN MIDHA**, Deputy Secretary, Policy and Budget, NSW Treasury, on former affirmation

**Ms JOANN WILKIE**, Deputy Secretary, Economic Strategy and Productivity, NSW Treasury, on former affirmation

**Mr PHIL GARDNER**, Deputy Secretary, Commercial and Procurement, NSW Treasury, on former affirmation

**Ms RACHEL PARRY**, Deputy Secretary, Energy, Climate Change and Sustainability, Department of Planning and Environment, affirmed and examined

**Mr JAMES HAY**, Deputy Secretary, Energy, Climate Changes and Sustainability and Chief Executive Officer, Energy Corporation of NSW, Department of Planning and Environment, sworn and examined

**Dr PAUL GRIMES**, Secretary, NSW Treasury, affirmed and examined

**The CHAIR:** Today's hearing will be conducted from 9.30 a.m. to 12.45 p.m. with a 15-minute break at 11.00 a.m. We are joined by the Minister in the morning and in the afternoon we will hear from departmental witnesses from 2.00 p.m. to 5.15 p.m. with a 15-minute break at 3.00 p.m. During these sessions there will be questions from the Opposition and crossbench members only. If required, an additional 15 minutes is allocated at the end of the morning and afternoon sessions for Government questions. Thank you for your attendance today and we will begin with questions from the Opposition.

**The Hon. DANIEL MOOKHEY:** Greetings to you, Treasurer. It is always a pleasure to see you. Greetings to your officials as well. Dr Grimes, congratulations on your first appearance at budget estimates in your new capacity. Treasurer, I want to start by asking you about your Government's extraordinary decision to close the rail network last Monday. When were you first advised that the Government had decided to shut down the rail network?

**Mr MATT KEAN:** I found out about the rail network being closed on Monday morning.

**The Hon. DANIEL MOOKHEY:** First thing?

**Mr MATT KEAN:** When I read the paper.

**The Hon. DANIEL MOOKHEY:** When you read the newspaper? Fair enough. So no-one else in the Government had told you, prior to that, that the Government was shutting down the rail network?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** Did anyone ever tell you prior to Monday's shutdown that there was a serious possibility that the network might shut down?

**Mr MATT KEAN:** I was aware that there was proposed industrial action but it was not specific. In fact, the first thought that I had on Monday morning about why the rail network was shut down was when I opened *The Daily Telegraph* and I read the head of Unions NSW Mark Morey's comment that this would be the year of rolling strikes.

**The Hon. DANIEL MOOKHEY:** So prior to that—you perusing the paper that morning—you had not had a discussion with, for example, the transport Minister about the possibility of the Government choosing to close the network?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** And you did not speak about this with the Premier, I presume?

**Mr MATT KEAN:** No, I had not.

**The Hon. DANIEL MOOKHEY:** And you had not spoken about this with your office or your chief of staff?

**Mr MATT KEAN:** No, I had not.

**The Hon. DANIEL MOOKHEY:** Did you have any discussions with Dr Grimes or anyone from Treasury about the possibility that you would be closing down the network?

**Mr MATT KEAN:** No, I do not think I did.

**The Hon. DANIEL MOOKHEY:** So until Monday morning you were effectively blissfully unaware that the Government had a plan, or at least a contingency plan, to shut down the rail network?

**Mr MATT KEAN:** As I said, I was aware that there was increasing pressure from the union movement and, again, on Monday morning Mark Morey, the head of Unions NSW, said that this would be the year of rolling strikes. This would be the year where the union movement would hold the people of New South Wales to ransom to achieve their rents.

**The Hon. DANIEL MOOKHEY:** So you are saying that in response to the comments of Mr Morey or others, you had no awareness that your Government had a contingency plan to shut down the rail network. That is your evidence?

**Mr MATT KEAN:** What I am saying is that the Government was obviously aware, as was I, that the union movement was planning on strike action. As to the specifics of that strike action, I am not sure. So it is entirely appropriate that the Government would do contingency planning for all scenarios, just like we did.

**The Hon. DANIEL MOOKHEY:** But were you aware of that particular contingency plan in response to the factors you are describing? Did anyone tell you? Did anyone say that this was an option, that there was a plan at foot or that there was thought being given to taking this type of action?

**Mr MATT KEAN:** I would not be surprised that the Government would plan for all scenarios—

**The Hon. DANIEL MOOKHEY:** I am not asking you if you were surprised.

**The Hon. DON HARWIN:** Point of order—

**The CHAIR:** Yes, I will take the point of order.

**The Hon. DON HARWIN:** If the Hon. Daniel Mookhey asks a question, he should wait until an answer is given. On at least two occasions now the sentence has just started. Only three or four words have been asked and the Treasurer has not been able to finish the first sentence. It is just not appropriate and not the way our estimates should be conducted.

**The CHAIR:** In fact, the way estimates should be conducted is question followed by answer followed by question. Mr Mookhey has the call.

**The Hon. DANIEL MOOKHEY:** Specifically, Treasurer, I am asking you now for the third time—not whether or not you are surprised such a plan existed—did anybody brief you on it?

**Mr MATT KEAN:** Of course I was not briefed on specific contingency planning. It should come as no surprise to anyone that a range of scenarios that governments would consider and plan for would always be briefed to the Minister. So on that specific contingency plan, I was not briefed, no.

**The Hon. DANIEL MOOKHEY:** But, Treasurer, your account seems implausible given your chief economist gave sworn evidence to the Fair Work Commission to support the Government's application. Are you telling me no-one told you that your chief economist was giving evidence to support one of the most aggressive employer actions taken in New South Wales in response to an industrial dispute in the last decade? Are you seriously telling us that your chief economist is in a position to go to the Fair Work Commission and give sworn evidence and somehow you do not know?

**Mr MATT KEAN:** Mr Mookhey, can you please repeat the question because I was just trying to source the affidavit?

**The Hon. DANIEL MOOKHEY:** I have got a copy for you. I have also got one for the Government members, if they want it. You are honestly telling me that your chief economist is in a position to go to the Fair Work Commission and give sworn evidence to support one of the most aggressive actions taken by an employer in response to industrial action in the last decade and you as Treasurer do not know about it?

**Mr MATT KEAN:** No, that is not what I said. I said that governments plan for all kinds of scenarios. The irresponsible industrial action that we saw occur in recent times and which has been threatened by the union movement across New South Wales is of course something that the Government prepares for, just as they did on this occasion.

**The Hon. DANIEL MOOKHEY:** But, Treasurer, were you aware that your chief economist had given a sworn affidavit to the Fair Work Commission days before this action in support of an application to terminate a bargaining period and in which he flags a two-week shutdown? Are you seriously saying that your chief economist can go to the Fair Work Commission and give sworn evidence in support of a high-profile industrial dispute and you do not know about it?

**Mr MATT KEAN:** Well, the chief economist has said in his testimony here that he has been informed and verily believes that the cumulative effect of industrial action is that there will be a complete stoppage of

services for a period of the notified action. However, he also says that some services may be running on the first morning of the notified action.

**The Hon. DANIEL MOOKHEY:** Treasurer, he also says—

**Mr MATT KEAN:** So it was—

**The Hon. SCOTT FARLOW:** Point of order—

**Mr MATT KEAN:** —this was scenario planning. There was nothing specific.

**The CHAIR:** Minister—

**Mr MATT KEAN:** He was providing general advice, Mr Mookhey.

**The CHAIR:** Treasurer, I will take the point of order.

**The Hon. SCOTT FARLOW:** My point of order is effectively the same as Mr Harwin's before. The Treasurer is trying to give an answer. As he is giving an answer the Hon. Daniel Mookhey is running all over him.

**The Hon. DANIEL MOOKHEY:** To the point of order—

**The CHAIR:** Well, in fact I am happy to rule on this. They are both interrupting each other. I remind everybody that it is question followed by answer followed by question.

**The Hon. DANIEL MOOKHEY:** Treasurer, given you are quoting from the affidavit, which is good—I presume you have read it—can I take you to paragraph 2?

**Mr MATT KEAN:** Sure.

**The Hon. DANIEL MOOKHEY:** The chief economist says, "The role frequently briefs senior Government Ministers." That is quite clear in the second paragraph. Clearly there is a habit of you getting briefings from the chief economist and you are telling us seriously that the chief economist will brief you on the most minute gradation in the bond market but will not tell you that he is about to give sworn evidence to support an aggressive action by your Government. He is telling the Fair Work Commission that he briefs senior Government Ministers, and you are telling me he never told you and you had absolutely no idea that the chief economist was giving this evidence until you found out last week.

**Mr MATT KEAN:** You see, Mr Mookhey, I have a weekly catch-up with the chief economist. It is incorporated into my weekly catch-up with the Treasury Secretary. As it is, I have briefings from a number of my deputy secretaries and senior officials. In the catch-up that I had with the chief economist the week before this action occurred—actually, I don't think we saw him that week; I think we saw him the week before—it was not brought to my attention that he had considered this as one of the contingencies that he had been planning for.

**The Hon. DANIEL MOOKHEY:** No. Did you ask him to prepare this evidence?

**Mr MATT KEAN:** Which evidence? The scenario planning?

**The Hon. DANIEL MOOKHEY:** The affidavit.

**Mr MATT KEAN:** No, I did not.

**The Hon. DANIEL MOOKHEY:** Who did?

**Mr MATT KEAN:** I would have to ask Dr Grimes if he can illuminate you on that.

**PAUL GRIMES:** My understanding is that was a request from the Crown Solicitor's Office directly to Mr Walters.

**The Hon. DANIEL MOOKHEY:** Sorry, Dr Grimes, do you mind just bringing your microphone forward?

**PAUL GRIMES:** Yes, sure. My understanding is that was a request directly from the Crown Solicitor's Office to Mr Walters.

**The Hon. DANIEL MOOKHEY:** Do you know when Mr Walters got that request from the Crown Solicitor?

**PAUL GRIMES:** I do not have that information in front of me but we will be able to take that on notice and provide it to you.

**The Hon. DANIEL MOOKHEY:** Mr Walters is coming this afternoon, so I can ask him as well.



**PAUL GRIMES:** You can ask him this afternoon as well.

**The Hon. DANIEL MOOKHEY:** Did Mr Walters tell you, Dr Grimes, that he was intending or he had been given this request from the Crown Solicitor's Office?

**PAUL GRIMES:** No. I was not aware of that request that was made of Mr Walters.

**The Hon. DANIEL MOOKHEY:** The evidence is that the chief economist gave this without telling the Treasury secretary or the Treasurer.

**PAUL GRIMES:** He had not advised me, Mr Mookhey.

**Mr MATT KEAN:** That is correct.

**The Hon. DANIEL MOOKHEY:** So, Treasurer, when did you find out that Dr Walters had given this affidavit?

**Mr MATT KEAN:** When I read the affidavit in preparation for budget estimates.

**The Hon. DANIEL MOOKHEY:** When? Last Friday?

**Mr MATT KEAN:** Last week, Thursday or Friday, yes.

**The Hon. DANIEL MOOKHEY:** And you had no idea otherwise that your Treasury was putting an application in to support this aggressive industrial action by your Government?

**Mr MATT KEAN:** I found out when the matter was before the Fair Work Commission and I was provided with a copy of the affidavit, which I obviously read.

**The Hon. DANIEL MOOKHEY:** So we have this account separately given by the Premier that he had no knowledge, the transport Minister had no knowledge, and the Treasurer had no knowledge. Are we honestly meant to believe that this extraordinary decision to shut down the network was a conspiracy of bureaucrats with that the total ignorance of their political masters? Is that the evidence you are giving today, Treasurer?

**Mr MATT KEAN:** No. The evidence I am giving is that the Government was scenario planning for the aggressive action that was being proposed by the unions. We did not know when that action was going to manifest itself. We obviously planned for that reality, that your friend, Mark Morey, the head of Unions NSW, was going to hold the people of this State to ransom to achieve his ends. Quite frankly, Mr Mookhey, I would expect you, as the alternative Treasurer in this State, to be picking up the phone to Mr Morey and demanding that he say that he will not be doing anything that will impact the citizens of this State, to come back to the table and negotiate with the Government in good faith to achieve a mutual outcome for everyone.

**The Hon. DANIEL MOOKHEY:** Treasurer, you are telling me that your bureaucrats were secretly planning for this contingency scenario and never bothered to tell any of their political leadership, that you had complete ignorance of this. That is seriously the evidence that you are giving?

**Mr MATT KEAN:** This is a wild fantasy that you are trying to push.

**The Hon. DANIEL MOOKHEY:** No, it is not.

**Mr MATT KEAN:** The evidence that I am giving is that the Government was taking responsible steps to plan for the eventuality of the threats being made by the union movement.

**The Hon. DANIEL MOOKHEY:** But, Treasurer, you said that he was planning.

**Mr MATT KEAN:** Can I finish my answer, please, Madam Chair?

**The Hon. DANIEL MOOKHEY:** No, because you are not answering the question.

**Mr MATT KEAN:** The year of rolling strikes, which was on the front page of the *Daily Telegraph* last Monday, threatening the commuters of this State, threatening the people wanting to go to hospital, the kids wanting to go to school, because they wanted to get an outcome for their ends. These things need to be negotiated. They need to be worked through, but that is not the way to do it. So of course we were going to prepare for the aggressive, threatening behaviour that the unions were making very publicly in *The Daily Telegraph*.

**The Hon. DANIEL MOOKHEY:** You say you were going to prepare, but you yourself had no knowledge of the preparation, which leads me to one of two conclusions: Either you are not being straight with us today, or you are completely inattentive to what is happening in your portfolio.

**Mr MATT KEAN:** That is not accurate. Governments do contingency and scenario planning for a whole range of possibilities. That is responsible Government, Mr Mookhey. You should know that. You would

expect the department to be thinking about these issues and making sure that you have got plans in place in the event that they arise. There is nothing unusual with that, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** If you do not mind turning to paragraph 9 of Dr Walters' affidavit, it says here that on 16 February he was overseeing modelling of the intermediate economic impact of notified action. Just to be clear here, no-one is sort of suggesting that it is inappropriate for the chief economist to prepare such modelling, if he is asked. But this was four days before and it is quite clear that it was not just Mr Walters. He says here, "I was overseeing a team". If there were more people involved in Treasury, it must have been known to you and, to be fair, Dr Grimes it must have been known to you. How is it possible that such modelling and such a position could be prepared and you not be told?

**Mr MATT KEAN:** Well, the way you are framing this is outrageous. I mean—

**The Hon. DANIEL MOOKHEY:** What? I am asking you questions?

**Mr MATT KEAN:** Stephen Walters is the chief economist for New South Wales. He is overseeing a team. I am sure he does not sit there and put the data into spreadsheets. He would be overlooking—

**The Hon. DANIEL MOOKHEY:** To be fair, he suggested he does but—

**Mr MATT KEAN:** —the assumptions that would be made and try to come up with the economic impacts that would occur as a result of this aggressive union behaviour.

**The Hon. DANIEL MOOKHEY:** But what is remarkable about this is that he says here that he is the overseer of the modelling of the impact of notified action and he actually does describe the three scenarios that he modelled. Not one of them was notified. None of these scenarios was at all being threatened by the union whatsoever. If you check on page 10, you actually see what the union had notified. It would have been illegal for them to undertake a 24-hour stoppage. They never were planning—

**Mr MATT KEAN:** Well—

**The Hon. DANIEL MOOKHEY:** They were never planning to undertake a 24-hour stoppage, nor were they planning to take a two-week stoppage. The only suggestion of a two-week stoppage came from your Government, seemingly without you having any idea whatsoever, which brings me to the question: Why was he modelling three scenarios that were not being threatened whatsoever?

**Mr MATT KEAN:** That is just absolutely wrong. I mean, the reason it got to this stage—

**The Hon. DANIEL MOOKHEY:** Well, no, it is not, Treasurer.

**Mr MATT KEAN:** Well, can I finish? You have put the question to me. We got to this stage because the union movement would not provide the staffing necessary to run the trains system. And don't forget—I mean, are you seriously telling me that if the staffing is not there and the advice from the experts who run the rail system says that running the trains system would be unsafe, that you would continue to run the trains system?

**The Hon. DANIEL MOOKHEY:** Treasurer, what I am putting to you—

**Mr MATT KEAN:** I am trying to finish my answer.

**The Hon. DANIEL MOOKHEY:** No, no. What you are trying to do is you have had a long preamble.

**Mr MATT KEAN:** You are trying to distract from my answer—

**The Hon. DANIEL MOOKHEY:** I am allowed to—

**The Hon. SCOTT FARLOW:** Point of order—

**Mr MATT KEAN:** I am trying to answer the question.

**The CHAIR:** We need one person speaking; both of you need to wait. We need one person speaking at a time, particularly for the purposes of Hansard. They provide a transcript and they cannot capture the words if you are speaking over each other. It should be question followed by answer.

**The Hon. DANIEL MOOKHEY:** The direct question, Treasurer, which you are evading is that the three scenarios that the chief economist modelled were never notified by the union. Hence, why was Treasury modelling these scenarios? These were not the scenarios that the union was at all suggesting, all of which seem to suggest that the Government had a contingency plan in place and was thinking about a two-week stoppage. Apparently, according to you, you had absolutely no idea and were in complete ignorance of this.

**Mr MATT KEAN:** That is not what I said, Mr Mookhey. What I said was that the Government plans for a number of scenarios, which is what we have done in this case, and these would be three of the obvious

scenarios that might occur. You will have to ask the chief economist as to why he chose those three scenarios, but what I am telling you is that I was made aware of this work once I read the affidavit from the chief economist.

**The Hon. DANIEL MOOKHEY:** Just to be clear, was your office ever given a written from the chief economist brief explaining this at all, prior to the affidavit going in?

**Mr MATT KEAN:** I do not believe so, but I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Thereafter were you given a brief?

**Mr MATT KEAN:** No, we were not.

**The Hon. DANIEL MOOKHEY:** So no-one told you. You were as reliant on public media as everybody else, seriously?

**Mr MATT KEAN:** I am reliant on the chief economist to go and do scenario planning for the threat of industrial action that had been kept secret on the front page of *The Daily Telegraph*.

**Mr DAVID SHOEBRIDGE:** Kept secret on the front page of *The Daily Telegraph*?

**Mr MATT KEAN:** Exactly.

**Mr DAVID SHOEBRIDGE:** That is pretty hard to do.

**Mr MATT KEAN:** I was trying to make the point that the unions flagged their intentions on the front page of a major newspaper in Sydney. Of course it was responsible for Treasury and all agencies impacted by this to do the work—

**The Hon. PENNY SHARPE:** But no-one told you?

**Mr MATT KEAN:** —to plan for the public of New South Wales.

**The Hon. DANIEL MOOKHEY:** Treasurer, the modelling that apparently Dr Walters had prepared days before there was even a suggestion, while negotiations were still on foot, was that a two-week stoppage would cost the economy \$370 million and affect 1.59 million workers. No-one brought that to your attention?

**Mr MATT KEAN:** Look, I mean, unions have proven they will launch illegal activity. We need to plan for that reality.

**The Hon. PENNY SHARPE:** And no-one tells you, the Treasurer.

**Mr MATT KEAN:** This is not the first time that has happened, and it was flagged that this would be the year of rolling strikes. It is aggressive, threatening behaviour to New South Wales citizens.

**Mr DAVID SHOEBRIDGE:** No, that was the Minister.

**Mr MATT KEAN:** No.

**The Hon. DON HARWIN:** Point of order—

**The Hon. SCOTT FARLOW:** Point of order—

**Mr DAVID SHOEBRIDGE:** That was the Minister.

**The Hon. DON HARWIN:** —we have the Hon. Penny Sharpe and Mr David Shoebidge interjecting.

**Mr MATT KEAN:** All I am saying is that we knew full well—

**Mr DAVID SHOEBRIDGE:** That was the Minister.

**Mr MATT KEAN:** The unions have form.

**The Hon. DON HARWIN:** Neither of them is the questioner, neither of them is the answerer.

**The CHAIR:** The Treasurer has the call to finish his answer. If he has, Mr Mookhey has the call.

**Mr MATT KEAN:** I would like to finish by saying that it is not unusual for the unions to launch illegal strikes. It is not unusual for the Government to then plan for that eventuality. That is what we did here, and no-one was aware that what happened on Monday would have occurred, but we were planning for these kinds of events because of threats that were made by the union movement to the people of New South Wales.

**The Hon. DANIEL MOOKHEY:** Treasurer, the only people who took illegal industrial action last week was your government when it chose to lockout the rail workers. According to the chief economist—

**Mr MATT KEAN:** No, no.

**The Hon. DANIEL MOOKHEY:** —the 24-hour stoppage that your government brought about, we now know, would have cost the economy \$33.3 million, at least, and it affected 150,000 workers, with the loss of 354,000 work hours to New South Wales. Given that your government's lockout last week cost the economy \$33 million, are you going to support the fare-free day today, and why was it not done in full? And are you in a position to provide any further relief to the 150,000 workers your government illegally inconvenienced last week, apparently without your knowledge?

**Mr MATT KEAN:** Of course the Government does not want to see anyone inconvenienced, whether it be going to work or going to school or going to hospital. This Government has always tried to make sure that we deliver for consumers across this State, and we will continue to do that. Our track record speaks for itself, whether it be the record investments in schools, whether it be the record investments in infrastructure, or the \$45 billion that this Government spent in ensuring that we get through this pandemic safely and we come out the other side stronger. I am not going to apologise to you, Mr Mookhey, for making sure that we scenario plan for all things. But, to your point with regard to affected commuters, I want to make sure that we do look after their interests, that we do ensure that this does not happen again and that we work through these issues in a responsible way with the union movement. My message today is for them to sit down with us—come back to the negotiating table and put the consumers and travellers of New South Wales first.

**The Hon. DANIEL MOOKHEY:** Treasurer, do you think next time your government decides to shut down the network you will be told?

**Mr MATT KEAN:** I think that what happened was a disgrace.

**The Hon. DANIEL MOOKHEY:** I agree.

**Mr MATT KEAN:** I think the unions saying that they will not staff the timetable that they had agreed to on the night before was appalling. If the advice is from those that run the train network that that behaviour is unsafe, then of course the Government will always put the safety of rail commuters as its top priority.

**Mr DAVID SHOEBRIDGE:** It is nice to see you, Minister, Dr Grimes, and your team. Minister, you have a chance here now to say sorry to the people of Sydney for your government shutting down the rail network with no notice and causing that chaos. You say you are not going to apologise to this Committee, but will you apologise to the people of Sydney for what your government did?

**Mr MATT KEAN:** Of course I apologise to anyone who was inconvenienced as a result of what happened on Monday. It is not acceptable. People were massively inconvenienced. They turned up at railway stations and there were no trains there. That is not something I ever want to see. Of course I want to apologise for any inconvenience that was caused.

**Mr DAVID SHOEBRIDGE:** Are you going to apologise to the people of Sydney for having a Minister who tucked himself up in bed and let the train system be shut down by bureaucrats? Are you going to apologise for having a Minister who was too tuckered out and went to bed? Are you going to apologise for that?

**The Hon. DON HARWIN:** Point of order: When it comes to questions, the standing orders of the House apply to the questions being asked. That question asked by Mr David Shoebridge was packed with argument and ironical expressions and should be ruled out of order.

**The CHAIR:** The question is in order. It is up to the Treasurer how he wants to answer it.

**Mr DAVID SHOEBRIDGE:** To the point of order: It is simply describing what happened. I know it is awkward and embarrassing for the Government.

**The Hon. PENNY SHARPE:** The Chair has ruled in your favour, David. Keep going.

**Mr DAVID SHOEBRIDGE:** Minister, are you going to apologise for a transport Minister who is too tuckered out and popped himself into bed and let the entire train system get shut down by bureaucrats? Are you going to apologise to the people of Sydney for that?

**Mr MATT KEAN:** Look, you will have a question to ask the Minister to make his views known.

**Mr DAVID SHOEBRIDGE:** No, you get a chance to say sorry now.

**Mr MATT KEAN:** But what I have got is a chance to—

**Mr DAVID SHOEBRIDGE:** You get a chance to say sorry.

**The Hon. DON HARWIN:** Why should he have to apologise for another Minister?

**Mr DAVID SHOEBRIDGE:** You get a chance to say sorry now.

**The Hon. DON HARWIN:** Ask him. You will have a chance to ask him.

**Mr MATT KEAN:** I am going to take that chance to say sorry for anyone who was inconvenienced as a result of what happened last week, the aggressive union tactics that led to the shut down of the rail network. That is not something that I ever want to see. I want to see us get back to the table, work through these issues and put the commuters of New South Wales first.

**Mr DAVID SHOEBRIDGE:** To be at the table you have to be out of bed though; you accept that?

**Mr MATT KEAN:** These are questions that you can ask the transport Minister. You will have plenty of time to do that.

**Mr DAVID SHOEBRIDGE:** You agree if you were negotiating, it would be a good idea to get out of bed to negotiate? Do you accept that?

**Mr MATT KEAN:** I am not going to play these hypothetical situations with you.

**Mr DAVID SHOEBRIDGE:** It is not hypothetical, it happened.

**Mr MATT KEAN:** I am here as the Treasurer of New South Wales, happy to take any questions that you have that directly relate to my portfolio, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** But you get out of bed to negotiate; you do that?

**Mr MATT KEAN:** Mr Shoebridge, I am always happy to answer your questions, but this one does not pertain to me.

**Mr DAVID SHOEBRIDGE:** You keep saying that you read *The Daily Telegraph* on Monday morning and that is when you became aware of the nature of the train strike. Is that right?

**Mr MATT KEAN:** Yes. The first time that I was made aware that the trains were being shut down was when I read that article.

**Mr DAVID SHOEBRIDGE:** You have got the affidavit there in front of you, don't you?

**Mr MATT KEAN:** Yes.

**Mr DAVID SHOEBRIDGE:** Have you had a look at the actual formal notices of intention that the union gave your government about the nature of the strike? Did you ever look at that before you read *The Daily Telegraph*?

**Mr MATT KEAN:** I had not seen the notices of intention from the union movement, no.

**Mr DAVID SHOEBRIDGE:** You don't think that might have been due diligence? You have got a bureaucrat saying that this may cost \$350 million and you never even had a look at what the nature of the industrial action was? You did not think to do that?

**Mr MATT KEAN:** As I said to Mr Mookhey, I did not see the affidavit or the modelling or the scenario planning done until a week after the strain strike.

**Mr DAVID SHOEBRIDGE:** I am beginning to accept that your government sleepwalked into this; I am beginning to accept that. But can I take you to the annexures to the affidavit you have in front of you?

**Mr MATT KEAN:** You can take me to the annexures, of course.

**Mr DAVID SHOEBRIDGE:** They are referred to as annexure A in the affidavit that Mr Walters had in front of him when he was doing the modelling. You have got two notices, both dated 9 February. Do you see them?

**Mr MATT KEAN:** Yes.

**Mr DAVID SHOEBRIDGE:** They are about a periodic ban on the performance of foreign depot working for train crew, periodic ban on overtime, period ban on working with labour hire, a ban on accepting altered working conditions, limitations on work crew who can sign on and sign off. That is miles away from a two-week stoppage, isn't it? That is just miles away—not in the same universe, is it, Minister?

**Mr MATT KEAN:** Well, the Government was scenario planning for a range of possibilities and that is what they did.

**Mr DAVID SHOEBRIDGE:** But what they were not scenario planning for was what the unions told you in black and white two weeks before would be the nature of their industrial action. They were not shutting down the network at all, and you know that.

**Mr MATT KEAN:** Mr Shoebridge, I know you are trying to get your grab up on the news tonight, but what I am saying is that I was not made aware of this scenario planning until after it had occurred.

**Mr DAVID SHOEBRIDGE:** But now you are. Now you have read that, in addition to *The Daily Telegraph*—

**Mr MATT KEAN:** I know you are trying—

**Mr DAVID SHOEBRIDGE:** Now you know you are wrong.

**Mr MATT KEAN:** The problem is, you had a strategy here today—

**Mr DAVID SHOEBRIDGE:** I am trying to put evidence in front of you.

**Mr MATT KEAN:** —and I have told you that I was not made aware of this work until after the fact, so can we just move forward from there?

**Mr DAVID SHOEBRIDGE:** I know your government sleepwalked into the industrial action.

**Mr MATT KEAN:** I know that is the grab you are trying to get up on the news tonight.

**Mr DAVID SHOEBRIDGE:** I know that is what happened. But I am showing you the evidence now.

**Mr MATT KEAN:** That is not what happened. This decision was made because the unions put safety at risk. That is why this happened and we need to get back to the table, the unions need to act responsibly and we need to find a way through that safeguards the interests of taxpayers and also ensures that people, when they turn up at the train station, can get to work.

**Mr DAVID SHOEBRIDGE:** Dr Grimes, if you were aware of a pending \$350 million hit to the State economy, which may happen in the next fortnight, would you tell the Minister about it?

**PAUL GRIMES:** If I was aware that there was something of that sort happening, I would tell the Minister about it. I had not been aware of the scenarios that were being considered by the chief economist.

**Mr DAVID SHOEBRIDGE:** So you are part of the sleepwalking team as well. You did not know about it either. Is that right, Dr Grimes?

**Mr MATT KEAN:** That is ridiculous. That is appalling.

**PAUL GRIMES:** My understanding, Mr Shoebridge, is that there is a long—

**The Hon. DON HARWIN:** Point of order: The use of the word "sleepwalking" is clearly not in order; it is an ironical expression, it does not reflect what happened and it should not be permitted in the question.

**The CHAIR:** Whilst it is part of a question, the question is in order. Mr Shoebridge has the call.

**Mr DAVID SHOEBRIDGE:** Dr Grimes, your chief economist apparently did some modelling showing a potential \$350 million hit to the economy in the next fortnight and you did not find out about it until you read *The Daily Telegraph*. When did you find out about it?

**PAUL GRIMES:** The chief economist, as I understand it, under longstanding arrangements that he has adhered to, undertakes his work directly with the Crown Solicitor's Office and has not had a practice of providing briefing on the affidavits that he is providing to the Crown Solicitor's Office.

**Mr DAVID SHOEBRIDGE:** Do you think that, reflecting on it, if you have the chief economist saying there is a potential \$350 million hit to the State economy, maybe someone should have given you a call, given you some notice about it? Do you think, reflecting on it, that might have been a good idea?

**PAUL GRIMES:** I was not advised, Mr Shoebridge, and all I can do is answer the questions with what has occurred.

**Mr DAVID SHOEBRIDGE:** I am asking you going forward. I mean you can talk about sleepwalking, and maybe it is not right because I do not think the Minister got out of bed, but I am talking about what happened in the past. Reflecting on it, do you think it might be a good idea to have a little warning bell when you have got a \$350 million problem looming?

**PAUL GRIMES:** It would be useful to have that information if there is a serious risk of a particular scenario occurring.

**Mr DAVID SHOEBRIDGE:** That is the point, Minister. The only serious risk came from your own Government. This was never the union's plan. This was your Government's plan and your hyper-aggressive former police Minister, now transport Minister—

**Mr MATT KEAN:** I know you are trying to get your grab up. The reality is—

**Mr DAVID SHOEBRIDGE:** Let me finish the question. This was never the union's plan.

**Mr MATT KEAN:** You are not asking a question; you are making a statement.

**Mr DAVID SHOEBRIDGE:** Dr Grimes has made it clear.

**Mr MATT KEAN:** I am very happy for you to ask a question, but you are making statements for your news grabs tonight, and that is all you are interested in here, Mr Shoebridge, because I have seen you play this game before.

**Mr DAVID SHOEBRIDGE:** I am interested in an answer.

**The CHAIR:** Both of you have to stop. We need one person at a time for the purposes of Hansard. As much as I love the robust debate, one person at a time.

**Mr DAVID SHOEBRIDGE:** Minister, you now know from your own senior bureaucrat that this was never the union's plan. This was never on the horizon. The only way this kind of disaster could happen was if your Government shut the trains itself. That is the truth of it, is it not?

**Mr MATT KEAN:** The only way this disaster happens is because the union movement compromises the safety of train commuters across the network, and that is something that we never ever want to see happen again, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** Say his name. Say "David Elliott" and accept that he is the disaster that caused this. Say his name.

**The Hon. SCOTT FARLOW:** Point of order—

**Mr MATT KEAN:** What has this got to do with my role as the Treasurer of New South Wales?

**The CHAIR:** I will hear the point of order.

**Mr DAVID SHOEBRIDGE:** I know you do not want to say his name. I know you do not want to say "Elliott".

**Mr MATT KEAN:** You can do your stunt for the television at Minister Elliott's estimates.

**Mr DAVID SHOEBRIDGE:** Say the name "Minister Elliott".

**The CHAIR:** Treasurer and Mr Shoebridge, there is a point of order that I need to take. Order!

**Mr DAVID SHOEBRIDGE:** Minister Elliott caused this.

**Mr MATT KEAN:** You do not need to take it out on me.

**Mr DAVID SHOEBRIDGE:** He who will not be named.

**The CHAIR:** Everyone needs to be quiet. I have to hear the point of order from the Government.

**The Hon. SCOTT FARLOW:** This is budget estimates. It is question and answer. Mr David Shoebridge seems to be wanting to take dictation and get the Minister to repeat lines. Question and answer will work so much better.

**Mr DAVID SHOEBRIDGE:** I want to know what he is called in Cabinet. Is it the Dark Lord? Is it Voldemort? Can we say his name?

**The CHAIR:** Question followed by answer.

**Mr DAVID SHOEBRIDGE:** Minister, are you going to commit on behalf of the Government not to do this kind of economic sabotage again, not to shut down the Sydney trains network, which on your own evidence—

**Mr MATT KEAN:** I am going to commit—

**Mr DAVID SHOEBRIDGE:** Let me finish. On your own evidence, that decision cost at least \$33 million.

**Mr MATT KEAN:** No-one obviously wants to see this happen. I have said very clearly that I apologise for any inconvenience that commuters saw last week. We never want to see that happen again. But what I am going to say is that we are always going to do scenario planning for a range of things, including irresponsible behaviour of the union movement putting rail commuters at risk of safety.

**Mr DAVID SHOEBRIDGE:** You had better scenario-plan for a rogue Minister going forward. I think that is what you have to do.

**Mr MATT KEAN:** You can ask the Minister those questions when he comes up on Friday.

**The CHAIR:** That is time. The crossbench?

**The Hon. MARK LATHAM:** Good morning, Minister. I can turn to your energy responsibilities. When did you first find out that Eraring was going to close early?

**Mr MATT KEAN:** I first found out of the decision to close Eraring a day or two before it was announced.

**The Hon. MARK LATHAM:** Why then in your press release on 17 February, just 11 days ago, did you write, "Origin raised the possibility of this closure a number of months ago"?

**Mr MATT KEAN:** Because they raised the possibility of it.

**The Hon. MARK LATHAM:** When did you first find out about the possibility of the early closure of Eraring?

**Mr MATT KEAN:** Around July that year, 2021.

**The Hon. MARK LATHAM:** Do you recall the question and answer session you and I had at these budget estimates on 3 November?

**Mr MATT KEAN:** I do.

**The Hon. MARK LATHAM:** I asked you which of the operators of coal-fired power stations had told you that they are leaving early and you said, "None of them have told me they are leaving early."

**Mr MATT KEAN:** That is correct.

**The Hon. MARK LATHAM:** You were aware in November, for a period of four months, of Origin telling you of the possibility of Eraring closing early, but you thought that was not sufficiently important to tell estimates in November?

**Mr MATT KEAN:** No, that is not what I said, Mr Latham. What I said is that no decision had been taken to close Eraring.

**The Hon. MARK LATHAM:** What were the terms and nature of the conversation in the middle of last year about the closure of Eraring?

**Mr MATT KEAN:** Obviously these are commercially sensitive matters and we did have confidential discussions with Origin Energy about a range of possibilities. I am not going to go into those confidential discussions other than to say our focus was on doing the scenario planning for a range of possibilities that might arise to make sure that, whatever happened as a result of a private sector provider making a decision, New South Wales consumers—New South Wales taxpayers—would be in the best position possible.

**The Hon. MARK LATHAM:** Why did Origin come to you in the middle of last year if they were not intending to close the power station?

**Mr MATT KEAN:** They obviously had some concerns about the economics of coal-fired power stations. They had some concerns about ESG pressures, their ability to raise capital, their ability to attract shareholders. These are not just concerns that Origin is dealing with; these are concerns that every owner of coal-fired power stations around the country is dealing with.

**The Hon. MARK LATHAM:** In November at these estimates I quoted from a column in *The Australian* newspaper expressing how you were greatly concerned about the early exit of the coal-fired power stations, and you said, "We are talking to the owners of these assets." I asked, of those operators, which ones had told you that they are leaving early and you said, "None of them have told me they are leaving early." Do you regard that as an honest answer to this Committee?

**Mr MATT KEAN:** Yes, none of them had made a decision to leave early, Mr Latham.



**The Hon. MARK LATHAM:** What was the nature of the negotiations you had to talk about possible scenarios, whether you were going to possibly pay them to stay open, whether you were going to acquire the power station, or any other arrangements?

**Mr MATT KEAN:** As I said, these are commercially sensitive matters. Market participants came to us because they could trust us to keep their confidences. I am not about to breach those confidences here today other than to say that we had to review all scenarios that were put to us through the prism of what is best for taxpayers and what is best for electricity users.

**The Hon. MARK LATHAM:** You made attempts, though, to try to keep the power station open in those negotiations.

**Mr MATT KEAN:** I am not going to go into hypothetical scenarios, I am not going to go into confidential discussions, but we did look at all possibilities to ensure we kept security in the system and we kept prices stable.

**The Hon. MARK LATHAM:** So at that point you knew it was closing?

**Mr MATT KEAN:** No, we did not know it was closing. There were a number of possible scenarios which we obviously considered.

**The Hon. MARK LATHAM:** It was just more scenario planning.

**Mr MATT KEAN:** More scenario planning, that is right.

**The Hon. MARK LATHAM:** But it was not something that was sufficiently important to tell this Committee in an honest and frank fashion on 3 November that Origin was in discussion with the Government about the early closure of Eraring.

**Mr MATT KEAN:** Lots of market participants engage with the Government around a range of possibilities. Until they actually decide to go ahead, then obviously the Government will prepare for those possibilities, but it may not necessarily eventuate. In this case, a decision to close Eraring eventuated in February this year.

**The Hon. MARK LATHAM:** In the time period in which you say there was a final decision about the early closure—you are saying two days—you are saying also that you received advice from AEMO about the consequences of this that you then spoke about on the day of the closure announcement?

**Mr MATT KEAN:** May I correct the record, Mr Latham, just to be very clear. I am not sure that it was two days but it was around about. I can check that date where we were—

**The Hon. MARK LATHAM:** How did AEMO give this detailed analysis that you spoke of?

**Mr MATT KEAN:** I will come to that in a second, but just with regard to—

**The Hon. MARK LATHAM:** It is within the space of 48 hours.

**Mr MATT KEAN:** With regard to the time that we were specifically notified of the decision to close, I will come back to you and confirm that. The advice, I am told, was after the market closed on 16 February.

**The Hon. MARK LATHAM:** One day, or overnight.

**Mr MATT KEAN:** Yes.

**The Hon. MARK LATHAM:** Where did you get the advice from AEMO that you spoke about on the day of the announcement? How did you have what you claimed to be detailed advice from AEMO that New South Wales was to continue its capacity targets if you only found out the night before? It is just a fantasy to say AEMO would have had a chance to provide that advice within the space of 12 hours.

**Mr MATT KEAN:** No, that is not right at all. Obviously there are a number of scenarios that we asked AEMO to consider as part of our planning process. That is not unusual; that is responsible government, Mr Latham.

**The Hon. MARK LATHAM:** When did you ask it? When did you first ask AEMO to provide this advice about the early closure of Eraring?

**Mr MATT KEAN:** I can ask Mr Hay to answer that.

**JAMES HAY:** As part of working around the possibility that was advised to us, we have been working with AEMO since we were first contacted by Origin.

**The Hon. MARK LATHAM:** You thought it was sufficiently important, Minister, in July, given the impending early closure of Eraring, to bring in AEMO to offer this advice but not sufficiently honest to tell this Committee in November about the early closure that you are discussing.

**Mr MATT KEAN:** No, you asked me if any owners of coal-fired power stations had told me they were going to close. At that point they had not. There was a possibility that that might have been a scenario and there are possibilities of other scenarios which Origin flagged with us, and we planned for all those scenarios.

**The Hon. MARK LATHAM:** In the nine months you were discussing this with AEMO, why did you not ask for some modelling and its advice on the pricing of electricity consequences of the early closure?

**Mr MATT KEAN:** AEMO does not do modelling of prices; it does modelling of system security.

**The Hon. MARK LATHAM:** On system security, you asked AEMO about capacity targets. Did you ask it about unserved energy?

**Mr MATT KEAN:** Sorry? With regard to AEMO?

**The Hon. MARK LATHAM:** Did you ask AEMO about unserved energy?

**Mr MATT KEAN:** Yes, we did.

**The Hon. MARK LATHAM:** What did it say?

**Mr MATT KEAN:** I am happy to hand to Mr Hay.

**JAMES HAY:** It is important to contextualise our conversations with AEMO. During this time, it was preparing its first energy security target monitor report under the Electricity Infrastructure Investment Act. AEMO has been appointed as the energy security target monitor. That report was published in December, and you will find AEMO's analysis of unserved energy, including a scenario on early coal closures, in that report.

**The Hon. MARK LATHAM:** What is it for Eraring? What did AEMO tell you at that point?

**JAMES HAY:** With the measures that we have got in place as announced by the Government on the seventeenth, there is no breach of the energy security target, they say.

**The Hon. MARK LATHAM:** No, what about unserved energy? I am not talking about the capacity target; I am talking about unserved energy and AEMO's advice to you.

**JAMES HAY:** My apologies.

**The Hon. MARK LATHAM:** They are two different things, are they not?

**JAMES HAY:** They are. In the market, the reliability test is about managing the possibility of unserved energy. It is not about avoiding it at all costs because, as you know, reliability comes at the expense of consumers. The analysis always seeks to understand what is the prospect of unserved energy in the market. But that is set by the value of lost load, which is the price cap in the market.

**The Hon. MARK LATHAM:** What is AEMO's advice to you about the possibility of the unserved energy because of this early closure of Eraring in 2025?

**JAMES HAY:** I would have to come back to you on that.

**The Hon. MARK LATHAM:** You have not got that available to you, Minister?

**Mr MATT KEAN:** Could you please repeat the question, Mr Latham?

**The Hon. MARK LATHAM:** It is a key issue about the future of our economy, is it not?

**Mr MATT KEAN:** Can you just repeat the question please?

**The Hon. MARK LATHAM:** What is the advice from AEMO to you about the unserved energy consequences of the early closure of Eraring by 2025?

**Mr MATT KEAN:** We are very happy to take that on notice.

**JAMES HAY:** I will come back to you. If you want the specific advice, I will come back to you rather than paraphrase it.

**Mr MATT KEAN:** Could I make—

**The Hon. MARK LATHAM:** In July, Origin tell you that it is likely to close this power station. You notify AEMO and then you say that AEMO is working on the assumptions of your package that you have

announced—the battery and so forth. When did you first tell AEMO about the various measures that were announced on 17 February?

**Mr MATT KEAN:** I will have to take that on notice. I am happy for Mr Hay to answer that.

**The Hon. MARK LATHAM:** That indicates clearly that you were expecting the closure, were you not? You knew of the closure.

**Mr MATT KEAN:** No, that is not correct, Mr Latham.

**The Hon. DANIEL MOOKHEY:** Treasurer, is buying carpets an emergency expense related to COVID-19?

**Mr MATT KEAN:** No, it is not.

**The Hon. DANIEL MOOKHEY:** What about fitting out an office?

**Mr MATT KEAN:** No, it is not.

**The Hon. DANIEL MOOKHEY:** Buying furniture?

**Mr MATT KEAN:** No, it is not.

**The Hon. DANIEL MOOKHEY:** And presumably buying lunches and booking meeting rooms for public servants—is that a COVID-19 expense?

**Mr MATT KEAN:** No, it is not.

**The Hon. DANIEL MOOKHEY:** I presume you would not approve of the use of any emergency COVID-19 funding for carpets, fit-outs or meeting rooms, would you?

**Mr MATT KEAN:** No, I would not.

**The Hon. DANIEL MOOKHEY:** Did your predecessor as Treasurer have the same standards?

**Mr MATT KEAN:** You will have to ask him.

**The Hon. DANIEL MOOKHEY:** Trust me, I will. When you got your incoming description, were you given a criteria as to what would qualify for emergency funding and what would not?

**Mr MATT KEAN:** No, I was not.

**The Hon. DANIEL MOOKHEY:** Can you give us a guarantee that no-one in your Government has used a dollar of emergency COVID-19 funding to rot by buying these types of items?

**Mr MATT KEAN:** What I can guarantee is that I was very disturbed by the reports in yesterday's Telegraph. I think the journalist was Jake McCallum. Immediately I spoke to Dr Grimes; my team spoke to Dr Grimes about that. We will obviously review this situation to satisfy ourselves and the broader public that taxpayer dollars are going to their intended purpose, which is making sure that we get money out the door to help deal with COVID-19.

**The Hon. DANIEL MOOKHEY:** Just to be clear, you have ordered an investigation?

**Mr MATT KEAN:** I have asked Dr Grimes to come back to me and give me an update on where that is at and to look into these matters to advise me on how we can give the public confidence that this will not happen going forward.

**The Hon. DANIEL MOOKHEY:** Respectfully, I now count that this is the third investigation that you have ordered as a result of questions that other journalists and the Opposition have been raising since you have become Treasurer. I think you are breaking a record for the speed of investigations you have ordered as a new Treasurer, so I am pushing it. Is it an investigation? Is it a request for advice? Is it an audit? What exactly did you ask Dr Grimes?

**Mr MATT KEAN:** We have asked for advice.

**The Hon. DANIEL MOOKHEY:** You asked for advice—

**Mr MATT KEAN:** What I would say is that the briefing that I have had from my chief of staff, who received a briefing from Dr Grimes, is that the moneys that were allocated were intended for COVID-19. There is obviously an appropriate process to get to the bottom of these issues through the Auditor-General and the Ombudsman, but I will ask Treasury to go do some further work to ensure that the agencies are following the right procedures and protocols with how they allocate expenses in their internal management accounts.

**The Hon. DANIEL MOOKHEY:** When will that work be finished?

**Mr MATT KEAN:** We will get it done as soon as possible.

**The Hon. DANIEL MOOKHEY:** But who is going to do it? Is it an independent investigation or is it—

**Mr MATT KEAN:** I can ask Dr Grimes to give you an update.

**PAUL GRIMES:** First of all, Mr Mookhey, we need to establish what the facts are here. Of course, as you would understand, Treasury does not have the function of auditing the accounts of individual agencies. That would not be a normal function that we would undertake. That would be undertaken by the Auditor-General. But we will certainly be following up to ensure that there has been consistency with the financial framework.

**The Hon. DANIEL MOOKHEY:** I appreciate that, Dr Grimes. To be clear, I appreciate that Treasury does not audit, Treasury approves. I am not asking you about what it did; I am asking about what you approved and what your department has approved, which, granted, took place largely before you became Treasurer. We have people going public and saying, "We are told to just chuck anything on the cost centre." Another one says, "The sheer amount of funds being charged to the COVID fund is bigger than some departments." Others are saying, "It is like finding a black American Express card on the ground without a limit." These are sensational allegations to be made about government expenditure of emergency funding that is appropriated to help frontline pandemic response. Do you agree with me that this is outrageous?

**Mr MATT KEAN:** I was shocked by those allegations. I have got serious concerns. My understanding is that they relate to the Department of Communities and Justice and its expenditure. Those questions should obviously be referred to the Attorney General.

**The Hon. DANIEL MOOKHEY:** It is three departments.

**Mr MATT KEAN:** Ministers are accountable for the performance of the agencies that report to them.

**The Hon. PENNY SHARPE:** How do you know that there are no other departments?

**The Hon. DANIEL MOOKHEY:** To be fair, actually, there are three departments. There is the Department of Justice, the Education department and the Health department, which incidentally are the three biggest COVID spenders. The reason I am asking you is that legally some of this money can only be spent with the Treasurer's authority. Trust me, I will go ask their Ministers. I am asking you: What criteria are you putting in place before your Treasury is agreeing to this expenditure?

**Mr MATT KEAN:** Firstly, I would say that any public servant who believes that there is an issue here should report it to the appropriate authorities, whether it be the Ombudsman if it is malfeasance or the Auditor-General if it relates to serious waste. That is the first thing. We have a robust governance framework in New South Wales to deal with these issues. On the topic of Treasury, we obviously monitor overall budget process through the established monthly and year-end reporting requirements. There is no process to audit every single line item of these things—

**The Hon. DANIEL MOOKHEY:** I am not asking about an audit; I am asking about approval.

**Mr MATT KEAN:** Clearly, we need to make sure that our systems and controls are relevant and fit for purpose to deal with issues like the ones that you have just raised.

**The Hon. DANIEL MOOKHEY:** But it seems like your systems and controls were inadequate at the time that this expenditure was taking place. Do you agree that it looks that way?

**Mr MATT KEAN:** It certainly raised concerns, and that is why we will look into it and consider whether or not the governance framework around these matters is up to speed with what should be expected by taxpayers in this State.

**The Hon. DANIEL MOOKHEY:** Do you happen to have Treasury's annual report with you?

**Mr MATT KEAN:** Not on me, no.

**The Hon. DANIEL MOOKHEY:** I will give you my copy. This is an excerpt from the financial statement. It is note 3 on, I think, page 56, for the people following along at home.

**Mr MATT KEAN:** My mum.

**The Hon. DANIEL MOOKHEY:** You can see that I have highlighted a specific section, which relates to the legal means by which this money can be spent. The Appropriation Act is very clear that this money can only be spent with the Treasurer's approval, otherwise it is illegal. You can see there that then Treasurer Perrottet

in 2020-21 approved \$346 million of COVID expenditure above the appropriation which, to be fair, in that budget year went up. My first question is how much have you approved under that section?

**Mr MATT KEAN:** I will have to take that on notice, but I am happy to come back to you.

**The Hon. DANIEL MOOKHEY:** Please do. Secondly, what criteria is in place for you—and I want to put this directly to you, Treasurer, because the Act is very clear here. Have you read that section of the Act?

**Mr MATT KEAN:** Which section of the Act?

**The Hon. DANIEL MOOKHEY:** Section 34 of the Appropriation Act. This is your bill by the way, not mine.

**Mr MATT KEAN:** Mr Mookhey, I am familiar with the Acts, but if you would like to specify exactly what you are—

**The Hon. DANIEL MOOKHEY:** Section 34 and its equivalent section in all of the Appropriation Acts since the COVID pandemic is very clear that emergency funding above the appropriation can only be approved with the Treasurer's authority. Treasurer Perrottet approved \$346 million using that power. What advice did you get, as Treasurer, as to when and how you should be authorising the spending?

**PAUL GRIMES:** I am happy to answer, if that would assist.

**The Hon. DANIEL MOOKHEY:** You were not there when—no disrespect.

**PAUL GRIMES:** No, I understand.

**The Hon. DANIEL MOOKHEY:** I will hear from you this afternoon, but this question is specific to the Treasurer because it is his legal responsibility. To be fair, when you became Treasurer, Dr Grimes was not your secretary. What criteria were you advised on, and what criteria are you currently using, for when you trigger that power?

**Mr MATT KEAN:** With regard to this section of the Act, I was not advised by my then secretary about these issues. I will be seeking an update from Dr Grimes and making sure that we pay close attention to the expenditure of these funds.

**The Hon. DANIEL MOOKHEY:** It is \$346 million just that year which, as a proportion of Treasury spending, is more than 10 per cent.

**Mr MATT KEAN:** Yes, I agree.

**The Hon. DON HARWIN:** Under his predecessor.

**The Hon. DANIEL MOOKHEY:** Indeed. Under your predecessor, the now Premier, more than 10 per cent of the funding of the Treasury's budget was discharged through this. Can you give us any assurance that there are controls in place in respect to how \$350 million was spent?

**Mr MATT KEAN:** As you know, we approve funding to the agency, but the specific funding decisions are the responsibility of the Minister. It is best you address your questions to the relevant agencies.

**The Hon. PENNY SHARPE:** You provide the guidelines.

**The Hon. DANIEL MOOKHEY:** That is inaccurate. The law is very clear here. That \$346 million can only be spent with the Treasurer's signature. The then Treasurer, now Premier, put his signature to that spending. I am asking you, now having been in the job, have you made any approvals under that power?

**PAUL GRIMES:** The fundamental thing is, when the Treasurer is providing authority for appropriations to be provided, that departments are complying with any conditions that are applied. That is really the fundamental question to be considered here and examined further.

**The Hon. DANIEL MOOKHEY:** Respectfully, the question I am actually asking the Treasurer to consider is very specific. How much money have you approved using that power?

**Mr MATT KEAN:** I will have to take that on notice and come back to you.

**The Hon. DANIEL MOOKHEY:** Do you understand, in the wake of being told by three whistleblowers that they have been told to use this money as a cost centre for anything, that this cost centre is like an endless slush fund and that it is like finding a black American Express card, the fact that you cannot tell us how much money you have personally approved, or the criteria you raised, strongly suggests that there are no controls in place when it comes to this money?

**Mr MATT KEAN:** I have been very clear that I have got concerns. When I read that article, I was shocked by it. I have asked the department to look into it and advise me on whether or not our systems and processes are up to scratch. It is a bit rich for you to come in here and give me a lecture on financial management and slush funds when your leader took a trip to China that was paid for by Huang Xiangmo, who is a proxy for the Chinese Communist Party—

**The Hon. PENNY SHARPE:** Are you serious? You cannot tell us how agencies are actually spending taxpayers' money.

**Mr MATT KEAN:** —a regime that oppresses its citizens—

**Mr DAVID SHOEBRIDGE:** Point of order—

**Mr MATT KEAN:** —tramples their rights—

**The Hon. PENNY SHARPE:** You have got to be directly relevant.

**The CHAIR:** Excuse me, Treasurer, there is a point of order.

**Mr MATT KEAN:** —runs ethnic concentration camps and does not disclose it.

**The CHAIR:** Order! You need to be quiet, Treasurer.

**Mr MATT KEAN:** It is a bit rich that the Labor Party is lecturing me about sloppy financial administration.

**Mr DAVID SHOEBRIDGE:** Point of order: The Minister knows better than that. Not only is that offensive on a variety of levels, it does not even come close to responding to the question. The Minister knows better. I ask you to bring him to order.

**The CHAIR:** Let us return to the questions.

**The Hon. DANIEL MOOKHEY:** Treasurer, I would appreciate it if you could give us an assurance that you were actually paying attention to your core responsibility under law, which is to ensure that the money that is meant to be going to frontline workers who are responding to a deadly pandemic is not being rorted by your Government.

**Mr MATT KEAN:** I can absolutely give you assurance that we will be focusing on making—I can absolutely give the Committee and the people of New South Wales the assurance that we will be paying close attention to these issues raised and putting in place the systems and processes required to give people confidence that money is being spent wisely.

**The Hon. DANIEL MOOKHEY:** The reason why there is further concern is because, in your half-year budget review that you announced last December, you flagged and have now put into the forward estimates an additional \$7 billion that is described as COVID-19 contingency spending, without providing any information as to precisely how that money is going to be used. Given that we have allegations of rorting and that you cannot explain how you yourself are acquitting your responsibility for authorised funding, what assurances can you give that that \$7 billion of borrowed money is not going to be rorted by your Government?

**Mr MATT KEAN:** Firstly, thank goodness we made that contingency because no-one foresaw the Omicron outbreak.

**The Hon. DANIEL MOOKHEY:** You did this after—

**Mr MATT KEAN:** Can I finish my answer, please? You keep asking questions, but you will not allow me to respond. We have put aside funding to ensure that we keep the community safe and come out the other side stronger. That is what the contingency is there for. With regard to governance processes, in Dr Paul Grimes, we now have someone leading the Treasury, and supporting me as Treasurer, who has the highest level of integrity and is one of the most senior and experienced public servants in the country. We are making sure that our governance framework in Treasury and around the expenditure of public money, whether it be for grants or general government sector expenditure, is absolutely watertight. We are working through these processes. I want to make sure that our Treasury is an institution with the utmost integrity and is even stronger in leading our State through this once-in-a-generation economic shock.

**The Hon. DANIEL MOOKHEY:** In Dr Grimes, we all trust. But Treasurer, you were giving a clear impression that, under Treasurer Perrottet and the then secretary, none of these controls were in place. I am asking a specific question here. This \$7 billion—

**Mr MATT KEAN:** That is not the impression I am giving. That is a complete mischaracterisation of what I am saying.

**The Hon. DANIEL MOOKHEY:** It is the impression you are giving. Whether it is the impression you intend is a different question.

**Mr MATT KEAN:** We have a new Treasury secretary who is paying particular attention to some of these governance issues to make sure that we learn from issues that have occurred in the past, that we address them and that we go forward in a way that delivers confidence to the people of New South Wales about how we expend taxpayers' money.

**The Hon. DANIEL MOOKHEY:** What is your Government intending to do with this \$7 billion?

**Mr MATT KEAN:** Help us get through the worst economic shock that we have ever seen. You have recently seen that we announced a small business support package—a \$1 billion package—to help our small businesses, particularly in sections of the economy that have been hit so hard by COVID.

**The Hon. DANIEL MOOKHEY:** That package is separate to this \$7 billion. You are aware of that, aren't you?

**Mr MATT KEAN:** We have a COVID contingency there, Mr Mookhey. We will be outlining the expenditure during the usual course of the budget process, but we will be going through and making sure any money spent is in line.

**The Hon. DANIEL MOOKHEY:** The confusion arises, Treasurer, because it is described as both a COVID contingency fund and a productivity fund. So how much of it is meant to be on COVID contingency and how much is on productivity?

**Mr MATT KEAN:** As I said, that contingency is there to deal with COVID. That is the priority. But it will be investing in other things that will improve the productivity of our economy.

**The Hon. DANIEL MOOKHEY:** Treasurer, you personally appropriated this money in the half-year budget review. This was only in December; it is not that long ago. Can you give us any description of how you intend to spend this \$7 billion? I asked you specifically how much of it is COVID-19 contingency and how much of it is productivity. Surely you know how much of it is meant to be for contingency and how much of it is meant to be for the productivity measures that your Government says it is pursuing.

**Mr MATT KEAN:** The priority is the contingency for COVID, and we will then see what is available for productivity measures. I will hand over to Dr Grimes.

**The Hon. DANIEL MOOKHEY:** I am happy to hear from Dr Grimes this afternoon, but I am asking about government policy, which really only you can answer. Are you intending to use this money to introduce a land tax?

**Mr MATT KEAN:** Here we go: A fear campaign being run by you, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** The only person in fear of a simple question, Treasurer, is you.

**Mr MATT KEAN:** I have told you with regard to land tax that the Government is working through a number of options to ensure that we can make housing more affordable and accessible for people in New South Wales—one of which options could potentially be looking at tax reform. But, again, we are working through that process, and we will be ready to make an announcement once the work is complete.

**The Hon. DANIEL MOOKHEY:** Treasurer, that is all good, but there is no need to be in fear of the question. The question was really quite simple: Is any of this \$7 billion being reserved for that land tax or property tax reform proposal?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** Okay, fair enough. Is any of this money in the \$7 billion being reserved at all for the introduction of a shared equity scheme?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** What about any of this money being reserved for the pursuit of measures to increase female participation, like childcare reform?

**Mr MATT KEAN:** Again, Mr Mookhey, we will go through and detail our policies in the appropriate way, and then we will explain how we will fund them. We are not going to play the budget process here today; we are going to go through that body of work over the next few months—

**The Hon. DANIEL MOOKHEY:** I appreciate that, Treasurer.

**Mr MATT KEAN:** —and then we have a budget at the end of the year.

**The Hon. SCOTT FARLOW:** Point of order—

**The Hon. DANIEL MOOKHEY:** If the Treasurer does not answer the question, I am allowed to push him to respond directly.

**The CHAIR:** I will take the point of order.

**The Hon. SCOTT FARLOW:** Madam Chair, the Treasurer is trying to answer the Hon. Daniel Mookhey's question.

**The Hon. DANIEL MOOKHEY:** No, he is not.

**The Hon. PENNY SHARPE:** Not relevantly.

**The Hon. SCOTT FARLOW:** The Hon. Daniel Mookhey is constantly interjecting.

**The Hon. DANIEL MOOKHEY:** He is really not trying to answer my question.

**The Hon. SCOTT FARLOW:** This is not UTS circa 1999.

**The Hon. DANIEL MOOKHEY:** No, we got along that day.

**Mr MATT KEAN:** We still do.

**The CHAIR:** I will make the point that I made earlier: Question followed by answer followed by question et cetera—we need to keep a record of this. Members will speak one at a time.

**The Hon. DANIEL MOOKHEY:** Treasurer, this is not an abstract policy development process that you are describing. This is \$7 million that you have already put into the budget. It is in the forward estimates and we are borrowing this money. This is a budget estimates hearing. I will push you again to respond directly to my question, which is are you considering using any of this \$7 billion on measures, which may well be welcomed, to increase female participation and to do childcare reform?

**Mr MATT KEAN:** The priority of that money is to ensure that we are prepared for any contingencies that arise as a result of COVID. We are living in uncertain times. No-one predicted Omicron would hit the economy and the community in the way it did. So having that money put aside to deal with these challenges was the prudent thing to do.

**The Hon. DANIEL MOOKHEY:** How much of it has been spent?

**Mr MATT KEAN:** We can detail that on notice.

**The Hon. DANIEL MOOKHEY:** Treasurer, you said just 30 to 40 seconds ago—maybe a bit longer, to be fair to you—that this has helped us respond to Omicron. That is good; I am glad that it is there. But, therefore, how much of it has been spent?

**Mr MATT KEAN:** We can detail that on notice, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Has any of it been spent?

**Mr MATT KEAN:** I can take that that on notice.

**The Hon. DANIEL MOOKHEY:** You don't know?

**Mr MATT KEAN:** No, we can take that on notice to give you an accurate reflection of what is going on.

**The Hon. DON HARWIN:** He is entitled to take questions on notice.

**Mr MATT KEAN:** I don't have the detailed, line-by-line expenditure items in front of me, Mr Mookhey.

**The Hon. PENNY SHARPE:** Why not?

**The Hon. DANIEL MOOKHEY:** Have you personally received a request that you have authorised to spend any of the \$7 billion contingency money?

**Mr MATT KEAN:** Any of that expenditure would go through the proper government process.

**The Hon. DANIEL MOOKHEY:** Which ends with you signing a piece of paper saying, "You can spend the money."



**Mr MATT KEAN:** Yes, and it would go through the appropriate processes.

**The Hon. DANIEL MOOKHEY:** Have you authorised any of the spending of that \$7 billion?

**Mr MATT KEAN:** Through the appropriate processes, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Have you personally?

**Mr MATT KEAN:** Yes, we have. We have gone through the appropriate ERC processes.

**The Hon. DANIEL MOOKHEY:** So you are suggesting seriously that \$7 billion has been borrowed but you cannot tell us whether you have authorised any of the spending—

**Mr MATT KEAN:** That is not what I am saying, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** —especially after we just went through the Omicron wave.

**Mr MATT KEAN:** That is not what I am saying. What I am saying is it is a provision that has been made to deal with contingencies. Any expenditure or policies that have been paid for through that provision have gone through the usual approval processes.

**The Hon. PENNY SHARPE:** But you cannot tell us what they are.

**The Hon. DANIEL MOOKHEY:** What I am trying to understand is the legal authority for this money to be spent because, again, it is not clear under what authority you appropriated it. I am going to presume that the Treasurer would know, and that if the Government wanted to spend any of this \$7 billion of borrowed money, you would have some knowledge of it. Can you at least tell us that you are being briefed on how this money is being used?

**Mr MATT KEAN:** Of course we are.

**The Hon. DANIEL MOOKHEY:** No, not "we", you.

**Mr MATT KEAN:** That is why it is going through the appropriate processes.

**The Hon. DANIEL MOOKHEY:** You are not regal. You are not a monarch. I am asking you to respond directly.

**Mr MATT KEAN:** No, that is right. That is why we have an Expenditure Review Committee: to approve government expenditure.

**Ms ABIGAIL BOYD:** As you were saying, Treasurer, we are living in pretty unusual times. And although we have had COVID, the climate crisis has not gone away. As you are aware, there are some disastrous floods in Queensland and northern New South Wales at the moment. When we spoke at the last estimates I asked you why New South Wales was the only State yet to have a statewide climate change adaptation plan. You said that you had only been in the job for 30 days. I believe you have been in the job for 146 days now. This plan is at least seven years overdue. What is its status?

**Mr MATT KEAN:** Firstly, I should say that my heart goes out to those people affected by these floods. We are going to be seeing increasingly extreme weather events like this, according to our best climate scientists. Obviously, the Government has a strong mitigation strategy, but the adaptation strategy is still being worked through. We hope to have something announced very shortly.

**Ms ABIGAIL BOYD:** Can you clarify "very shortly"?

**Mr MATT KEAN:** I cannot specify when. We have to go through our Cabinet process. But since our last meeting we have done a significant amount of work. I know that it was promised many years ago, but obviously our assumptions needed to be updated following some of the work that the Government has done with regard to its net zero targets.

**Ms ABIGAIL BOYD:** Would we have been better prepared for the current floods if we had a statewide adaptation plan?

**Mr MATT KEAN:** I do not think so. I think that floods, particularly in northern New South Wales, are a frequent event.

**Mr DAVID SHOEBRIDGE:** Not like this, they are not.

**Ms ABIGAIL BOYD:** This is the worst in well over 100 years.

**Mr MATT KEAN:** This is a terrible flood. But floods in Lismore are not unusual; that is the reality. We are well prepared, through our SES and our emergency management programs, to be able to cope with those

events. But, obviously, given the more extreme and frequent weather events as a result of climate change, we need to have a framework to deal with that, and that is what the adaptation strategy will be.

**Ms ABIGAIL BOYD:** Obviously, it is pleasing to see Eraring bring forward its scheduled closure date. But as we see successive coal-fired power stations making that decision to close down and we move to renewables, the Government has a responsibility, as I see it, to ensure that workers and coal communities are not left behind, and also that we clean up the toxic environmental legacy of those sites. What is happening in Eraring with the ash dam risk, and the fact that the Government will get the contingent liability once that coal station closes down?

**Mr MATT KEAN:** Obviously, these sites need to be remediated so that the damage is not left for the community. The Eraring site will be treated no differently to any of the other legacy sites that the Government has some responsibility for. But we expect Origin to meet its obligations. Obviously the terms of those obligations were outlined in the sale contracts. I am very happy to hand to Mr Gardner, who is overseeing that area.

**Ms ABIGAIL BOYD:** Perhaps we could pick that up in the afternoon, because my time is limited.

**Mr MATT KEAN:** Sure.

**Ms ABIGAIL BOYD:** In terms of the unquantifiable contingent liability that is currently on the balance sheet, or not on the balance sheet depending on how you look at it—now that we have a closure date, one of the elements to switch that into a quantifiable contingent liability has been met. When will the Government be taking action to work out exactly how much of a hit the closure of Eraring will be?

**Mr MATT KEAN:** We will obviously have to do a lot of modelling to make sure that we get an accurate read on what that number is and what the exposure is to the State of New South Wales. But I think Mr Gardner is best placed to answer those detailed questions.

**Ms ABIGAIL BOYD:** I will pick it up with him this afternoon. In terms of ensuring that there are jobs for workers, our excellent inquiry into coal ash dams did recommend that a task force be established with State government agencies, unions, industry stakeholders and community groups to lead a development of a coal ash re-use industry. That was something that business was actually calling out for as well. The Government's response to that report was quite disappointing, just noting it but not doing anything about it and, unfortunately, referring back to the waste strategy, which, as you know, does not have any detailed strategy in relation to coal ash in particular. Will you be taking another look at that recommendation?

**Mr MATT KEAN:** I am very happy to. But, as you know, I am no longer the environment Minister. That is probably a question best made to Minister Griffin.

**Ms ABIGAIL BOYD:** Okay. I would have thought it was the economic transition question.

**Mr MATT KEAN:** Sorry. Specifically with regard to using—

**Ms ABIGAIL BOYD:** To creating jobs.

**Mr MATT KEAN:** Sorry. I thought you were asking about the waste strategy.

**Ms ABIGAIL BOYD:** No. Sorry. I am talking about creating jobs in a new industry to re-use coal ash.

**Mr MATT KEAN:** The Government has just announced a half-a-billion-dollar jobs package to catalyse the development of new industries. This could possibly fall into that. But it was more targeted at things like hydrogen, green steel, green aluminium, green chemicals and things like that but also money directed towards heavy manufacturing. We think that that policy, based on the work that we have done, will create about 1,000 ongoing jobs and those jobs will largely be in the Hunter region. But certainly that package of funding would be available for projects like the one you are talking about.

**Ms ABIGAIL BOYD:** Will you have another look at this report and consider actually earmarking some money towards this recommendation?

**Mr MATT KEAN:** Yes. Very happy to. Sorry. I thought you were referring to the role of the waste strategy.

**Ms ABIGAIL BOYD:** That is all right.

**Mr MATT KEAN:** But, yes, absolutely.

**Ms ABIGAIL BOYD:** I will also be picking it up with him. I do not think I have much time left, but can we briefly talk about the absolutely disastrous audit report in relation to the State's finances that was released not that long ago?

**Mr MATT KEAN:** Of course.

**Ms ABIGAIL BOYD:** I know that you are relatively new still in this position. That audit report paints a picture of a treasury that is perhaps riddled with cultural problems in terms of withholding information, not having a very good relationship or being very cooperative with the Audit Office. What is your response to that report? What do you plan to do to fix it?

**Mr MATT KEAN:** I am obviously very concerned about the issues raised by the Auditor-General. Can I start by saying that I have got enormous respect for the role of the Auditor-General and the work that she and her team do. It is really important, to safeguard the integrity of our finances in New South Wales, that we have a robust governance structure, which the Auditor-General is key to. As a former auditor myself, those concerns were greatly troubling. That is why I have asked Dr Grimes to commence a review into these issues.

The Auditor-General raised the fact that these things did occur, but she did not address how they occurred. So we need to get to the bottom of what is wrong with the culture, what is wrong with our systems and processes, that led to a situation where information was not provided or the Auditor-General felt the information was not provided that she should have had access to. We have not announced who will be conducting that review, but it is about to commence very shortly. I am very happy for Dr Grimes to illuminate further.

**PAUL GRIMES:** I am happy to provide any further information now or this afternoon.

**Ms ABIGAIL BOYD:** This afternoon would be great. Thank you. In relation to TAHE, again this is something we spoke about last budget estimates, but you were relatively new to the role. Having now seen the Auditor-General's report and understanding that there was a massive problem with the accounting applicable to TAHE, which has now been plugged with this \$1.1 billion just for this year and then, who knows? It is quite a budget black hole, as far as I can tell, going forward—

**Mr MATT KEAN:** I do not think it has been plugged. I think it is an adjustment that has been made to ensure that the Auditor-General could—

**Ms ABIGAIL BOYD:** Sure. When you became aware that that additional money was required to fix the TAHE problem and get unqualified reports from the Auditor-General, what was your response to your department?

**Mr MATT KEAN:** My response to the department was that we should be—the issue with regard to the \$1.1 billion was as a result of whether or not TAHE was appropriately meeting the criteria to be recognised as a PNFC. In order to ensure that TAHE was able to be treated the way the Government was treating it, it needed to generate a certain return. The Auditor-General took the view that that return needed to match the long-term or the inflation rate of 2.5 per cent, as opposed to what the Government's position had been, 1.5 per cent. And my view was that we should make that adjustment to ensure that we complied with the accounting standards.

**Ms ABIGAIL BOYD:** Sure, but that was something that was not expected before that. So that \$1.1 billion was an unexpected cost. It is also something that then means that there is less money for spending on hospitals and roads and other things. Did you not take some sort of action to see how this error had happened within the department?

**Mr MATT KEAN:** That is not correct. When an entity owned by New South Wales taxpayers receives money, taxpayers are not worse off. The value for taxpayers is still preserved. Do not forget those access fee payments that are made by the operators—Sydney Trains and NSW Trains—do find their way back to taxpayers via a dividend.

**The Hon. DANIEL MOOKHEY:** You have to read the report.

**Ms ABIGAIL BOYD:** Yes. I think you need to read the report.

**Mr MATT KEAN:** I have read the report, Mr Mookhey. It is very detailed.

**The Hon. MARK LATHAM:** Minister, are there any other operators of coal-fired power stations who have advised you of the possibility of bringing forward their closure?

**Mr MATT KEAN:** Are there any other owners of coal-fired power stations that have advised me of the possibility of bringing it forward? Not that is not already in the public domain.

**The Hon. MARK LATHAM:** You said earlier on, confirmed by Mr Hay, that you had advice from AEMO about the capacity target but also the unserved energy for the early closure of Eraring. Why was the unserved energy advice not made public when you issued your press release following the closure?

**Mr MATT KEAN:** I am happy for Mr Hay to answer that.

**JAMES HAY:** I might just update something in my answer in that sense. When I explained we did work with AEMO as the EST monitor—the work that they have done on that is on the EST monitor report. That is a higher standard than the unserved energy and reliability standard in the market. Their advice is that, with the measures that government has proposed in response to the potential closure of Eraring, as announced by Origin, in 2025, any breach of that target will be remedied by the measures that have been announced.

AEMO have also advised on the 17th, when they commented on the announcements by Origin, that they are now going to re-run the ESOO, the energy statement of opportunities, in which they will do the USE analysis as well. But I stress the EST monitor report and the EST standard adopted by New South Wales is a higher standard and the advice is that, if there was no response from government, there would be a breach; with the response that is proposed, there will not be a breach of the higher standard energy security target.

**The Hon. MARK LATHAM:** That is the energy security target. But unserved energy, as you acknowledged earlier on, is different.

**JAMES HAY:** It is different but a lower standard.

**The Hon. MARK LATHAM:** You can meet the target for one second but, if it runs for four hours, you have got an unserved energy problem. If that advice is available, if what you are saying is true, why has that not been made public in the press release issued on 17 February?

**JAMES HAY:** My correction is that AEMO is running the ESOO now in response to the announcements. So the unserved energy advice will be forthcoming, as per Daniel Westerman's comments on the 17th.

**The Hon. MARK LATHAM:** When do you expect that?

**JAMES HAY:** I will come back to you with a time.

**The Hon. MARK LATHAM:** Days? Weeks? Months?

**JAMES HAY:** I think they are re-running it reasonably quickly given the recent announcements the Treasurer has mentioned.

**The Hon. MARK LATHAM:** So it is still possible Eraring's early closure can lead to blackouts.

**JAMES HAY:** No. We do not think so, because the EST target—

**The Hon. MARK LATHAM:** You just said AEMO has not furnished the final advice.

**JAMES HAY:** The energy security target monitor is a higher standard than the unserved energy standard.

**The Hon. MARK LATHAM:** Can you produce the documents after lunch that verify this point you are making? Your advice has changed in the course of the hearing. I think, given the seriousness of it, the Committee should see the documents.

**Mr MATT KEAN:** Let us be very clear. We have got the highest energy reliability standard anywhere in the country—

**The Hon. MARK LATHAM:** This is a different matter, of unserved energy. You can have that target for one second or 30 seconds. But, if the problem runs for four hours, you have blackouts. I think the Committee and the public are entitled to see that advice and subsequently, when the final model is available to you—it sounds like you are flying blind at the moment—it is available too.

**JAMES HAY:** We will come back with some more detail around the difference in the standards and your questions about the duration of the outage.

**Mr MATT KEAN:** We will come back to you, Mr Latham.

**The Hon. MARK LATHAM:** It is about the unserved energy, which is what people understand to be blackouts. Can I just ask about the jobs plan at Eraring? What is the Treasury advice on how many of the 500 workers will access any of the jobs that you announced in your press release on 19 February?

**Mr MATT KEAN:** How many workers will access it? In broad terms, Mr Latham—

**The Hon. MARK LATHAM:** No, in detailed terms because these are the livelihoods of 500 workers and their families in Lake Macquarie.

**Mr MATT KEAN:** I will get to the detail. As a result of our package, we believe we will create 3,700 jobs—1,000 of them will be new ongoing jobs, 500 of them will be from the development of new industries

and the remainder will be from the development of heavy manufacturing in New South Wales to support the renewable energy zones, et cetera.

**The Hon. MARK LATHAM:** Your third element was fast tracking transmission links in the west of the State. Do you acknowledge Lake Macquarie workers will not access those jobs?

**Mr MATT KEAN:** Transmission infrastructure needs to be built somewhere. The Hunter region is a very good place to be building transmission infrastructure, which will then be used out in western New South Wales. The transmission infrastructure is not going to be built out in Bourke or western New South Wales; it is going to be built where the skilled workforce is to be able to do it.

**The Hon. MARK LATHAM:** That is not what your press release says. It says that the links are to the Central-West Orana Renewable Energy Zone and the New England Renewable Energy Zone. So no workers will gain access to those from Lake Macquarie. I come to your other announcements. There will be 500 extra jobs from a \$250 million investment over five years to boost manufacturing. How many investors are saying that they will produce those manufacturing jobs, or is this just pie in the sky? Why does it cost the public sector half a million dollars per job, plus the private investment that would come into it? Why are these jobs so expensive?

**Mr MATT KEAN:** Mr Latham, there are a raft of private sector entities looking to invest here in New South Wales. Take Twiggy Forrest, for example, who came to see me last week. Because of the policies that we put in place and you opposed, he wants to invest his capital here to create jobs and opportunities for the people of this State. Mr Latham, we have a clear plan to create jobs. We have a clear plan to grab the opportunities that are coming because of these global megatrends, which are plans that you opposed every step of the way.

**The Hon. MARK LATHAM:** Yes, a global megatrend. When did Twiggy Forrest contact the Eraring workers to say that he is going to employ them?

**Mr MATT KEAN:** Mr Latham, you are talking about a separate issue. I am talking about—

**The Hon. MARK LATHAM:** This talk is no use to these workers, is it? It is no use to these workers unless they can get a new job.

**Mr MATT KEAN:** Mr Latham, I expect Origin Energy to meet their obligations to their workforce. I expect them to do everything within their power to ensure that those workers and their families are supported throughout this period. The best way to replace existing jobs is to create new ones. We do that by building new industries and creating new opportunities, which is exactly what this package goes to.

**The Hon. MARK LATHAM:** Under your global megatrend, can you today give a guarantee to each of those 500 workers and their families that each and every one of them will get a new job under the things that you announced?

**Mr MATT KEAN:** Mr Latham, what I can guarantee is that we will be holding Origin Energy to account to make sure they honour their obligations to their workers and they do everything within their power to support workers through this very difficult period. The Government's role is to create new jobs and new opportunities for those workers to access. That is what we are doing. I would appreciate it if people like you were not constantly standing in the way of progress and lying to those communities about what is actually happening and lying to them about these changes that are happening through no fault of domestic governments but through factors outside our domestic economy's control.

**The Hon. MARK LATHAM:** If you had taken my advice, these workers would not be thrown on the scrap heap in 2025, would they? That is obvious. Do not talk to me about lies. We can return to outcome-based budgeting. Do you support—

**Mr MATT KEAN:** What was your advice, Mr Latham?

**The Hon. MARK LATHAM:** Not to proceed with your plan that will lead to blackouts, higher electricity prices and unemployment for these workers.

**Mr MATT KEAN:** What was your plan to keep the electricity on?

**Mr DAVID SHOEBRIDGE:** I think it is called the "head-in-the-sand plan".

**Mr MATT KEAN:** It is denial.

**The Hon. MARK LATHAM:** We will come to this, Minister—

**Mr MATT KEAN:** You used to believe in this stuff, Mr Latham. I remember when you said that the—

**The CHAIR:** Sorry, everybody. I am going to interrupt here.

**Mr MATT KEAN:** —global political system is heading to the folly of disastrous global warming and that predicated damage is well known, like the loss of valuable ecosystems and arable land, lower crop yields and rising sea levels.

**The Hon. MARK LATHAM:** I do not know what that has to do with outcome-based budgeting, which is my next question.

**Mr MATT KEAN:** You used to call climate sceptics dangerous ideologues who are devoid of reason and intellectual substance. I agree with you. What has happened?

**The Hon. MARK LATHAM:** Minister, do you support the rollout of outcome-based budgeting across all government agencies as a discipline imposed by the Treasurer?

**Mr MATT KEAN:** Of course we support discipline when it comes to expending public moneys, Mr Latham. That is an obvious question.

**The Hon. MARK LATHAM:** How has it been applied to energy so far?

**Mr MATT KEAN:** Mr Latham, how it has been applied to energy is that we are making sure New South Wales energy users get access to the cheapest, most reliable form of energy. If you actually cared about those things, you would have supported our plans in the Parliament instead of supporting vested interest pushing up power prices for consumers so that people like Trevor St Baker and coal baron mates like his can make super profits at the expense of people in western Sydney.

**The Hon. MARK LATHAM:** Has outcome-based budgeting been applied to the massive energy spend that you are engaged in?

**Mr MATT KEAN:** What is the massive energy spend?

**The Hon. MARK LATHAM:** You are spending over \$10 billion a year in green energy.

**Mr MATT KEAN:** What we have done is create a competitive market so the private sector can invest. Let me tell you how the market is responding—

**The Hon. MARK LATHAM:** Can you answer the question about outcome-based budgeting? Has it been applied to the energy spend?

**Mr MATT KEAN:** I am answering the question by saying that our policies with regard to energy are about creating competitive markets—

**The Hon. MARK LATHAM:** That is not the question.

**Mr MATT KEAN:** —so the private sector can invest their capital. Let me tell you how they are doing that. Our Hunter-Central Coast Renewable Energy Zone just saw 40 gigawatts of new energy proposals valued to the tune of \$100 billion. That is private capital, Mr Latham. I know you want to socialise the means of production again. You have more in common with my friends on the left-hand side of the room.

**Mr DAVID SHOEBRIDGE:** Point of order: That is outrageous.

**The Hon. MARK LATHAM:** This is just gobbledygook. Minister, do you stand by the answer you gave me on the *Notice Paper* in November that under your greenhouse gas emission reduction outcomes you have achieved three million tonnes of CO2 equivalent in 2021?

**Mr MATT KEAN:** Mr Latham, you used to believe in climate change. You wanted to campaign—

**The Hon. MARK LATHAM:** Chair, this is not answering the question.

**Mr MATT KEAN:** —continuously on global warming, combating scepticism. In fact, there is this wonderful document that you wrote called *Not Dead Yet: Labor's post-Left future*, where you were the great champion of tackling climate change.

**The CHAIR:** We are at time. Minister, you have a chance to answer the question, but—

**Mr MATT KEAN:** You have even sold out on those great things.

**The Hon. PENNY SHARPE:** It is good to see that your office is spending a lot of time in preparation for these ridiculous answers that go nowhere near being even directly relevant.

**Mr MATT KEAN:** Ms Sharpe, I did not think you would be standing here defending Mark Latham and his views.

**Mr DAVID SHOEBRIDGE:** I took a point of order, Chair.

**The Hon. PENNY SHARPE:** I just do not defend rubbish from Ministers.

**The CHAIR:** We are at time. Treasurer, if you are not going to answer the question—

**Mr MATT KEAN:** I am quite appalled by that. You are defending the views of One Nation, Ms Sharpe.

**The CHAIR:** This is your last chance, Minister. We are at time.

**The Hon. DON HARWIN:** Apologise for making him your leader.

**The Hon. MARK LATHAM:** We have to ask what he is going to do when he grows up.

**Mr DAVID SHOEBRIDGE:** I think there was a tactical error at the time.

**The CHAIR:** It is three minutes to 11. Given we are due to break at 11, we are going to break now. We will return at 11.12.

**(Short adjournment)**

**The CHAIR:** Welcome back, everybody. We will continue questions from the Opposition.

**The Hon. PENNY SHARPE:** Treasurer, it has been covered a little during the hearing, but I want to go back to the issue of you previously advising this Committee—it might have been Portfolio Committee No. 7—that there were no plans for an early closure of Eraring. Do you think it is of concern that you are saying one thing to this Committee when you have knowledge that there might be a problem down the track?

**Mr MATT KEAN:** There was no decision to close Eraring until Origin Energy informed the market the other week. Obviously we engage with market participants regularly. There are a number of scenarios that we have to consider as we plan how we keep the lights on in this State and how we put downward pressure on electricity prices. That is what you would expect a Minister to do, Ms Sharpe.

**The Hon. PENNY SHARPE:** Sure. We also expect Treasurers and Ministers to provide Parliament with accurate and not misleading advice. The reporting subsequent to the closure, which you say you found out the day before or whatever, is clearly not correct because you have said in numerous media statements that you were aware some months beforehand. Again, I would come back to the hearings in November where you suggested this was not the case. How do you reconcile those two things? Do you basically think you can have secret discussions? I understand that companies need to be able to speak with government, but how do you reconcile telling the Committee, and therefore the Parliament, one thing and then acting differently because you know there is something else going on?

**Mr MATT KEAN:** Well, that is not correct, Ms Sharpe. That is a complete mischaracterisation of the situation. Obviously a market participant talked to us about a possibility—a number of possibilities. We considered how we would respond to those possibilities, but I was not informed of a decision to close the Eraring coal-fired power station until after the last budget estimates hearing.

**The Hon. PENNY SHARPE:** But you were obviously aware that this was being contemplated, given all of the modelling and the work that you had done in the months prior.

**Mr MATT KEAN:** There are a lot of things that are contemplated by companies that I deal with or constituents that I deal with. That does not mean that that is going to eventuate in an outcome. We were doing the responsible thing, considering a range of possibilities from a range of stakeholders, and making sure that our focus was on keeping the lights on, driving electricity prices down and facilitating the modernisation of our grid, Ms Sharpe.

**The Hon. PENNY SHARPE:** Treasurer, just to be clear, if this scenario happens again would you answer exactly the same way as you did in November?

**Mr MATT KEAN:** If you want to put a question to me, I am very happy to answer it.

**The Hon. PENNY SHARPE:** Well, that is the question. You are satisfied with the answer that you gave to this Committee in November last year, where you suggested that there was not going to be an early closure of the power station and that it was not on the books, when you have admitted and trumpeted, in fact, through the media that you were doing modelling previously based on this scenario. My question to you is: If we asked this same question again, would you answer in exactly the same way?

**Mr MATT KEAN:** Well, you will have to—

**The Hon. SCOTT FARLOW:** Point of order: It is clearly a hypothetical question that the Hon. Penny Sharpe is asking. It should be ruled out of order.

**The CHAIR:** No, the question is in order. It is up to the Treasurer how he wants to answer it.

**Mr MATT KEAN:** If you want to put a scenario to me, I am very happy to answer it.

**The Hon. PENNY SHARPE:** Well, I have put the scenario, but I am going to move on. It appears to me that there is a serious issue here, which is about the role of parliamentary committees and the answers that Ministers and Treasurers who come to them give. I think there is a serious problem here, but I am happy to move on because I have more questions to ask. My next question—

**Mr MATT KEAN:** No, I would like to address that, please, Madam Chair.

**The Hon. PENNY SHARPE:** You have refused so far. I have asked you three different ways.

**Mr MATT KEAN:** No, you have mischaracterised the scenario. I am very happy to answer questions truthfully. I always take my responsibilities as a Minister very seriously, responsibilities to committees like this, and I will continue to do that. I do not appreciate you impugning my character here.

**The Hon. MARK LATHAM:** Well, you lied in November.

**Mr MATT KEAN:** That is not true. That is not true.

**The Hon. MARK LATHAM:** Yes, it is. Your default position has always been to lie.

**The Hon. PENNY SHARPE:** We will come back to this—

**Mr MATT KEAN:** That is not true, Mr Latham.

**The Hon. MARK LATHAM:** Yes, it is.

**Mr MATT KEAN:** You should withdraw that. You should absolutely withdraw that.

**The Hon. PENNY SHARPE:** Treasurer, let us move on. This is my question time.

**The CHAIR:** Ms Sharpe has the call.

**The Hon. MARK LATHAM:** You are a natural-born liar, and that is your problem.

**Mr MATT KEAN:** That is a grubby, boundless smear, Mr Latham.

**The CHAIR:** Excuse me, Treasurer and Mr Latham, Ms Sharpe has the call.

**The Hon. PENNY SHARPE:** This is my question time.

**The Hon. SCOTT FARLOW:** Point of order: The Treasurer is requesting that Mr Latham withdraw a comment. I think that should be something that is directed to the Chair.

**The Hon. PENNY SHARPE:** He does not get to make points of order. Thank you.

**The CHAIR:** No, he does not. Ms Sharpe has the call.

**The Hon. PENNY SHARPE:** Treasurer, when did your department start working on Project Phoenix?

**Mr MATT KEAN:** I will have to take—I would imagine that Project Phoenix would have commenced when we were aware of the possibility of Origin's intentions.

**The Hon. DANIEL MOOKHEY:** Was it July?

**The Hon. PENNY SHARPE:** Which was when?

**Mr MATT KEAN:** Which was in July—

**The Hon. PENNY SHARPE:** July 2021, which is what you said.

**Mr MATT KEAN:** That is correct, yes.

**The Hon. PENNY SHARPE:** Again, I go back to the point that that is not what you told this Committee in November.

**Mr MATT KEAN:** Well, you did not ask me about when Eraring—

**The Hon. PENNY SHARPE:** Treasurer, you said earlier—

**The Hon. DON HARWIN:** Point of order: Madam Chair, you have rightly said, "Question, answer, question." What we just saw was the Hon. Penny Sharpe, after an answer was given, not ask another question but make an accusation, which she has not allowed the Minister to reply to. Before she moves to another question, it



would be appropriate to allow the Minister to reply to the accusation that the Hon. Penny Sharpe made after hearing the Minister's answer.

**The CHAIR:** In fact, I think it was a comment, but I will allow the Treasurer to respond. I am upholding the point of order. I will allow the Treasurer to respond.

**Mr MATT KEAN:** Ms Sharpe, if you want to put a specific question to me, I will give you a specific answer. You have never put a specific question to me. This Committee has not put a specific question to me. I answered it truthfully and fulsomely, and that was: Was I aware of any owners of power stations making a decision to close the coal plant? And I was not, because no decision had been taken at the point where you asked me that.

**The Hon. MARK LATHAM:** That was not the question put to you.

**The Hon. PENNY SHARPE:** Thank you, Treasurer. We can come back to this. Here is a specific question: How many jobs are going to be lost at Origin with the closure of Eraring?

**Mr MATT KEAN:** Origin will obviously—I have spoken to the CEO of Origin Energy. He has said that, where possible, they will try—

**The Hon. PENNY SHARPE:** No, how many jobs in total?

**Mr MATT KEAN:** I am trying to answer your question, but you keep talking over me. I have spoken to the CEO of Origin Energy. There are currently 400 workers at that site. Where possible, Origin Energy will try to find alternative jobs within its organisation for some of those workers. So it is not possible for me to clearly say how many workers will lose their jobs. What I can say, though, is the Government is focused on creating new jobs and new opportunities to ensure that people who could be displaced by this decision could find similar high-paying jobs close to home as a result of our policies.

**The Hon. PENNY SHARPE:** When large workplaces like this have indicated they are going to close, there is often quite a lot of government intervention around supporting those workers beyond what the individual company's responsibilities are. So far you are saying that where possible they are going to give people a job but you have no idea about the percentage of those 400 workers. Is that right?

**Mr MATT KEAN:** What I am saying is that the best way to replace jobs is to create new ones, and the best way to create new ones—

**The Hon. PENNY SHARPE:** Sure—that is not my question.

**Mr MATT KEAN:** This is my answer, and I am giving you my answer, which is the best way to replace existing jobs is to create new ones. That is why we are investing in creating new industries and new opportunities.

**The Hon. PENNY SHARPE:** That is all well and good, Treasurer, but there are 400 families—

**Mr MATT KEAN:** Madam Chair, I am trying to finish answering, but Ms Sharpe will not allow me to finish on this.

**The Hon. PENNY SHARPE:** —who thought they had a job for the next 10 years, and they are now working out they are going to lose their—

**Mr MATT KEAN:** She can choose how she asks the question but—

**The Hon. PENNY SHARPE:** I am wanting to understand whether the Government will consider any further support.

**The CHAIR:** We need one question and one answer at a time because Hansard has to record this. Treasurer, you may finish your answer and then Ms Sharpe will ask her next question.

**Mr MATT KEAN:** What I am saying is Ms Sharpe is able to ask the questions but she cannot tell me how to answer them.

**The CHAIR:** You have an opportunity to answer now, Treasurer, so please do.

**Mr MATT KEAN:** That is exactly right.

**The Hon. PENNY SHARPE:** We are getting into tedious repetition here, Treasurer. You have said the same thing all morning.

**The Hon. DON HARWIN:** Point of order: Madam Chair, you have just said that the Treasurer can finish his answer. Now the Hon. Penny Sharpe is starting to interrupt again, and not even respecting the ruling you made.

**The CHAIR:** I ask the Treasurer to continue his answer but without making further argument. Please continue your answer and then we will continue with the questions.

**Mr MATT KEAN:** The Government's focus was creating new opportunities by creating new industries and new opportunities in things like existing industries to manufacture the infrastructure that we are going to need to modernise our electricity system. This will see the creation of around 1,000 new jobs, and those jobs will largely be in the Hunter. So Ms Sharpe is incorrect to say that the Government is not supporting these workers. We are supporting the workers, we are supporting the region and we are supporting the State by creating new opportunities to grow our economy.

**The Hon. PENNY SHARPE:** But there is no guarantee you can say to those workers that they will have a job in three years' time. What you are saying is that you will do your best.

**Mr MATT KEAN:** Ms Sharpe, what we are saying is that we are putting clear plans in place to create new jobs, new opportunities. We will work with Origin. My expectation is that Origin will meet all its obligations to its workers and do everything possible to assist them in getting new jobs, and the Government will focus on creating new jobs and new opportunities for workers, their families and the entire region. That is what this half-a-billion-dollar package was—a package that was welcomed—

**The Hon. PENNY SHARPE:** That is great, Treasurer. You have now said the same answer three times.

**Mr MATT KEAN:** I have not finished my answer.

**The Hon. PENNY SHARPE:** If you want to keep repeating yourself, you can, but I would like to move on.

**Mr MATT KEAN:** I want to finish my answer.

**The Hon. PENNY SHARPE:** You have said the same thing three times.

**Mr MATT KEAN:** That is why our package has been backed in by a range of stakeholder groups, who said this is exactly the policy that is needed for the Hunter region.

**The Hon. PENNY SHARPE:** What assessment have you or the New South Wales Government done on the regional impacts of early closure—things like school closures, reduction in services and local council revenue? Has any modelling been done on that?

**Mr MATT KEAN:** I know the local councils up there have been doing a lot of modelling about the impact on their regional economies. I know that these issues are not new. The New South Wales Government obviously is concerned about the broader impacts, which is why we are trying to find a broad solution to deal with it. We want to create new jobs close to—

**The Hon. PENNY SHARPE:** So who is looking at it?

**Mr MATT KEAN:** We want to create new jobs close to where—

**The Hon. PENNY SHARPE:** Yes, you say what you want to do, but who has actually done the work?

**Mr MATT KEAN:** —jobs are under threat, and that is what this package is all about.

**The Hon. SCOTT FARLOW:** Point of order: Madam Chair, as you have rightly ruled before: question, answer, question, answer. The Treasurer is not able to answer his questions because the Hon. Penny Sharpe keeps talking over the top of him.

**The Hon. DANIEL MOOKHEY:** To the point of order: The Minister has to be directly relevant and respond to the question. The questioner is entitled to push for a direct answer to a direct question.

**The CHAIR:** Yes.

**The Hon. DON HARWIN:** Not by interrupting him. If she is not happy with it, she could take a point of order.

**The CHAIR:** Indeed, but this is budget estimates. It is allowed to be robust, so I will make the point that I have been making.

**The Hon. DON HARWIN:** No, it is not—no more than the House.

**The CHAIR:** It is allowed to be a robust debate.

**The Hon. DON HARWIN:** It is not in order in the House, so therefore it is not in order here.

**The Hon. PENNY SHARPE:** Are you taking a point of order or are you just interjecting?

**The Hon. DON HARWIN:** Interjecting actually—something you are very familiar with.

**The CHAIR:** Question followed by answer. I am dealing with the point of order that has already been taken. I ask everyone to stop interjecting so we can get on with this because it is a great waste of time for everybody. Question followed by answer. Ms Sharpe?

**The Hon. PENNY SHARPE:** Who is undertaking the modelling in relation to regional impacts of the 400 jobs that are going to be lost on the edge of Lake Macquarie?

**Mr MATT KEAN:** There will be a huge body of work that needs to be undertaken.

**The Hon. PENNY SHARPE:** Who?

**Mr MATT KEAN:** Ms Sharpe—

**The Hon. PENNY SHARPE:** Who in government? The chief economist? Dr Grimes? Who is doing that work?

**Mr MATT KEAN:** The Government has a range of bodies that will look at the impacts on industry—industry closures, industry impacts. One of those things, Ms Sharpe, will be that we have an industry Minister in New South Wales looking at these issues. We have the Treasury. We have a whole range of agencies that are committed to ensuring that we support regional economies going through a very difficult transition.

**The Hon. PENNY SHARPE:** Treasurer, can we talk about the contamination liability on this site? There remains pre-existing contamination on the Origin site, and it is indicated in the Total State Sector Accounts. Are you able to tell us what you believe that liability is likely to be?

**Mr MATT KEAN:** There is a large body of work that will need to be undertaken to quantify the exact nature of that liability.

**The Hon. PENNY SHARPE:** So just to be clear, the State has already made a number of warranties in relation to this. Are you telling me that you have no idea what the baseline is?

**Mr MATT KEAN:** There is a contingent liability. The Government has obviously flagged that and disclosed that in its financial statements. There needs to be a large body of work to quantify the exact exposure that the State has.

**The Hon. DANIEL MOOKHEY:** Treasurer, when your Government sold these assets, it prepared a study at the time that set the baseline and quantified the liabilities. It is not like the work has to be done. The work is done; it is just that it has not been made public. So can we get a public sense from you—the work that was done back in 2013—what is the liability and the cost coming to taxpayers now that the liability is coming forward by seven years?

**Mr MATT KEAN:** There needs to be significant work done to update the assumptions that were undertaken because more material has been put into those ash dams and there has been a greater impact.

**The Hon. PENNY SHARPE:** This is not about the ash dams; this is the pre-existing—we are not talking about the ash dams. We are talking about pre-existing—

**Mr MATT KEAN:** I am talking about, broadly, the liability that the Government will be exposed to. The best person to answer that is the person overseeing that work—which is Phil Gardner. Phil, can I get you to please talk to that?

**PHIL GARDNER:** The principle underpinning this is that Origin Energy is responsible for the DDR—the decommissioning, demolition and remediation of the power station. The State is responsible for the pre-existing contamination. We have a baseline study, but we will also then need to do further studies once the power station gets closer to closure in order to actually make a clear determination. And timing—I mean, the things that cause us not to be able to provide a definitive answer to the question are—Origin's statement is actually a potential closure, so we actually do not know the specific timing. It is not specific. We do not have the subsequent studies that will then determine the exact nature and expense of that, so we need to do those two or three steps and we need to have notification to us from the regulators—

**The Hon. DANIEL MOOKHEY:** Mr Gardner, I appreciate that. To be fair that is right, in terms of the deeds that we entered into with Origin. But the actual question was not about the future studies; it was about the baseline study. Treasurer, have you been briefed on the baseline study that was prepared as a part of sale as to what the potential liability was back then and, if so, can you tell us?

**Mr MATT KEAN:** I have not been briefed on that issue.

**The Hon. DANIEL MOOKHEY:** You have not been briefed?

**Mr MATT KEAN:** I have not been briefed.

**The Hon. PENNY SHARPE:** In relation to the ash dam liability, there has been a suggestion that it could take around \$274 million to clean that up and the State is responsible for half of that. Can you confirm that, Treasurer?

**Mr MATT KEAN:** I cannot confirm that, but I will hand to Mr Gardner.

**PHIL GARDNER:** I cannot confirm that. I am not aware of where that particular number has come from, and therefore it sounds a spurious number—

**The Hon. PENNY SHARPE:** Just to be clear, you do not have a baseline figure in relation to the ash dam either?

**PHIL GARDNER:** Origin is responsible for the remediation of the ash dam. We are currently in discussions with Origin. Obviously the fact that they potentially have brought the closure of the power station forward by several years actually changes substantially the potential trajectory for the size, scale and the remediation of the ash dam. We are currently engaging with them around—we have been awaiting a proposal back from them on future management of the ash dam. That will have to be revisited in light of the change of the date. As I said, it is still a very uncertain timing around the closure of the ash dam. I do not know where those numbers have come from so I cannot relate my response back to that. But we fully expect it will bring forward a process that we need to ensure that the ash dam is remediated appropriately.

**The Hon. PENNY SHARPE:** Treasurer, I will move on from that. The battery that you have announced to be ready by 2025, do you guarantee that it will be ready by then?

**Mr MATT KEAN:** Yes, we are absolutely confident it will be ready before 2025.

**The Hon. PENNY SHARPE:** Where is it up to in the planning process?

**Mr MATT KEAN:** We have just announced it, but we have done—

**The Hon. PENNY SHARPE:** You like an announcement, yes. Where is it up to in the planning process?

**Mr MATT KEAN:** Ms Sharpe, we have done a considerable amount of work. The person that has come up with the concept of a capacity battery was recruited from Transgrid, so a lot of the knowledge and design has been prepared, but we obviously need to go through our proper processes, including the planning pathways. We will run a competitive process to get this built and it will be ready before 2025.

**The Hon. PENNY SHARPE:** The Federal Minister has described the project as "delusional". Why did you think he said that?

**Mr MATT KEAN:** I do not think that he understands how the battery works. The battery is there not to provide energy into the market; it is to free up capacity in our transmission systems so that our existing coal-fired power stations can provide more energy to customers. What we are doing, essentially, is building what would be the equivalent of building an extra lane on a highway, giving us a greater opportunity to sweat our existing coal-fired power stations more to deal with the closure of Eraring.

**The Hon. PENNY SHARPE:** Treasurer, have you had a discussion with the Federal Minister in relation to the closure of the station?

**Mr MATT KEAN:** I have.

**The Hon. PENNY SHARPE:** When was that?

**Mr MATT KEAN:** I had a discussion with him last week.

**The Hon. PENNY SHARPE:** Did you inform him of his incorrect understanding of your battery project?

**Mr MATT KEAN:** He did not ask me, so no.

**The Hon. DANIEL MOOKHEY:** Was he deluded?

**Mr MATT KEAN:** Sorry?

**The Hon. DANIEL MOOKHEY:** Was he deluded?

**The Hon. PENNY SHARPE:** Who is right?

**Mr MATT KEAN:** We are right. We have the best engineers who have worked on this design. In fact, AEMO commended us; it could not believe that it had not thought of it. What we have effectively done is freed up capacity so that Mr Latham's friend Mr Trevor St Baker can now use his power station more to provide the energy we need when Eraring goes out.

**The Hon. DANIEL MOOKHEY:** Do you think the Federal Minister was delusional when he made those comments?

**Mr MATT KEAN:** I cannot speak to the mindset of the Federal Minister when he made those comments. What I can say is that we have a solution that will ensure we keep the lights on, and because of our energy road map—which Mr Latham opposed—we can build the supply that will put downward pressure on electricity prices.

**Ms ABIGAIL BOYD:** I will turn to the electric vehicle incentive scheme.

**The Hon. MARK LATHAM:** Another disaster.

**Ms ABIGAIL BOYD:** I understand that it is not necessarily going as planned and that we do not have as much take-up as might have been expected. What do you see as the reason for that, and what are you doing to adjust to try to encourage uptake?

**Mr MATT KEAN:** I am reasonably happy with the uptake and where it is going. We have seen the uptake being spread right across Sydney, right across New South Wales. Obviously I would like to see it go further, but the policies that we put in place were there to deal with vehicle availability, model availability, the entry price and range anxiety, and the policy is achieving those objectives.

**Ms ABIGAIL BOYD:** How many people have taken up the incentive?

**Mr MATT KEAN:** As at today, I do not have that figure before me, but we can provide that to you on notice.

**Ms ABIGAIL BOYD:** Are you able to tell me how many new car sales have been electric vehicles or plug-in hybrids?

**Mr MATT KEAN:** We will get the exact figure so that it is timely today—

**The Hon. MARK LATHAM:** It is 1,400.

**Mr MATT KEAN:** That is not today's number.

**Ms ABIGAIL BOYD:** I understand that it is in the low thousands, or perhaps between 1,000 and 2,000 would be a good estimate?

**Mr MATT KEAN:** Yes.

**Ms ABIGAIL BOYD:** The target is for 150,000 a year. When you modelled that incentive scheme, did you anticipate that it would be perhaps slow to begin with? What did the modelling say, and does this meet with your modelling?

**Mr MATT KEAN:** We did. It is a bit of a chicken-and-egg scenario. The vehicle manufacturers will not sell into the Australian market if there is no demand, but by the same token there will not be demand if the vehicles are not coming into the market. That is why we have put in place the policies that will stimulate demand. We are already seeing an uptake in interest with electric vehicles. But it is not just the incentives to encourage the private buyers. We are about to see the incentives taken up for commercial fleet buyers. That will catalyse the development of the second-hand market. I expect that it will be a far more aggressive uptake of electric vehicles in the years ahead.

**Ms ABIGAIL BOYD:** Do you think that people know that the incentives are available? Do you think that message has got out?

**Mr MATT KEAN:** I think so. It has been pretty heavily promoted by the Government and—

**The Hon. MARK LATHAM:** And me.

**Mr MATT KEAN:** —by people interested in these things. Mr Latham has been talking—

**Ms ABIGAIL BOYD:** He has been spruiking it, that is true.

**Mr MATT KEAN:** He has been spruiking it on Sky after dark regularly, I am told. But again, these things take time. There is obviously a shortage of electric vehicles coming into the market as well. There are some

supply constraints with regard to the materials used to develop electric vehicles but they will be unblocked. I am confident that we will easily meet our targets we have set out.

**Ms ABIGAIL BOYD:** Do you have any more details on what those supply constraints are? I am certainly hearing anecdotally that people are not able to get the models that they want.

**Mr MATT KEAN:** With regard to the manufacture, some of the precious minerals that are required to build the batteries, et cetera, have been in rare supply. I understand that new supply chains have been opened up and we are seeing producers like Tesla, Hyundai and whatnot now being able to ramp up their production, which will then flow through to the Australian market.

**Ms ABIGAIL BOYD:** But which is it? Before you said that there was the chicken and the egg—that you need a certain amount of demand to get these manufacturers to take Australian markets seriously—but you are also saying that there is a problem with the precious metals and things that go into the manufacture. When it comes to why New South Wales does not have sufficient supply, which of those is it?

**Mr MATT KEAN:** Well, I think it is a combination of both. But what I would say—and I will get the information and place it on the public record—is that the uptake in New South Wales has been very strong. I think we are leading the other States and Territories and it is because of the policies that we have put in place here. I appreciate the support of you, Ms Boyd, and your party and other members of this House that has seen New South Wales lead the way when it comes to people taking up the offer to drive better, cleaner and cheaper technology.

**Ms ABIGAIL BOYD:** But the message that you are giving us is not that there is any—contrary to what some people may have been saying on Sky after dark, this take-up is not below your expectations. It is still in line; there is no need to change the incentive scheme.

**Mr MATT KEAN:** Obviously we would like a greater take-up. I encourage people to go out and buy an EV. Mr Latham can trade in his old Datsun if he likes and get an EV.

**The Hon. MARK LATHAM:** You are putting tracking devices on people. You are not tracking me.

**Mr MATT KEAN:** Okay. But we obviously want people to go and take advantage of the opportunity to buy newer technology. It is not only going to deliver them cheaper running costs—obviously there is a higher up-front cost—but the running costs and the impact on the environment is good for everyone.

**Ms ABIGAIL BOYD:** This Committee asked your predecessor a few times about the nature of investments by New South Wales in overseas securities and funds. I was pleased to see this morning's announcement that New South Wales would be pulling out of its investments in Russian and Russian led-entities. There were other problematic investments that were raised prior to this—

**The Hon. DANIEL MOOKHEY:** Cayman, for instance.

**Ms ABIGAIL BOYD:** Cayman, for instance, but there is a whole bunch. Are you going to take any action in relation to those as well or are they subject to this broader review that you are doing?

**Mr MATT KEAN:** They are subject to the broader review that we are doing. I think it is best to deal with these things through an overall framework. Obviously the Russian situation is unique and we wanted to move on that in step with the rest of the world, which we have done. But what I would say is that today I announced that Pru Bennett, who is one of the leading experts when it comes to ESG and sustainable investing, will be heading up the review. Pru is one of the leading ESG experts in the nation. She is former managing director and head of stewardship APAC for BlackRock, and has extensive corporate experience in this space. She is a director of the UN Global Compact Network Australia, a director of the world's largest corporate sustainability initiative. That work will commence in April and I am confident that she will make recommendations as to how we can improve our framework so that we are not just in line with the rest of the world when it comes to ESG investing but we are leading them. That is my objective.

**Ms ABIGAIL BOYD:** While it is, as I say, welcome news that we are divesting from Russian interests today, why were we ever invested in those Russian interests?

**Mr MATT KEAN:** Again, the New South Wales Government has a diversified investment portfolio that is determined by our TCorp.

**Mr DAVID SHOEBRIDGE:** You are investing in an array of dictators.

**Mr MATT KEAN:** No, that is not the case. As soon as I became aware of these issues, I obviously was concerned, and that is why I asked for us to review what we are doing, our practices, and put in place the policies to deal with it.

**Ms ABIGAIL BOYD:** Your predecessor did not, though.

**Mr MATT KEAN:** I have some concerns about where we are investing New South Wales taxpayers' money. I do not think it should be going towards tyrannical regimes, dictatorships and organisations that do not share our liberal values and that is what this review will look at, make recommendations and we will address it going forward.

**Ms ABIGAIL BOYD:** To clarify then, you are saying the decisions made by your predecessor, now Premier Perrottet, were not the decisions that you would make?

**Mr MATT KEAN:** No, that is not what I am saying. What I am saying is that the Government has an ESG framework. The investment strategy was done in line with that framework. The framework clearly needs to be tightened up and that is what we are doing.

**Ms ABIGAIL BOYD:** Clearly, but your predecessor did not see the need to tidy that up and you do, so clearly your view is that the now Premier Perrottet had made a mistake in that regard.

**Mr MATT KEAN:** No, Premier Perrottet does not choose which investments are made. That is the role of TCorp and, when it was brought to my attention, I raised concerns. That is why I have asked Dr Grimes to appoint someone to do the appropriate review around our ESG framework.

**Ms ABIGAIL BOYD:** I think we can draw our own conclusions. Sorry, Mr Shoebridge wants a question on that.

**Mr DAVID SHOEBRIDGE:** Minister, you do know what ESG stands for?

**Mr MATT KEAN:** Yes.

**Mr DAVID SHOEBRIDGE:** Well, come on.

**The Hon. DON HARWIN:** Oh, it is not *Jeopardy!*

**Mr DAVID SHOEBRIDGE:** I am happy to take you through it if you cannot remember. You talk about ESG principles. I want to know if you know what the substance of ESG principles are? What are they?

**Mr MATT KEAN:** Environment sustainable governance.

**Mr DAVID SHOEBRIDGE:** Environmental, social and corporate governance principles, right? Why do we not run through them as against Russia?

**Mr MATT KEAN:** I think we agree.

**Mr DAVID SHOEBRIDGE:** No, we will get to the end here. Let us run them against Russia. Environmental—we agree it is an environmental vandal. Do we agree with that?

**Mr MATT KEAN:** We agree it is an environmental vandal.

**Mr DAVID SHOEBRIDGE:** Social—it is a nasty authoritarian dictatorship. Do you agree with that?

**Mr MATT KEAN:** Where are we going here, Mr Shoebridge?

**Mr DAVID SHOEBRIDGE:** Do we agree on that?

**Mr MATT KEAN:** Where are we going?

**The Hon. DON HARWIN:** Point of order: Madam Chair, these questions are clearly not within the terms of the resolution of the House.

**Mr DAVID SHOEBRIDGE:** Of course they are.

**The Hon. DON HARWIN:** The honourable member is effectively asking the Minister questions about dictionary definitions—

**Mr DAVID SHOEBRIDGE:** I would like to finish my question.

**The Hon. DON HARWIN:** —of corporate concepts like ESG .

**The CHAIR:** They are not out of order.

**The Hon. ROBERT BORSAK:** To the point of order: I would like to hear the question first before it is ruled out of order.

**Mr DAVID SHOEBRIDGE:** We agree on social, that the Russian regime is a nasty authoritarian dictatorship. Yes or no?

**The CHAIR:** Actually, we are out of time.

**Mr DAVID SHOEBRIDGE:** Yes or no, Minister. Answer the question.

**The Hon. DON HARWIN:** Stop running your Senate campaign by asking irrelevant questions that are not in the terms of reference.

**Mr DAVID SHOEBRIDGE:** Answer the question.

**The CHAIR:** Mr David Shoebridge, you will have time. There is another round of 20 but it is Mr Latham's time.

**Mr DAVID SHOEBRIDGE:** But he has not answered the question.

**The Hon. MARK LATHAM:** Thank you, Chair.

**The Hon. DON HARWIN:** The time is up. Stop taking Opposition time.

**The CHAIR:** It is not Opposition time.

**The Hon. MARK LATHAM:** Minister, if we do not support tyrannical dictatorships why is it under your policies most of the extra solar panel of wind towers into New South Wales come from China?

**Mr MATT KEAN:** What we want to do is manufacture solar panels, wind turbines and the infrastructure that we are going to need to modernise our grid right here in New South Wales. That is exactly why one of the things that we have done, in response to the closure of Eraring, is to invest in creating new industries and our heavy industry to build the infrastructure that we are going to need.

**The Hon. MARK LATHAM:** In which year do you expect the first solar panel and wind tower to be actually manufactured in New South Wales?

**Mr MATT KEAN:** Well, hopefully, very shortly. I mean, one of the exciting things that we have had as a result of our policies it has provided the market the confidence they need to invest here in New South Wales and build in that infrastructure. So companies like BHP have been speaking to me. What we have done is put in place policies that will stimulate and incentivise the private market to invest here in New South Wales. They were policies that you opposed, Mr Latham. You opposed those policies because you did not want to see the private market coming in to solve this problem. That is the difference between us, Mr Latham.

**The Hon. MARK LATHAM:** No, I think it is about China. Minister, on a separate subject, how could Daisy Turnbull be qualified to represent low-income single mothers in New South Wales on your women's employment committee.

**Mr MATT KEAN:** I am not suggesting Daisy Turnbull was qualified to represent low-income single mothers.

**The Hon. MARK LATHAM:** Haven't you said publicly she is there as a single mum representative on this committee?

**Mr MATT KEAN:** No, I said she was a single mum.

**The Hon. MARK LATHAM:** What are her qualifications?

**Mr MATT KEAN:** She is an educator. She has educated women for 10 years, is my understanding. She is someone that has a long-term—I mean her academic qualifications, I cannot speak to that right here. We can get her curriculum vitae.

**The Hon. SCOTT FARLOW:** I went to uni with her actually.

**Mr MATT KEAN:** She is a teacher. She has been a long-term educator. She is a leader of her school. She is passionate about education policy and she is passionate about women's policies. So I felt she was very well qualified to participate in identifying economic opportunities for female empowerment in this State.

**The Hon. MARK LATHAM:** Why did you have to mention she is a single mum when clearly she would have nannies, affluence and resources available to her that single mums in Blacktown and Campbelltown would not have?

**Mr MATT KEAN:** I do not know whether she does have nannies, but she is a single mum. That is a matter of fact, Mr Latham.

**The Hon. MARK LATHAM:** But you did indicate that that was part of her qualification.

**Mr MATT KEAN:** No, just that she was a single mum.



**The Hon. MARK LATHAM:** She is not representative of the challenges facing single mums in New South Wales, is she?

**Mr MATT KEAN:** No, I am just saying she was a single mum.

**The Hon. MARK LATHAM:** Are you going to appoint someone to the committee who is actually representative of the challenges faced by low-income single mothers in New South Wales?

**Mr MATT KEAN:** We have a diverse range of people on that committee, representing a number of groups across our society. It is not a representative group; it is a steering committee and an advisory panel to guide us with the work that Treasury is doing to improve women's economic opportunities in New South Wales.

**The Hon. MARK LATHAM:** Why is it not a representative group? If women are so important to represent, why isn't the group representative?

**Mr MATT KEAN:** Because it is a steering committee to shape the work that Treasury is doing. It is not obviously going to be representative, but it does have people that are passionate about this area of public policy that want to contribute to it. And rather than talking it down, Mr Latham, I thought you would be getting behind a body that is doing important work to provide opportunities not only for women in this State but also for our economy and our society.

**The Hon. MARK LATHAM:** I think you are the one getting behind Daisy Turnbull. I have got other priorities and one of them actually is what are you doing about male employment, given that post the lockdowns and the labour force data in December female employment in New South Wales is 30,000 higher than pre-pandemic levels, whereas the male employment is still below pre-pandemic levels?

**Mr MATT KEAN:** Obviously we want to make sure that we get as many people employed as possible, and right now our unemployment rate is heading in the right direction—down—and we will continue to implement policies that will achieve that objective. So we take those issues very seriously, Mr Latham, but it is not one or the other; it is both. We know that if we can lift the female participation rate equal to that of males that we will see 8 per cent growth in our economy by 2060. That means higher living standards and better outcomes for everyone, Mr Latham. So I am not saying that we should be supporting female employment over male employment, or male employment over female employment. I am saying that we should do both and there is clearly a gender gap that needs to be addressed. This is one of the structural issues of our time and I intend to deal with it in my time as Treasurer.

**The Hon. MARK LATHAM:** Minister, can I take you back to our last estimates in November, when you told the Committee you wanted to keep both the Treasury and the Energy portfolios. You claimed at that time you had not told the new Premier Dominic Perrottet of that desire to keep both Treasury and Energy. That was not true, was it?

**Mr MATT KEAN:** I am not sure. What date was that, Mr Latham?

**The Hon. MARK LATHAM:** On 3 November you told us you wanted to keep Treasury and Energy but you said you had not discussed it with Premier Perrottet. That is untrue, is it not? You had detailed discussions with him in late October, including on 28 and 30 October.

**Mr MATT KEAN:** I do not know where you are getting those figures from, Mr Latham. I do not know what you are referring to.

**The Hon. MARK LATHAM:** You were there. It was untrue when you told us on 3 November—

**Mr MATT KEAN:** I do not have my diary in front of me, Mr Latham. If I told the Committee something then it was true.

**The Hon. MARK LATHAM:** But you had discussed it with the Premier. You had discussed it with the Premier; you wanted to keep both those jobs.

**Mr MATT KEAN:** Mr Latham, I do not know what you are referring to. If you would like to table the evidence that you have, I am happy to look at it.

**The Hon. MARK LATHAM:** I am referring to the fact that you misled this Committee by telling us you had not discussed it. You told the Committee you wanted to keep those jobs. Why would you tell us—and you claimed you had not discussed it with the Premier—that you wanted to keep those jobs?

**Mr MATT KEAN:** I am always truthful, Mr Latham. If you want to table evidence that would suggest that I was not then I would be very happy to see it so I could explain it.

**The Hon. MARK LATHAM:** I am trying to get an answer from you and an apology to this Committee for misleading it.

**Mr MATT KEAN:** Please table the evidence that you have got. I am very happy to take it on notice, Mr Latham.

**The Hon. MARK LATHAM:** Will you apologise to this Committee for the misleading—

**Mr MATT KEAN:** No, because you are misleading the Committee right here. I am asking you to table the evidence you have to contradict the true statement that I made to this Committee, and you are refusing to do that. Why not? Why are you continuing to play games and fearmonger and manipulate the truth here, Mr Latham.

**The Hon. MARK LATHAM:** Well, you are the liar, not me. You are the one who misled this Committee.

**Mr MATT KEAN:** You are the one lying. I am asking you to table the evidence you have to make these bizarre claims—

**The Hon. MARK LATHAM:** I asked you a question: Did you discuss with Premier Perrottet—

**Mr MATT KEAN:** —these fanciful claims that you are making, Mr Latham, and you will not table it.

**The Hon. MARK LATHAM:** You keep talking because you will not answer the question.

**Mr MATT KEAN:** I am asking you—

**The Hon. MARK LATHAM:** Can you answer this question: Did you discuss with Premier Perrottet—

**The Hon. DON HARWIN:** Point of order—

**The Hon. MARK LATHAM:** —in late October that you wanted to keep those jobs?

**The CHAIR:** I will hear the point of order.

**Mr MATT KEAN:** I am asking you to table the evidence that you have, Mr Latham—

**The CHAIR:** Order! I need to take this point of order from the Government.

**Mr MATT KEAN:** —and you are refusing to do it.

**The Hon. DON HARWIN:** Point of order—

**The CHAIR:** Treasurer and Mr Latham, I have a point of order from Mr Harwin.

**The Hon. DON HARWIN:** Madam Chair, I really do not see how issues relating to a ministerial reshuffle could possibly have any relevance to a budget estimates hearing. In terms of the matters that the Hon. Mark Latham is raising, there are other forums for him to do that. They are not within the terms of the resolution for this hearing.

**The CHAIR:** There is no problem with the questions; they are in order. It is up to the Treasurer how he wants to answer them.

**The Hon. MARK LATHAM:** Can you answer the discussions you had with Perrottet in late October?

**Mr MATT KEAN:** I ask you to table any documents that you are referring to. I am very happy to look at them.

**The Hon. MARK LATHAM:** I am asking the questions here. I am not the tabler; I am the asker.

**Mr MATT KEAN:** I always answer all questions that are put to me in this Committee truthfully, Mr Latham.

**The Hon. MARK LATHAM:** Okay. Can I take you to this question of wearing two hats—Treasury and Energy. How can Treasury officials give proper scrutiny to your big energy spend, like the Eraring package, green hydrogen, EVs—it goes on—when they would obviously have a fear of offending you as the Treasurer? They will never point out flaws in the spend because you are the Minister for both areas.

**Mr MATT KEAN:** I think that is a slur on the integrity and professionalism of some of the most outstanding public servants in the country. Dr Grimes is someone beyond reproach and I have absolute confidence that he is able to manage those issues that you are referring to in the appropriate way that you would expect.

**The Hon. DON HARWIN:** Other Treasurers have also been energy Minister in the last 20 years.

**The Hon. MARK LATHAM:** I am not asking about that. That is outside the budget estimates to ask about other Treasurers, obviously.

**The Hon. DON HARWIN:** It is directly relevant to your question, though.

**The Hon. MARK LATHAM:** Minister, why would other big-spending portfolios Ministers bring forward ERC cuts when they see you, as Treasurer, beefing up the green energy spend in your own backyard? Why would they bring forward any cuts if you do not do it yourself?

**Mr MATT KEAN:** Mr Latham, I am not going to talk about the ERC process, but obviously the Government's policy is to manage this transition in a very responsible way. So unlike you, we want to invest in one of the things that will be the biggest productivity driver of this State. That is not me saying it; that is the Productivity Commission. That was the intergenerational report, which, Mr Latham, I would refer you to instead of standing in the way of blocking our State's future and the opportunities that our kids and their kids are going to have because of your nonsense.

**The Hon. MARK LATHAM:** How many of those recommendations of the Productivity Commissioner have you implemented?

**Mr MATT KEAN:** Which report are you referring to?

**The Hon. MARK LATHAM:** The one you just mentioned.

**Mr MATT KEAN:** The intergenerational report?

**The Hon. MARK LATHAM:** No, the Productivity Commissioner's final report.

**Mr MATT KEAN:** That is a separate report. The intergenerational report was another body of work that was done—

**The Hon. MARK LATHAM:** You mentioned the Productivity Commissioner.

**Mr MATT KEAN:** —looking at the productivity opportunities for New South Wales, and one of the biggest ones was the orderly transition from an old energy system to a new energy system, Mr Latham, which you stood in the way of, remember?

**The Hon. MARK LATHAM:** Yes, but in terms of productivity, how many recommendations of the Productivity Commissioner have you implemented?

**Mr MATT KEAN:** The Productivity Commission report, the one that Peter Achterstraat did—we have implemented a number of them. I am happy for Dr Grimes to give you an update on that. But a lot of them were red tape reduction programs which the Government is working through. Dr Grimes?

**The Hon. MARK LATHAM:** And on stamp duty reform, Treasurer, wasn't there an ERC decision before the Omicron breakout on the point that Mr Mookhey made, that \$7 billion was in part or whole set aside for stamp duty reform at ERC?

**Mr MATT KEAN:** Mr Latham, I am not going to talk about the ERC process here, but if you have got access to ERC or documents, you should table them so we can see them.

**The Hon. MARK LATHAM:** More tabling.

**Mr MATT KEAN:** You should table them.

**The Hon. MARK LATHAM:** No answers; more tabling.

**The Hon. DANIEL MOOKHEY:** Treasurer, you agree that COVID-related stimulus programs and economic recovery programs should lead to economic recovery?

**Mr MATT KEAN:** Do you have a question?

**The Hon. DANIEL MOOKHEY:** Yes, the question is this: Do you think that money that is described as a COVID-19 economic recovery or stimulus should be related to COVID-19 and help create jobs and stimulus to the economy?

**Mr MATT KEAN:** Obviously, we have been focused on making sure that we get us through the worst economic shock that we have ever seen and we come out the other side stronger. So I think that answers your question.

**The Hon. DANIEL MOOKHEY:** And you agree that grants that are provided by the Government that are part of the COVID recovery should be subject to merit-based assessment by departments?

**Mr MATT KEAN:** We should be making sure that we spend public money in the most responsible way and it should go through a rigorous assessment process, yes.

**The Hon. DANIEL MOOKHEY:** Treasurer, there is a distinction between the question I asked you and the answer you gave, so I am going to ask you the question again. Do you think that stimulus programs and grants to private organisations and businesses should be subject to merit-based assessment by the department—not the Government, but the departments that are sponsoring them?

**Mr MATT KEAN:** Obviously, I expect grants to go through a proper process.

**The Hon. DANIEL MOOKHEY:** And does that proper process exclude merit-based assessments?

**Mr MATT KEAN:** No, it does not.

**The Hon. DANIEL MOOKHEY:** What is the normative practice that you have applied as Treasurer when it comes to deciding whether or not to support a grant? Do you expect a department to give you a merit-based assessment advice or not?

**Mr MATT KEAN:** Maybe I could talk specifically to a grants program that I am overseeing, and that is the WestInvest program.

**The Hon. DANIEL MOOKHEY:** No, I am not asking you about that. I am happy to talk about West Invest—and trust me, we probably will get to it—but can I just ask you: When your Government is approving grants to private organisations, are you seeking the advice of your departments as a default matter, or are you accepting the view of a ministerial office in lieu of a department's advice?

**Mr MATT KEAN:** I cannot speak in general terms, but if you would like to put a specific scenario to me I might be better able to talk to you about it.

**The Hon. DANIEL MOOKHEY:** I will, but I will ask you the last question before I do this. Have you, as Treasurer, ever approved a request from a ministerial office for a COVID-19-related grant or any other grant, for that matter, that has not been accompanied by a recommendation in its favour by a department that sponsored it?

**Mr MATT KEAN:** If you have got a specific example you would like to highlight—there is not one that comes to mind right now.

**The Hon. DANIEL MOOKHEY:** There is not one that comes to mind from any ministerial office?

**Mr MATT KEAN:** I do not have that documentation in front of me. You would not expect me to, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** I do not, but I am asking you, because I am assuming this is an exceptional circumstance where a Minister's office would come to you and ask you to approve a grant without accompanying supportive advice from a department. Has that ever occurred since you have been Treasurer?

**Mr MATT KEAN:** That would be my expectation, yes.

**The Hon. DANIEL MOOKHEY:** Has it ever occurred since you have been Treasurer?

**Mr MATT KEAN:** There is nothing that comes to mind, but I am not going to rule it out.

**The Hon. DANIEL MOOKHEY:** Your predecessor apparently gave a \$5 million-plus grant to the St Agnes' Care & Lifestyle facility in the electorate of Port Macquarie, despite Treasury recommending against it. Did you see this report on the weekend?

**Mr MATT KEAN:** I did, yes.

**The Hon. DANIEL MOOKHEY:** And what steps have you taken to investigate it?

**Mr MATT KEAN:** Obviously, there are a couple of things that I would say. Firstly, we have a new Treasury secretary. There have been a range of issues with regard to grants that have been ventilated in the public domain. I want to make sure that the issues raised by the Auditor-General, by the Public Accounts Committee, by various bodies, are addressed so the public can have confidence in the integrity of our grants processes.

**The Hon. DANIEL MOOKHEY:** I am glad.

**The Hon. PENNY SHARPE:** Said with a straight face.

**The Hon. DANIEL MOOKHEY:** Specifically what steps have you taken as Treasurer, since you became aware of this report on the weekend, to investigate the circumstances in which your predecessor, Mr

Perrottet, agreed to give a \$5 million grant to the St Agnes' Care & Lifestyle facility despite advice from Treasury recommending against it?

**Mr MATT KEAN:** It is fair say, with regard to the St Agnes' grant, that I have just been made aware of it through newspaper reports. But on the broader issue of integrity of grants programs, there have been a number of recommendations made by various bodies to improve the process. Dr Grimes, with regard to setting up WestInvest, for example, has incorporated those recommendations into the process that will be running for those grants. But, in addition to that, Dr Grimes will also undertake a review of the grants process, and I am very happy for him to expand on that.

**The Hon. DANIEL MOOKHEY:** No, Treasurer, I asked you a very specific question.

**Mr MATT KEAN:** You asked me a question. You are not just here to hear from me; you are also here to hear from our officials—

**The Hon. DANIEL MOOKHEY:** Yes, I am. I have Dr Grimes's company this afternoon.

**Mr MATT KEAN:** —who can expand on the answer. I would like him to provide you the framework, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, the questions that I am asking, you can answer.

**The Hon. SCOTT FARLOW:** Point of order—

**The CHAIR:** I will take the point of order but, Treasurer, all of the officials are here for many hours this afternoon, which is the point that Mr Mookhey is making.

**The Hon. SCOTT FARLOW:** Yes, it is to this point and what the Treasurer is saying. The Hon. Daniel Mookhey has asked the Treasurer a specific question. The Treasurer is able to answer that question with the assistance of his advisers and he is able to direct the questions to them if that answers the Hon. Daniel Mookhey's question and his follow-up.

**The Hon. DANIEL MOOKHEY:** I did not need an explanation of the process Dr Grimes is following for the WestInvest fund. I am asking a specific question about the actions the Treasurer is taking to investigate these allegations.

**The CHAIR:** Yes.

**The Hon. DANIEL MOOKHEY:** I am asking the Treasurer to be directly relevant to the question. Treasurer, the reason I am asking you is that the Treasurer's office very kindly reported at least to this newspaper that they should refer questions to you. I am sure you appreciated that. Are you saying you had no knowledge of these arrangements until you read about this in the newspaper?

**Mr MATT KEAN:** That would not be unusual. There are a lot of grants that go out. Obviously that one raised concerns for me, and that is one of the reasons that we are going through this task of getting the right processes in place for the awarding of grants in New South Wales, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Have you had any meetings with Ms Leslie Williams, the member for Port Macquarie, about applications for funding for her electorate since you have become Treasurer?

**Mr MATT KEAN:** I have certainly met with the member for Port Macquarie, but I am not sure that I have spoken to her specifically about a project or funding for her electorate.

**The Hon. DANIEL MOOKHEY:** Did you ever have any meetings—

**Mr MATT KEAN:** I am not going to rule that out. I am very happy to get back to you with the details.

**The Hon. DANIEL MOOKHEY:** There is nothing illegitimate with a member coming to see you to ask for support for funding. But did you have any meetings with Ms Williams of any type prior to her decision to join the Liberal Party around funding applications?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** Did you accompany Gladys Berejiklian to any meetings held with Ms Williams whatsoever prior to that decision?

**Mr MATT KEAN:** Prior to her decision to—

**The Hon. DANIEL MOOKHEY:** To change parties.

**Mr MATT KEAN:** No, I was not involved in any discussions with Ms Berejiklian and Ms Williams.

**The Hon. DANIEL MOOKHEY:** Did you attend any meetings whatsoever?

**The Hon. SCOTT FARLOW:** Point of order—

**The CHAIR:** Yes, I will take the point of order.

**The Hon. SCOTT FARLOW:** Back to the terms of reference, this has no relevance to the terms of reference for this budget estimates inquiry.

**The CHAIR:** The questions are in order. It is up to the Treasurer how he answers.

**The Hon. ROBERT BORSAK:** It is very relevant.

**The Hon. DANIEL MOOKHEY:** Do you recall having any meeting whatsoever with Ms Berejiklian and Ms Williams in which any funding request was made any point in time?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** You do not recall or you never have?

**Mr MATT KEAN:** I do not recall. I do not believe I have had a meeting with Ms Williams and Ms Berejiklian about any funding.

**The Hon. DANIEL MOOKHEY:** Did you have any discussions with Mr Berejiklian whatsoever about any requests for funding that Ms Williams had put to you at any point?

**Mr MATT KEAN:** No, I did not.

**The Hon. DANIEL MOOKHEY:** Have you had any conversations with the current Premier about this?

**Mr MATT KEAN:** No, I have not.

**The Hon. DANIEL MOOKHEY:** I turn to your decision to remove your Treasury secretary. Why did you remove Mr Pratt?

**The Hon. MARK LATHAM:** Poor old Pratty.

**Mr DAVID SHOEBRIDGE:** None of us are critiquing the overall plan.

**The Hon. DANIEL MOOKHEY:** I am not critiquing the outcome, but what were your motivations in making this decision?

**Mr MATT KEAN:** I had the opportunity to catch up with former secretary Pratt over lunch in December. The secretary informed me that he intended to leave as Treasurer secretary in March. I thought about that over the Christmas break and I took the view that I needed continuity of leadership throughout the budget process.

**The Hon. DANIEL MOOKHEY:** Fair enough.

**Mr MATT KEAN:** As a result, I considered a number of options to possibly fill the role of Treasury secretary and I was targeting the most experienced, qualified person I could find with the highest level of integrity. I found one of the most outstanding officials in the country in Dr Paul Grimes, who accepted the role as Treasury secretary.

**The Hon. DANIEL MOOKHEY:** For which we offer our congratulations. Treasurer, you said you wanted continuity of leadership in the budget process. Former secretary Pratt told the Public Accountability Committee that he was willing to stay until the budget process completed. In fact, he said he was dissatisfied with your decision to remove him prior to the budget. In fact, he said he would have liked to have done that and that he felt the State would have benefited from the continuity of leadership that he was offering. He made it quite clear that he was prepared to serve and that you had reached a decision to terminate his services, for which he was dissatisfied. How do we square your evidence that you wanted continuity with his evidence that he wanted continuity and yet you somehow decided to remove him?

**Mr MATT KEAN:** His evidence did not accord with the direct conversation that he had with me in December. I was surprised by that testimony. I had a very clear conversation with him where he said that he intended to leave in March. That would have been hugely disruptive to the budget process and I obviously wanted to have stability during a very difficult period.

**The Hon. DANIEL MOOKHEY:** He was prepared to leave in March, yet you terminated him on 28 January, according to his evidence, which is literally four weeks earlier. In terminating him four weeks earlier

than he was prepared to leave, you signed the taxpayer up for an additional \$435,000 of costs. That means we have paid \$100,000 a week not to have his services. Please explain to me how that is good value for money?

**Mr MATT KEAN:** I would say that we need to make sure that we have the person starting the budget process who will also finish the budget process. Mr Pratt made it very clear to me that that was not his intention. It would have been far more disruptive had Mr Pratt gone into March and left midway through the budget process. I took the view that it was in the interests of people in New South Wales that we have stable continuity of leadership through this period. That is exactly why I asked Mr Pratt to bring forward his departure date from March to January, so that we could start the budget process with the person who was going to finish it.

**The Hon. DANIEL MOOKHEY:** You did not bring forward his departure; you terminated him under section 41 of the GSC Act.

**Mr MATT KEAN:** Mr Mookhey, that is incorrect.

**The Hon. DANIEL MOOKHEY:** No, that is his evidence. Treasurer, I am going to give you time to respond. You made the decision to formally terminate him. In doing so, were you aware that that decision would incur a cost of at least \$434,000 to taxpayers?

**Mr MATT KEAN:** I do not appoint secretaries and I do not terminate secretaries. You know full well that that is the purview of the Premier and only the Premier. Mr Mookhey, that is wrong. I have been very clear with you as to why I asked Mr Pratt to bring forward his departure date. If he was not going to see through the budget process, I wanted someone who would.

**The Hon. DANIEL MOOKHEY:** Treasurer, Mr Pratt told us that you reached that decision to terminate, not the Premier. I actually did ask him that. He made the point that apparently you made the request to the Secretary of DPC.

**Mr MATT KEAN:** I do not have the power to terminate a secretary. I do not have the power to appoint a secretary.

**The Hon. DANIEL MOOKHEY:** I am aware of how secretaries are terminated. We are up to our fourth termination in the past year.

**Mr MATT KEAN:** That is the power that the Premier has, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Did you have a conversation with the Premier about terminating Mr Pratt?

**Mr MATT KEAN:** Mr Mookhey, I had a conversation with the Premier and made it very clear that the person who starts the budget process should finish the budget process, and that Mr Pratt had informed me that he did not intend to stay until the end of the budget process.

**The Hon. DANIEL MOOKHEY:** Your evidence is that it was actually the Premier's decision to terminate Mr Pratt?

**Mr MATT KEAN:** My evidence is that only the Premier has the power to terminate a secretary.

**The Hon. DANIEL MOOKHEY:** So you are telling me that you had no discussions whatsoever with the Premier at any time about the termination of Mr Pratt?

**Mr MATT KEAN:** That is not what I am telling you.

**The Hon. DANIEL MOOKHEY:** Did you have any conversations with the Premier?

**Mr MATT KEAN:** I very clearly said that I had a conversation with the Premier and I said that I wanted the person who started the budget process to finish the budget process and that Mr Pratt had indicated to me that he wanted to leave in March.

**The Hon. DANIEL MOOKHEY:** Treasurer, is not the more plausible explanation of events that you wanted to terminate the Treasury secretary and the Premier resisted?

**Mr MATT KEAN:** That is ridiculous. I do not know where you dreamed that up.

**The Hon. DANIEL MOOKHEY:** You wanted to terminate him as a result of the disaster that was—

**Mr MATT KEAN:** I do not know where you dreamed that up.

**The Hon. DANIEL MOOKHEY:** Are you saying to me that you and the Premier have always been on mind about the continuing tenure of the former secretary?

**Mr MATT KEAN:** That is not what I am telling you. What I am telling you—

**The Hon. DANIEL MOOKHEY:** Your evidence has been very confused, Treasurer, which is why I am trying to get to the bottom of it.

**Mr MATT KEAN:** My evidence has not been confused.

**The Hon. DANIEL MOOKHEY:** Did the Premier call you and go, "I would like to change the Treasury secretary," or did you call him up and say, "I would prefer continuity of service?"

**Mr MATT KEAN:** No, Mr Mookhey. The Premier has the power to appoint a secretary; the Premier has the power to remove a secretary.

**The Hon. DANIEL MOOKHEY:** So your evidence is that he just woke up one morning and said, "You know what? A new Treasury secretary would be good for the State."

**Mr MATT KEAN:** No, that is not my evidence. I formed the view and advised the Premier that we should have someone that would continue throughout the budget process. On that basis, the Premier is obviously the person with the power to enact those decisions.

**The Hon. DANIEL MOOKHEY:** I therefore appreciate the little three-minute merry-go-round we did to get back to the point I just put to you, which is that you made the decision to end Mr Pratt's service.

**Mr MATT KEAN:** I think I have clearly explained that.

**The Hon. DANIEL MOOKHEY:** Now I go back to the question that you did not answer. When you provided that advice to the Premier, were you aware that you were incurring an additional \$434,000 of spending for the former Treasury secretary not to work for four weeks?

**Mr MATT KEAN:** Obviously, I did not take decisions to bring in a new Treasury secretary lightly. I wanted to make sure that we got the best outcome for the people of New South Wales, and that is the person that is going to lead the organisation through the entire duration of the budget process and beyond. It would have been far more disruptive had we had to go through this process midway through March, as Mr Pratt had flagged to me over lunch in December. So, Mr Mookhey, I am saying that the best outcome for the people of New South Wales was ensuring we had continuity of leadership throughout the budget process, which will be a very difficult budget process in light of the COVID pandemic.

**The Hon. DANIEL MOOKHEY:** Therefore, you would think that the \$434,000 that we have expended to effectively put Mr Pratt on gardening leave is good value for taxpayers.

**Mr MATT KEAN:** What I am saying is that the decision was taken to ensure that the people of New South Wales had someone leading the Treasury function throughout what is going to be a very difficult budget process, the whole way through. That is the decision that was taken. That is my view, that it was in the best interest for New South Wales citizens, and that is where we landed.

**The Hon. DANIEL MOOKHEY:** Treasurer, earlier we discussed your welcome decision to dump our investments in Russia, but you had flagged this ESG review back in October when I first raised concerns about our investments in Russia, Saudi Arabia and the Cayman Islands. Why did it take four months before you actually got around to commissioning the review that you promised back then?

**Mr MATT KEAN:** The first thing I would say with regard to the review is that we wanted to make sure that we took these decisions around our investment strategy as part of an overall ESG framework. We needed to do extensive work to get the right terms of reference and the right person to do that. That said, Mr Mookhey, the priority over summer has not been this ESG review; the priority over summer has been managing the COVID Omicron outbreak. That is what I spent most of my summer on, Mr Mookhey. Yes, there has been a delay, but it is because the priority of the Government was making sure we got through Omicron as best we could.

**The Hon. DANIEL MOOKHEY:** With respect to the NSW Generations Fund, did Treasury end up completing the review that the former Treasury secretary flagged at the last budget estimates into its strategy?

**Mr MATT KEAN:** No, but I can get Dr Grimes to answer that.

**The Hon. DANIEL MOOKHEY:** That is okay. If the answer is no, we can pick that up later. The part that actually goes to Government policy, which only you can answer, is flagged in the half-yearly budget review. The half-yearly budget review makes it clear that the Government is intending to review its policy of depositing the cash surplus, as well as mining royalties and other distributions, into the NGF as soon as we once again return to a cash surplus—which the half-yearly budget review says is in the next financial year. That is, from the middle of next year we will once more resume the policy of putting the cash surplus into the NGF, investing it in global



markets and putting our royalties and distributions back in—this at a time when Treasury is still projecting a massive budget deficit. Is that your Government's policy?

**Mr MATT KEAN:** No, we will review that as part of the budget process, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, it is literally stated in chapter 6 of your half-yearly budget review. Have you read that part of the report?

**Mr MATT KEAN:** We will review that as part of the budget policy.

**The Hon. DANIEL MOOKHEY:** But you did review it.

**Mr MATT KEAN:** No, we will review it. The current position is that whilst we are in cash deficit, we will not be putting additional—

**The Hon. DANIEL MOOKHEY:** Treasurer, I will read to you page 46 of your half-yearly budget review, which came out in December. You were Treasurer at that point. It states:

The Government has temporarily suspend contributions into the NGF investment fund in 2021-22, having regard to the State's net cash operating deficit ... Temporarily suspending these contributions, including State Owned Corporation (SOC) distributions and mining royalties, is expected to take pressure off the State's cash requirements ...

This is the key bit:

The Government will resume contributing to the NGF Debt Retirement Fund from 2022-23 noting that in that year the cash operating position is forecast to return to surplus.

You cannot seriously be telling me that you are reversing a position you just announced two months ago.

**Mr MATT KEAN:** What I am saying is that we will review our NGF strategy as part of the budget.

**The Hon. DANIEL MOOKHEY:** Did you know that your Treasury had slipped that language into the half-yearly budget review, or did that miss your attention?

**Mr MATT KEAN:** Mr Mookhey, you can keep going around this and you can keep going on this topic, I don't care. What I am saying to you is that we will review the NGF strategy as part of the next budget.

**The Hon. DANIEL MOOKHEY:** But this is the reason why we end up owning Russia's debt. That is when we ended up investing in Russia; it arose from that point.

**Mr MATT KEAN:** We are putting safeguards in place to ensure this does not happen again. We have already addressed this, Mr Mookhey. I know you are trying to get your grabs up, but we have dealt with this.

**The Hon. DANIEL MOOKHEY:** No, you have not. You have not dealt with this.

**Mr MATT KEAN:** I think you have made the point.

**The Hon. DANIEL MOOKHEY:** No, Treasurer. The point that I am trying to understand is, if you have announced this policy in your half-yearly budget review and yet the first time you have come to budget estimates you have reversed it, what took place in the past two months that led you to reverse the position that you stated in black and white in the budget?

**Mr MATT KEAN:** The half-yearly review was correct, and we will obviously review it at the year-end budget.

**The Hon. DANIEL MOOKHEY:** You are telling me we are reviewing policy. It says here that you are projecting the NGF balance to reach \$81 billion. Are we still targeting \$81 billion by June 2031, or is that target now shelved?

**Mr MATT KEAN:** There are obviously changing conditions. We are going to look at that as part of the budget process. I cannot be clearer, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** You do not know what is going on, do you? You just have no idea what has happened here. You are totally ignorant of all this, are you not?

**Mr MATT KEAN:** Mr Mookhey, that is a ridiculous thing to say. I have said to you we will review the NGF strategy as part of the budget.

**The Hon. DANIEL MOOKHEY:** Basically you are making it up as you go. This is policy on the run.

**Mr MATT KEAN:** You can put whatever words you want into my mouth, but I am not going to accept that. I am not going to sit here—you are trying to get your grabs up on TV, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** To be fair, this will not run live on television.

**Mr MATT KEAN:** I think you have had your go. Madam Chair—

**The Hon. DANIEL MOOKHEY:** What you are telling us is black is actually white. This is an example of being gaslit, is it not?

**The Hon. DON HARWIN:** Time has expired.

**Mr MATT KEAN:** These are not questions; these are full-on attacks.

**The Hon. PENNY SHARPE:** Just to remind the Committee, the Treasurer does not get to take points of order.

**The CHAIR:** Time has expired. Ms Cate Faehrmann has the call.

**Ms CATE FAEHRMANN:** Good afternoon, Treasurer. I go to comments that the Premier made on 1 February at a press conference in relation to pandemic pay for nurses. He has said in response to questions at press conferences a couple of times now that Treasury is considering something for nurses. We had a campaign called NurseKeeper that got a lot of attention and support, and I know the Government has been lobbied about that quite a lot. What is the Government considering in this regard? When will they deliver nurses some kind of recognition for the work they have done through COVID?

**Mr MATT KEAN:** The first thing I should say is that our nurses are absolute heroes. They have done an incredible job keeping us safe and getting us through this period. There are some complex industrial issues that we are currently working through. I am not going to go into the detail of where the negotiations and the discussions are at here today, other than to say we want to make sure that we balance the needs of taxpayers in this State with the need to pay our workforces an appropriate amount for their hard work.

**Ms CATE FAEHRMANN:** We have just come through the awful Omicron outbreak, and who knows what is down the line. In recognition for the extraordinarily hard work that they did over the Christmas break and all of that, it sounds like pandemic pay is off the table. They surely should have received it by now if you were going to recognise just how exhausted they are and, importantly, to retain them. I do not know if you have heard how many frontline healthcare workers are unfortunately looking at quitting and leaving the profession because they just cannot take it anymore. At what point does that come into play to stop some of our exhausted frontline healthcare workers quitting?

**Mr MATT KEAN:** I do not think there is anyone who does not want to see a great outcome for our nurses. We are currently working through that process. These are pretty complex, Ms Faehrmann. In light of the Government's fiscal position, we just need to balance those competing interests.

**Ms CATE FAEHRMANN:** Will they get something? You are saying you are working through complex industrial—

**Mr MATT KEAN:** Of course, we need to make sure that we land in a position that looks after our nurses and other frontline workers but also protects broader taxpayer interests, which are under significant pressure at the moment. It is a very difficult fiscal environment. That is the constraint at the moment.

**Ms CATE FAEHRMANN:** It is a difficult fiscal environment. But in terms of the Government's priorities, in the forward estimates there are quite a few billions of dollars allocated towards road projects, for example. Roads and highway upgrades are important, sure, but have you considered looking at the whole budget and maybe reprioritising health? Given the extraordinary toll on our frontline healthcare workers, have you considered reprioritising where some of that money is being spent?

**Mr MATT KEAN:** Yes, of course. That is what the budget process is, to prioritise the competing needs that the government needs to address. We are working through that process, Ms Faehrmann. But, without going into those confidential Cabinet discussions, I will say that this is something that the Premier is personally concerned about, and we are trying to find a way through.

**Ms CATE FAEHRMANN:** Okay, so you are committed to something sooner rather than later? Can the community have some hope there will be an announcement soon?

**Mr MATT KEAN:** We want to get a great outcome for nurses. Again, we are just trying to work through these issues, and we will obviously make the announcement when we are ready.

**Ms CATE FAEHRMANN:** Okay. Everybody is looking forward to that when it happens. I just want to turn to floodplain harvesting. I did ask you this question in the last budget estimates that we had, and during those estimates I asked you about the liability the Government faces in the handing out of floodplain harvesting licences. I think it was Mr Midha who informed us that Treasury was unaware of the financial liability that those

licences might create for the State. Back in 2014 the water Minister at the time, Kevin Humphries, amended the Water Management Act to explicitly make floodplain harvesting licences compensable. Are you aware of this?

**Mr MATT KEAN:** Yes, I am aware of it.

**Ms CATE FAEHRMANN:** Have you been briefed since the last time I asked you in budget estimates? Has Treasury now been briefed on the potential liability of issuing probably \$1 billion, if not more, of floodplain harvesting licences, which your Government is currently doing?

**Mr MATT KEAN:** I have not been briefed on that since we last spoke.

**Ms CATE FAEHRMANN:** Does that concern you? I think Mr Midha last time did say that if, in terms of government policy, there was something that was going to have such a significant impact on the State's budget, you would be briefed and you would have a say in that policy?

**Mr MATT KEAN:** Yes, of course.

**Ms CATE FAEHRMANN:** I asked you about this last time. It is still very much on the books. In fact, as I understand it, the new water Minister, Kevin Anderson, has started looking to issue licences in the Gwydir Valley and Border Rivers Valley. This is extremely significant. Hundreds of millions of dollars are being handed out in compensable floodplain harvesting licences. You understand the issue a bit, Minister. We have talked about it before in your previous portfolio. A future government is going to have to buy back those licences because they are completely unsustainable. Hundreds of gigalitres of water are being given out that the rivers downstream cannot sustain. Are you comfortable with either your Government or a future government having to buy back potentially \$1 billion, if not more, of floodplain harvesting licences? That is what your Government is doing right now. They are issuing those licences.

**Mr MATT KEAN:** I am concerned about all items of government expenditure and the impact it is having on a very tight fiscal position.

**Ms CATE FAEHRMANN:** It is very tight. That would be much better going to nurses' pay packets right now, wouldn't it?

**Mr MATT KEAN:** That is why the Government goes through a budget process, to work out what its priorities are. We will have to have those conversations within our Cabinet and within the ERC of Government. But rest assured, Ms Faehrmann, in terms of priorities, I think it is fair to say that the Premier and the whole of the Government sees nurses as a priority for this Government.

**Ms CATE FAEHRMANN:** That is one area that you could potentially have a look at—not just that but also dams. I have also asked you about the potential cost on the budget of a couple of the National Party projects. Let us talk about Dungowan Dam—potentially \$1 billion. The Productivity Commission has described the whole process as flawed. It is not going to deliver water security for Tamworth, yet the National Party water Minister seems determined—it is his electorate—to spend \$1 billion of taxpayers' money on a dam that is not needed. That is potentially something else you could have a look at. Do you think that is a good spend of money?

**Mr MATT KEAN:** I appreciate your fiscal aptitude. I am very impressed that it is coming from The Greens and, of course, we will consider it as part of our overall budget process.

**Ms CATE FAEHRMANN:** Have you seen the business case for that dam?

**Mr MATT KEAN:** I am not going to go into documents that are clearly Cabinet in confidence, but what I will say is that we will have a very robust assessment—

**Ms CATE FAEHRMANN:** You do not have to go into the documents, but you could just say if you have seen it or not. The business case—has it gone to Cabinet, has it come before Treasury? Does the business case stack up? What is the cost-benefit ratio on this dam?

**Mr MATT KEAN:** I am not going to talk about matters that are clearly Cabinet-in-confidence here today, other than to say we will work through the priorities of government in the usual manner.

**Mr DAVID SHOEBRIDGE:** Whether or not there is a business case is not Cabinet-in-confidence. Is there one?

**Mr MATT KEAN:** I cannot speak to that. That matter is still going through our processes. I am not sure as to where it is up to.

**Ms CATE FAEHRMANN:** I think the issue is the business case is going to be finding it very, very hard to make this dam stack up.

**The Hon. DON HARWIN:** Point of order: I have not pulled up the member before, but there should—

**Mr DAVID SHOEBRIDGE:** She is finished.

**The Hon. PENNY SHARPE:** Now you are just taking her time.

**Mr DAVID SHOEBRIDGE:** You are just wasting time.

**The Hon. PENNY SHARPE:** Come on.

**Ms CATE FAEHRMANN:** I am done.

**Mr DAVID SHOEBRIDGE:** I am happy to move to extend the hearing.

**The Hon. DON HARWIN:** If she is finished, that is fine, but if she is going to keep making statements after the answer without allowing the Minister to respond, then that is not fair.

**The Hon. PENNY SHARPE:** She is finished.

**Ms CATE FAEHRMANN:** He responded.

**The CHAIR:** The Greens have a minute left of questioning.

**Mr DAVID SHOEBRIDGE:** Minister, we agreed earlier that Russia is an environmental vandal.

**The Hon. DON HARWIN:** Good grief.

**Mr DAVID SHOEBRIDGE:** I think you were about to agree that Russia is a nasty authoritarian dictatorship. Do we agree on that?

**Mr MATT KEAN:** I am no fan of the Russian Government, it is fair to say.

**The Hon. MARK LATHAM:** Not under Stalin.

**Mr DAVID SHOEBRIDGE:** Do we agree that it has got an appallingly corrupt corporate governance with billionaires effectively running the place? Do we agree with that?

**The Hon. DON HARWIN:** How is this relevant? Run your Senate campaign somewhere else.

**Mr MATT KEAN:** We agree that it is an appalling regime and that liberal democracies should stand together to oppose it.

**Mr DAVID SHOEBRIDGE:** It has always failed on environmental, social and corporate governance principles. It has always failed that, has it not?

**Mr MATT KEAN:** I cannot speak to whether it has always failed, but it has a very poor record on these matters, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** How on earth did the New South Wales Government ever put \$75 million into it and pretend to comply with ESG? Treasury says that they have always applied ESG, yet it dropped \$75 million into this environmental nasty vandal government. How did it happen?

**Mr MATT KEAN:** Mr Shoebridge, I agree with you, which is exactly why, under my watch, we will be getting rid of all assets—

**Mr DAVID SHOEBRIDGE:** But it is still there.

**Mr MATT KEAN:** —all Russian assets, because I do not want New South Wales taxpayer dollars going anywhere near such an appalling regime.

**Mr DAVID SHOEBRIDGE:** How did it go there in the first place? You are meant to have been applying ESG. It did not just suddenly become a nasty, authoritarian, corrupt dictatorship. It has always been that while you have been pumping \$75 million into it. How did the \$75 million get there in the first place?

**The CHAIR:** Last question. We are at time.

**The Hon. DON HARWIN:** Was it under Boris Yeltsin? There has to be a starting point for this, David. This is just rubbish.

**Mr MATT KEAN:** Mr Shoebridge, under my watch we are divesting ourselves of all Russian assets.

**The Hon. MARK LATHAM:** Minister, I will just take you back to the answers that were given to the Hon. Daniel Mookhey about Leslie Williams in Port Macquarie. Can I take it from the answers you gave you

were not involved in the discussions with her about the six hectare expansion of the Port Macquarie koala hospital announced on 29 October 2020?

**Mr MATT KEAN:** I was certainly involved in discussions about the koala hospital, but not with Gladys Berejiklian.

**The Hon. MARK LATHAM:** Right. But Mr Mookhey asked specifically about Leslie Williams and if you were involved in discussions with her about proposals in her electorate and you said no. Are you now saying you were involved with the koala hospital?

**The Hon. DON HARWIN:** Of course the environment Minister would be talking—that is not the context that Daniel asked the question.

**The Hon. MARK LATHAM:** I know. That is why I am asking.

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

**Mr DAVID SHOEBRIDGE:** "Environment Minister saves some koala habitat."

**Mr MATT KEAN:** It was in the context of Leslie Williams changing political parties and it was in the context of funding with Gladys Berejiklian. That is a complete mischaracterisation of the line of questioning that Mr Mookhey was pursuing.

**The Hon. MARK LATHAM:** No, I heard his question. When did you start those discussions with Leslie Williams? She joined the Liberal Party about a month prior to the koala hospital announcements, so you must have discussed it.

**Mr MATT KEAN:** She joined it a month prior, did she?

**The Hon. MARK LATHAM:** Yes.

**Mr MATT KEAN:** So the decision was taken after she joined.

**The Hon. MARK LATHAM:** You must have been involved in discussions through July and August of 2020 in the lead-up to the announcement.

**Mr DAVID SHOEBRIDGE:** "The great koala corruption."

**The Hon. DON HARWIN:** Shock horror. "Minister talks to local member about funding a project in their electorate."

**The Hon. MARK LATHAM:** That is what I am saying.

**The Hon. DON HARWIN:** Where do you get this rubbish from?

**The Hon. MARK LATHAM:** Don Harwin is answering the question to say you were.

**Mr MATT KEAN:** I am not going to apologise for being an advocate for koalas in New South Wales, Mr Latham.

**The CHAIR:** Let the Treasurer answer the question. Order! Members will be quiet. There is limited time left. Mr Latham has the call. Let the Treasurer answer the question; he does not need any help.

**The Hon. MARK LATHAM:** I think he answered yes. Minister, can I take you to the Financial Review announcement you made on 15 November declaring a new capitalism? It sounds ambitious. What do you mean by that?

**Mr MATT KEAN:** New capitalism?

**The Hon. MARK LATHAM:** From a provincial government Treasurer.

**Mr MATT KEAN:** Capitalism does not just focus on profits; it focuses on creating long-term value for the State, Mr Latham. That is something I believe you once believed in.

**The Hon. MARK LATHAM:** No, no, no, we are not going into that. Point of order: We are not going into that.

**Mr MATT KEAN:** In fact, I have some quotes where you talked about a similar vision.

**The Hon. MARK LATHAM:** No, we are not going into that, Treasurer.

**Mr MATT KEAN:** In fact, you described that environment was part of your new policy—

**The Hon. MARK LATHAM:** We are not going into that. You answer the questions.

**Mr MATT KEAN:** —because it involved focus on the longer term and going beyond narrow economic issues.

**The Hon. MARK LATHAM:** I have never declared a new capitalism in the grandiose fashion in which you have.

**Mr MATT KEAN:** What happened? You used to believe in these things, Mr Latham. You sold out so you could get runs on Sky News.

**The Hon. MARK LATHAM:** In your five pillars of the new capitalism in your key economic portfolio in a provincial government, an important announcement you made was lifting education outcomes. Do you acknowledge that this century New South Wales has had the fastest falling school academic results in the world? What is your specific input—not the Hon. Sarah Mitchell's departmental policy—in lifting education outcomes?

**Mr MATT KEAN:** One of the things that I actually agree with you on is the focus that you have on lifting education outcomes. I agree with the shocking fall in education outcomes here in New South Wales. It is appalling, particularly given that we are investing record amounts of funding—

**The Hon. PENNY SHARPE:** You have been in government for 11 years.

**Mr MATT KEAN:** —and doing ratios for teachers and a whole range of things that are clearly not delivering the outcomes that we want. I would like to work with you, Mr Latham, to make sure that we get our results turned around and get value for the significant amount of money that we are investing in the education system in this State.

**The Hon. MARK LATHAM:** My policy is your policy. That is progress. I take you further into the interview with *The Australian Financial Review*. You said, "There's no point running budget surpluses if we're doing it at the expense of addressing the structural issues." You make reference to environmental debt. Does that mean you would rather run budget deficits and do something about the environment than stick to a rigid policy of budget surplus?

**Mr MATT KEAN:** "When I think about the problems of global warming, I don't do it for myself. It matters most for my children and, one day, my grandchildren." That is not me saying that. They are your words, Mr Latham. You are the one that said we should be focusing on these things, and I am taking inspiration from you for a change in focusing on how we leave our planet to our kids better than we found it.

**The Hon. PENNY SHARPE:** There are all these things you cannot tell us, but you have had your office doing this research.

**The Hon. MARK LATHAM:** I acknowledge global warming and advocate for nuclear. You told me over lunch in Smithfield that you supported it, but you have opposed it ever since. I tried to help you.

**Mr MATT KEAN:** If that technology was economically responsible and readily available, neither of which it is. Again, you are pursuing this fantasy that it is going to actually keep the lights on and drive prices down. In fact, it will drive prices up. You know that. You should stop misleading people, particularly your friends on Sky News, that it is somehow going to result in a better outcome.

**The Hon. MARK LATHAM:** At lunch in Smithfield in April 2019 you told me you support nuclear power in New South Wales.

**Mr DAVID SHOEBRIDGE:** The great Smithfield lunch scam.

**Mr MATT KEAN:** I told you that I was interested in new technology like small modular nuclear reactors, which we both agreed on. I did not realise at that stage that small modular nuclear reactors are only in their embryonic stage. They are not going to be ready until the mid-2030s. Wind, solar and pumped hydro have come down so much that it makes nuclear inviable. In that context, the idea of new technology that can deliver cheap, reliable power is interesting, but the one we were talking about is not.

**The Hon. MARK LATHAM:** You also told me that you were going to stay out of the climate wars. What happened to that?

**Mr MATT KEAN:** Science, Mr Latham.

**The Hon. ROBERT BORSAK:** Zali Steggall happened.

**The Hon. MARK LATHAM:** Science hit you in the face when you walked out of Smithfield. That's good to know.

**Mr MATT KEAN:** Information and evidence. You should try it.

**The Hon. MARK LATHAM:** On the budget surplus or deficit, when we were last here, we went through the strategies for reducing expenditure. You said you had a fiscal repair plan. In supplementary answers to questions, I asked about the 2021-22 outlays and forecasts of an expenditure reduction of 2½ per cent. The Treasury came back and said that the projection for the forthcoming budget in 2022-23 is an annual expense reduction of 3.8 per cent. Is that still your fiscal repair plan ambition?

**Mr MATT KEAN:** We will go through and announce our plans as part of the budget process, Mr Latham. I am not going to pre-empt things here today. I do not want to get everyone all excited. We will go through a proper process. Obviously, there are a number of factors that we have to consider. There could be another outbreak of COVID. That will impact on our ability to deliver the budget savings that we have talked about. Again, we will go through a proper process and we will report it through the usual ways.

**The Hon. MARK LATHAM:** So this answer from Treasury about an annual expense reduction of 3.8 per cent is no longer operable? That is not your intention for the forthcoming budget?

**Mr MATT KEAN:** I am saying that you will see in the budget process where the Government lands. We obviously want to make sure that we spend taxpayer dollars wisely, and that is what we will continue to do. But the circumstances of the economy has changed, and the priority will always be the people of New South Wales over the budget.

**The Hon. MARK LATHAM:** When do you expect to implement your fiscal repair plan and bring the budget back to surplus?

**Mr MATT KEAN:** We will announce that through the budget process.

**The Hon. MARK LATHAM:** You cannot give us any indication? Are you still committed to a fiscal repair plan?

**Mr MATT KEAN:** I am not going to drop all of my announcements here for you today. We will do it properly through a proper media plan and through the budget process.

**The Hon. PENNY SHARPE:** A proper media plan. Therein lies the key point.

**The Hon. MARK LATHAM:** Are you still committed to a fiscal repair plan?

**Mr MATT KEAN:** We want to make sure that we spend taxpayer dollars wisely and that our budget is as strong as possible. We are not going to do that at the expense of the people of New South Wales, who are going through a very difficult time.

**The Hon. MARK LATHAM:** On that fiscal efficiency, are you committed to the \$5 billion WestInvest spend—that every project announced will be according to a rigorous benefit-cost ratio and demonstrate benefit for the people of western Sydney rather than pork-barrelling?

**Mr MATT KEAN:** Yes, absolutely. We will have a very strict governance framework around that. The review process will be chaired by Dr Paul Grimes with Michael Coutts-Trotter and the head of Infrastructure NSW. They will go through a process of assessing projects that are put forward against the criteria before it is recommended to me for approval.

**The Hon. MARK LATHAM:** And every project will have a published benefit-cost ratio?

**Mr MATT KEAN:** Every project will go through a rigorous assessment process, and I will be ultimately responsible for all projects.

**The Hon. MARK LATHAM:** Are you reviewing the Government's extraordinary \$11 billion spend on the Badgerys Creek to St Marys metro, given that the benefit-cost ratio is just 0.75—meaning that for every dollar of government spending there is only 75¢ of public return, only 18¢ of the benefits actually flow to public transport usage and that the scoping studies show that the St Marys metro will only operate at 11 per cent capacity? How can this be justified as a useful spend in western Sydney?

**Mr MATT KEAN:** These were obviously Government policy decisions taken before my time as Treasurer, but it is a policy position of the Government that we build the infrastructure to support the growth of south-west and western Sydney. That is one of the initiatives that we have in place; there are a number of others. This Government is not going to apologise for making investments into western and south-western Sydney, and we will continue to do it.

**The Hon. MARK LATHAM:** Do you regard this as acceptable, that an \$11 billion spend—over double the WestInvest—has a benefit-cost ratio of just 0.75 and only 18¢ in the dollar flow to public transport usage? Do you take this a model for WestInvest? Is this the sort of thing we can expect going forward?

**Mr MATT KEAN:** There are other factors to consider when building infrastructure in those parts of western Sydney.

**The Hon. MARK LATHAM:** Like what?

**Mr MATT KEAN:** Like opening it up and providing basic infrastructure and amenity to those communities that have missed out on it for a long time.

**The Hon. MARK LATHAM:** Will you review this project, this \$11 billion spend, given the atrocious BCR?

**Mr MATT KEAN:** Of course I can have a look at that document, if you provide it to me. I am very happy to. We obviously always want to get the best result for taxpayers in this State.

**The Hon. DANIEL MOOKHEY:** Treasurer, have you commissioned any scoping studies into further asset sales since you have become Treasurer?

**Mr MATT KEAN:** I do not think I have, no.

**The Hon. DANIEL MOOKHEY:** What scoping studies were you briefed on when you became Treasurer?

**Mr MATT KEAN:** I might have to take that on notice. I am very happy to come back to you.

**The Hon. DANIEL MOOKHEY:** The budget—not the half-year budget but the actual budget—says that scoping studies are currently underway. Do any of them affect Ausgrid and Endeavour Energy?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** So we are not doing any scoping studies into the further sale of the 49 per cent of our interests in those two?

**Mr MATT KEAN:** Not to my knowledge.

**The Hon. DANIEL MOOKHEY:** And no-one has briefed you?

**Mr MATT KEAN:** No.

**The Hon. DANIEL MOOKHEY:** Will you rule out any further privatisation of Ausgrid and Endeavour Energy?

**Mr MATT KEAN:** The Government has obviously got a very clear position on Ausgrid and Endeavour Energy.

**The Hon. DANIEL MOOKHEY:** What is that?

**Mr MATT KEAN:** If that position changes, we will let you know.

**The Hon. PENNY SHARPE:** Which is what?

**The Hon. DANIEL MOOKHEY:** What is the position?

**Mr MATT KEAN:** The Government owns those assets. That is the Government's position.

**The Hon. DANIEL MOOKHEY:** But on privatisation, what is the Government's position on the sale of those assets?

**Mr MATT KEAN:** The Government's position on those assets is that we are not selling them.

**The Hon. DANIEL MOOKHEY:** I asked the Treasurer in his budget estimates to rule it out and he would not rule it out.

**The Hon. PENNY SHARPE:** He did not do that.

**The Hon. DANIEL MOOKHEY:** Have you just changed the Government's policy?

**Mr MATT KEAN:** No. I have just told you what the Government's position is. If that changes, we will let you know through the normal process.

**The Hon. DANIEL MOOKHEY:** The Premier told me that the Government's policy—in budget estimates last time when I asked him this exact same question, whether or not he would consider ruling out Ausgrid and Endeavour, he would not rule it out. You are ruling out right now Ausgrid—

**Mr MATT KEAN:** But you asked what the Government's policy is.



**The Hon. DON HARWIN:** Asked and answered.

**Mr MATT KEAN:** I told you the Government's policy.

**The Hon. DANIEL MOOKHEY:** You are the shareholder. Are you ruling out the further sale of our 49 per cent interest in Ausgrid and Endeavour Energy?

**The Hon. DON HARWIN:** Asked and answered.

**The Hon. DANIEL MOOKHEY:** Can you rule it out and give us a definitive guarantee that your Government is not going to sell it?

**Mr MATT KEAN:** What I have said is that it is not the Government's policy to sell Ausgrid or Endeavour. That is the Government's policy.

**The Hon. DANIEL MOOKHEY:** Can you rule out a sale?

**Mr MATT KEAN:** Will you rule out the Labor Party taking more donations from the Chinese Communist Party—

**The Hon. DANIEL MOOKHEY:** I can rule out a sale of Ausgrid and Endeavour under Labor.

**Mr MATT KEAN:** —like Ernest Wong did, where he funnelled money from banned foreign donors—

**The Hon. DANIEL MOOKHEY:** Treasurer, can we get back to the question?

**Mr MATT KEAN:** —proxies of the Chinese Communist Party into your party, including into your leader's campaign.

**The Hon. DANIEL MOOKHEY:** Point of order—

**The CHAIR:** I will hear the point of order.

**The Hon. DANIEL MOOKHEY:** The Treasurer needs to be directly relevant. The Treasurer is not being directly relevant. I will ask him for the final time: Will you rule out a sale of the State's remaining interests in Ausgrid and Endeavour Energy?

**Mr MATT KEAN:** What I have said very clearly is that the Government's policy position is that we are keeping ownership of the remaining shares in Ausgrid and Endeavour Energy. If that policy ever changes, then we will let you know, but I am not going to engage in your hypotheticals here today, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Fair enough. In response to the disastrous outcome with respect to the Transport Asset Holding Entity, is the Government committed to continuing on with the operation of the Transport Asset Holding Entity?

**Mr MATT KEAN:** Yes, of course. Absolutely.

**The Hon. DANIEL MOOKHEY:** And you are saying that you will—

**Mr MATT KEAN:** The question is, Mr Mookhey: What is the Labor Party's position when it comes to TAHE? What is your position when it comes to TAHE?

**The Hon. DANIEL MOOKHEY:** Treasurer, here is what we will do. I will ask you some questions as Treasurer and then next year, if we beat you, you can ask me. Here is the thinking. Before an election, when it comes to the Transport Asset Holding Entity—

**Mr MATT KEAN:** But you should be up-front with the public before the election as to what you are going to do with TAHE. Are you going to unwind it?

**The Hon. DANIEL MOOKHEY:** Rest assured when it comes to the Transport Asset Holding Entity, I will promise you, Treasurer, we will continue to be up-front about TAHE.

**The CHAIR:** One at a time. Hansard needs to record this.

**Mr MATT KEAN:** You should tell people if you are going to unwind TAHE. I am looking forward to this answer because you have been very critical of the Government's position but you have not stated what you would do.

**The CHAIR:** Order! Both of you need to be quiet. One at a time.

**The Hon. DANIEL MOOKHEY:** Treasurer, the reason I ask is because the Auditor-General provides a clear warning here. There is an additional \$4.2 billion that is going to hit the budget as a result of your predecessor's failure to properly stand up the Transport Asset Holding Entity. This is hitting the budget in two

years' time. Are you going to incur this additional \$4.2 billion worth of cost or are you going to abolish the Transport Asset Holding Entity?

**Mr MATT KEAN:** As you know, Mr Mookhey, New South Wales taxpayers putting money into a New South Wales fully owned asset is not going to lose money for New South Wales taxpayers. That is accounting 101. Mr Mookhey, those access fees that are paid into TAHE will be returned to the Government via equity increases and also dividends to the Government, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Treasurer, I am sure that my colleague will ask you about the \$13 billion difference.

**Mr DAVID SHOEBRIDGE:** Treasurer, will you commit to implementing every one of the Auditor-General's recommendations in her damning assessment of your Government's integrity of grant program report in the WestInvest grants scheme?

**Mr MATT KEAN:** Yes. I have asked Dr Grimes to incorporate all the recommendations from the Auditor-General into how we run the WestInvest grants scheme.

**Mr DAVID SHOEBRIDGE:** Will you commit to implementing the recommendations from the Public Accountability Committee—two reports now, which highlighted the appalling way in which your Government deals with grants?

**Mr MATT KEAN:** I have asked Dr Grimes to consider the—

**The Hon. DON HARWIN:** Why would you? They are not worth the paper they are written on because they are so full of lies and misrepresentations.

**Mr MATT KEAN:** I have asked Dr Grimes to consider the recommendations from the Public Accountability Committee as well when designing the governance framework for the WestInvest projects.

**Mr DAVID SHOEBRIDGE:** Treasurer, given you were so intimately involved with the appalling way in which the Stronger Communities Fund round was allocated, some almost \$100 million being diverted to just one council in your electorate—

**Mr MATT KEAN:** I was not intimately involved. I was not a decision-maker in that, Mr Shoebridge. You know that. That is a complete mischaracterisation of reality, Mr Shoebridge.

**Mr DAVID SHOEBRIDGE:** —how can we have confidence that the \$400 million going to councils with this WestInvest will have any integrity? How can we?

**The CHAIR:** Order! We just need one at a time for Hansard. We are so close to the end. One at a time.

**Mr MATT KEAN:** I was not a decision-maker in that process. You know that full well, Mr Shoebridge, and I would appreciate you not using these gratuitous attacks.

**Mr DAVID SHOEBRIDGE:** Are you denying any involvement in getting that \$90 million across?

**The Hon. DON HARWIN:** He was a local member lobbying for his community. What is wrong with that?

**Mr MATT KEAN:** I am not denying being a very good local member lobbying for my community. I am going to continue to do that.

**The Hon. DON HARWIN:** What's wrong with that?

**Mr DAVID SHOEBRIDGE:** What's wrong with that?

**Mr MATT KEAN:** I am going to continue to advocate for my community, Mr Shoebridge.

**The Hon. DON HARWIN:** What is wrong with a local member standing up for the interests of his electorate?

**Mr DAVID SHOEBRIDGE:** Minister, when you look at the outcome—

**The CHAIR:** We do not need commentary. Order! Mr Shoebridge, I am sorry. We do not need commentary from the sidelines. We need one person at a time, question and answer. Hansard have to record this.

**Mr DAVID SHOEBRIDGE:** Minister, will you direct Dr Grimes to have a look at the disastrous lack of integrity that was the Stronger Communities Fund round and absolutely 100 per cent commit to not do that again with WestInvest?

**Mr MATT KEAN:** Yes, of course.

**The Hon. MARK LATHAM:** Just coming back to your five pillars, Treasurer, in the *Financial Review*. What is your housing affordability plan, given you seem so reluctant to do the much-needed stamp duty reform?

**Mr MATT KEAN:** We are working through a number of options, Mr Latham. Obviously, tax reform could be one such solution, but there are other things that may be more acceptable to improve affordability and accessibility for first home owners in New South Wales.

**The Hon. MARK LATHAM:** Like what?

**Mr MATT KEAN:** Like direct grants, like stamp duty reductions, like building more supply, like a whole range of things. We are just currently working through the options to make sure that we get the best outcome.

**The Hon. MARK LATHAM:** Thank you. Just to take you back to an earlier answer to Ms Abigail Boyd, where you said there is a good spread across New South Wales of the electric vehicle subsidies, have you looked at the data that, in the first five months of the scheme, the major beneficiaries have been the postcode areas of Kellyville, Lane Cove, St Leonards, Lindfield, Castle Hill and Turrumurra? Places in western Sydney, like Rooty Hill and Macquarie Fields, have not got a single subsidy, nor Muswellbrook and Kurri Kurri in the Hunter Valley or big country centres like Bathurst, Moree or Grafton. It really is just a subsidy for the rich, isn't it—people who can afford \$78,000 cars?

**Mr MATT KEAN:** Not at all. That is a complete mischaracterisation.

**The Hon. MARK LATHAM:** How do you explain this disparity? There is not an even spread.

**Mr MATT KEAN:** There are obviously places like Rouse Hill, which you have not mentioned. That is in western Sydney. There are places across Sydney that are taking up the opportunities to buy vehicles with newer technology that have lower running costs. We want to see more people taking advantage of those opportunities. I will be doing everything I can to make sure that happens.

**The Hon. MARK LATHAM:** Just coming back to the early closure of Eraring, where I started my questioning, you mentioned that AEMO does not do pricing modelling. What is the modelling inside the New South Wales energy unit and what does it show?

**Mr MATT KEAN:** The EnergyCo?

**The Hon. MARK LATHAM:** No, what you have done inside your own agencies. What is the pricing impact?

**Mr MATT KEAN:** That modelling is Cabinet in confidence. You know that, Mr Latham. We have discussed this before. I am not going to breach those cabinet processes.

**The Hon. MARK LATHAM:** How much are the prices going up after 2025?

**Mr MATT KEAN:** There will obviously be price pressure as a result of the closure of Eraring, but the best way to put downward pressure on prices is to build new supply. Our electricity infrastructure—

**The Hon. MARK LATHAM:** Why can't you tell us the price increase that is available and that you have been advised on?

**Mr MATT KEAN:** Because, Mr Latham, that will be determined by how much new supply we put into the system. We have got a mechanism to drive new supply into the system, which is a mechanism that you opposed knowing full well the pressure that existing coal plants were coming under. You stood in the way of it. Thank goodness the rest of the parties sensibly backed this position to build more supply, which will put downward pressure on prices.

**The Hon. MARK LATHAM:** You will not tell us how much.

**The CHAIR:** On that note, we are at time. Treasurer, thank you very much for your attendance today. You are now excused.

**Mr MATT KEAN:** Madam Chair, could I just make a number of corrections to some statements that I have made?

**The CHAIR:** Yes.

**Mr MATT KEAN:** I want to make the following comments to add to my evidence. Firstly, I can confirm to the Committee that the first time my office was made aware of Dr Walters' affidavit was on 22 February, and it was provided to my office after that. Secondly, on the \$300 million earmarked for future net zero industry foundations announced as part of our jobs plan, the details will be announced in due course. On funding for the

recycling of material in ash dams, there is funding available for recycling for low carbon products, such as green cement. That is available through the waste strategy. That is in the Government's policy.

Thirdly, on the issue of unserved energy, the energy security target is at a tighter standard than the national reliability standard. When you look at the plant and equipment needed to achieve the energy security target, it is greater than the reliability standard. So we are confident that the unserved energy standard will be satisfied. I also note that the way we are meeting that target is not based on plants that last for a few seconds, it is by freeing up access to plants that generate over lengthy periods of time and is based on its firm rating at times of peak demand.

Further, AEMO has a range of tools—such as RERT—and the strategic reserve to make sure that we can satisfy the national reliability standard. We do not think that we will need to do that, but those tools are there to provide a further buffer in case we need it. Finally, on the NGF, our policy is set out in the half-year review. We will not be contributing further to the NGF until we have a cash operating surplus. That is because when we are running a cash deficit we need to be borrowing to fund our day-to-day activities. But we keep the NGF policy framework under constant review, like we do all parts of the fiscal strategy, especially through our budget processes.

**The CHAIR:** Thank you, Treasurer. The Committee will now break and will return at 2.00 p.m. with our departmental witnesses. Thank you, everybody.

**(The Minister withdrew.)**

**(Luncheon adjournment)**

**Mr DAVID DEVERALL**, Chief Executive Officer, NSW Treasury Corporation, on former affirmation

**Mr STEPHEN WALTERS**, Chief Economist, NSW Treasury, on former affirmation

**Mr STEWART WALTERS**, Chief Finance and Operation Officer, NSW Treasury, on former oath

**Ms CRISTIEN HICKEY**, Acting Executive Director, Climate Change and Sustainability, Department of Planning and Environment, affirmed and examined

**Mr ANDREW LEWIS**, Executive Director, Energy, Department of Planning and Environment, before the Committee via videoconference, affirmed and examined

**The CHAIR:** Welcome back to the afternoon session of the budget estimates hearing into Treasury. We have additional witnesses joining us this afternoon. We will begin this afternoon's questioning with the Opposition.

**The Hon. DANIEL MOOKHEY:** Greetings again to all the officials, and thank you for spending the afternoon with us. Dr Grimes, I will direct the questions to you at first instance for you to refer however you see fit, if you are okay with that.

**PAUL GRIMES:** If that works for you and other Committee members, that certainly works for me.

**The Hon. DANIEL MOOKHEY:** Sure. I think the first issues are likely to be relatively straightforward. I did want to ask at first instance through you, Dr Grimes, if it is possible to ask some questions to the chief economist?

**PAUL GRIMES:** Yes, it would be completely possible, and he is with us right now.

**The Hon. DANIEL MOOKHEY:** Greetings to you, Dr Walters, I think it was?

**STEPHEN WALTERS:** To correct the record, I have not completed a PhD, Mr Mookhey. Not yet.

**The Hon. DANIEL MOOKHEY:** I apologise if I have inadvertently defamed you in that respect. Fair enough. Mr Walters, firstly, did you have the opportunity to witness the questioning that took place this morning?

**STEPHEN WALTERS:** I did.

**The Hon. DANIEL MOOKHEY:** Great. Do you have a copy of your affidavit with you?

**STEPHEN WALTERS:** I do.

**The Hon. DANIEL MOOKHEY:** Thank you very much. Firstly, I think we learnt from this morning that you were asked by the Crown Solicitor's Office to prepare this affidavit?

**STEPHEN WALTERS:** That is correct.

**The Hon. DANIEL MOOKHEY:** When were you asked?

**STEPHEN WALTERS:** Just let me consult my notes because—

**The Hon. DANIEL MOOKHEY:** Do you mind just bringing the microphone forward, please?

**STEPHEN WALTERS:** We had various communications with the Crown Solicitor's Office dating back to November last year on this matter. There is a specific time line related to the actual preparation of this evidence.

**The Hon. DANIEL MOOKHEY:** Do you want to take me through that time line?

**STEPHEN WALTERS:** Yes, I am just looking for the right page of my notes. The initial approach from the Crown Solicitor's Office was on 15 February, in which they identified that there was a matter that had been raised with them that required some examination of the economic impact. We did not know what that matter was. Then there was a series of contacts from the CSO in the subsequent days, both on the sixteenth and the seventeenth, and then I signed the affidavit on the eighteenth.

**The Hon. DANIEL MOOKHEY:** When specifically did the request come from the CSO to prepare an affidavit?

**STEPHEN WALTERS:** On 16 February.

**The Hon. DANIEL MOOKHEY:** Was that via email or did someone call you?

**STEPHEN WALTERS:** Just via email.

**The Hon. DANIEL MOOKHEY:** And that was from the solicitor who had carriage of the matter?

**STEPHEN WALTERS:** Correct.

**The Hon. DANIEL MOOKHEY:** Fair enough. What specifically were you asked to provide evidence on?

**STEPHEN WALTERS:** We were asked to provide a cost estimate of the two-week action if the rail network was shut down for two weeks.

**The Hon. DANIEL MOOKHEY:** To be specific here, the CSO asked you to model the impact of a two-week shutdown.

**STEPHEN WALTERS:** Correct.

**The Hon. DANIEL MOOKHEY:** Was that the only thing they asked you to do?

**STEPHEN WALTERS:** They asked us to do—we did four scenarios but—

**The Hon. DANIEL MOOKHEY:** What were they?

**STEPHEN WALTERS:** This is going back to November. There were various matters that were—

**The Hon. DANIEL MOOKHEY:** Just from the 15th onwards, please.

**STEPHEN WALTERS:** From the 15th onwards, it was only one matter and it was a two-week shutdown of the rail network.

**The Hon. DANIEL MOOKHEY:** Did they give you reasons for asking you to model that specific scenario?

**STEPHEN WALTERS:** They said they had had indications from Transport.

**The Hon. DANIEL MOOKHEY:** What did you do once you received that request?

**STEPHEN WALTERS:** I actioned the macroeconomic team to estimate what the impact of a two-week complete shutdown of the rail network would be.

**The Hon. DANIEL MOOKHEY:** Is that the team that reports to you?

**STEPHEN WALTERS:** Correct.

**The Hon. DANIEL MOOKHEY:** So it is not the modelling team, or the budget modelling team; it is the—

**STEPHEN WALTERS:** No, it is the macroeconomic team that reports to me that does all the monitoring of the economy, the forecasting for the budget and this type of work that we do fairly frequently for the Crown Solicitor's Office.

**The Hon. DANIEL MOOKHEY:** Fair enough. Just to be very clear here, they told you to model simply a 24-hour shutdown?

**STEPHEN WALTERS:** No.

**The Hon. DANIEL MOOKHEY:** Sorry, a two-week shutdown.

**STEPHEN WALTERS:** Correct.

**The Hon. DANIEL MOOKHEY:** And nothing else?

**STEPHEN WALTERS:** That is right, from the 15th onwards. They had asked us to do previous matters earlier, but from the 15th onwards it was only a two-week full disruption to the rail network.

**The Hon. DANIEL MOOKHEY:** Did they tell you what your affidavit was meant to be used for?

**STEPHEN WALTERS:** They told us it would be used in a Fair Work Commission hearing.

**The Hon. DANIEL MOOKHEY:** Did they tell you specifically that it would be used as part of an application to seek interim termination of a bargaining period?

**STEPHEN WALTERS:** They did, and that is what they said it would be, yes, that it would be in giving evidence in the Government's position as to the economic impact of such action.

**The Hon. DANIEL MOOKHEY:** Did they indicate to you who was meant to be taking this two-week action?

**STEPHEN WALTERS:** We knew it was the rail and bus union, yes.

**The Hon. DANIEL MOOKHEY:** When you received the request, did you tell anyone in Treasury that you had received this request?

**STEPHEN WALTERS:** My team of macroeconomists, yes.

**The Hon. DANIEL MOOKHEY:** Have you received a request like this before?

**STEPHEN WALTERS:** Routinely.

**The Hon. DANIEL MOOKHEY:** To provide evidence in terms of an application to terminate a bargaining period?

**STEPHEN WALTERS:** In all sorts of industrial matters. I am considered a subject expert in economic impact assessment—so on all sorts of matters from wage cases through industrial matters.

**The Hon. DANIEL MOOKHEY:** But specifically this type of application—a termination application—when was the last time you prepared one like this?

**STEPHEN WALTERS:** I would have to check that, Mr Mookhey. We do this fairly routinely, as I said.

**The Hon. DANIEL MOOKHEY:** Is it ordinary practice after you receive such a request to notify other people within Treasury who are not part of your direct reports?

**STEPHEN WALTERS:** The previous convention was we did not. Because I was a subject expert and I was acting under instructions from the Crown Solicitor's Office, the practice was to not inform anyone else within Treasury, apart from the macro team that reports to me, and to not inform the Minister.

**The Hon. DANIEL MOOKHEY:** Was that the practice you followed with respect to this request?

**STEPHEN WALTERS:** It was.

**The Hon. DANIEL MOOKHEY:** So you never spoke to a deputy secretary or to the secretary?

**STEPHEN WALTERS:** The following week I did when, clearly, it had become evident the rail network had been shut down. That is when it became—clearly there were questions in Parliament, and that is when I had discussions with the deputy secretary and the secretary about the affidavit that I had prepared.

**The Hon. DANIEL MOOKHEY:** Just to be clear, which deputy secretary?

**STEPHEN WALTERS:** Ms Wilkie.

**The Hon. DANIEL MOOKHEY:** Fair enough, thank you. And that is just because that is the way your teams are organised?

**STEPHEN WALTERS:** I report in to Ms Wilkie.

**The Hon. DANIEL MOOKHEY:** Fair enough. Ms Wilkie, you did not have any understanding that this request had been received from either Mr Walters or any other source?

**JOANN WILKIE:** Not until after he informed me post-Monday. I think it was on the—he indicated over the weekend that he had been asked to do the affidavit, and then he provided details the following week on the information that he provided.

**The Hon. DANIEL MOOKHEY:** I swear it was Dr Wilkie, or am I wrong as well?

**JOANN WILKIE:** Sorry?

**The Hon. DANIEL MOOKHEY:** Was it once upon a time Dr Wilkie, or did I get that wrong?

**JOANN WILKIE:** No, I am not a doctor either.

**The Hon. DANIEL MOOKHEY:** Okay. I keep thinking everyone from Treasury is a PhD. I swear I recollect—I am getting all my doctors confused.

**Mr DAVID SHOEBRIDGE:** Carry on, Dr Mookhey.

**The Hon. DANIEL MOOKHEY:** Mr Walters, I might just one more time ask this point—I am sorry if it is repetitive. You are telling me that you only received a request from the Crown Solicitor's Office to model

a two-week shutdown, which you were of the understanding that they were contemplating that the RTBU might take?

**STEPHEN WALTERS:** That is correct. That was my understanding of why we were modelling. There was action going to be in the Fair Work Commission and that evidence was provided to the Government in defence of the Government's position.

**The Hon. DANIEL MOOKHEY:** I take you to your affidavit. Can you please turn to paragraph (9)?

**STEPHEN WALTERS:** Yes.

**The Hon. DANIEL MOOKHEY:** In the first sentence it states:

On the 16 February 2022, I oversaw the modelling of the immediate economic impact of Notified Action.

That accords with what you have just described, is that fair?

**STEPHEN WALTERS:** Yes.

**The Hon. DANIEL MOOKHEY:** Down at paragraph (11), the outcome of that modelling is reported in that table. Is that fair?

**STEPHEN WALTERS:** That is correct.

**The Hon. DANIEL MOOKHEY:** But there are two other scenarios there that apparently were modelled as well. Why then are these two other scenarios there?

**STEPHEN WALTERS:** Because there was some suggestion that there may not be a full two-week action. That did not come from the Crown Solicitor's Office; that was within my own team. But the way that we model this is to work out the daily cost and then escalate it up over a two-week period. That is what we presented to—

**The Hon. DANIEL MOOKHEY:** Okay, but you provided specific evidence on three scenarios to the Fair Work Commission. Were you asked to provide these three scenarios by the Crown Solicitor's Office?

**STEPHEN WALTERS:** We were asked to provide the cost over two weeks, but the way we presented it in the evidence is that you build up the daily total and then present it over that two-week period.

**The Hon. DANIEL MOOKHEY:** That makes sense. If you go up to the top of the document, you state:

On the 16 February 2022, I oversaw the modelling of the immediate economic impact of Notified Action.

Do you understand what "notified action" means?

**STEPHEN WALTERS:** My understanding is that the union has notified the commission that there is going to be industrial action.

**The Hon. DANIEL MOOKHEY:** And you provided as an appendix to your affidavit the actual notification that the RTBU had provided to the transport department, did you not?

**STEPHEN WALTERS:** Yes.

**The Hon. DANIEL MOOKHEY:** If you turn to pages 8 and 9 of your affidavit, that is the correspondence from the RTBU, is it not?

**STEPHEN WALTERS:** Correct.

**The Hon. DANIEL MOOKHEY:** You can see here that what they have notified is a periodic ban on the performance of foreign depot working for train crew; a periodic ban on overtime; a periodic ban on working with non-Sydney Trains/NSW Trains direct-hire employees; and a periodic ban on the issuing of transpositions. They are the five scenarios that were notified. Do you see that?

**STEPHEN WALTERS:** I do.

**The Hon. DANIEL MOOKHEY:** What I do not see the RTBU notifying whatsoever is a two-week shutdown. If it is the case that you were asked to model the industrial actions that the RTBU had notified, they did not notify a two-week shutdown. They did not notify any shutdown. It would have been illegal for them to shut down the network for even an hour. They had no plans to shut down the network. All of a sudden, you have been asked to give evidence on a scenario that was never contemplated. Did it occur to you when you were modelling this that there was a total discrepancy with what the CSO had asked you to model and what the RTBU had notified?



**STEPHEN WALTERS:** My role is not to question what the Crown Solicitor's Office is asking me to model, Mr Mookhey. We were asked to model a scenario, which we did.

**The Hon. DANIEL MOOKHEY:** I appreciate that, Mr Walters; I will be very clear about that. I do not suggest that any role that you have played here is inappropriate. But the issue I have is that in your affidavit you stated, "I oversaw the modelling of the immediate economic impact of Notified Action". The notified action part is why I am now asking you these questions. I accept that it is not your role to question the instructions that you receive from the CSO, except for the fact that you gave evidence to the Fair Work Commission saying that it was a notified action. It was not a notified action; there was no such notified action. In fact, it never occurred to the RTBU to do a two-week shutdown. To the best of my recollection, there has not been a two-week shutdown organised by a union of the rail network for 50 years. Why all of a sudden were you being asked to model a two-week stoppage?

**STEPHEN WALTERS:** You will need to ask the CSO, Mr Mookhey. I do not know. We were asked to model that scenario and that is what we did.

**The Hon. DANIEL MOOKHEY:** Fair enough. But when you state in paragraph (9) that "I oversaw the economic impact of Notified Action", do you accept now that that was inaccurate? That was not a notified action.

**STEPHEN WALTERS:** My understanding was that was the notified action. If there is a discrepancy between what the union notified and the CSO, you would need to raise that with them.

**The Hon. DANIEL MOOKHEY:** I will, trust me. Rest assured, I will raise it with the CSO—and, for what it is worth, the transport department, just so there is no ambiguity here. A two-week shutdown of the rail network that apparently is meant to have a \$370 million impact—for what it is worth, I thought the model was actually pretty good. But did it not occur to you at that point to say, "Look, the reports of this are quite startling and maybe I should call the Treasury secretary or talk to the Minister"?

**STEPHEN WALTERS:** That is not the convention, Mr Mookhey, as I said. If I am responding to a request from the CSO I respond directly to the CSO in a contested matter before a tribunal. It is not something I would naturally raise with government officials outside my team. That has been the convention.

**The Hon. DANIEL MOOKHEY:** Turn now to paragraph 2 of your affidavit. Again I understand, having prepared witness statements for myself and, for that matter, for others involved in disputes like this, you have to set out your expertise so the commission can appreciate why you are giving it the evidence. But you actually say "The role frequently briefs senior government Ministers and other executives on economic conditions and issues including from overseas."

**STEPHEN WALTERS:** I do that routinely, Mr Mookhey. Every day I brief Treasury officials and the Minister on matters that are of a policy nature or general information like, "What is the impact of the Russian invasion of Ukraine?" I do not routinely brief government Ministers or officials on contested matters before a tribunal.

**The Hon. DANIEL MOOKHEY:** But you said that that is the convention. So you have discretion, though, do you not?

**STEPHEN WALTERS:** The advice from our own counsel within Treasury is that that should be the convention. That may change but the convention I have been operating under the four years that I have been the chief economist has been that convention under his advice.

**The Hon. DANIEL MOOKHEY:** I will not push you much further other than this. In retrospect, do you think perhaps you should have notified the secretary?

**STEPHEN WALTERS:** Not according to the convention that I have been operating under, Mr Mookhey, no.

**The Hon. DANIEL MOOKHEY:** Dr Grimes, you said earlier this morning that you would have expected to have been notified of an action like this.

**PAUL GRIMES:** Well, this sort of work that was being undertaken, that would be my expectation. I do not think there is a tension between what Mr Walters is providing by way of evidence and what I am saying because you are asking me about my expectation. Mr Walters is describing what has been the conventions within the department for some time, and I totally accept that that is the conventions that Mr Walters has been operating under.

**The Hon. DANIEL MOOKHEY:** As secretary would you expect to be notified if the CSO has asked a senior member of the Treasury to provide evidence in such a contentious matter like this?

**PAUL GRIMES:** Yes, I would on a matter like this with one caveat and that would be if there was some advice from the general counsel that indicated there was some specific circumstances where I could not be advised. That would seem to me to be quite extraordinary, but they could arise, so we would want to be attentive to that because, as you would understand, we would want to make sure that we are fully complying with whatever our proper legal and probity obligations might be in a particular matter.

**The Hon. DANIEL MOOKHEY:** Could I therefore infer that despite whatever conventions may have prevailed in the past you will now be altering expectations, policies and procedures to be notified?

**PAUL GRIMES:** I will be having a close look at our arrangements here and seeing what would be the appropriate arrangement. But I have already indicated to you this morning on a matter that was of some significance that my normal expectation would be to be advised. Now, it is possible my general counsel provide me with some advice and information that means that I need to take that into account with our arrangements, but I am giving you a very clear answer and a clear indication that I think that it would be appropriate to be advised of these matters, as I indicated this morning.

**The Hon. DANIEL MOOKHEY:** Which is clearly appreciated. Mr Walters, did anyone from the CSO flag to you that the Government or the operators were intending to shut the network?

**STEPHEN WALTERS:** No.

**The Hon. DANIEL MOOKHEY:** No-one provided you with any prior notice that was an action? In fact, the scenario that you were being asked to model was not notified but was, in fact, an action contemplated by the operators?

**STEPHEN WALTERS:** No, in fact the contrary. I was notified on the weekend the matter had been settled.

**The Hon. DANIEL MOOKHEY:** You were notified on the weekend that the matter was settled. Who notified you of that?

**STEPHEN WALTERS:** The CSO.

**The Hon. DANIEL MOOKHEY:** What happened after that?

**STEPHEN WALTERS:** Clearly, the matter was not settled.

**The Hon. DANIEL MOOKHEY:** Were you ever notified after Saturday that the matter was—

**STEPHEN WALTERS:** By ABC Radio on Monday morning.

**The Hon. DANIEL MOOKHEY:** Right.

**Mr DAVID SHOEBRIDGE:** A superior news source than the Minister, Mr Walters.

**The Hon. DANIEL MOOKHEY:** Probably more able. Finally, were you notified that the Government had withdrawn the action and you were not required to provide evidence?

**STEPHEN WALTERS:** Let me check my notes, Mr Mookhey. I am confident that is the case, but I just want to make sure that I am reading the instructions from the CSO correctly. I am going to have to take that on notice because I need to get legal advice as to whether I am allowed to disclose the instructions from the CSO to me.

**The Hon. DANIEL MOOKHEY:** I am not asking you now to disclose the instructions, to be fair. It is probably going to be my next question. But right now the question I am asking you is: On Tuesday when the Government made the decision to withdraw the application for which you had provided an affidavit in support of, were you told that the Government had withdrawn the application?

**STEPHEN WALTERS:** No.

**The Hon. DANIEL MOOKHEY:** So the first you learnt that the Government had withdrawn the application was Tuesday of last week?

**STEPHEN WALTERS:** Yes.

**The Hon. DANIEL MOOKHEY:** And presumably you were available to be cross-examined, if you were needed to, in the Fair Work Commission throughout this entire period.

**STEPHEN WALTERS:** Yes.

**The Hon. DANIEL MOOKHEY:** Now I will ask you: Is it possible that you can table all the correspondence with the CSO?

**STEPHEN WALTERS:** I will take that under notice, Mr Mookhey. I do not know. It is advice that I am provided from our own Crown Solicitor, so I am not sure whether that is privileged or able to be shared in public. I will have to take that on notice.

**Mr DAVID SHOEBRIDGE:** It is the instructions relied upon for the affidavit?

**STEPHEN WALTERS:** Correct.

**The Hon. DANIEL MOOKHEY:** Actually, it is more the correspondence as to what you requested to be modelled, but if—

**STEPHEN WALTERS:** It is the same.

**The Hon. DANIEL MOOKHEY:** If you do not mind taking that on notice, that would be helpful.

**STEPHEN WALTERS:** I can do that.

**The Hon. DANIEL MOOKHEY:** In the one or two minutes I have got left at this particular time, are there any updates you have from this morning in terms of any information you want to provide that you took on notice. Ordinarily we give the Secretary the practice at first instance, but I made a mistake in etiquette in not providing you the opportunity.

**PAUL GRIMES:** I do not think we took anything on notice.

**The Hon. DANIEL MOOKHEY:** Sorry, I meant that was there any request for information able to come back to on the afternoon or not.

**PAUL GRIMES:** Sorry, Mr Mookhey, I am not following the line of questioning.

**The Hon. DANIEL MOOKHEY:** The only thing is that ordinarily at the first instance we would provide the Secretary the opportunity to provide any updates on the questions that we had asked this morning if you had them, but as a matter of etiquette I did not do that this time.

**PAUL GRIMES:** No, thank you. I did not have any updates on any evidence that I might have provided this morning.

**The Hon. DANIEL MOOKHEY:** Let us move on to the next matter. We have got two more minutes. Dr Grimes, can you provide us with any further information about the \$7 billion breakdown of the contingency fund?

**PAUL GRIMES:** I cannot provide that to you at the moment, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Can you tell us, at least, or can you find out this afternoon how much of it has been spent already?

**PAUL GRIMES:** I can take that on notice and see what information could be provided. My understanding is that \$7 billion is an estimates provision in the forward estimates for policy decisions that the Government might make.

**The Hon. DANIEL MOOKHEY:** This is the confusion, because it is in the parameters. It is a parameter variation, I think, technically, as you described.

**PAUL GRIMES:** It is a provision in the estimates, and when government makes policy decisions those policy decisions will be accounted for in the Government's decision making around what is an estimates provision.

**The Hon. DANIEL MOOKHEY:** It is also described as a contingency fund. How much of it is for policy and how much is it for contingency? Does Mr Midha know?

**PAUL GRIMES:** I would see this is a provision in the estimates for policy amounts. The language of contingency and policy could get blended together because it might be described as a decision that the Government takes to spend more money is called the contingency, but it is very different from the sort of contingency that you might see of an appropriated amount in a department or an organisation.

**The Hon. DANIEL MOOKHEY:** Well, it is not a contingency as would be defined in an appropriations Act because the Appropriation Act provides definition for contingency.

**PAUL GRIMES:** It is an estimates amount. It is an amount that has been earmarked in the estimates. It ensures the forward estimates have anticipated that the Government will have to make a number of decisions, and those decisions could be of the order of \$7 billion and, yes, you could describe some of those as being decisions made in particular contingencies, but I think we are starting to get tied up in language here.

**The CHAIR:** That is time.

**Mr DAVID SHOEBRIDGE:** I think we are happy to end on that contingent note.

**The Hon. DANIEL MOOKHEY:** We might return to this contingency.

**Mr DAVID SHOEBRIDGE:** Mr Walters, I preface my questions here that nobody is in any way—or I am not in any way—challenging the bone fides of your analysis at all. But you say in paragraph 7 of your affidavit, "I have been informed and verily believe that the cumulative effect of the notified industrial action is there will be a complete stoppage of train services for the period of the notified action." Had you ever got in the witness box, you would first off have been asked, "Who told you that?" Who informed you?

**STEPHEN WALTERS:** The CSO—the Crown Solicitor's Office.

**Mr DAVID SHOEBRIDGE:** Did they give you any actual evidentiary foundation to have that belief?

**STEPHEN WALTERS:** No, they did not.

**Mr DAVID SHOEBRIDGE:** Did you read the two letters that you annexed?

**STEPHEN WALTERS:** I did not have the letters with me at the time. When they asked for the action to be modelled it was within a few hours, so I did not have the notification with me.

**Mr DAVID SHOEBRIDGE:** Did you ever swear the affidavit?

**STEPHEN WALTERS:** I did. The notified actions were attached to that affidavit on the eighteenth.

**Mr DAVID SHOEBRIDGE:** But at the time you swore the affidavit did you have a look at the notified actions and satisfy yourself that they would have the cumulative effect?

**STEPHEN WALTERS:** Again, it is not my role, Mr Shoebridge, to try to reconcile what was in the notification letters and what the Crown Solicitor is asking me to model.

**Mr DAVID SHOEBRIDGE:** Did the Crown Solicitor's Office ever indicate that they would be seeking to shut down the rail network for two weeks?

**STEPHEN WALTERS:** The Crown Solicitor's Office?

**Mr DAVID SHOEBRIDGE:** The Government.

**STEPHEN WALTERS:** No, they did not.

**Mr DAVID SHOEBRIDGE:** Did they say who was going to shut down the rail network for two weeks?

**STEPHEN WALTERS:** No, they did not.

**Mr DAVID SHOEBRIDGE:** So it could have been the union or it could have been the Government. You were not given any clarity on that?

**STEPHEN WALTERS:** I was not.

**Mr DAVID SHOEBRIDGE:** You modelled the cost of the 24-hour stoppage at \$33.3 million in paragraph 11. Is it your evidence that that is likely the shock the economy suffered as a result of that Monday shutdown?

**STEPHEN WALTERS:** No, it would have been more than that because the \$33 million assumed that people had sufficient notice to do alternative means of transport. The fact that they did not means the cost will be higher.

**Mr DAVID SHOEBRIDGE:** Can you give a indication of what it actually will cost?

**STEPHEN WALTERS:** It is an extra \$15 million, on our estimation.

**Mr DAVID SHOEBRIDGE:** So about \$48.3 million?

**STEPHEN WALTERS:** We thought around \$45 million to \$50 million. These are economic estimates, Mr Shoebridge, so there is a little bit of licence in the decision.

**Mr DAVID SHOEBRIDGE:** Does that include the knock-on effects on the following days?

**STEPHEN WALTERS:** No, that was isolated to just the first day because we assumed by the subsequent days, however long the dispute went for, that people could make alternative arrangements, whether it was working from home, driving, walking or riding a bike.

**Mr DAVID SHOEBRIDGE:** But knocking everything out with no notice on Monday, your best evidence is that that probably cost the State about \$50 million?

**STEPHEN WALTERS:** Correct.

**Mr DAVID SHOEBRIDGE:** I am not sure if these questions are to Mr Hay or Ms Parry. They are in the energy space, so you will work out who I put it to. I will talk to the middle of you. The First Nations renewable energy zone guidelines about Aboriginal empowerment and returns for First Nations communities, when will they be finalised?

**JAMES HAY:** They are in process. As you are aware, there has been quite extensive engagement around those. The focus we have is making sure they are right. They need to inform the option processes that are going forward, so they do need to be finalised. But we have taken steps to make sure they are as good as they can be.

**Mr DAVID SHOEBRIDGE:** Will they be finalised in time so that they can be used when you are assessing the \$100 billion worth of bids that are in for the Hunter-Central Coast?

**JAMES HAY:** Absolutely.

**Mr DAVID SHOEBRIDGE:** That is absolutely a rock-solid guarantee?

**JAMES HAY:** The intention is they be in place.

**Mr DAVID SHOEBRIDGE:** The intention is that they will be in place?

**JAMES HAY:** The intention is that they should be in place as the road map moves forward with its next steps. Yes, absolutely that is the intention to move those forward.

**Mr DAVID SHOEBRIDGE:** About the Kurri Kurri gas plant, the carbon targets that the Government has in terms of carbon emissions, have they factored in the opening up of a new gas- and diesel-powered plant in Kurri Kurri?

**JAMES HAY:** In fact, what I would say in the opening—Ms Parry may be able to add to this—is that Kurri Kurri and Tallawarra run a very small percentage of the time. It is not like putting in baseload coal. Their emissions factor is small. Have they been factored into the specific tests? I would have to take that on notice.

**Mr DAVID SHOEBRIDGE:** Is it true that Kurri Kurri is planned to run on 73 per cent gas and 17 per cent diesel when it starts? Is that right?

**JAMES HAY:** I will have to check the precise ratios.

**The Hon. MARK LATHAM:** Where is the other 10 per cent?

**RACHEL PARRY:** I can add a little bit to that, Mr Shoebridge. The intention with Kurri Kurri is that diesel will be used as backup, but the intention would be that it would be 100 per cent gas when it is operational.

**Mr DAVID SHOEBRIDGE:** Do you have any viable source at the moment identified to put green hydrogen into Kurri Kurri?

**RACHEL PARRY:** That is a matter for the Commonwealth Government because the Commonwealth owns Kurri Kurri.

**Mr DAVID SHOEBRIDGE:** But it is going to be in New South Wales. It is going to be part of the New South Wales energy mix. Surely you have looked at whether or not it is actually ever feasible to attach green hydrogen to it?

**RACHEL PARRY:** The New South Wales Government, from my understanding, has not looked at that, but I can take confirmation of that from my colleagues. But I do know, with the Kurri Kurri proposed station, that the Commonwealth is looking over time to ensure that hydrogen is able to be blended into the plant. But I do not believe that the New South Wales Government has looked at that.

**Mr DAVID SHOEBRIDGE:** But the modelling that you have been provided shows that Kurri Kurri will run for about 2 per cent of the time. Is that right?

**RACHEL PARRY:** The capacity factors of those types of plants range anywhere from 2 per cent to 6 per cent. That modelling would show for Kurri Kurri it is estimated to be 2 per cent.

**Mr DAVID SHOEBRIDGE:** How much will it cost?

**RACHEL PARRY:** The Kurri Kurri plant?

**Mr DAVID SHOEBRIDGE:** Yes.

**RACHEL PARRY:** The Commonwealth Government has estimated that it is going to cost \$600 million.

**Mr DAVID SHOEBRIDGE:** That will be recovered from consumers, will it not?

**RACHEL PARRY:** The asset is owned by Snowy Hydro, and the Commonwealth Government made an equity investment through their ownership of Snowy Hydro.

**Mr DAVID SHOEBRIDGE:** But they will then factor the recovery of that into their pricing for electricity. Have you worked out how much per kilowatt hour—

**The Hon. DON HARWIN:** Is that a question or an assertion? It is not necessarily the case, you know.

**Mr DAVID SHOEBRIDGE:** Have you worked out how much per kilowatt hour the energy produced out of Kurri Kurri will cost?

**RACHEL PARRY:** The role of peaking plants, as you would be aware—first and foremost, the costs are being borne by the Commonwealth Government. That is the first and most important point to make. Second of all, as Mr Hay has indicated, the nature of the plant is a peaking plant, so it would operate about 2 per cent of the time. In terms of its fuel costs, the way that it operates in the market is it would bid into the market. It gets dispatched, and then those costs get recovered by energy consumers based on the stacking bid and how different energy sources are bidding into the market.

**Mr DAVID SHOEBRIDGE:** Have you done any modelling to work out the actual cost per kilowatt hour of a \$750 million gas plant that runs 2 per cent of the time?

**RACHEL PARRY:** It is a \$600 million gas plant, not \$750 million.

**Mr DAVID SHOEBRIDGE:** Sorry, I was just factoring in what it will actually cost. Have you worked out the cost per kilowatt hour of one that is budgeted at \$600 million to run 2 per cent of the time? What is the actual cost per kilowatt hour, in terms of investment?

**RACHEL PARRY:** That would completely depend on how it is operating in the market. The operating costs and how costs are being passed onto consumers are entirely dependent on the nature of the bidding behaviour of that asset into the market at any particular time. Because AEMO—as you would be aware, generators bid in at five-minute intervals and they are dispatched according to price. It is entirely dependent on the price and how it is being dispatched.

**Mr DAVID SHOEBRIDGE:** The market would not build it, would it? It is a cruelly expensive way of producing that tiny amount of dispatchable power.

**RACHEL PARRY:** I think you are asking my opinion on that.

**The Hon. DON HARWIN:** Point of order: Let us be very clear that this project is not being funded out of the New South Wales budget at all; it is being funded out of the Federal budget. While the questions that are being asked are quite interesting—and I am always interested in this subject—they are not relevant, or at least not being framed in a way that is relevant, to the expenditure of the taxpayers' funds in New South Wales.

**Mr DAVID SHOEBRIDGE:** We have energy here, and the question is about the energy mix in New South Wales. It is clearly relevant to estimates.

**The Hon. DON HARWIN:** It is just not relevant.

**The CHAIR:** Yes, I understand the point, but the questions are not out of order. The witnesses can answer as they see fit.

**The Hon. MARK LATHAM:** You will go better in the Senate.

**The Hon. DON HARWIN:** It might be relevant to your Senate election campaign.

**Mr DAVID SHOEBRIDGE:** You have heard the Chair's ruling.

**The Hon. DON HARWIN:** Or misruling. Maybe I could move a dissent motion and take up even more of your time.

**Mr DAVID SHOEBRIDGE:** Go for your life, Don.

**The CHAIR:** Up to you.

**Mr DAVID SHOEBRIDGE:** So there has been no costing done by your department about the price impacts of the Kurri Kurri plant being constructed and operating in the New South Wales electricity market. You have not done any modelling on that.

**RACHEL PARRY:** Not on that plant specifically. But I am just going to double-check, for completeness, with my colleague Mr Lewis to just confirm that we have not undertaken any modelling on that plant in particular.

**Mr DAVID SHOEBRIDGE:** Mr Lewis, have you got any modelling on the dead cat?

**ANDREW LEWIS:** I am not aware of any modelling that the department has done. As you have heard this morning, we have obviously been closely engaged with AEMO on a number of modelling exercises that they have done. As Ms Parry has indicated, we will go and check the various modelling scenarios that we do have available to us to see if that has been included in those scenarios.

**Mr DAVID SHOEBRIDGE:** If so, will you provide that detail to the Committee, Mr Lewis?

**ANDREW LEWIS:** Of course. If we cannot confirm that by the close of today's proceedings, we will be taking it on notice and providing that within the 21 days as required.

**Mr DAVID SHOEBRIDGE:** I appreciate it.

**The Hon. MARK LATHAM:** Mr Midha, on fiscal discipline, have you or others in the department developed the fiscal repair plan that the Treasurer announced as his policy? What will that look like going forward?

**SAN MIDHA:** The fiscal repair plan is part of the budget process. Our fiscal strategy, which includes the fiscal repair plan, is part of the budget process, and the budget process is in progress. Those plans will be included in the budget for 2022-23.

**The Hon. MARK LATHAM:** So there is no separate fiscal repair plan; it is just part of ongoing budget processes, year by year.

**SAN MIDHA:** The fiscal repair plan that we have, which was in the budget papers last year, is being executed. Our procurement savings et cetera that we have had over the last couple of budgets—that is being executed. Any further fiscal plans will be developed for the following budget process.

**The Hon. MARK LATHAM:** Okay, but the new Treasurer told us in November he has a fiscal repair plan policy of his own. But that has not been put down on paper as yet; it will be unfolding through to the middle of this year.

**SAN MIDHA:** For the new developments of fiscal plans?

**The Hon. MARK LATHAM:** Yes, new developments.

**SAN MIDHA:** That would come to the budget process.

**The Hon. MARK LATHAM:** New developments are in the budget process. Are you still working off section 5.2 in *Budget Paper No. 1* saying that the projection for 2022-23 is an annual expense reduction of 3.8 per cent?

**SAN MIDHA:** Sorry, can you point me to that section again?

**The Hon. MARK LATHAM:** Section 5.2. It is in the supplementary answer that Treasury gave me out of November estimates. You said that you are working to an annual expense reduction of 3.8 per cent. Is that still the case?

**SAN MIDHA:** I will have to take that on notice. I think that is the average reduction over the forwards at that time.

**The Hon. MARK LATHAM:** No. It said the projection for 2022-23—one budget—is an annual expense reduction of 3.8 per cent. So that is the forthcoming budget. I am just wondering whether that is still operable.

**SAN MIDHA:** I will take that on notice.

**PAUL GRIMES:** I would imagine that that is a matter for the update of the budget estimates that are published in the budget papers themselves in June.

**The Hon. MARK LATHAM:** I come back to the question of gas peaking plants for Dr Grimes, Mr Hay or Ms Parry. How much did the New South Wales Government contribute to Tallawarra B?

**JAMES HAY:** \$78 million.

**The Hon. MARK LATHAM:** How often will it be operating—what percentage of time?

**JAMES HAY:** It will have a similar plant factor to the Kurri Kurri plant.

**The Hon. MARK LATHAM:** Has Energy Australia been able to source the green hydrogen for 5 per cent of the content?

**JAMES HAY:** There are processes to go to market for that. My update from them as recently as today was the construction is in sequence. The plant is on track. They have not given us an update on the hydrogen component.

**The Hon. MARK LATHAM:** Are you aware that Energy Australia has not been able to source any hydrogen for that—

**JAMES HAY:** I do not think they have sought it, Mr Latham, but I can find out. I can come back you to as to what steps they have taken in sourcing that.

**The Hon. MARK LATHAM:** Take that on notice. And the plant there is only made for 5 per cent hydrogen content, is it not?

**JAMES HAY:** That is the initial content. That is the initial manufacturer's target and so they have obligations to seek to increase that.

**The Hon. MARK LATHAM:** If they cannot source it, then they just go to 100 per cent normal gas.

**JAMES HAY:** Precisely.

**The Hon. MARK LATHAM:** Your knowledge of Kurri Kurri—I think there is a Federal Labor policy to make it all hydrogen but that would require whole new turbines, would it not? You just cannot throw the hydrogen in on a system that has been designed for predominantly natural gas.

**JAMES HAY:** I have no particular knowledge of the turbines they have chosen for that or what the requirements would be.

**The Hon. MARK LATHAM:** On this question of what the market provides and what the market does not, in the general framework of the energy system we have developed, is it not true, essentially, that the market will go to the profitable centres—that is, low unit cost; high government subsidy—which is, at the current time, the increase in renewables? And the government cost, essentially, is one of providing and funding for what economists would call a market failure—the backup power or the firming capacity. Is there any private sector investment that will come for firming capacity? Or are you expecting that it is going to be almost entirely off the government budgets?

**JAMES HAY:** With Tallawarra, the vast bulk of the money is coming from Energy Australia.

**The Hon. MARK LATHAM:** Any other examples?

**RACHEL PARRY:** Battery storage would be another example of where the private sector is investing.

**The Hon. MARK LATHAM:** Has the energy section of the department or even the Treasury got a calculation on the cost per megawatt hour of firming capacity for intermittent renewables—what it is going to cost taxpayers going forward?

**RACHEL PARRY:** CSIRO, as you would be aware, Mr Latham, does a levelised cost. They do their gen costing reports and they do a very robust analysis of the costs of different sources of generation. So again, that points to fuel inputs. It points to the cost of operations, levelised over a period of time. We would be looking at using inputs like that around the cost of energy when we are looking at the overall energy system.

**The Hon. MARK LATHAM:** What is the New South Wales estimate going forward? What can the taxpayers expect to fund in this firming capacity, because a lot of it obviously will be off government budgets?

**RACHEL PARRY:** We have not done that kind of future type of modelling, but if you look at the road map, the Government is intending to incentivise private sector investment in both renewables and firming.

**The Hon. MARK LATHAM:** Incentivising private sector investment, of course, never means that it automatically happens. Is there no estimate with the officials here from Energy and Treasury of what the



New South Wales taxpayer cost will be in re-modelling an entirely new energy system in New South Wales—electricity grid—where we have got a megawatt-hour cost for the firming capacity?

**JAMES HAY:** Mr Latham, I think your question was, what would be the government contribution, if any, to any future firming plant?

**The Hon. MARK LATHAM:** Yes. You must know what you are getting into, surely. In developing a new system—a whole new electricity grid—you must know the public sector cost of firming. There are estimates out there.

**JAMES HAY:** Firming rounds will be run under the road map if the energy security target monitor identifies there is a gap. At that point, there will be a competitive process to seek parties to build these type of assets. They may or may not need any form of government assistance at all.

**The Hon. MARK LATHAM:** We do not really know. When will the first contracts—the reverse auctions—go out for this firming capacity?

**JAMES HAY:** They only go out if there is a breach and if the identified best solution is a firming round. There has been no need for that. Take the Eraring example. The best solution there is to increase the transmission capacity and that is what is being done.

**The Hon. MARK LATHAM:** The Consumer Trustee at the moment has no plan to put out any contracts for pumped hydro?

**JAMES HAY:** That is different; that is long-duration storage. Long-duration storage—there is a target of two gigawatts by 2030 constructed and there is a detailed schedule of auctions in the infrastructure investments objectives report that the Consumer Trustee published in December.

**The Hon. MARK LATHAM:** When do they put out their reverse auction for pumped hydro?

**JAMES HAY:** I would have to look at the specifics dates.

**The Hon. MARK LATHAM:** Can you come back on notice?

**JAMES HAY:** Yes, I can come back to this.

**The Hon. MARK LATHAM:** What about extra batteries?

**JAMES HAY:** Sorry?

**The Hon. MARK LATHAM:** Extra batteries.

**JAMES HAY:** Batteries can participate in long-duration storage if they meet the eight-hour requirement. Batteries are expected—

**The Hon. MARK LATHAM:** No firm contracts going out there.

**JAMES HAY:** There is an auction schedule. I will come back to you.

**The Hon. MARK LATHAM:** You will come back on notice. Just on the Waratah battery, Mr Hay, is it right that the night before or the morning of the announcement about Eraring, the Minister contacted you to ask how long would be the duration of the Waratah battery, which turned out to be two hours? Do you have a recollection of that conversation? The Minister did not know how long the Waratah battery would service the system.

**JAMES HAY:** I have no recollection of that conversation; I am not sure what you are referring to.

**The Hon. MARK LATHAM:** You have no recollection of that. What is the view on extra gas peaking plants? There is a possibility the Federal Government will be seeking an additional gas peaking plant in New South Wales on top of Kurri Kurri and Tallawarra B. Do you see the need for it?

**JAMES HAY:** I have no idea what the Federal Government will do at this stage. I have had nothing more than what you have seen.

**The Hon. MARK LATHAM:** Given we are talking about the future of electricity and the future of the New South Wales economy, this remarkable breakdown in Federal and State communication about firming capacity indicates a huge problem that the public would be very alarmed about.

**JAMES HAY:** Not at all. I would hasten to add that—

**The Hon. MARK LATHAM:** The Ministers do not talk to each other. The departments do not talk to each other. You are unaware of an extra Federal Government push for gas peaking.

**JAMES HAY:** Mr Latham, we have just talked about Kurri Kurri and Tallawarra, where the Federal Government and the State Government work together in relation to those things. Those projects are part of the basis upon which the response to Eraring has been based. We continue to work with our colleagues through the Energy National Cabinet Reform Committee, which is what used to be called the COAG energy council. There is ongoing liaison between the governments. To your point about storage, it is just not accurate to refer to the Waratah battery as whether it has got storage. It is a network solution. It operates to allow the transmission—

**The Hon. MARK LATHAM:** I did not say it had storage. I said it is of a duration of two hours' use to the system.

**The CHAIR:** We will have to come back to this. You can finish your answer, if you like.

**JAMES HAY:** No, it is fine.

**The Hon. DANIEL MOOKHEY:** Dr Grimes, I might just resume talking about the productivity fund/COVID contingency fund. Have policy options been identified for which this money can be used?

**PAUL GRIMES:** Options will be identified through the budget process and through any of the decision-making processes that the Government has been going through in recent months and in future months.

**The Hon. DANIEL MOOKHEY:** Why, then, was \$7 billion set aside in the half-year budget review if it is simply the case that this money will be reflected in the next budget?

**PAUL GRIMES:** It was a provision made so that the forward estimates were reflecting an anticipation that there would need to be decisions of that order of magnitude. That is a question for the Government, fundamentally.

**The Hon. DANIEL MOOKHEY:** In time, we have changed the budget parameters to incorporate \$7 billion of additional spending, but we have not identified the specific policies for which they are going to be spent?

**PAUL GRIMES:** That is my understanding but, as you would appreciate, I was not on deck when those decisions were made.

**The Hon. DANIEL MOOKHEY:** Maybe Mr Midha can shed some light?

**PAUL GRIMES:** Other officers may wish to provide further comment now or provide any further information on notice.

**The Hon. DANIEL MOOKHEY:** Have we identified specific policies or any candidates for policies for which this \$7 billion can be spent?

**PAUL GRIMES:** This would be actively something considered through the budget process and indeed in decision-making over the past couple of months.

**The Hon. DANIEL MOOKHEY:** I am asking, prior to the decision by the Government to incorporate it in the half-year budget review, were candidates for this spending identified?

**PAUL GRIMES:** On that question, I will have to defer to Mr Midha.

**SAN MIDHA:** No, there was no specific project. As Dr Grimes has said, it was a \$7 billion provision [disorder].

**The Hon. DANIEL MOOKHEY:** Where did the number seven come from?

**SAN MIDHA:** That was a decision for the Government. It is there for unanticipated spending that could come through because of COVID, et cetera.

**The Hon. DANIEL MOOKHEY:** But it is also there for productivity.

**SAN MIDHA:** And for productivity, yes.

**The Hon. DANIEL MOOKHEY:** How much of it is for the unanticipated COVID spending that is not already covered by an existing authority and contingency, and how much is for productivity?

**SAN MIDHA:** There was not a split. It was just one set of money. As those policies are developed and approved by Cabinet and made public, they would then be included in our mission statement.

**The Hon. DANIEL MOOKHEY:** Again, I am going to put to you what is in your half-year budget statements. It says here that \$7 billion was set aside for future productivity reform and COVID-19 contingency.

A footnote says that it includes the capital expenditure impact. Some of the \$7 billion is going to capital spending. What capital spending were you using this money on?

**SAN MIDHA:** That \$7 billion has been split in the budget, so \$4.3 billion of it is a recurring expense and the balance is capital.

**The Hon. DANIEL MOOKHEY:** So \$4.3 billion is recurrent and the balance is capital. But are there candidates for the capital projects or has it just been put to the capital budget?

**SAN MIDHA:** That is how the provision has been allocated across the forward estimates.

**The Hon. DANIEL MOOKHEY:** Across the forward estimates, of the \$4.3 billion that is recurrent, can you give us a breakdown until the forward estimates about how much of it is this year, how much is next year and how much is in 2023-24?

**SAN MIDHA:** I will take that on notice. I do not have those details.

**The Hon. DANIEL MOOKHEY:** Can we get it today? Do we have to wait 21 days?

**SAN MIDHA:** I will ask the team and see if I can get it to you today.

**The Hon. DANIEL MOOKHEY:** I am not asking you to specifically describe the measures.

**PAUL GRIMES:** Just the amount of the provision that is in the forward estimates?

**The Hon. DANIEL MOOKHEY:** Yes.

**PAUL GRIMES:** I think that is very clear. I would imagine that should be able to be provided fairly quickly, Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Thank you. I really do appreciate that. I will pause questions on that front and switch to another topic until we hopefully get that information. Dr Grimes, you might not have been there for this, so I seek your advice as to whom it is best directed. How is a project that is described as COVID stimulus be assessed by the Treasury? Who assesses it?

**PAUL GRIMES:** I might have to defer to Mr Midha on that question.

**The Hon. DANIEL MOOKHEY:** Mr Midha, how is a project assessed by Treasury if it is described as COVID stimulus?

**SAN MIDHA:** Stimulus programs that we have announced or that the Government has announced—there is a range of them.

**The Hon. DANIEL MOOKHEY:** Specifically applications for grant funding that is authorised and paid for as part of COVID stimulus. How would Treasury assess those applications?

**SAN MIDHA:** There are a number of grant programs. Which specific one, sorry?

**The Hon. DANIEL MOOKHEY:** It is a good question, Mr Midha. How would a department that has a project, or is seeking grant funding for a project and wishes to access the money that is set aside for COVID stimulus, present its case to Treasury?

**SAN MIDHA:** They would have a submission that would go to Cabinet, and we would assess that on its merits.

**The Hon. DANIEL MOOKHEY:** And that has been the way for most of the stimulus programs?

**SAN MIDHA:** For most of the grant programs. Some of the grant programs such as JobSaver—

**The Hon. DANIEL MOOKHEY:** Sorry, specific project grants.

**SAN MIDHA:** Project grants—the program goes for assessment to ERC. Treasury would review that and provide us commentary on it. We assess the needs basis, we assess the governance and we assess the eligibility criteria. On those three bases we provide commentary, Treasury advice. Once the grant program is approved, we do not necessarily see the specific program spend; that is for the Minister to approve.

**The Hon. DANIEL MOOKHEY:** Departments can sponsor projects or grant applications for approval. Can Ministers' offices?

**SAN MIDHA:** Within the specific approved program—

**The Hon. DANIEL MOOKHEY:** I am asking separately. Can the Minister's office come to Treasury and say, "Hey, we've spoken to this organisation. They have this wonderful project. We'd like to give it money"?

**SAN MIDHA:** They would follow normal expenditure review process. They would have to go through that process.

**The Hon. DANIEL MOOKHEY:** Would Treasury provide an assessment?

**SAN MIDHA:** Yes. If it is going to ERC, we would normally provide assessment to ERC.

**The Hon. DANIEL MOOKHEY:** And you would provide advice as to whether the project should be supported or not supported?

**SAN MIDHA:** That is correct.

**The Hon. DANIEL MOOKHEY:** How you would reach your conclusion on something that is styled as an application that is meant to create jobs? What criteria would you use?

**SAN MIDHA:** If it is a grant, I have spoken about those three different criteria. Obviously we will assess the business case if it is for jobs. There is an evaluation done and we look at that specific business case and see if it meets the BCR criteria or whatever the financial benefits touted in the business case are.

**The Hon. DANIEL MOOKHEY:** You would expect an application for a grant of \$5 million to be accompanied with supporting documentation?

**SAN MIDHA:** If it was going up to ERC, yes.

**The Hon. DANIEL MOOKHEY:** Is it normative to have business cases for those types of projects?

**SAN MIDHA:** It would be normal to have business cases for any project, yes.

**The Hon. DANIEL MOOKHEY:** Is it often the case that Ministers will put through requests without their departments—just from the office themselves—to suggest an application? Is that something that has happened particularly in the 2020 economic stimulus programs?

**SAN MIDHA:** I do not recollect that would be unusual.

**The Hon. DANIEL MOOKHEY:** Thank you for that baseline of information. I will now ask specifically about the St Agnes grant approval. Firstly, who in Treasury was responsible for its assessment?

**SAN MIDHA:** It would have been someone in my team. Let me just see if I can—

**The Hon. DANIEL MOOKHEY:** That is okay. I do not want the particular name of the Treasury official. But if it is someone in your team, I might direct the questions at you.

**SAN MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** The request for \$5 million for St Agnes' Care and Lifestyle, was that a project that Treasury had identified?

**SAN MIDHA:** Treasury had not identified it. I think there was a submission for an aged-care—was that the aged-care facility? I am sorry, I do not have that detail in front of me. Is this the Emmaus one?

**The Hon. DANIEL MOOKHEY:** To the best of your recollection, this was not a project that Treasury had identified?

**SAN MIDHA:** No, I do not believe so. Again, I can confirm that by taking it on notice. But we do not identify such projects.

**The Hon. DANIEL MOOKHEY:** If you could, that would be good. To the best of your recollection, is this a project that the Health department had identified?

**SAN MIDHA:** That is right.

**The Hon. DANIEL MOOKHEY:** Did the Health department provide a submission in favour of that report, that project?

**SAN MIDHA:** I do not have the specific details. Is this the Emmaus memory support village? Is that the one that you are calling St Agnes?

**The Hon. DANIEL MOOKHEY:** Sorry, which one?

**SAN MIDHA:** Emmaus memory support village. It is an aged-care facility.

**The Hon. DANIEL MOOKHEY:** Yes, I think we are talking about the same project.

**SAN MIDHA:** Okay, good. I just wanted to make sure. We did receive and provide advice.

**The Hon. DANIEL MOOKHEY:** Who was the sponsor of that project?

**SAN MIDHA:** It was Health, I believe.

**The Hon. DANIEL MOOKHEY:** Did you have any conversations with the then Treasurer's office about that project?

**SAN MIDHA:** I would not have but my team might have.

**The Hon. DANIEL MOOKHEY:** Did the request come from the Treasurer's office prior to it going to Health?

**SAN MIDHA:** Again, I do not know. I would have to look at that specifically.

**The Hon. DANIEL MOOKHEY:** Fair enough. Did Treasury assess that application?

**SAN MIDHA:** Yes, we did.

**The Hon. DANIEL MOOKHEY:** Did you find that it should not be supported?

**SAN MIDHA:** Yes, I think we did not support that.

**The Hon. DANIEL MOOKHEY:** Then was it supported?

**SAN MIDHA:** I am not sure. Again, I will take that on notice.

**The Hon. DANIEL MOOKHEY:** It was announced.

**SAN MIDHA:** Announced, yes.

**The Hon. DANIEL MOOKHEY:** Treasury did not support the application.

**SAN MIDHA:** We provided advice. The advice said not to support it. But that is a decision for the Government.

**The Hon. DANIEL MOOKHEY:** Of course. The Government has the opportunity to ignore the Treasury's advice, if it so chooses—and other departments; I do not want to single out Treasury. To be clear, Treasury advised against that project. What were the reasons Treasury was not supporting that application?

**SAN MIDHA:** All business advice, first thing we identify is, if you want to support a private enterprise, is there market failure? Does it need government funding? And is this part of the State Government? I believe aged care is in Federal Government. So it does not link in with our outcome. So the answer would easily be no.

**The Hon. DANIEL MOOKHEY:** I can infer from that, firstly, aged care is of Commonwealth responsibility?

**SAN MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Secondly, there was no evidence of market failure?

**SAN MIDHA:** I do not have the detail in front of me. I am just giving you an example of how we assess support.

**The Hon. DANIEL MOOKHEY:** Sure. But, in this specific instance, was the prime reason why—

**SAN MIDHA:** I am not sure, but I do not believe so. But I am not sure. I need to check on that.

**The Hon. DANIEL MOOKHEY:** In respect to the 2020 COVID stimulus projects, did the New South Wales Government provide any other grant to any other aged-care facility as part of any COVID stimulus program that you are aware of?

**SAN MIDHA:** I will ask the team. But I—not off the top of my head, so I will need to check.

**The Hon. DANIEL MOOKHEY:** So the only aged-care facility that got funding from the State Government in New South Wales in 2020 was this particular facility in the electorate of Port Macquarie.

**SAN MIDHA:** I do not know. There could be more. I do not know. I need to check.

**The Hon. DANIEL MOOKHEY:** This is a COVID stimulus program. I am not asking in general. I am asking as part of COVID stimulus. I cannot find any other announcement of such a thing on the public record whatsoever. Given Treasury is responsible for centrally monitoring what this is, do we know whether or not as part of COVID stimulus we provided any funding to any other aged-care facility in 2020?

**SAN MIDHA:** We will check and come back to you.

**The Hon. DANIEL MOOKHEY:** Thank you. But, to the best of your recollection, this is the one that most immediately comes to mind.

**The Hon. SCOTT FARLOW:** Point of order: The Hon. Daniel Mookhey has put this to Mr Midha several times, but Mr Midha has taken it on notice. There is no further he can add.

**The CHAIR:** There are a number of questions, and they are all being taken on notice, which is completely appropriate.

**The Hon. SCOTT FARLOW:** It is the same question.

**The Hon. DANIEL MOOKHEY:** Mr Midha, this is the only one that immediately comes to your mind as to what was paid for under COVID stimulus.

**SAN MIDHA:** Yes. I need to take it on notice, yes, whether there is anything else.

**The Hon. DANIEL MOOKHEY:** How many jobs has this money created? Does Treasury monitor the outcome of these projects, or does the New South Wales Government? To be fair, I do not want to necessarily imply this is exclusively the responsibility of Treasury. Do we have any monitoring regime as to whether or not this money has created the jobs it was meant to create?

**SAN MIDHA:** I do not have that information, so I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Fair enough. To the best of your recollection, did the then Treasurer's office instruct Treasury to put aside its concerns in respect to this project?

**SAN MIDHA:** Again I have no information on that.

**The Hon. DANIEL MOOKHEY:** Given the Treasurer himself then announced the project, or he was at least party to the announcement of the project, did the Treasurer give reasons as to why he had disagreed with Treasury's advice?

**SAN MIDHA:** When government makes a decision, we do not necessarily get, I guess, details of the reasons behind it. Any of that correspondence, if it went up to ERC, would be Cabinet in confidence anyway.

**The Hon. DANIEL MOOKHEY:** To be fair, I am not asking you to comment on Cabinet processes. I am asking whether or not the Treasurer at any point gave reasons why he supported the project despite Treasury's advice.

**SAN MIDHA:** I will take it on notice.

**The Hon. DANIEL MOOKHEY:** Sure. In respect to the actual press release, did the Treasury write the press release that announced the project?

**SAN MIDHA:** Again I will take that on notice. I do not know.

**The Hon. DANIEL MOOKHEY:** I am not sure if you had a chance to look at the report media article over the weekend. It says here that public servants were given the job of writing a press release for the announcement. Was that Treasury?

**SAN MIDHA:** I do not believe so.

**The Hon. DANIEL MOOKHEY:** I will perhaps go and ask the health department about that.

**The Hon. MARK LATHAM:** It could have been icare.

**The Hon. DANIEL MOOKHEY:** It could have been icare. That is true. No, I will not put that. That is not serious. Actually, this might be the next part to go into the next thing. In terms of the COVID spending to date on the contingency, the other sources of contingent authority, which I was asking you about this morning, Dr Grimes, do we have figures to hand for this year as to how much has been approved under those sections of the Appropriation Act?

**PAUL GRIMES:** I do not believe we have got figures to hand. We could see what we can provide on notice.

**The Hon. DANIEL MOOKHEY:** Can you take me through what criteria at all is in place for the Treasurer and what assessments Treasury does before the Treasurer agrees to exercise his authority under section 34 of the Appropriations Act to authorise—

**PAUL GRIMES:** I will refer those questions to Mr Midha to respond.

**SAN MIDHA:** There is a provision in the budget that was created. A special appropriation was done for it. That was about \$800 million, \$806 million if I remember correctly. An amount of that was put aside. It has two criteria. One is for wages. A specific Act was for wages and for COVID spending. There are two kind of large amounts. One was for the increase, at the last budget, of wage rises, from 1½ to 2½ per cent. I think that covered a large part of that, a little over \$300 million. Then there was an amount put aside for cleaning for trains and health et cetera. That was another use of that provision. I do not have an exact amount of where we are with the expenditure of that provision.

**The Hon. DANIEL MOOKHEY:** Sorry, are we talking about the same year?

**SAN MIDHA:** Yes, the last budget—

**The Hon. DANIEL MOOKHEY:** So 2020-21?

**SAN MIDHA:** Yes. The 2021-22 budget.

**The Hon. DANIEL MOOKHEY:** Yes, I am asking about the 2021-22 budget and how much of that authority has been used today. Do you know?

**SAN MIDHA:** I do not have a running total of that number, but it has mostly been expended.

**The Hon. DANIEL MOOKHEY:** You are talking about the \$346 million which, to be fair, between the two, I think this was inserted in the 2019-20 budget and then changed from inflation to wages in the 2021 budget. That is my recollection, having read both Acts. So you are saying that of the \$346 million the decision to end the wage freeze was paid for with that legal authority.

**SAN MIDHA:** I will get a full reconciliation, but there was also quarantining that was being paid out of—Treasury initially got the quarantining money. That was \$346 million out of the \$347 million. That was part of the provision. Those expenses were covered in that also.

**The Hon. DANIEL MOOKHEY:** Not the original budget appropriation.

**SAN MIDHA:** No, it was part of the special appropriation.

**The Hon. DANIEL MOOKHEY:** In respect to the allegations that emerged over the weekend about the central funds, is there a central COVID fund that Treasury maintains?

**SAN MIDHA:** For COVID stimulus packages, they are funded through the exigency of government appropriation. When those stimulus packages are approved by ERC, those funds then come in via Treasury into different departments as those funds are expended. It might be Health or Service NSW in DCS, for example, that go out to the public.

**The Hon. DANIEL MOOKHEY:** What I think you are describing very specifically there is the authority under section 4.13 of the GSF Act—that is, the exigencies of government power.

**SAN MIDHA:** That is right.

**The Hon. DANIEL MOOKHEY:** So Treasury maintains the central fund. Is that correct? It does for COVID stimulus.

**SAN MIDHA:** Correct. So that particular—when it is approved, then the funding comes through to Treasury.

**The Hon. DANIEL MOOKHEY:** But I am talking about operating costs that the departments are incurring. Is that coming from a central fund or is that coming from the departments?

**SAN MIDHA:** The departments could incur COVID costs through their own budget that they have planned for, and they could also incur costs that come specifically from exigency of government and that is appropriate to them.

**The Hon. DANIEL MOOKHEY:** Sure. Insofar as the allegations that we read about yesterday around whistleblowers alleging that there is this secret slush fund—they described it as a "secret slush fund" and an "unlimited black Amex fund"—what is your best theory as to precisely what they are talking about?

**SAN MIDHA:** It is hard to tell because in some of the years here—there are not a lot of details around this because you could have agencies that are expending money for repairing social housing, so if they are not covered for social housing maybe that is where it went. But we just do not have that kind of detail, so we do not know what the reasons were for that expenditure. At a line-by-line level that is not something that Treasury looks at.

**The Hon. DANIEL MOOKHEY:** But if they are claiming that through the exigencies of government provision, you would have line of sight of that.

**SAN MIDHA:** Not necessarily. Not to an account level. We have a program level, but if it is for a particular purpose then they are limited to use it for that particular purpose. It is not available for them to use for any other purpose.

**The Hon. DANIEL MOOKHEY:** As I see it, it is possible that there are three sources of this money that whistleblowers are alleging could be a slush fund. It is either the exigencies of government—it is possible that it is the contingency funding and/or pandemic response funding of the Appropriation Act—or it is within each department cluster as well.

**SAN MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** But there are three separate departments that are alleging this, or whistleblowers, sorry—I should be fair. There are whistleblowers from three separate departments who are alleging this. Has the Treasury ever provided guidance to any of these departments about what is appropriate emergency COVID funding and what is not?

**SAN MIDHA:** Yes. The reasons that they receive the funding is very clear when the money is appropriated to them. It is a decision of ERC and there are eligibility criteria. The criteria for those funds are also sent to them. So it is explicit.

**The Hon. DANIEL MOOKHEY:** Just to be very clear here, is it Treasury's practice to rely on the departments to ensure that COVID emergency funding is not being rorted—that COVID funding that those departments control is not being rorted, to be fair?

**SAN MIDHA:** That is something for the Auditor-General to look at and how funds are expended against—

**The Hon. DANIEL MOOKHEY:** Detection is the Auditor-General's job. Prevention is what I am asking you about.

**PAUL GRIMES:** Mr Mookhey, I think the Treasurer had indicated this morning he was keen for the Treasury to have a close look at what might have happened here. We are not going to step into the auditor's role, but I do think it is appropriate for us to have some appropriate inquiries.

**The Hon. DANIEL MOOKHEY:** I totally agree. But I am asking you, until this point in time, has the Treasury been providing advice to these departments about what is appropriate to charge to the emergency COVID funding and what is not?

**SAN MIDHA:** We provide advice on what it is meant to be used for. We do report—so they do report back to us on how money is expended against each of the different programs that they have received money for, and we do report that centrally.

**Ms ABIGAIL BOYD:** Dr Grimes, I want to pick up on the discussion that I briefly had with the Treasurer earlier in relation to the Auditor-General's scathing report and the number of recommendations in there. The Treasurer indicated you could give us an update on the internal review. Are you able to tell us a bit more about the scope and who is going to conduct that?

**PAUL GRIMES:** I am happy to provide further information. You will recall that I advised the Public Accountability Committee of my intention to commission an independent assessment of the circumstances behind the matters that the Auditor-General had drawn attention to and the fact that we are treating those very, very seriously. Over the last couple of weeks since that hearing, I have been keeping quite busy behind the scenes actually developing terms of reference—importantly, developing those terms of reference in consultation with the Auditor-General—and I have been liaising closely with the Auditor-General. I am very, very close to finalising those terms of reference. They are all but finalised. I had a further conversation with the Auditor-General on Friday, so I am anticipating that I will be releasing terms of reference in coming days, and obviously I would be happy to make those available to the Committee.

**Ms ABIGAIL BOYD:** Thank you. That would be useful. Is there a deadline on that review? Is there a time for it to come back?

**PAUL GRIMES:** Yes. That needs to be finalised, but as a working date I am looking at a date that is probably in the first part of May. My intention would be to have a review that is done quite expeditiously, recognising that a reviewer may come in to do the assessment and then indicate that they need more time for one reason or another. But my expectation is it would be a review done quite expeditiously.



**Ms ABIGAIL BOYD:** Who are you thinking of to be the reviewer?

**PAUL GRIMES:** I am very, very close to making an appointment of the reviewer. I am in advanced discussions with a potential reviewer. I think it is probably appropriate that I just complete the appointment arrangements before making an announcement. But I have also been liaising with the Auditor-General on an appropriate person to conduct the independent assessment.

**Ms ABIGAIL BOYD:** So, presumably, we will get some notice of that within the next—

**PAUL GRIMES:** Within coming days, literally coming days. It will be a person of high standing, as you might expect, and deep experience as well.

**Ms ABIGAIL BOYD:** If it is within the 21 days' notice, if you could provide the Committee on notice with more details, that would be very useful.

**PAUL GRIMES:** We are happy to provide that information, naturally, in coming days.

**Ms ABIGAIL BOYD:** Will it be made public otherwise or is it something that you were thinking of—

**PAUL GRIMES:** The review?

**Ms ABIGAIL BOYD:** Yes.

**PAUL GRIMES:** My expectation is that the assessment would be a public assessment. It is quite possible that there might be aspects of an assessment report that was undertaken that needed to be kept confidential for a particular reason, but that could be identified by the assessor when the assessor prepares their final report.

**Ms ABIGAIL BOYD:** Thank you. In relation to some of the other recommendations made in the Auditor-General's report on the State finances in relation to TAHE, she brought our attention to the heads of agreement that was signed in relation to the access fees on 18 December, and there was some confusion over whether or not that was a firm agreement or subsequent agreements needed to be signed. I think we got to the point of understanding that subsequent agreements did need to be signed. Where are they up to? Have they been signed, and if not, when do you expect them to be?

**PAUL GRIMES:** The development of those agreements is still underway. Since the last hearing I think the Auditor-General had indicated that she would be looking to reaffirm the arrangements with Treasury and, indeed, the Acting Auditor-General wrote to me seeking a reaffirmation. I, in turn, conducted some inquiries of the Transport department—the relevant parties—and then have provided correspondence back to the Auditor-General reaffirming the arrangements. Consideration of that, obviously, is a matter for the Auditor-General, but the work to develop the associated agreements is, as I understand it, proceeding well within the terms of the heads of agreement.

**Ms ABIGAIL BOYD:** Does that mean that we will have them signed by—I am trying to remember the deadline. It was normally end of February/March, was it not?

**PAUL GRIMES:** Mr Stewart Walters will probably be best placed to give you—he has been the Treasury officer liaising directly with Transport.

**Ms ABIGAIL BOYD:** Go ahead, Mr Walters.

**STEWART WALTERS:** I think the heads of agreement spoke to having this completed by the end of June.

**Ms ABIGAIL BOYD:** June? Okay.

**STEWART WALTERS:** However, I believe, as Dr Grimes noted, the parties have begun discussions and expect to have it completed well before then.

**Ms ABIGAIL BOYD:** I think we were told during the Public Accountability Committee hearing that it would be February/March.

**STEWART WALTERS:** That is correct. My understanding is Transport, TAHE and the operators would commence new year—so now, and they have begun—and would aim to complete it as quickly as possible but, in any case, it has to be in place by the end of June because that is when it is operative for a fiscal year.

**Ms ABIGAIL BOYD:** Is the Auditor-General aware that it might not be in place until June?

**STEWART WALTERS:** The Auditor-General is aware the heads of agreement—that it has to be in place at the latest by end of June. But, as Dr Grimes said, the parties are working in good faith and have begun to get that negotiated and signed as soon as is possible.

**Ms ABIGAIL BOYD:** Is that negotiation based purely on pricing and rate of return, or are there accounting issues that are part of that negotiation?

**STEWART WALTERS:** I am not across the details of the negotiation. Can I take that on notice? I have to consult with TAHE and the other parties to that.

**Ms ABIGAIL BOYD:** Okay, thank you. Dr Grimes, there were a couple of other quite serious recommendations that were made by the Auditor-General in relation to the accounting treatment of TAHE.

**PAUL GRIMES:** Yes.

**Ms ABIGAIL BOYD:** The first one was she recommended that NSW Treasury liaise with the ABS to reconfirm the classification of NSW Trains and Sydney Trains as entities within the PNFC sector. What action has been taken in relation to that recommendation?

**PAUL GRIMES:** We will be consulting with the ABS in due course, and my intention would be for us to consult with the ABS on that question.

**Ms ABIGAIL BOYD:** Will that be before or after the heads of agreements are signed?

**PAUL GRIMES:** I have not turned my mind to that question, but I would be thinking that we would be seeking to do that over coming months, so the heads of agreement may be signed by that point. That would provide even more information for the ABS to take into account in confirming classifications.

**Ms ABIGAIL BOYD:** Have you worked out how long the discussions with the ABS might take in order to have a very clear position in time for the next audit of the State finances?

**PAUL GRIMES:** I think it would be highly desirable to have those discussions completed before the next audit is undertaken. I think that would be completely appropriate but, of course, it would be a matter for the ABS to determine their timing in confirming the arrangements.

**Ms ABIGAIL BOYD:** But to confirm, you have not yet spoken with the ABS?

**PAUL GRIMES:** No, I have not spoken to the ABS yet but certainly firmly intend to give effect to the recommendation that the Auditor-General has made. There has been a very short period of time, of course.

**Ms ABIGAIL BOYD:** I understand, but if the ABS came back and gave an understanding to you that was different to the understanding that Treasury is working off, that would have significant impacts on the accounting treatment of TAHE going forward. Presumably, you would want that wrapped up and dealt with well ahead of the next audit.

**PAUL GRIMES:** As I indicated, I think it would be desirable to have it completed before the next audit.

**Ms ABIGAIL BOYD:** I find it interesting that there has not been an immediate reaching out to the ABS.

**PAUL GRIMES:** I would not be too surprised. It has been only a couple of weeks. There has been a number of things that are probably just slightly more pressing at the moment, including making sure that there is a properly constituted independent assessment initiated. There will be good opportunity to talk to the ABS in coming months.

**Ms ABIGAIL BOYD:** The other thing that the Auditor-General recommended you speak with the ABS about is the classification of TAHE. Presumably that has not been done either? There is no liaison started with the ABS in relation to that?

**PAUL GRIMES:** No, we have not commenced formal liaison with the ABS at this stage.

**Ms ABIGAIL BOYD:** Have you worked out what it is that you will need to do in order to liaise? Has someone started putting together documents?

**PAUL GRIMES:** I would imagine that Mr Walters' team is already thinking about these matters. There has already, of course, been a number of engagements with the ABS over several years on the classification of TAHE. It will not be a new issue for the department or for the ABS. Nevertheless, the Auditor-General has said—and I accept and support this—that given the fact there have been a number of changes in the arrangements that it would be appropriate to return to the ABS to describe what the current arrangements are and seek reconfirmation of the sectoral classification of TAHE.

**Ms ABIGAIL BOYD:** Just to finish off that line of questioning, when we spoke at the Public Accountability Committee hearing there was some concern put to you that it did not seem as though Treasury were taking the comments of the Auditor-General seriously enough. We are sitting here having had to wait an

additional several months in order to get audited reports; it is a very serious thing. The Auditor-General had given a significant risk finding to Treasury. Some very serious recommendations were made. How are we to believe that you are taking it seriously when nothing has been done so far in relation to the very core accounting issues related to TAHE?

**PAUL GRIMES:** As I indicated to you, the most important thing was to make sure that an independent assessment was initiated and underway. We will proceed, over the next couple of months, to have those discussions with the ABS and formally seek the reconfirmation of the ABS. Timing will be a matter for the ABS, but I would be very much hoping that we could have this completed well before we get into the serious end of the audit of next year's accounts, for all the reasons that I think you have properly highlighted.

**The Hon. MARK LATHAM:** Dr Grimes, 17 months ago the then Treasurer, and now Premier, Mr Perrottet issued a press release stating that the New South Wales public service was leading the office return here to the CBD. After a few false starts, is the Treasury now leading the office return to the CBD given the lifting of the restrictions?

**PAUL GRIMES:** Yes, we are encouraging our staff now to move towards returning to the office. Indeed, a week or so ago we advised our staff that, from today, we would be seeking to have staff come back into the office under our hybrid working arrangements.

**The Hon. MARK LATHAM:** As of this week, how many of your staff are working five days a week in the office?

**PAUL GRIMES:** It will have been as of today—it is this week—so we do not have numbers for how many are working five days a week. At the moment some of the department's floors are not available for workers because renovations are occurring, but my expectation is that there is will be significant number of workers who come back into the office. But I would imagine also that only a small number would be working the full five days a week in the office.

**The Hon. MARK LATHAM:** How many floors are being renovated?

**PAUL GRIMES:** Mr Stewart Walters will be able to provide the information on the number of floors being renovated.

**STEWART WALTERS:** Mr Latham, five of the seven floors are being renovated.

**The Hon. MARK LATHAM:** Why?

**STEWART WALTERS:** Principally, it is about eight years since Treasury moved into those floors. We are just taking the opportunity of the time out of the office to do some of the minor repairs that are necessary. Just to be clear, all of the desks and all the other major fit-out remains as is.

**The Hon. MARK LATHAM:** Is the renovation being described to staff as reimagining the office space for Treasury? What is the reimagination project?

**STEWART WALTERS:** Staff have been working principally from home for the last two years. As you would imagine, one of the things we are keen to do is to, with staff coming back, make sure that they are clear that the office is set up for them to be productive when they come back for those whatever number of days a week.

**The Hon. MARK LATHAM:** They have not been there for 18 months. I am sure the productivity of the office has not deteriorated in their absence. Is there a—

**STEWART WALTERS:** No, but the use of—

**The Hon. MARK LATHAM:** —reimagination project and has an interior designer been hired for this?

**STEWART WALTERS:** We are using Property NSW to facilitate the refurb for us.

**The Hon. MARK LATHAM:** Has it hired an interior designer to do the work?

**STEWART WALTERS:** Property NSW use architects to do these sort of minor works.

**The Hon. MARK LATHAM:** After 18 months of the offices essentially being empty, what is the cost of this renovation for five floors?

**STEWART WALTERS:** Can I take that on notice please?

**The Hon. MARK LATHAM:** Okay. When is it due to finish?

**STEPHEN WALTERS:** We should have a couple of the floors reopened from next week, and then progressively through the next six weeks.

**The Hon. MARK LATHAM:** Okay, so you really will not get any significant return to office work over the next six weeks. So we are pushing through into April.

**STEWART WALTERS:** Mr Latham, we have got 2½ floors that are currently available and have been available throughout this minor refurbishment. So that is—and I will take it on notice—but about 225 desks continue to be available.

**The Hon. MARK LATHAM:** When did the renovations start?

**STEWART WALTERS:** Just before Christmas.

**The Hon. MARK LATHAM:** Just before Christmas.

**STEWART WALTERS:** Essentially they started in January, on the return.

**The Hon. MARK LATHAM:** What is your general estimate of these costs? What sort of example does it set to the rest of the public sector in terms of fiscal restraint that after 18 months of emptiness, that Treasury finds the need to reimagine and renovate five floors using an interior designer?

**STEWART WALTERS:** As I said, Mr Latham, we are using Property NSW, who handle refurbs and property for the sector—number one. Number two, as I said, we are not doing a refurb after 18 months. As I understand it, Treasury—and it predates me joining Treasury—moved into these offices about eight years ago and so this is the first attempt to do some minor refurb in eight years.

**The Hon. MARK LATHAM:** Is five floors is a minor refurb? It seems like it is a big, big job.

**STEWART WALTERS:** Each floor is staffed by individuals, so I do not think it would be fair to only do one floor. All of them probably have the same challenges after eight years—minor issues with breakages, stuff that needs repairing. Some of this is also putting in the technology that allows people to work in a hybrid environment, so making sure that there are the right speakers in rooms.

**The Hon. MARK LATHAM:** Okay, so you will get me the cost on notice. Dr Grimes, when the re-imagination renovation is finished, what is your goal for how many of the Treasury staff will be working five days a week in the office, as they used to pre-COVID?

**PAUL GRIMES:** I do not know whether we have got a formal target. It may be that the department's already got one that predates me. But my expectations is that we will have a significant number of people that will be choosing to work five days a week.

**The Hon. MARK LATHAM:** What is that: 70 per cent, 80 per cent, 90 per cent?

**PAUL GRIMES:** I could not put a figure on it unless one of the officers here is aware of a figure that has previously been put on it by Treasury.

**The Hon. MARK LATHAM:** Are you aware that a call for papers in the upper House shows that, after the now Premier issued a release in October 2020, that the public service, including his own department, Treasury, was leading the office return, that essentially the public servants said, "No, we would rather work at home," and that is where they stayed? You said earlier you are encouraging the staff to come back.

**PAUL GRIMES:** Yes, we are encouraging. Yes.

**The Hon. MARK LATHAM:** But is there an order to come back?

**PAUL GRIMES:** There is encouragement for staff to come back.

**The Hon. MARK LATHAM:** Just encouragement.

**PAUL GRIMES:** I do not know whether we have had quite to go to the point of ordering staff. The reason for that is that Treasury staff generally find that it is an environment that they enjoy working in, particularly a useful environment for them to be working in leading up to a budget because you can get easier collaboration than you can working remotely.

**The Hon. MARK LATHAM:** So it is just encouragement.

**PAUL GRIMES:** I think it is really very much in keeping with changing community expectations. We will see a move to greater hybrid working, naturally, in our workforce. But that is against a back drop where I am expecting and anticipating within the Treasury there will be significant work within the office and that will probably happen without anyone having to be ordered in a formal way.

**The Hon. MARK LATHAM:** Okay, so just as the Sydney CBD is a ghost town, and the Premier is saying private sector office workers should come back, the Treasury has got renovations in place and a flexible work policy that means that no-one can come back until April?

**PAUL GRIMES:** We moved straight away to encourage our staff to come back from today. And I am anticipating—I have not been into the office. I have been here today but I assume that there are a number of officers. I am getting nodding heads at the table. We have got a number of people in the office today, probably celebrating being able to be back with their colleagues in person.

**The Hon. MARK LATHAM:** Mr Stephen Walters, with all of your economic modelling, what has been the damage to the Sydney CBD of the exodus of public and private sector workers to work from home?

**STEPHEN WALTERS:** Well, it is significant, Mr Latham. I do not have the number right in front of me now. I am happy to provide that on notice. But it has mainly been the absence of private sector workers that has caused most impact on the economy. There are very few New South Wales public sector workers in the CBD, relative to the others around the State. There are 400,000 New South Wales public sector workers. My understanding is around 50,000 to 60,000 work somewhere around the CBD.

**The Hon. MARK LATHAM:** What is the economic benefit of those 60,000 coming back to the CBD, as the former Treasurer heralded 17 months ago?

**STEPHEN WALTERS:** As Dr Grimes said, there are benefits to Treasury and government from collaboration and engaging with your colleagues, but there are also direct impacts of spending in the CBD—for example, on lunches and dry cleaning.

**The Hon. MARK LATHAM:** Have you got a figure on that or can you take it on notice?

**STEPHEN WALTERS:** I do. I just do not have it with me right now.

**The Hon. MARK LATHAM:** You can take it on notice, thanks. Could I also get a full list of the Treasury staff training programs, their cost, purpose and any evaluation report about their effectiveness?

**STEPHEN WALTERS:** Yes.

**The Hon. MARK LATHAM:** Dr Grimes, coming back to St Agnes' in the seat of Port Macquarie, given the extraordinary nature of that grant, which was against Treasury advice for a Commonwealth responsibility, as well as the grants for Hastings Secondary College, the Koala Hospital expansion and the new hospital station at Lake Cathie, has there been any specific evaluation of what has happened with all these grants at Port Macquarie or a reference to Peter Achterstraat for his review of grants and pork-barrelling?

**PAUL GRIMES:** I have to take that on notice to see if there was anything particular that we could offer, but I note that that most recent media story is a very, very recent media story.

**The Hon. MARK LATHAM:** Are you taking this seriously to the point of ordering a review of what happened with those four expenditures?

**PAUL GRIMES:** We have certainly got the major piece of work being undertaken by the Productivity Commissioner on grants administration. I think that is very welcome and—

**The Hon. MARK LATHAM:** Will you refer this particular problem to the Productivity Commissioner as well?

**PAUL GRIMES:** I do not think it needs to be formally referred to the Productivity Commissioner because the Productivity Commissioner will have a good line of sight to what constitutes high standards of administration around grants and will be no doubt making recommendations in due course.

**The Hon. MARK LATHAM:** Will the Treasury undertake a review of what has happened with these four expenditures in the one electorate after the local member changed political parties?

**PAUL GRIMES:** As a first step, I think, probably have an opportunity to properly look at the media reports that have been made and conduct preliminary inquiries within the department. But these may be matters that are more suited to consideration by the Auditor-General.

**The Hon. MARK LATHAM:** Can I just finally say that there are ICAC rulings that inducements using public money to change political allegiance are regarded as corrupt conduct. Are you, as the head of the Treasury, aware of your obligations if you have a reasonable suspicion of any such corrupt conduct to report it to the ICAC?

**PAUL GRIMES:** Yes, I am aware of my responsibilities if I ever become aware of such conduct.

**The Hon. MARK LATHAM:** Thank you.

**The CHAIR:** Thank you. Given that we are scheduled to break at 3.30 p.m., I think it is best, unless there is any objection, that we break now and return at 3.43 p.m., so that people's blocks of questions are not split up.

**(Short adjournment)**

**The CHAIR:** We will go to the Opposition.

**The Hon. DANIEL MOOKHEY:** Secretary, on notice can we get the amount of money spent to date under the exigency of government provisions of the GSF Act?

**PAUL GRIMES:** Yes.

**The Hon. DANIEL MOOKHEY:** Can we also get the amounts spent to date under the equivalent section in this year's Appropriation Act to section 34 of last year's Appropriation Act?

**PAUL GRIMES:** Yes.

**The Hon. DANIEL MOOKHEY:** Could we also find out if any money has been spent from contingency funding or then section 13 of the Appropriation Act, the equivalent for this year? Is that possible?

**PAUL GRIMES:** I would imagine it is possible, yes.

**The Hon. DANIEL MOOKHEY:** Mr Deverall, first things first, what is the current balance of the NSW Generations (Debt Retirement) Fund?

**DAVID DEVERALL:** It is approximately \$15.7 billion.

**The Hon. DANIEL MOOKHEY:** It was approximately \$15.7 billion as of 30 June—sorry, \$15 billion—

**DAVID DEVERALL:** It was \$15.2 billion back then, I thought.

**The Hon. DANIEL MOOKHEY:** Yes, it was, \$15.2 billion back then.

**DAVID DEVERALL:** And I think at 31 December it is \$15.8 billion. That is probably the last official number that we have, \$15.8 billion.

**The Hon. DANIEL MOOKHEY:** Okay, that would be helpful. Last year there was a deposit into the NSW Generations (Debt Retirement) Fund from the appropriations of \$1.9 billion, is that right? That is what your annual report says. Can I ask, has any money been deposited into the NSW Generations Fund that arises from appropriations this year?

**DAVID DEVERALL:** I am not in a position to answer that question. I think San is probably better off to.

**The Hon. DANIEL MOOKHEY:** Mr Midha, are you in a position to say, under section 9 (1) (a) receipts of the NSW Generations Fund Act, what has been deposited into the fund?

**SAN MIDHA:** I think in the budget we announced there was no further contribution being made to the fund. In fact, the only contribution that was legislated to go there was the sale of WestConnex.

**The Hon. DANIEL MOOKHEY:** I am just double-checking that there had been no deposits.

**SAN MIDHA:** No.

**The Hon. DANIEL MOOKHEY:** Because the Appropriation Act gives Treasurer the authority to put \$4 billion into it. At the time that was passed when the Government's policy was to deposit the mining royalties and the dividend distributions and the cash surplus, despite the Treasurer having the legal authority to deposit close to \$5 billion, no money has been deposited this year?

**SAN MIDHA:** No.

**The Hon. DANIEL MOOKHEY:** Mr Deverall, could you hear any of the questioning this morning around the divestment?

**DAVID DEVERALL:** I did.

**The Hon. DANIEL MOOKHEY:** Last time, very helpfully, the information TCorp provided us said that we had an asset allocation towards the Russian Federation, which was 0.45 per cent towards Russian bonds and 0.3 per cent to Russian equity.

**DAVID DEVERALL:** That is possibly a bit high, but it was point something or other.

**The Hon. DANIEL MOOKHEY:** It was 0.75 per cent across both. That was your information, not mine.

**DAVID DEVERALL:** Okay.

**The Hon. DANIEL MOOKHEY:** Is that still the allocation in that fund?

**DAVID DEVERALL:** No. It is a lot less.

**The Hon. DANIEL MOOKHEY:** How much is it?

**DAVID DEVERALL:** It is roughly 0.2 per cent.

**The Hon. DANIEL MOOKHEY:** So 0.2 per cent of \$15 billion. We are at \$30 million?

**DAVID DEVERALL:** That sort of thing, yes.

**The Hon. DANIEL MOOKHEY:** Is that because we sold those assets or because the value of the assets dropped?

**DAVID DEVERALL:** A combination, yes.

**The Hon. DANIEL MOOKHEY:** I have been looking at Russian bonds. They have not performed well. How much money have we lost on Russian bonds in the last year?

**DAVID DEVERALL:** I do not know that off the top of my head. I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Thank you very much. How much money do you manage for the New South Wales Government in investment funds?

**DAVID DEVERALL:** I think the most recent number was approximately \$110 billion.

**The Hon. DANIEL MOOKHEY:** How much of that is in international equities?

**DAVID DEVERALL:** It varies by fund, but I could give an estimate. It would only be an estimate and it is plus or minus 10 per cent.

**The Hon. DANIEL MOOKHEY:** Please give an estimate now and then take the question on notice.

**DAVID DEVERALL:** The estimate is around about 30 per cent or so.

**The Hon. DANIEL MOOKHEY:** So 30 per cent is on international—

**DAVID DEVERALL:** That would be an estimate. I do not think always in terms of the entire portfolios together because we have individual portfolios depending on the client.

**The Hon. DANIEL MOOKHEY:** As we have learnt before, you respond to each of your client's different risk appetite statements.

**DAVID DEVERALL:** Thank you.

**The Hon. DANIEL MOOKHEY:** Do not say I am not a connoisseur of TCorp documents. Of that \$110 billion, how much is allocated towards emerging markets?

**DAVID DEVERALL:** In terms of emerging market equities, the typical allocation for a growth fund, if I could look at it that way, where you have a high equity component, would typically be about 6 per cent for equities—so that would be emerging market equities. But if you have a more defensively inclined fund, it would be a lot less than that.

**The Hon. DANIEL MOOKHEY:** That is on equities, but you also allocate to debt.

**DAVID DEVERALL:** Yes.

**The Hon. DANIEL MOOKHEY:** The Generations Fund, which is one of the bigger funds, was 6 per cent to emerging market equities and 6 per cent to debt.

**DAVID DEVERALL:** That is correct.

**The Hon. DANIEL MOOKHEY:** From reading all the other reports, it seems like it is a similar asset allocation for a lot of those investment reports.

**DAVID DEVERALL:** For the higher growth funds that would be correct. For the lower growth funds you would have a smaller proportion.

**The Hon. DANIEL MOOKHEY:** Across the \$110 billion, how much money have we invested in Russia?

**DAVID DEVERALL:** I think the number currently would be roughly 0.2 per cent or something like that.

**The Hon. DANIEL MOOKHEY:** So 0.2 per cent of \$112 billion.

**DAVID DEVERALL:** It is a rubbery number. But if that is the overall allocation, it would be around about 0.2 per cent.

**The Hon. DANIEL MOOKHEY:** In dollar terms, how much does that work out to be? I can do the maths if you want me to. It is \$200 million.

**DAVID DEVERALL:** Roughly.

**The Hon. DANIEL MOOKHEY:** So we have roughly \$200 million allocated to Russia. Are we now getting out of all that?

**DAVID DEVERALL:** Yes. What has been happening is we have been de-weighting towards Russia over the last period of time, and then the announcement that came through over the weekend will have us getting out completely.

**The Hon. DANIEL MOOKHEY:** We will lose money on our investments in Russia, will we not?

**DAVID DEVERALL:** All of the various investments go up and down. Russia, or the emerging markets, is one of the diversifying components. But I would imagine that once we do get out, we will have lost money, yes.

**The Hon. DANIEL MOOKHEY:** I am assuming that there are other emerging markets that have performed well, which means in net terms it might balance or it might not.

**DAVID DEVERALL:** True.

**The Hon. DANIEL MOOKHEY:** But just specifically on the Russian investments, I am looking at the rouble, the 10-year bond yield on Russian debt and the performance of the Russian stock market. It is tanking, is it not?

**DAVID DEVERALL:** I think it went down 33 per cent on Thursday and it went up 25 per cent on Friday, so it is very volatile at the moment.

**The Hon. DANIEL MOOKHEY:** On balance, can we assume that the Russian economy will improve or deteriorate?

**DAVID DEVERALL:** It depends over what time frame.

**The Hon. DANIEL MOOKHEY:** I am tempted to ask the chief economist for his views on the performance of the Russian economy. But given we are in the process of throwing Russia out of the world financial system, are we going to find our assets stranded?

**DAVID DEVERALL:** Not necessarily. We have had discussions with all of the fund managers. Just to remind you, we do not look after the money ourselves.

**The Hon. DANIEL MOOKHEY:** It is JP Morgan, I think.

**DAVID DEVERALL:** There are about six underlying managers. We spoke to all of them over the weekend to understand the levels of liquidity. Obviously, what we are talking about here is very sensitive, because I do not want to be informing the market exactly how much we have got, when we want to get out and at what price et cetera. But there is liquidity in the market at the moment.

**The Hon. DANIEL MOOKHEY:** When do you expect us to divest the almost \$200 million of Russian assets we own?

**DAVID DEVERALL:** Again, I would prefer not to comment on that. We are working on a plan with Treasury to execute on that. But if I give you a deadline now, the way the market works is that they see you coming.

**The Hon. DANIEL MOOKHEY:** To be fair, the Treasurer announced his intention to immediately divest, which is a welcome decision in light of the circumstances. To be very clear, I am not critical of the decision to get out of those Russian assets. Dr Grimes, are you working to an expectation as to when we are meant to have divested.



**PAUL GRIMES:** Yes, absolutely. We are working and liaising very closely with TCorp and very much working towards as rapidly as possible divesting.

**The Hon. DANIEL MOOKHEY:** Good, that is helpful to know. I am not asking you to reveal market-sensitive information.

**PAUL GRIMES:** I understand.

**The Hon. DANIEL MOOKHEY:** But I presume by the time we get to the budget, it is unlikely we will own any Russian debt or equities.

**PAUL GRIMES:** Yes, that would be my expectation. As you have alluded to and Mr Deverall has maybe made some broad comment on, we will have to see what the market dynamics are. But I would be expecting that we would have rapidly divested very quickly. The issue is the one you raise: Would there be stranded assets? I do not know. Mr Deverall is in a much better place to answer that question.

**The Hon. DANIEL MOOKHEY:** He is in a better place, but whether he will is a different question. Are you confident we will not have our ownership of Russian debt and equity stranded?

**DAVID DEVERALL:** Based upon the conversations I have had with the underlying fund managers, I am confident we will be able to divest.

**The Hon. DANIEL MOOKHEY:** That is helpful.

**The Hon. ROBERT BORSAK:** I might have missed the question you asked, Daniel, but it is easy to divest; I do not think that is not a problem. Have you any view in relation to the realisable loss that you are going to incur? Have you budgeted anything for that?

**DAVID DEVERALL:** We mark to market on a daily basis in the funds.

**The Hon. ROBERT BORSAK:** But that is not answering the question. The question is: Do you have a view in relation to what your managers are telling you on what the forward projections may be as you divest?

**DAVID DEVERALL:** No, I do not.

**The Hon. ROBERT BORSAK:** There will be a lot of people running for the door now.

**The Hon. DANIEL MOOKHEY:** Everyone is dumping it; that is why bonds are—

**The Hon. MARK LATHAM:** Yes, it is a clearance sale.

**DAVID DEVERALL:** I do not have a number for you.

**The Hon. ROBERT BORSAK:** So you do not have a view on what the loss would be.

**DAVID DEVERALL:** We are very careful to make sure that when we do divest, we do it in an orderly fashion, so that we are not too negatively impacted by market conditions. But, no, I have not budgeted a number.

**The Hon. ROBERT BORSAK:** Don't get me wrong, everybody has been caught out by what has happened with the invasion of the Ukraine.

**PAUL GRIMES:** I do not think it is unreasonable to expect that there could be some losses in a divestment strategy.

**The Hon. ROBERT BORSAK:** "Could be" or "will be"?

**PAUL GRIMES:** As Mr Deverall has indicated, it depends on the conditions. But I would not find it surprising if the point that you are making is right, that there will be some costs.

**The Hon. ROBERT BORSAK:** You will not be Robinson Crusoe, that is what I am saying.

**PAUL GRIMES:** No, that is right.

**The Hon. ROBERT BORSAK:** That is why I asked: Do you have a view yet?

**PAUL GRIMES:** I think Committee members can see the great importance of New South Wales acting.

**The Hon. DANIEL MOOKHEY:** Mr Deverall, on the general question of why we own this debt in the first place, last time I asked you about ESG policies you said that TCorp follows them. On notice, you said that the countries you do not invest in are Commonwealth-sanctioned countries. It then took us a bit of time to figure out who has been sanctioned by the Commonwealth, which, to be fair, I do not think we ever got to the bottom of.

**DAVID DEVERALL:** They sanction entities, not countries.

**The Hon. DANIEL MOOKHEY:** Sure, either or both, countries or entities. In 2018 we made a choice to invest in Russia, at least with the Generations Fund. That was clearly a mistake, was it not?

**DAVID DEVERALL:** The objective of the Generations Fund is to produce the best risk-adjusted return possible, which means having a highly diverse portfolio. Emerging market equities and emerging market debt are a fantastic way to get that diversification. There are probably, in the equity space of emerging market, about 40 countries, and then the emerging market debt space is probably about 80 to 100 countries. Russia is one of those. Some of them are going up; some of them are going down.

**The Hon. DANIEL MOOKHEY:** I am not asking you in terms of investment performance and investment outlook of each of the 80-odd countries. I am asking you, effectively, whether or not it was permissible both under your policies—and, let's be honest, morally—to be buying this debt regardless of how well it would perform whatsoever. What am trying to understand is, if the ESG principles were properly applied in 2018, we would not own a cent of Russian debt, let alone \$200 million of debt equities. All I wish to ask as a question is how closely is TCorp actually following these ESG principles when it comes to allocating the \$112 billion you manage?

**DAVID DEVERALL:** The general philosophy—and this is a view that is held not just by TCorp but broadly across all large institutional investors around the world—is one of engagement rather than divestment. That is the philosophy. So when we got the original exposure back in 2018, the idea was the underlying managers would then engage with these entities or these jurisdictions or companies. If they are in the situation where they feel as though engagement is not working, then they will choose to divest, and that is what we have started to do with Russia.

**The Hon. DANIEL MOOKHEY:** I am not going to suggest for a second that whether or not we bought on the secondary market Russian debt or equity was likely to have any impact on Vladimir Putin's actions. I am not suggesting that at all. We are too small and, let's be honest, it does not seem like it has any response, regardless of your scale. The question is, from the perspective of the taxpayer, I do not think any taxpayer would expect us to owe a cent to Russian debt because, fundamentally, it would not pass the ESG principles.

The question was not about the intent of your policies but the application of your policy. If your policy was properly applied, we should not have owned this debt whatsoever and what I am trying to understand is do you hold managers to account for this? Are they going to be penalised? Are you going to be making inquiries with asset managers who are responsible for these investments as to why they were allocating money into Russia? Or did you tell them not to allocate money into Russia? That is probably the first question I should ask.

**DAVID DEVERALL:** No. The way in which the money is allocated is there is a broad index for equities. It is the MSCI Emerging Markets Index. And for debt it is the J P Morgan Emerging Market Bond Index. There are, as I said, about 40 different countries for equities and about 80 or 100 different countries for debt. The managers get the broad index exposure, which includes a component for Russia and many, many other countries, and their job is to engage with the entities. Again, in somewhere like Russia, for example, the equities will be Russian individual companies, and they engage with them to seek to drive better ESG outcomes. As I said, if in the event you are unable to achieve that then the managers are under instructions to sell.

**The Hon. DANIEL MOOKHEY:** Can I, on notice, please get the same breakdown of emerging market equities and debt that you provided on notice before for the following funds?

**DAVID DEVERALL:** Yes.

**The Hon. DANIEL MOOKHEY:** Can we get it for the Treasury Managed Fund investment portfolio, the NSW Infrastructure Future Fund, the Social and Affordable Housing Fund investment trust, the Long Service Corporation investment fund and the name, which escapes me right now, of the \$17 billion-odd fund that you manage for icare for the workers compensation scheme?

**DAVID DEVERALL:** I think it is the workers compensation scheme.

**PHIL GARDNER:** No, the Treasury Managed Fund.

**DAVID DEVERALL:** The Treasury Managed Fund?

**The Hon. DANIEL MOOKHEY:** There are two. The Treasury Managed Fund, which is—

**DAVID DEVERALL:** I thought you already mentioned that one.

**The Hon. DANIEL MOOKHEY:** I did that, but then there is a separate icare—

**DAVID DEVERALL:** It could be the Lifetime Care and Support fund.

**The Hon. DANIEL MOOKHEY:** No, it is the \$17 billion fund.

**DAVID DEVERALL:** That would be the WorkCover scheme.

**The Hon. DANIEL MOOKHEY:** That one, yes. If it is possible that we can get that one on notice, that would be great. Chief Economist, on notice, can you provide us with your outlook on the Russian economy?

**STEPHEN WALTERS:** How many pages?

**The Hon. PENNY SHARPE:** I am not quite sure who this is to go to, so we will start with you, Dr Grimes, and we will see. I suspect it may not be you, actually. I want to go back to Eraring Power Station and whether Origin, when it informed the Government that it was considering early retirement of the power station, sought Government assistance to stay open?

**PAUL GRIMES:** I might refer across to Mr Hay on that matter.

**JAMES HAY:** The engagement with Origin was about their possibility of closing, and as they made in their decision on the seventeenth, they have still announced the potential closure in 2025. Based on that, we analysed a number of possibilities and how it would work to see what the plant contribution was to energy security and to see what the alternatives were, which culminated in the Government's announcement of the package that was announced after Origin made its decision.

**The Hon. PENNY SHARPE:** In the assessment of any assistance that it may have asked for from the Government, were you involved in that?

**JAMES HAY:** I was involved in advising the Government on possibilities and options around the possible closure of Eraring.

**The Hon. PENNY SHARPE:** Was there ever an offer of financial assistance or otherwise to Origin in response to learning about the plans to retire Eraring early?

**JAMES HAY:** There were no offers of financial assistance.

**The Hon. PENNY SHARPE:** But there was some assessment of potential assistance to keep it open longer.

**JAMES HAY:** We canvassed a wide range of options around the future of that plant and how its exit would be managed depending on the decision of its owner as to when it wanted to exit.

**The Hon. PENNY SHARPE:** In relation to Project Phoenix and the modelling that looked at the impact of the closure of the power station, can you take us through how the modelling considered the impact on electricity prices?

**JAMES HAY:** The detail of the advice to government is still Cabinet-in-confidence, as the Treasurer said this morning. What we did was consider all the likely consequences of different ways that the plant could exit the market. As for the details of the advice given to Cabinet, I cannot go into anything other than what has been released.

**The Hon. PENNY SHARPE:** Sure, but can you confirm that the modelling did consider the impact on electricity prices?

**JAMES HAY:** As the Treasurer said, our energy policy is about the reliability and affordability of energy.

**The Hon. PENNY SHARPE:** Thank you. That is not answering my question.

**JAMES HAY:** We looked at the affordability and reliability.

**The Hon. PENNY SHARPE:** Are you also then confirming to the Committee that you are not in a position to provide a copy of the modelling completed as part of Project Phoenix?

**JAMES HAY:** That is correct.

**The Hon. PENNY SHARPE:** When was the modelling commenced?

**JAMES HAY:** The work in response to the possibility of early closure commenced once Origin approached us in July.

**The Hon. PENNY SHARPE:** That is the July 2021 time frame.

**JAMES HAY:** July 2021, yes.

**The Hon. PENNY SHARPE:** Thank you. As a result of the early retirement, does the NSW Electricity Infrastructure Roadmap require changes?

**JAMES HAY:** What it focuses on is actually acceleration of that road map. What are the measures that can be taken? The principle part of that road map that was triggered is the energy security target, as I mentioned earlier. We were in the process of receiving the initial report from the energy security target monitor, which is AEMO acting in that basis under the legislation. That report was released in early December. That looked at scenarios, including early closure, but not necessarily the specific one that has eventuated.

**The Hon. PENNY SHARPE:** I assumed that it includes this one plus the others, given there is some doubt about the others as well.

**JAMES HAY:** It looks at scenarios of early closure and it indicated that should there be some early closures, there would be an energy security target breach. The breach is what the Government response is there to respond to.

**The Hon. PENNY SHARPE:** Are you saying that the electricity road map does not need to be updated and it is just going to be accelerated, or do we expect to see an updated road map?

**JAMES HAY:** No. I think the electricity road map provides the mechanisms that are necessary to respond to this. That was the point of it.

**Ms ABIGAIL BOYD:** I will follow up on the questions relating to the Russian investments. If a decision has been made to divest—a normal sell order would have a time frame and a floor price. Presumably, there is a floor price on the instruction to divest?

**DAVID DEVERALL:** We are still working through the specific instructions with Treasury at the moment. There is a current market price. When you are trading securities, you are trying to trade with a minimal impact on the current market price. That would be our endeavour.

**Ms ABIGAIL BOYD:** But if you are giving instructions to managers to do that on your behalf, as you have said, you are going to lose a certain amount of money. Ordinarily, there would be a floor, where you would say, "Do not sell below this amount. We are not prepared to wear this amount of loss." Is that the case here?

**DAVID DEVERALL:** We generally try to give very narrow ranges for the managers in terms of selling. One of the things that managers pride themselves on is making sure the price they get is as close as possible to the prevailing market price. One of the major considerations for us is to ensure that those transaction costs or frictional costs are minimised.

**Ms ABIGAIL BOYD:** So there is a scenario, if the market tanked sufficiently, where you would not be selling the Russian stocks in this relative—

**DAVID DEVERALL:** I do not want to speculate. There are a variety of different market conditions.

**PAUL GRIMES:** As has been indicated in responses given today, Treasury is working very closely with TCorp to give effect to the decision the Treasurer wishes to implement. We are working through all of the details of how you effectively implement that decision. That is a process that is going on, but I can assure you that it is happening very, very expeditiously.

**Ms ABIGAIL BOYD:** Sure. When you look at the Treasurer's announcement, it is a very firm announcement. He is going to divest. We are not going to be in the business of owning Russian investments.

**PAUL GRIMES:** That is right. We are working very much to that understanding.

**Ms ABIGAIL BOYD:** In reality, if you were to signal to the market that you were basically going to sell it at zero, that would be madness. That is not the case, so there are some conditions. It is not a completely unconditional divestment.

**PAUL GRIMES:** And precisely the reason why I said we need to be working through it with TCorp on the very specific parameters that will be applied.

**Ms ABIGAIL BOYD:** Would it have been more accurate for the Treasurer to say, "We are looking to divest subject to not losing too much"?

**PAUL GRIMES:** No, I would not express it in those terms. We are working through the details of how to give effect to the Treasurer's decision.

**DAVID DEVERALL:** Ms Boyd, maybe I can help answer that. The volume of securities that we are talking about, on both equities and debt, in a global perspective is very, very small. As I mentioned before, in discussions with our managers on the weekend, there is liquidity there for us to be able to get out without the frictional costs being too onerous.

**Ms ABIGAIL BOYD:** You are confident that you will not lose too much—

**DAVID DEVERALL:** Correct.

**Ms ABIGAIL BOYD:** —but it is still possible that you will have to put a halt on the trade because you would lose too much.

**DAVID DEVERALL:** As I said, I do not want to make pronouncements in a public forum about exactly what our trading strategy is.

**Ms ABIGAIL BOYD:** I would not expect you to, in the same way that I would not expect the Treasurer to release a statement that is effectively saying that the floor is zero, when that can never be the case.

**PAUL GRIMES:** And reflecting that this is under active consideration right now, as we speak.

**Ms ABIGAIL BOYD:** Yes. Assuming that you get a decent chunk of that money back—I mean, you will get some—what will it be invested in?

**DAVID DEVERALL:** It is too early to tell at this stage. The amount of money will probably initially just go into cash because, as an overall percentage of the portfolios, it is very small. As I said, it is 0.2 per cent. It will probably then get deployed according to the asset allocation of the funds. Some will stay in cash, some will go into equities et cetera.

**Ms ABIGAIL BOYD:** You said before, Mr Deverall, that the decision about complying with the ESG principles was pretty much made at the original investment decision, not further down the track after reviewing it based on new information. Does that mean that you would be holding that in cash until the ESG principles have been reviewed?

**DAVID DEVERALL:** The capital that we raise? No, I think we would deploy it. As I said, 0.2 per cent is such a small amount in terms of the overall impact of the portfolio. Whether it stays in cash or gets redeployed is not a material decision.

**Ms ABIGAIL BOYD:** So potentially you could be investing that money into new investments that do not then comply with whatever the ESG principles are going to be after the review that the Treasurer announced.

**DAVID DEVERALL:** If the money were to be deployed, the bulk of the money would go into—if it was in equities, it would be Australian and developed market equities.

**Ms ABIGAIL BOYD:** We could have the same problem, couldn't we? We spoke earlier about the Russian investments.

**DAVID DEVERALL:** Highly unlikely. These are developed market equities—so this is the US and the UK, and then Australia.

**Ms ABIGAIL BOYD:** I understand, but we do not know what the ESG principles are. The ESG principles are not just geographic, presumably?

**PAUL GRIMES:** I think the point that you are making is following the Bennett review. When the Government considers that, there may be changes, there may not be. We will allow that review to conduct its work. I imagine that TCorp would then make any adjustments to its portfolio and investment strategies accordingly.

**Ms ABIGAIL BOYD:** If we could talk about the coal ash contingent liabilities, or the power station contingent liabilities, which we have been speaking about for many years in these estimates. I understand how the non-quantifiable contingent liabilities work, and that we need to have both a certainty of date and also some sort of realistic approximate estimate of cost. Liddell will close next year. Has the amount of the State's liability for the pre-existing contamination been determined, and will that appear in the budget as a quantified contingent liability?

**PAUL GRIMES:** I might refer to Mr Gardner.

**PHIL GARDNER:** The answer is we have an internal Treasury estimate of the cost of the Liddell remediation that the State will bear. It is a question for us then to work with the Treasury accounting team to determine whether that appears as a provision or stays in the contingent liability category. There is still quite a lot

of uncertainty and events that need to take place. I am completely agnostic to that, but we have to let the accounting principles flow through to determine whether or not that is reflected somewhere in the accounts as a specific item.

**Ms ABIGAIL BOYD:** How was that amount estimated?

**PHIL GARDNER:** Through an independent review done by an environmental advisory business.

**Ms ABIGAIL BOYD:** So a consultant had a look and prepared a report?

**PHIL GARDNER:** That is right. Obviously, as you are well aware, we need to go through a process of the EPA determining the level of remediation that needs to be taken, and then there is a determination of the total cost of the remediation between the State's liabilities and the private operators' liabilities. Then the proportionment—the work we do only needs to be done once at a certain point in time to determine the cost of those things. You do not want to keep repeating the cost estimate because it will obviously move and evolve over long periods of time.

**Ms ABIGAIL BOYD:** Given the inquiry we had into the coal ash repositories in New South Wales, and the growing body of evidence that what we are currently doing with the coal ash dams is not sufficient and we could leave a toxic legacy down the track, it is possible that future regulation be tightened to require a more stringent level of rehabilitation. That would increase the amount of that contingent liability for the State, wouldn't it?

**PHIL GARDNER:** That is a very hypothetical question. I agree that the principle—structurally, if the EPA were, in future periods of time, to change the standards or the level of remediation it required then that could theoretically bring back to the State some sort of risk around the pre-existing contamination. But it is highly hypothetical. There are certain standards it has to be remediated back to. We understand what those are and we will work towards those in the first instance.

**Ms ABIGAIL BOYD:** I understand that Generator Property Management, which was set up by the same legislation that allowed the electricity privatisations in the first place in 2016, has taken over Munmorah and Wallerawang.

**PHIL GARDNER:** Wallerawang ash dam. That is correct, yes.

**Ms ABIGAIL BOYD:** I understand that although it has had them since 2016, there has been no work undertaken in relation to the ash dams themselves as opposed to the other components of decommissioning those sites. Firstly, is something being done about that? Perhaps that is not a Treasury question, so let me know if it is not. Is there the prospect that GPM will also be taking over Liddell and Eraring?

**PHIL GARDNER:** I will have to take the first part of that on notice, Ms Boyd. I am not aware of where we are particularly, with Wallerawang and Munmorah, on the ash dam. I presume it has something to do with the processes we need to go through with the EPA and the others. With respect to Liddell and Eraring, the responsibility with the ash dam sits with the operators. At this stage, that would continue to be the case. I would therefore not expect GPM to be involved in those processes. They are experts, particularly in DDR work around power stations. So we always bring them in to evaluate the situations and the independent reports and the advisory reports and work with us as experts in this field. But at this stage I would not anticipate their involvement in those two processes.

**The Hon. MARK LATHAM:** Just back on the ESG. Has Treasury got a number on the amount of return that we will forfeit in adopting these principles compared to the maximum rate of return that could have been yielded? They are not cost free, are they?

**PAUL GRIMES:** I do not think we have got a single estimate at this stage. Perhaps alluding to the Bennett review, that will be completed. Whether it is possible to be able to put a precise figure on it, we will have to see.

**The Hon. MARK LATHAM:** But the Bennett review—she is not an independent person. She is going to recommend to go ahead. How do we find out the net cost of doing this?

**PAUL GRIMES:** The question is, "Is that something that would be feasible to do?" I would not necessarily assume a net cost, by the way, because moving into a high-quality portfolio may actually have financial benefits and higher returns.

**The Hon. MARK LATHAM:** You have got no assumption at all, have you? So can we take that on notice?

**PAUL GRIMES:** We can definitely take it on notice. I am looking at the official—just in case there are any—

**The Hon. MARK LATHAM:** We should know what we are getting into financially. You just cannot fly blind.

**PAUL GRIMES:** I am looking just to see if there is any estimates available.

**PHIL GARDNER:** Certainly, Mr Latham, we will be modelling. We will have further advisers assist us in the process to be able to model based on capital market expectations around different investments in different markets, and we will be able to model the potential changes in asset allocation and what they may mean for the return profiles of the funds. So maybe—

**The Hon. MARK LATHAM:** When will that be completed?

**PHIL GARDNER:** The review will be completed during the course of this year. So we would expect that the investment strategies that we get advice on may find other investments with equally high returns and risk characteristics. We do not know the extent of this change.

**The Hon. MARK LATHAM:** Just back to one of my pet topics, outcome-based budgeting. How far has the rollout proceeded? Has it got past the Department of Education?

**PAUL GRIMES:** I think the rollout is across government at the moment, but I will go to Mr Midha.

**SAN MIDHA:** Yes, it is right across government. All of the budget estimate numbers are linked into the government outcomes. *Budget Paper No. 2* does cover all the outcomes by cluster.

**The Hon. MARK LATHAM:** Is Treasury being hard-nosed about it? It turns out that in the education department the performance targets in schools are optional. Schools can opt out. What leverage does Treasury have to say, "If you are going to have outcome-based budgeting, it has to be serious, backed up by serious performance targets and accountability for what has been achieved and what has been failed"?

**SAN MIDHA:** I will take education. With education we do not work with them on the implementation of it, but we do report up their performance. They are meant to provide performance data, and they do that.

**The Hon. MARK LATHAM:** So it is optional in schools and it is optional for what departments do. Okay. I come to this question in energy. It was mentioned earlier by Mr Hay that the energy program in New South Wales is about reliability and affordability. It is also about reducing global warming, is it not? The Minister has made that very clear. He answered me that the greenhouse gas emission reductions are three million tonnes of CO<sub>2</sub> equivalent in 2021. What is the impact? What is the outcome here of the impact on global surface temperatures?

**PHIL GARDNER:** Ms Parry is in charge of climate change.

**The Hon. MARK LATHAM:** Yes, Ms Parry. Someone must know.

**RACHEL PARRY:** Sure. I just want to repeat the question back to you, Mr Latham, to make sure I am understanding it correctly. You are asking the net impact of New South Wales electricity policy on global temperatures.

**The Hon. MARK LATHAM:** No, overall greenhouse gas emission reductions. The Treasurer or the Minister for Energy reported to me in November that last year it was three million tonnes of CO<sub>2</sub> equivalent. What does that do in reducing global surface temperatures which, obviously, is a major policy objective of the Minister and the Government? There is no point doing all this, spending billions of dollars turning the electricity grid upside down, unless it has some positive impact on global warming.

**RACHEL PARRY:** No, I appreciate that. I am just going to turn to my colleague, Ms Hickey, to see whether she has a firm answer there, otherwise I will take it on notice and we can come back to you in this session.

**The Hon. MARK LATHAM:** Would it be the calculation from the Royal Society in London, verified by our Parliamentary Library, that that amount of CO<sub>2</sub> equivalent reduction over 100 years—a full century—is a reduction in global surface temperatures of 0.00055 degrees Celsius. That is basically nothing over 100 years. Meaning, in terms of outcome-based budgeting or any rational assessment, why would any normal government do it, if that is the outcome? But you will take it on notice and check my data against what I have gleaned from the Minister and the Royal Society in London, the academy there?

**RACHEL PARRY:** We can take that on notice, Mr Latham, but I would just make the point that the Government has committed to their Net Zero Plan and they have obviously—the gains that can be made in achieving those net zero targets are primarily and can most easily be met through the energy sector. But there are other sectors that contribute to that overall target as well.

**The Hon. MARK LATHAM:** Yes, but the greenhouse gas emission reduction transfers at that rate in 2021 over 100 years to 0.00055 degrees Celsius.

**RACHEL PARRY:** I will take your question on notice, Mr Latham.

**PAUL GRIMES:** I think it is probably important to note that dealing with climate change is a collective action problem and a collective action problem across countries—

**The Hon. MARK LATHAM:** It would want to be, based on that, wouldn't it? New South Wales' impact is basically nothing. Over 100 years it is basically nothing.

**PAUL GRIMES:** —with every country and every jurisdiction making its contribution to achieving a global outcome.

**The Hon. MARK LATHAM:** Good luck with Russia and China because they would want to be doing a lot more than that lousy figure, which is kind of bizarre as to why anyone would bother. If I could come to Mr Hay, there was a media report over the weekend about the HumeLink being delivered and finished six years after Snowy 2.0 comes online. Is that the expectation we have here in New South Wales?

**RACHEL PARRY:** No, it is not. I can take that point, Mr Latham. I am not sure which media report you are referring to, but all I can point to is AEMO's 2022 draft Integrated System Plan, which still has HumeLink on track for being delivered.

**The Hon. MARK LATHAM:** For 2025?

**JOANN WILKIE:** I beg your pardon?

**The Hon. MARK LATHAM:** For 2025?

**RACHEL PARRY:** For 2025-26. So that is still the expectation. That was in the draft ISP and that has not changed. That is still our expectation and we are working very closely with both Transgrid and the Commonwealth Government to ensure that transmission capacity comes online to unlock certainly not only Snowy 2.0 but the other renewable assets that we are seeing.

**The Hon. MARK LATHAM:** Has Transgrid told you it might be delayed somewhat?

**JOANN WILKIE:**

**RACHEL PARRY:** I beg your pardon?

**The Hon. MARK LATHAM:** Has Transgrid told you it might be a bit later than 2025-26?

**JOANN WILKIE:**

**RACHEL PARRY:** They are still working under their assumed time frames and they have not advised us to anything contrary.

**The Hon. MARK LATHAM:** And you have got our New South Wales transmission plan coming out in September. When are we expecting to have the full upgrade of the link for Orana REZ and how much does it cost?

**JAMES HAY:** We are currently in procurement for that network. RFPs will be issued at the end of May. We have a strongly competitive process for that. Right now suggesting what we think it is worth is probably very highly commercially sensitive, so I would rather not go into that at this time.

**The Hon. MARK LATHAM:** But it is public money, isn't it?

**JAMES HAY:** The completion date for that—

**The Hon. MARK LATHAM:** You pay Transgrid, don't you?

**JAMES HAY:** How that is procured is through a contestability process whereby people will bid to build and fund that asset and costs will be recovered from consumers, as is normal for transmission assets.

**The Hon. MARK LATHAM:** What are you expecting to be the impact on consumers?

**JAMES HAY:** That is all factored into the forward projections. The precise impact of that I would have to come back to you on, rather than give you a number right now.

**The Hon. MARK LATHAM:** That is okay. So you will take that on notice. Can you do the same for the New England connection?



**JAMES HAY:** New England is not as advanced, but we are working on that. We will be continuing to update—the strategy I mentioned will give a much firmer position on the time frame for delivery of that link.

**The Hon. MARK LATHAM:** Are there any broad parameters for delivering the link and finishing it? It is vital, isn't it, with Eraring closing early?

**JAMES HAY:** It is important. The assumptions are that New England will be delivered in phases and it has also got to be integrated with plans for further interconnectors with Queensland. So it is hard to answer that in a single question, Mr Latham. It is a complex piece of network design, which is what the network and investment strategy will set out.

**The Hon. MARK LATHAM:** Yes, but it is completely opaque from the view of the taxpayer, isn't it?

**JAMES HAY:** It will be very clear.

**The Hon. MARK LATHAM:** When?

**JAMES HAY:** When the network investment strategy is set up.

**The Hon. MARK LATHAM:** Okay. We will eagerly await that. Mr Hay, earlier on you mentioned I think two gigawatts out of the pumped hydro system?

**JAMES HAY:** Can I just add something on that just to clarify that answer?

**The Hon. MARK LATHAM:** Yes, please.

**JAMES HAY:** The Consumer Trustee, the independent body that runs the auctions, in its infrastructure investment objectives report at figure 4 talks about having four planned auctions between now and 2026 for long-duration storage. It also provisions and it is scheduled to have a further four auctions should they be needed. It calls them contingent auctions. So that is the process by which it is intending to procure the two gigawatts.

**The Hon. MARK LATHAM:** Can I just quickly ask: For that long-term storage capacity, how many new dams would need to be built?

**JAMES HAY:** It would be too hard to say. It depends which—

**The Hon. MARK LATHAM:** Can you take that on notice? It is two dams, isn't it, for pumped hydros—one at the top, one at the bottom.

**JAMES HAY:** It does not necessarily mean two dams, but two reservoirs, yes.

**The Hon. MARK LATHAM:** They are hard to build.

**JAMES HAY:** Some are connected by tunnels; some are connected by penstocks.

**The Hon. MARK LATHAM:** Can you take that on notice—an estimate of what sort of dams or reservoirs numbers we would need to construct to make that viable? These are big EIS processes, aren't they?

**JAMES HAY:** I think the way to potentially answer your question most helpfully would be to sort of say what are the projects that we currently understand through the pumped hydro grants scheme, which is well advanced, which is intended to bring projects forward for those auction processes. We can give you some ideas of the projects that are currently proposed.

**The Hon. MARK LATHAM:** If you could take that on notice. Thank you.

**RACHEL PARRY:** Sorry. Before we move on, I just need to correct testimony.

**The CHAIR:** Yes, that is fine.

**RACHEL PARRY:** I indicated that the HumeLink in the draft ISP was coming on in 2025-26, and it is actually 2026-27 in the draft ISP.

**The Hon. MARK LATHAM:** That is, what, 18 months after Snowy 2.0?

**RACHEL PARRY:** No, Snowy 2.0 will be progressively commissioned from 2025-26.

**The Hon. MARK LATHAM:** Okay. Fine line.

**JAMES HAY:** Just to add to one of my answers, if that is possible.

**The Hon. MARK LATHAM:** Yes, please.

**The CHAIR:** You can, yes.

**JAMES HAY:** The New England REZs are about future supply.

**The CHAIR:** Can you just switch the microphone over?

**JAMES HAY:** It is not necessarily a direct response for Eraring. So it is not coming on time for Eraring. The REZs are about the future of energy over that period to 2030 and beyond.

**The Hon. DANIEL MOOKHEY:** Dr Grimes, through you to Mr Deverall, are we invested in any cryptocurrencies? You have to verbally answer.

**PAUL GRIMES:** It looks like there is shaking of heads, but I will defer to Mr Deverall on that question.

**DAVID DEVERALL:** No.

**The Hon. DANIEL MOOKHEY:** Okay, cool. In the budget papers—I am just reading from page 6-6—it says that the average yield across the entire \$72.9 billion of general government borrowing portfolio was 2.4 per cent. Either now or on notice, can we get an update as to what the average yield is across the portfolio?

**DAVID DEVERALL:** Yes.

**The Hon. DANIEL MOOKHEY:** Great. Thank you. Secondly, Mr Deverall, or through you Dr Grimes—either of you two whoever is best—it says that in the half-year budget review that we will be retiring \$4.3 billion-ish of debt as a result of the WestConnex sale. Has that been done?

**PAUL GRIMES:** I will refer to Mr Deverall.

**DAVID DEVERALL:** If it is okay, San, I can give the update.

**The Hon. DANIEL MOOKHEY:** Sorry, Mr Midha. I did not mean to be rude if it was you.

**DAVID DEVERALL:** Yes, it is sort of San is the man.

**The Hon. DANIEL MOOKHEY:** Mr Midha, do you want to respond to that question?

**DAVID DEVERALL:** We execute; he tells us what to do.

**The Hon. DANIEL MOOKHEY:** Maybe then, if you are the person who is controlling the actual debt retirement, it is better that I direct the question to you. Mr Midha, have we retired the \$4.3 billion that was flagged?

**SAN MIDHA:** Yes, TCorp do execute the debt retirement action. That money is sitting in a liquid fund. The actual debt retirement program is being run by TCorp, so it is better that Mr Deverall—

**The Hon. DANIEL MOOKHEY:** Yes, but you issue the instructions, do you not?

**SAN MIDHA:** Yes. The instructions have been issued, so they are in the process of retiring debt. I think we can get Mr Deverall to give you an update.

**The Hon. DANIEL MOOKHEY:** On notice, Mr Deverall, can we get the list of instruments that have been retired?

**DAVID DEVERALL:** Yes.

**The Hon. DANIEL MOOKHEY:** Thank you.

**DAVID DEVERALL:** Just to help you with your answer, we have retired so far about \$2.3 billion, mostly instruments two years or less.

**The Hon. DANIEL MOOKHEY:** Okay. Can we just get the list of instruments that have been retired?

**DAVID DEVERALL:** Sure.

**The Hon. DANIEL MOOKHEY:** Thank you. Dr Grimes, where are we up to in terms of recruiting a parliamentary budget officer?

**PAUL GRIMES:** I would have to take that on notice.

**The Hon. DON HARWIN:** That is actually not the Treasury's responsibility. That is the Presiding Officers.

**The Hon. DANIEL MOOKHEY:** It is the responsibility of the secretary of the Treasury.

**The Hon. DON HARWIN:** No, it is the Presiding Officers.

**The Hon. DANIEL MOOKHEY:** Okay. In terms of the allocation of staff from Treasury to the PBO, has planning commenced on that?

**PAUL GRIMES:** Not that I am aware of, but that does not mean that planning has not commenced, given my relatively short tenure in Treasury.

**The Hon. DANIEL MOOKHEY:** Can we get an update on those?

**PAUL GRIMES:** We will take that on notice and see if there is any update.

**The Hon. DANIEL MOOKHEY:** That will be helpful so we do not take more time.

**PAUL GRIMES:** But I imagine that will happen in due course.

**The Hon. DANIEL MOOKHEY:** I suspect that this might need to be directed to the team that is responsible for economic modelling—as you see fit, Dr Grimes—but have we prepared models on initiatives that could encourage increased female participation in the short, medium and long term?

**PAUL GRIMES:** I will refer that to Mr Midha and Mr Walters.

**The Hon. DANIEL MOOKHEY:** I believe it might be Mr Walters and Ms Wilkie actually.

**PAUL GRIMES:** Okay, you are doing better than me.

**Ms ABIGAIL BOYD:** That is a bit ironic.

**PAUL GRIMES:** I will refer across to Ms Wilkie.

**The Hon. DANIEL MOOKHEY:** To be fair, Ms Wilkie and I have had conversations about this before. It is not like I have any special insight. Ms Wilkie, perhaps I can direct the question to you. Has the Treasury prepared modelling on initiatives that could encourage short-, medium- and long-term lift in female participation rates in New South Wales?

**JOANN WILKIE:** Yes. As part of the intergenerational report, as we have conversed about before, there was modelling done in the course of that. There are various other things in response to—say, in some of the Productivity Commissioner's recommendations, where Treasury is looking at individual initiatives. And then further initiatives are being looked at as part of the women's economic empowerment task force. Treasury is involved in modelling—looking at modelling—for the overall package that may be considered. Modelling on the impact of individual projects or initiatives is the responsibility of the responsible department, and then that will be assessed, as per usual processes, by the evidence and evaluation team in Treasury.

**The Hon. DANIEL MOOKHEY:** I appreciate that, Ms Wilkie. On notice, it would be great if we could get some more detail on the two categories of modelling that you described—the modelling of the Productivity Commissioner's recommendations. Given that those recommendations are public, if we can get on notice Treasury's advice as to which is most likely to lift female participation in the short, medium and long term, that would be helpful.

**JOANN WILKIE:** Sure.

**The Hon. DANIEL MOOKHEY:** According to each of the initiatives actually—not an aggregated answer but the specific recommendations.

**JOANN WILKIE:** Yes, to the extent that—I mean, the Productivity Commission white paper report looked at specific sectors of the economy. It was not specifically looking at this issue, so in some respects it is not going to be a comprehensive answer in terms of possible initiatives across the economy but, yes, we can take that on notice for you.

**The Hon. DANIEL MOOKHEY:** I appreciate that. But, on notice, can we get a list of possible initiatives that could be taken by the New South Wales Government that Treasury has modelled? Which one is most likely to increase female participation in the short, medium and long term?

**JOANN WILKIE:** Sure, we can do that.

**The Hon. DANIEL MOOKHEY:** I appreciate that.

**The Hon. MARK LATHAM:** No more lockdowns.

**The Hon. DANIEL MOOKHEY:** It would help. Dr Grimes, do you have Treasury's financial statements with you?

**PAUL GRIMES:** Not immediately in front of me, but I am sure we will have an officer who has them available here. They are attached to our annual report, I would imagine.

**The Hon. DANIEL MOOKHEY:** Yes, they are. I flag that I am about to ask you about the State's accounts as well, so if you are in a position to get the Treasury annual report and financial statements, and the Total State Sector Accounts, it will probably make this a bit smoother. I am referring to Note 2 to the financial statements. Treasury is the only department that does not publish how much Treasury spent on redundancies. How much did Treasury spend on redundancies last year?

**SAN MIDHA:** I do not have that.

**The Hon. DANIEL MOOKHEY:** Does Mr Walters have that?

**STEWART WALTERS:** I have to take that on notice.

**The Hon. DANIEL MOOKHEY:** Is there a reason you do not publish that line item in a note?

**The Hon. MARK LATHAM:** Lost count.

**The Hon. DANIEL MOOKHEY:** Literally, the Treasury is the only one of the eight clusters not to publish the item, which is quite remarkable. Hence, I am interested in how much Treasury spent on redundancies last year. Do you want to take it on notice?

**PAUL GRIMES:** It is a reasonable question—why that line is not there—and a reasonable question for us to take on notice to provide the information.

**The Hon. DANIEL MOOKHEY:** Thank you. Also, last year your workers comp bill went up by \$300,000. Why is that? The Treasury's premium doubled. It went from \$214,000 to \$600,000, which is the largest of any cluster, from what I can tell. There is an irony in that but, on notice, can we get an explanation as to why your premiums skyrocketed, unless you have one now?

**PAUL GRIMES:** I will see if we have any information. In the meantime, I have got information on the number of redundancies.

**The Hon. DANIEL MOOKHEY:** Great. How many?

**PAUL GRIMES:** In 2020-21 there were 12 redundancies, including senior executive terminations, and the associated costs were \$2,174,604.

**The Hon. DANIEL MOOKHEY:** Thank you. Can we get the previous year? Because you have not reported it for years.

**PAUL GRIMES:** We will take that on notice unless my helper in the background provides the information more quickly.

**The Hon. DANIEL MOOKHEY:** On notice, if possible, can we get it for the past three to four years? That is reasonable because we cannot benchmark Treasury to any of the other departments in the absence of Treasury publishing that figure. I want to ask you about the building maintenance. On page 85 of your annual statements, helpfully we have a report on items that you administer. It says that Treasury provided "grants to fund agency redundancies" of \$113 million. At various times, various departments have told us that they do not incur the actual cost of their redundancies on their budgets; they transfer it to you. Did the New South Wales Government spend \$113 million making people redundant last year?

**SAN MIDHA:** I can take that on notice, but we do fund the redundancies as long as they provide the evidence that the positions are permanently removed.

**The Hon. DANIEL MOOKHEY:** Mr Midha, do you mind just moving the microphone so we can get this on *Hansard*? I am referring to page 85. It is item note E.7, for what it is worth. It is quite clear that that is what it is and it was up \$7 million last year. Can we please get the \$113 million itemised by departments, and which ones were going to which departments?

**SAN MIDHA:** Yes, I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Equally, on that page it states that you provided grants to agencies for State contingencies. Last year you only provided \$1.15 million—which is fair enough because you had the opportunity to change the appropriation, so it was not an actual contingency—but in the year previous the Treasury provided \$1.2 billion. Is that the possible source of where some of those allegations of rort funding could have taken place?

**SAN MIDHA:** I could not easily say what they are referring to, or how this contingency and where it is sitting in different departments and whether it was for bushfire or floods or—

**The Hon. DANIEL MOOKHEY:** But can we just get a breakdown of the 2020 figure, the \$1.2 billion, as to who got what from that particular figure?

**SAN MIDHA:** Okay.

**The Hon. DANIEL MOOKHEY:** That would be great. Equally, it states that last year you provided capital injections into government-owned businesses of \$3.3 billion. I am prepared to accept that \$2.4 billion of that went to the Transport Asset Holding Entity as a capital injection. Is that right?

**SAN MIDHA:** Yes, \$2.4 billion for 2021-22.

**The Hon. DANIEL MOOKHEY:** For 2021-22?

**SAN MIDHA:** Sorry, 2020-21 was \$2.4 billion.

**The Hon. DANIEL MOOKHEY:** Which other government businesses got an accumulation of a \$900 million capital injection?

**SAN MIDHA:** I will take that on notice.

**The Hon. DANIEL MOOKHEY:** If we could get that broken down by government businesses that attracted that particular capital, that would be really useful.

**SAN MIDHA:** Yes.

**The Hon. DANIEL MOOKHEY:** Because there is a discrepancy between the items. It is reported as being \$3.37 billion and then on the next page it is reported as being \$3.4 billion. I am trying to understand why there is a difference, if that is okay. Do not worry, you do not need to answer it now; if you can take that on notice it would be very helpful.

**The Hon. ROBERT BORSAK:** It is a rounding.

**The Hon. DANIEL MOOKHEY:** It is \$700 million; it is not rounding! On page 79 Treasury provides an outcome list of its special deposit accounts. Firstly, on notice can we get an update as to what the current balance is on all those special development accounts?

**SAN MIDHA:** Special deposit accounts?

**The Hon. DANIEL MOOKHEY:** Yes, sorry. That would be helpful. What I am actually interested in is the Social and Affordable Housing Fund, which did not spend any money last year. Why did it not spend any money last year? Mr Gardner?

**PHIL GARDNER:** There are two elements to the Social and Affordable Housing Fund. There is a cash deposit account and an investment account. The total balance is probably of the order of \$1½ billion and the purpose of that fund is to meet ongoing commitments to service payments through the life of the social and affordable housing program. Those numbers, at this early stage of the program, are relatively de minimis before there are tenants in the houses, so it is just most likely that the drawdown profile of the fund is yet to ramp up with a ramp-up in tenancies and payment.

**The Hon. DANIEL MOOKHEY:** When is it meant to ramp up?

**PHIL GARDNER:** It is happening now. I will take the payment profile on notice, but the SAHF itself is actually—the number of houses is being delivered fairly much on target and the tenancies are coming through relatively quickly. Certainly it will be ramping up in the course of the next 12 to 24 months.

**The Hon. DANIEL MOOKHEY:** Okay, that is fair enough. On notice you will provide us with a bit more information on that?

**PHIL GARDNER:** We can.

**The Hon. DANIEL MOOKHEY:** Thank you very much. I will turn now to the exciting part of budget estimates: the State accounts. I know everyone is excited. You would have seen the report from the Auditor-General about the rather large mistake in the purchasing of PPE equipment that NSW Health has undertaken in the last year, with the write-off of \$251 million worth of masks and other personal protective equipment. Have you provided any further update or had any further reports from Health about how it is tracking this year?

**SAN MIDHA:** No, I do not have any information on that. I can take that on notice.

**The Hon. DANIEL MOOKHEY:** Okay, that will be helpful. In terms of the State accounts, it reports on the expiry of certain concession arrangements that were entered into decades ago that are actually expiring this year. Apparently, this year we are recovering ownership of the Prince of Wales Hospital car park, and the St George Hospital car park is due in two years. What are we doing about that? What will happen to the car parks? Do we know?

**SAN MIDHA:** No, not off the top of my head. I will take that on notice.

**The Hon. DANIEL MOOKHEY:** To be fair, it is a particular question but it is actually the first time some of these concessions are expiring. I am interested in what will happen with that revenue. These are quite important issues for people who work in the hospital and people who use the hospital. Is it the intention to revert this back to public ownership or not? Do we know?

**SAN MIDHA:** I will take that on notice. I presume that should be with the Ministry that owns the—

**The Hon. DANIEL MOOKHEY:** Is Treasury involved in renegotiating these concession arrangements, given that it is a responsibility of Treasury? Treasury has a big role in negotiating the rollover and/or end of concession arrangements. Where are we up to on that?

**SAN MIDHA:** I will take that on notice and understand the process better before we answer.

**The Hon. DANIEL MOOKHEY:** Equally, the entire Hawkesbury hospital is apparently due to come back, according to page 6-88. Obviously, the people of Hawkesbury have a real interest in the status of their hospital. Has Treasury commenced work on what is going on with Hawkesbury hospital? It is a big thing to happen to the health budget, to recover ownership of a hospital. Where are we up to on that?

**SAN MIDHA:** Again, I will take that on notice.

**The Hon. DANIEL MOOKHEY:** Fair enough. I am really getting to the exciting bits, I know. The other thing I was interested in reading in your State accounts is that we have had quite a large increase in annual and other leave entitlements that have not been claimed: \$500-odd million additions have to be provisioned in terms of the public service. That is not long service leave. What is going on? Are people not taking their holidays because of COVID?

**The Hon. MARK LATHAM:** They are home already.

**The Hon. DANIEL MOOKHEY:** They are staying home? What is the impact to the budget of managing that better?

**PAUL GRIMES:** Well, that means that we have built up some increased liabilities associated with people not taking as much leave. I think all departments would be encouraging staff to take leave and run down that liability. Of course, as staff take leave, it has already been booked. So, there is not an impact on the budget when the leave is taken.

**The Hon. DANIEL MOOKHEY:** So, basically, we are pre-booking it.

**PAUL GRIMES:** We are pre-booking it as the liability builds up. If you like, the cost has occurred to reflect that liability building up.

**The Hon. DANIEL MOOKHEY:** Hence my interest in managing this.

**PAUL GRIMES:** Yes.

**The Hon. DANIEL MOOKHEY:** As Treasury, what are you doing with your own department, Dr Grimes?

**PAUL GRIMES:** I cannot give you an update on what Treasury has been doing specifically, but I do know in other places there has been a focus on trying to encourage staff as far as possible to be taking leave. Particularly with things opening up, I think it is an even better time to be encouraging people to use up some of their entitlements and get out around Australia and regional New South Wales and possibly, in some cases, overseas.

**The Hon. PENNY SHARPE:** I have an energy question about gas. The AEMO March 2021 Gas Statement of Opportunities updated the effects of the declining natural gas production from Bass Strait, and it basically said that it believed there was sufficient supply in the near term in relation to forecasts. But that was very much based on the Port Kembla gas terminal being delivered and operational by winter 2023. Given the difficulties with COVID et cetera, are we confident that that is going to happen and that it will be ready? I am not quite sure to whom I should direct my question.

**JOANN WILKIE:** Thank you for your question. I am going to ask my colleague Mr Lewis, who is online, to take that question. Andrew, did you catch it?

**ANDREW LEWIS:** I will come off mute. Sorry, can you just repeat the last bit of the question?

**The Hon. PENNY SHARPE:** The question is what is the latest update that you have received on the construction of the terminal at Port Kembla? Is it going to be delivered ahead of winter 2023, which is the date flagged by AEMO in terms of issues of supply?

**ANDREW LEWIS:** We have the general engagement with the proponent for the Port Kembla import terminal as well as the party which has been selected to deal with some of the pipeline infrastructure that supports that development. I do not have an exact date right in front of me of the latest information that we have had. I am very happy to go back and find that information and provide that on notice. What we do know is that the developer at that facility is still examining a range of options for the timing of when that can be delivered and it is very much dependent on the demand for gas. As I think you partly highlighted in your question, there is some potential uncertainty around future gas supplies and that would tend to indicate that there may well be strong demand, which would help them to enter into and agree to the necessary contracts that are required for the building of that facility.

**The Hon. PENNY SHARPE:** Just to be clear, you are not able to tell us today whether it is on track for a winter 2023 finalisation?

**ANDREW LEWIS:** I do not have that information with me right at this time, but, as I say, I am more than happy to take that on notice and provide a follow-up question within 21 days.

**The Hon. PENNY SHARPE:** Thank you, I appreciate that.

**The Hon. DANIEL MOOKHEY:** Secretary, the Victims Support Fund provision doubled from \$193 million to \$403 million last year. What is it now?

**SAN MIDHA:** I can get you the numbers for this process.

**The Hon. DANIEL MOOKHEY:** Thank you. Do you know why it doubled?

**SAN MIDHA:** No. Again, I will come back to you with that.

**The Hon. DANIEL MOOKHEY:** On notice if we can just get some information about that. State accounts also report that Treasury underspent its budget by \$652 million. I am just reading from your grants, which is on page 6-178. It says:

Major reprofiling of grant expenses in 2020-21 includes the following lower than forecasted expenditures in:

- \$652 million in NSW Treasury Administered items ...

Is that because there was less demand for some of the COVID support programs than was expected?

**SAN MIDHA:** Yes, that would be the case.

**The Hon. DANIEL MOOKHEY:** And are there any other reasons for why that was lower than expected?

**SAN MIDHA:** We can reconcile that and come back to you.

**The Hon. DANIEL MOOKHEY:** Okay, thank you. Secretary, the Treasurer has made repeated reference to work going underway on the property tax reform proposal. What is Treasury doing?

**PAUL GRIMES:** Treasury has been preparing advice for the Government and that is a matter for the Government to consider and make decisions.

**The Hon. DANIEL MOOKHEY:** Indeed, and that is what we learnt last time, but what specifically has taken place in the last three months since the release of the consultation paper?

**PAUL GRIMES:** I think we are really entering into the territory of matters that are currently before the Cabinet, so we are probably not in a position to be able to provide further commentary.

**The Hon. DANIEL MOOKHEY:** Treasury has engaged KPMG to assist it in this work and has renewed its contract. So in total I think across the two years, KPMG has gotten \$10 million in order to assist. What is KPMG doing for the Treasury for which we are paying them \$6 million?

**PAUL GRIMES:** I would have to either refer to the officers here or take that on notice to provide a fuller response to you.

**The Hon. DANIEL MOOKHEY:** Just with the indulgence of the crossbench, one final follow-up on all this. I have had multiple people come to me and complain about the fact that KPMG has forced them to sign non-disclosure agreements in order for them to even be able to be consulted, which is unprecedented, that in order to participate in a public consultation they would have to sign non-disclosure agreements with an accounting firm that is not Treasury. I am interested whether or not this has been reported to Treasury, whether or not this is an approved Treasury practice and whether or not Treasury is aware of the number of NDAs people have signed with KPMG.

I will get you to respond to this because, Dr Grimes, it looks like Treasury hired KPMG to do this work so none of this work could be scrutinised by Parliament and none of this work could be scrutinised in these committees or be subjected to our own powers to inspect. It is just remarkable the amount of people who are complaining to me about being forced to sign an NDA in order to be consulted on what is, whether you like it or not, a very, very significant change to Australian taxation. Why is Treasury using KPMG and is KPMG asking people to sign non-disclosure agreements before they have the opportunity to even give their opinion on the Government's policies?

**PAUL GRIMES:** All good questions, maybe most appropriately taken on notice, but I will see whether there is an officer—Ms Wilkie might be able to provide further assistance to you why the arrangements are being constructed in that way.

**JOANN WILKIE:** Thank you for the question, Mr Mookhey. In terms of the amount of money that we have contracted KPMG for, there is a difference between, I guess, the amount of money in terms of what has been reported and the actual expenditure. I can take on notice what that difference is. In terms of what they were asked to do, KPMG has not been asked to undertake the policy work for this reform. KPMG has been providing support to Treasury in things like undertaking, as your question suggests, stakeholder engagement and consultation and other logistics and administrative support while Treasury undertook the core policy analysis and work.

I do not agree with the way you phrased the question in terms of, "KPMG has been hired to do this reform". That is not correct. They have been supporting Treasury while Treasury has been doing the policy work. On the signing of non-disclosure agreements, I am aware that for certain aspects of the consultation process—where we were wanting to have confidential discussions about specific issues in relation to the reform and seeking to understand, for example, the way the industry operates in terms of third parties and that sort of thing—we did ask people to sign non-disclosure agreements. But from what I can recall, and I will take this on notice, we certainly did not require everybody who was consulted to sign a non-disclosure agreement. But I will take that on notice and get back to you on that.

**The Hon. DANIEL MOOKHEY:** How many people have signed NDAs?

**JOANN WILKIE:** I will have to take that on notice. I know there were some circumstances where we did ask NDAs to be signed but it was not in all circumstances, and we are talking about consultation that has been ongoing now for over 12 months—

**The Hon. DANIEL MOOKHEY:** Hence the complaints that I am getting.

**JOANN WILKIE:** —with dozens and dozens of stakeholders. I will need to take that on notice because I do not have that information at my disposal right here.

**Ms ABIGAIL BOYD:** I will follow up on some of the questions I asked this morning in relation to electric vehicles and the incentives scheme. I am not sure how much of that was taken on notice, just to be clear. Are you able to tell me how many cars have been sold that received the cashback amount?

**RACHEL PARRY:** I can, yes, thank you. There are two figures here. As at 18 February, 1,399 rebates had been given. As at the same date, 18 February, 1,948 EV stamp duty exemptions have been provided.

**Ms ABIGAIL BOYD:** How many EVs have been purchased since the start date? Presumably that 1,948 captures all of the EVs that have been purchased since the beginning of the scheme?

**RACHEL PARRY:** Yes. I would need to line that up because I know some of those rebates can go retrospectively from 1 December 2021, whereas the EV data that we have collected and that I have here covers all of 2021. I would need to probably take that specific question on notice. But if you would like to know the proportion of EV sales for 2021, I do have that.

**Ms ABIGAIL BOYD:** Yes, please.

**RACHEL PARRY:** Just to note, EV sales in New South Wales are growing really significantly. According to the EV Council in 2021, 7,430 new EVs were sold in New South Wales, which is almost more than



were sold in all of the rest of Australia. New South Wales has quite a significant EV market. In 2021 that represents 1.9 per cent of all car sales.

**Ms ABIGAIL BOYD:** Do you have any data that compares the pre-scheme versus post-scheme take-up over a similar period? So if we looked at—when did it start?

**RACHEL PARRY:** The program began retrospective to 1 September 2021. I would have to take that question on notice because I think you have broken that down to something quite specific, so we would need to get the data collected on that.

**Ms ABIGAIL BOYD:** Comparing to the previous six months would be useful. How does that amount compare against the assumptions behind the modelling for the policy?

**RACHEL PARRY:** I do not have the assumptions to hand, but with these kind of demand-based programs, we would expect them to ratchet up over time. Again, part of the overall strategy is to attract more supply, address range anxiety and address those barriers to take-up. Our modelling in particular on the rebates would show it ramping up over the life of the program. While I do not have the exact assumptions here to line it up, it would not be far off our assumptions in terms of the relative trajectory. But I can take that on notice in terms of absolute terms.

**Ms ABIGAIL BOYD:** So the department is not concerned yet?

**RACHEL PARRY:** No, not at this point.

**Ms ABIGAIL BOYD:** In terms of the charging station rollout, my understanding, if I recall correctly, is there was going to be some sort of process of inviting people to tender for that work. Is that correct? Where have we got to with that?

**JOANN WILKIE:** It is, but I might just invite Ms Hickey to go into some of the charging infrastructure uptake.

**CRISTIEN HICKEY:** The EV ultra-fast charging infrastructure—on 2 February the Minister announced the first \$35 million co-funding round, so that has gone out. There will be probably up to four rounds. Those responses have been received and we are just working through those.

**Ms ABIGAIL BOYD:** Is there an estimated time for when we will have a certain percentage of those charging stations rolled out?

**CRISTIEN HICKEY:** Yes, for this round we expect construction to start in the second half of 2022, for that first round. We expect the construction of all the charging stations that are approved in that first round to be completed within two years.

**Ms ABIGAIL BOYD:** During debate on the bill that implemented this policy, there was some discussion around range anxiety. I expressed the view at the time that that was perhaps something that was a year old and that people are not as concerned about range anxiety anymore, given the new models that can go hundreds of kilometres without needing a charge. But what is becoming clearer is that a lot of people who do not have driveways really do want to have an EV but they have nowhere to charge it overnight. Has that filtered through now into the department's thinking? What is it doing to address that?

**CRISTIEN HICKEY:** Yes, it has. The ultra-fast vehicle program has both ultra-fast charging stations put in place every 100 kilometres on regional roads but also within every five kilometres in those densely populated urban areas where there is limited off-street parking.

**Ms ABIGAIL BOYD:** It is a very different thing, though, to have to go five kilometres from your house rather than being able to just plug it in at your house.

**CRISTIEN HICKEY:** Yes, it is.

**Ms ABIGAIL BOYD:** It is a major obstacle to a lot of the people who would otherwise be buying those sorts of cars.

**CRISTIEN HICKEY:** Yes. There is also some work being undertaken to ensure that we have some infrastructure charging put into apartment buildings, as well. But, yes, the intention is that there will be charging infrastructure at supermarkets and other public places where people can—

**Ms ABIGAIL BOYD:** That was the original plan, though. There has been quite a lot of lobbying in relation to having on-street parking attached to charging stations on every street in places in the inner west, where you have relatively wealthy people, to be fair, who would otherwise be buying an EV. They are environmentally

conscious, but they are not going to drive five kilometres to charge their car. What is being done to try to address that?

**CRISTIEN HICKEY:** Under this package, there are no specific incentives in place for a charging station on every corner at this point. We will obviously be reviewing the policy as it is rolled out and addressing the needs of stakeholders based on their needs.

**Ms ABIGAIL BOYD:** I hope that will be considered in order to increase the uptake as we go.

**JOANN WILKIE:** The only point I would add to all of that is, in this first tranche and in this first infrastructure strategy, it has gone to the hotspots, so to speak. It is in tourist destinations, in regional areas, in high-volume destinations where consumers would be able to charge—points of convenience, if you will. Those are probably the first areas of focus, but I agree with what Ms Hickey is saying: always room to evolve the strategy, and we will be looking at that as we implement it.

**Ms ABIGAIL BOYD:** Particularly because technology is moving so fast.

**JOANN WILKIE:** Indeed.

**Ms ABIGAIL BOYD:** Again, this is the sort of rollout that would have been good two or three years ago. Now we are at the stage where we need people to be able to do it overnight, because that is what most people are buying an EV to do. I have one final question to Dr Grimes. The New South Wales budget process and the layout and the end product of the budget papers have been widely criticised as being quite unaccountable and non-transparent compared to what we see in other States and Territories. Now that we have a new secretary and a new Treasurer, are there any plans to produce a far more readable and trackable budget?

**PAUL GRIMES:** I would very much like to see if we can achieve that. I cannot promise how much we will be able to do in the next few months but I think over the next few years that would be a very laudable thing and I know the Treasurer would be very supportive.

**Ms ABIGAIL BOYD:** I think you will find it will also perhaps reduce the number of SO 52s and questions on notice.

**PAUL GRIMES:** No, no!

**The Hon. ROBERT BORSAK:** Not possible.

**Ms ABIGAIL BOYD:** I will give a couple of extra minutes to Mr Mookhey.

**The Hon. DANIEL MOOKHEY:** Dr Grimes, have you met with the head of icare—either the chair or the CEO—about how they are undertaking the work they do for you for the Treasury Managed Fund?

**PAUL GRIMES:** I have had an introductory meeting with the Chief Executive of icare.

**The Hon. DANIEL MOOKHEY:** Did you discuss with him progress in respect to the remediation of underpayments to injured workers who claimed to the Treasury Managed Fund?

**PAUL GRIMES:** Not in any specific and detailed sense. I know the work is continuing there but I have not had that discussion with him yet.

**The Hon. DANIEL MOOKHEY:** Given that the TMF has been excluded from the remediation program that icare has undertaken, we are in the position where the biggest claimants, which are police officers, then nurses and then other hospital staff, will not get their underpayments remediated. And right now, as best I can tell, there is no prospect of remediation. When do you expect the TMF to acquit itself of its responsibilities to repay the injured police officers and other public sector workers who claim through the TMF?

**PAUL GRIMES:** At the moment I would rely on advice from Mr Gardner on that point.

**PHIL GARDNER:** Mr Mookhey, I think it is a mischaracterisation to say that TMF remediation is not underway within the TMF.

**The Hon. DANIEL MOOKHEY:** No, I said that they were excluded from that remediation program—the \$38 million repayments.

**PHIL GARDNER:** They are excluded from the nominal insurer one but there is a specific program with respect to the TMF which is expected to be completed by the end of June this year. Beyond this, I would have to take anything further on notice. But I am aware that the program is ongoing and they are continuing to repay workers who are underpaid.

**The Hon. MARK LATHAM:** It seems an eternity ago but this morning, Mr Hay, you said you were going to give us some advice about when AEMO first received the early closure of Eraring package and when you delivered it to them. You have said work on that started in July last year. When was the work delivered to AEMO?

**JAMES HAY:** The precise date, I do not have, but AEMO was brought in to work on analysing options around closure scenarios as soon as we possibly could, and subject to confidentiality arrangements.

**The Hon. MARK LATHAM:** Can you take that on notice?

**JAMES HAY:** As to when—the date?

**The Hon. MARK LATHAM:** As to when you brought in AEMO.

**JAMES HAY:** Sure.

**The Hon. MARK LATHAM:** As an independent public servant, what is your own assessment of the electricity pricing impact of the early closure of Eraring?

**JAMES HAY:** One of the key points that I think about in this context is if you contrast this with Hazelwood, where there was five months' notice, the market now has 42 months' notice. There are many things that will have different impacts on prices. The point of a market, closures of plants typically have an upward pressure on price, but the road map and all the initiatives that are underway are all intended to have a downward pressure on price. So predicting the price in 42 months' time is too hard to do.

**The Hon. MARK LATHAM:** Have you got a number, all other things being equal or arranged?

**JAMES HAY:** No, I do not have a number.

**The Hon. MARK LATHAM:** What unserved energy target have you modelled and what assumption does it use regarding Tomago's operations in the Hunter Valley—that is, required shutdowns and other demand management mechanisms.

**JAMES HAY:** What unserved energy?

**The Hon. MARK LATHAM:** What targets have you modelled and what assumption does it make about Tomago's operations?

**JAMES HAY:** We continue to work through the Energy Security Target Monitor and the national reliability regime. As I explained earlier, the EST test is typically a higher and more onerous test and so we get significant confidence that the measures in place will ensure that even in the one-in-10-year event of the peak demand with two of the biggest units in the State out, there will be sufficient supply for the likes of Tomago and others. As Daniel Westerman was quoted as saying on the seventeenth, "AEMO is now running updating the ESOO analysis as it does when there is a major event in the market." That will give us a new measure of how the unserved energy through the national market reliability standards will look.

**The Hon. MARK LATHAM:** Is there an assumption now that Tomago would have significant shutdowns as part of the demand management of unserved energy?

**JAMES HAY:** Not at all.

**The Hon. MARK LATHAM:** Has Tomago contacted the Government in any capacity expressing its concern about its viability given the early closure of Eraring?

**JAMES HAY:** No. I have spoken with Tomago. They did not contact us.

**The Hon. MARK LATHAM:** Right. What advice has the Government got about—not covered extensively—the early closure of coal-fired power stations? But there is another issue, is there not, about the maintenance of the turbines? Obviously the companies are running down the maintenance as they get closer to closure date. What concerns are there about turbines acting well below optimal capacity and being out of action and what that does to the capacity target and also the unserved energy?

**JAMES HAY:** One of the things that capacity target does do is assess the firmness of all the contributing parts of energy. It ignores demand size, some of the rooftop solar, and it looks at the dispatchable energy and assesses the relative firmness of all the energy. We look at the plant factors on the major thermals. They are all within what you would expect to be, so they have got room to ramp. We do factor in, as I said, the loss of two major units, which is a way of factoring in unplanned outages. We think that with the way that AEMO has EST monitor and also when it does its probabilistic work under the USE, it factors in a number of scenarios around outages and reliability of plant. That is the point of it.

**The Hon. MARK LATHAM:** Right. Does it factor in the declining reliability of these turbines because the companies are running down their maintenance budgets?

**JAMES HAY:** It looks at aging plant. That is a key part of prudent engineering—consideration of plant. What we are seeing at the moment is that the plant is not utilised at a higher plant capacity—most of the thermals—so as you see one exit, some of them will pick up the slack. There is slack in the system. It is not running at full noise, if you like, at the moment.

**The Hon. MARK LATHAM:** Right. Did the early closure of Eraring come as a surprise to you, Mr Hay, given what we knew about the modelling and also the modelling audit of the Electricity Infrastructure Roadmap some 18 months ago?

**JAMES HAY:** The point of the road map was to anticipate early closure. We look at all the options, and as you are aware, various parties have all made statements about their intended closure dates in recent times. We continue to look at scenarios and think about when parties will close. It is just part of our job.

**RACHEL PARRY:** I would also note, Mr Latham, that AEMO also talks to that in their draft integrated system plan where they propose their step-change scenario as the most likely to occur. That would see an acceleration of retirement of coal-fired power stations, with 14 gigawatts of coal generation across the NEM—that is NEM-wide—forecast to withdraw by 2030. Certainly New South Wales is not the only one thinking about this. The market operator is also looking at what the impacts of early coal exit will be, and it has certainly modelled that as well and that is what its draft ISP is based on.

**The Hon. MARK LATHAM:** What early closures did the Electricity Infrastructure Roadmap anticipate or what did the modelling show and also the modelling audit conducted by Danny Price?

**JAMES HAY:** The electricity road map used the assumptions from AEMO—the then current assumptions. As my colleague has just advised, those have been updated. We continue to look at those over time. What I would add is that since 2019—since the legislation has been in place—there has been 2.5 gigawatts of new generation of new solar and 1.1 gigawatt of new wind. We expect to be committed another 0.8 gigawatts of intermittent wind and solar. There has been of course the gas peak, as we have discussed. There has been significant new investment, and the SIPS battery we talked about—the Waratah battery—will add effectively another gigawatt of capacity to the transmission network that allows existing generators, including the existing Snowy 1.0 assets, to better access the load centres of Newcastle, Wollongong and Sydney.

**The Hon. MARK LATHAM:** What did the Danny Price audit of the model say about the early closure of coal-fired power stations being a consequence of the road map?

**JAMES HAY:** I would need to refresh my memory about that.

**The Hon. MARK LATHAM:** Can you take that on notice?

**JAMES HAY:** Sure.

**The Hon. MARK LATHAM:** And also what the model itself had to say?

**JAMES HAY:** Matters of the modelling from the road map, I would point out, still remain Cabinet in confidence. I will look at that and take the question on notice.

**The Hon. MARK LATHAM:** In the general approach to market structure, is it the view of the Government and its advisers that we are better off having vertical separation in this market—a separation between retailers, generators and the transmission network—for competition purposes?

**JAMES HAY:** There is no updated view on that. We think the role of the consumer trustee will assist in ensuring that new developers do not have to be tied to retailers in the same way as they used to be.

**The Hon. MARK LATHAM:** Is there a concern about the proposed takeover of AGL by Brookfield and Mike Cannon-Brookes that Brookfield has these transmission assets and investments in Victoria and it would lead to someone owning the transmission network and also owning generation?

**JAMES HAY:** From what I read, the ACCC is looking at that.

**The Hon. MARK LATHAM:** You regard it as a matter for them. Is there a view about the AGL takeover and whether it is desirable or not? We would not want the early closure of the AGL assets, would we?

**JAMES HAY:** We monitor all activity in the sector, and we prepare to respond to any eventuality.

**The Hon. MARK LATHAM:** Thank you for your answers.

**The Hon. DANIEL MOOKHEY:** Mr Gardner, we were talking about the remediation of underpaid public servants. You said that the program is going to be completed by June. How many people are likely to receive a remediation payment?

**PHIL GARDNER:** I will have to take that on notice. I do not have those numbers with me.

**The Hon. DANIEL MOOKHEY:** How many people have received a repayment to date?

**PHIL GARDNER:** Let me just check if I have those numbers. I have a number here of 25 workers have so far been repaid a total of \$125,000.

**The Hon. DANIEL MOOKHEY:** So the average underpayment is quite high. Do you agree?

**PHIL GARDNER:** For those workers. I would have to defer to icare to explain how the—

**The Hon. DANIEL MOOKHEY:** I think the last question I have, at least on this matter, is in respect to icare's underpayments, which at one time were historical, but they have confirmed that these issues are ongoing. Their estimates are—to be fair, I think it is to the Nominal Insurer—6 to 8 per cent of people today who are making claims of being underpaid. What steps is Treasury taking to ensure that TMF workers, for whom it is much simpler to calculate their pre-injury average weekly earnings, are not still being underpaid?

**PHIL GARDNER:** I will have to take on notice the status of the particular work. We do have a workstream, working with icare and agencies to ensure that we have an accurate calculation methodology to ensure that this does not take place. Unfortunately, I do not have a particular update on the program and work right now.

**The Hon. DANIEL MOOKHEY:** Secretary, on the broader issue of icare reform, we were promised the introduction of legislation to implement the McDougall Review. Where is that legislation?

**PAUL GRIMES:** I would have to check and see where that is up to.

**The Hon. DANIEL MOOKHEY:** Someone has to know, given that we were told at budget estimates last time that it was due to be introduced. The Treasury, at the time, issued a public statement saying it is due to introduce the legislation. That was in November. He actually issued the release in August.

**PAUL GRIMES:** I will look to the officers to see whether there is any update that can be provided.

**PHIL GARDNER:** I think it is under consideration by one of the committees, but I will take it on notice.

**The Hon. DANIEL MOOKHEY:** That is a different matter. That is to do with the presumptive legislation. I am referring specifically to the press release that the then Treasurer issued circa 26 August, in which he said that the legislation to implement the McDougall recommendations would be introduced. We are now into March. Is it the case that the Government has chosen not to introduce it, or is there an issue with the actual legislation?

**PAUL GRIMES:** Not being familiar with the discussions over recent weeks, I will have take that on notice.

**PHIL GARDNER:** We will have to take it on notice.

**The Hon. DANIEL MOOKHEY:** Is it Treasury's or Customer Service's responsibility to prepare that legislation? It is about an Act that you jointly administer.

**PHIL GARDNER:** Customer Service.

**The Hon. DANIEL MOOKHEY:** Customer Service is the lead on that Act?

**PHIL GARDNER:** Correct.

**The Hon. DANIEL MOOKHEY:** Secretary, have you been briefed on the recommendations that were made by Mr McDougall?

**PAUL GRIMES:** At a broad level, I am aware of the review. I have got a copy of the review. If your question is whether I have had a forensic review of the review, I have not, in the time available.

**The Hon. DANIEL MOOKHEY:** The specific aspect that perhaps relates to your function is whether or not you, as Treasury secretary, should have an equivalent power that you have in respect to State-owned corporations to be able to step in and issue directions. Have you taken advice on that specific issue?

**PAUL GRIMES:** I have not taken advice and I have not received advice on that. But it is a good question, and I will probably be seeking advice very rapidly.

**The Hon. DANIEL MOOKHEY:** Indeed, yes.

**SAN MIDHA:** I endeavoured to come back on the number—\$4.3 billion of the fund, of the provision. So next year, at 2023, it is \$1.750 billion.

**The Hon. DANIEL MOOKHEY:** The contingency fund, the \$7 billion contingency allowance?

**SAN MIDHA:** Contingency allowance, yes.

**The Hon. DANIEL MOOKHEY:** How much is it next year?

**SAN MIDHA:** Next year it is \$1.750 billion and the following three years it is \$850 million.

**The Hon. DANIEL MOOKHEY:** Each year?

**SAN MIDHA:** Each year.

**The Hon. DANIEL MOOKHEY:** On a recurrent. Do you have an equivalent number on the capital?

**SAN MIDHA:** No, I have not asked for that. I can get that on notice.

**The Hon. DANIEL MOOKHEY:** Thank you.

**SAN MIDHA:** The other one I was going to come back to you on was on the \$806 million that we had had. For 2021-22 we spent \$325 million on the wages increase, the 1.5 per cent to 2.5 per cent that was given to all the agencies. It is \$481 million for COVID-related costs, most of that—\$120 million—has been spent on COVID cleaning, there are business supports of \$14 million and there is \$92 million on COVID social supports, particularly for Delta.

**The Hon. DANIEL MOOKHEY:** Is that the restated 2020 figure or the 2021 COVID-19 pandemic and inflation, per section 34 of the Appropriation Act?

**SAN MIDHA:** This was a special appropriation.

**The Hon. DANIEL MOOKHEY:** There are multiple sources of COVID funding. I am asking which these figures relate to.

**SAN MIDHA:** This is the \$806 million of special appropriation that was done for COVID. It was an Act.

**The Hon. DANIEL MOOKHEY:** In 2021-22?

**SAN MIDHA:** Yes. And there is a balance of \$256 million. The other question, and I need to come back to you on notice, but for the Victims Support Scheme, the key driver of increase was domestic and family violence and child sex assault.

**The Hon. DANIEL MOOKHEY:** Fair enough.

**The CHAIR:** I thank all witnesses for their attendance today. We appreciate your time. The parliamentary secretariat will be in touch with questions that were taken on notice and the timetable for responding to those.

**(The witnesses withdrew.)**

**The Committee proceeded to deliberate.**