

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

**Tuesday 31 October 2023**

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

## **TREASURER**

**CORRECTED**

**The Committee met at 9:15.**

## **MEMBERS**

The Hon. Jeremy Buckingham (Chair)  
The Hon. Robert Borsak (Deputy Chair)  
Ms Abigail Boyd  
Ms Cate Faehrmann  
Ms Sue Higginson  
The Hon. Dr Sarah Kaine  
The Hon. Stephen Lawrence  
The Hon. Bob Nanva  
The Hon. Chris Rath  
The Hon. Damien Tudehope

## **PRESENT**

**The Hon. Daniel Mookhey, *Treasurer***



## **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, everyone. Thank you for your attendance at today's inquiry by Portfolio Committee No. 1 – Premier and Finance into budget estimates 2023-24. I begin by acknowledging the Gadigal people of the Eora nation, the traditional custodians of the lands on which we are meeting today. I pay my respects to Elders, past and present, and celebrate the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of New South Wales. I also acknowledge and pay my respects to any Aboriginal and Torres Strait Islander people joining us today. I welcome the Treasurer, the Hon. Daniel Mookhey, MLC, and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of Treasurer. I ask everyone in the room to turn their mobile phones to silent.

Parliamentary privilege applies to witnesses in relation to the evidence they give today. However, it does not apply to what witnesses say outside of the hearing. I urge witnesses to be careful about making comments to the media or to others after completing their evidence. In addition, the Legislative Council has adopted rules to provide procedural fairness for inquiry participants. I encourage Committee members and witnesses to be mindful of these procedures.

**Mr MICHAEL COUTTS-TROTTER**, Secretary, NSW Treasury, sworn and examined

**Mr DAVID DEVERALL**, Chief Executive, NSW Treasury Corporation, affirmed and examined

**Mr TOM GELLIBRAND**, Chief Executive, Infrastructure NSW, affirmed and examined

**Mr SAID HIRSH**, Head of Strategy, Planning and Innovation, Infrastructure NSW, affirmed and examined

**The CHAIR:** Welcome and thank you for making the time to give evidence. Today's hearing will be conducted from 9.15 a.m. to 5.30 p.m. We are joined by the Treasurer for the morning sessions from 9.15 a.m. to 1.00 p.m., with a 15-minute break at 11.00 a.m. In the afternoon we will hear from departmental witnesses from 2.00 p.m. to 5.30 p.m., with a 15-minute break at 3.30 p.m. During these sessions there will be questions from Opposition and crossbench members only and then 15 minutes allocated for Government questions at 10.45 a.m., 12.45 p.m. and 5.15 p.m. We will now begin with questions from the Opposition.

**The Hon. DAMIEN TUDEHOPE:** Thank you, Mr Chair. Thank you, officials and Treasurer, for being here today. Mr Coutts-Trotter, you sent an email out to your staff condemning the atrocities committed by Hamas, did you not?

**The Hon. DANIEL MOOKHEY:** Firstly, thank you, shadow Treasurer, and nice to see you. All questions, I understand, are to go through me at first instance, given that this is a budget estimates hearing that I am appearing in front of. But of course I will allow the secretary to answer the question.

**The Hon. DAMIEN TUDEHOPE:** Thank you. I repeat my question, Mr Coutts-Trotter. You sent an email out to your staff condemning the atrocities committed by Hamas, did you not?

**MICHAEL COUTTS-TROTTER:** I did. Actually, I sent an all-staff email about a range of other work matters, but that email occurred in the aftermath of Hamas' mass murder, and I did reference it in the email.

**The CHAIR:** Just before we kick off, the Treasurer can decide to answer the question on behalf of the witnesses, if he sees fit. I am just making that clear.

**The Hon. DAMIEN TUDEHOPE:** Subsequent to that, a further email was sent out apologising for your first email.

**The Hon. DANIEL MOOKHEY:** Shadow Treasurer, do you mind moving your microphone forward? I can't hear you.

**The Hon. ROBERT BORSAK:** Could you pull yours forward, please, Treasurer?

**The CHAIR:** Can everyone make sure they're speaking into the microphones?

**The Hon. DAMIEN TUDEHOPE:** You sent out a subsequent email, did you not, apologising for the earlier email?

**MICHAEL COUTTS-TROTTER:** My job is to communicate clearly, to communicate about things that are relevant to the workplace and to foster a sense of unity and belonging in Treasury. I was angered and outraged by the mass murder committed by Hamas and, as I say, included it in a usual, regular work email. What happened in response to that was that a number of staff thought that I was taking sides against the Palestinians. I was taking sides against Hamas, but I realised, on reflection, that I had not communicated clearly. I had made a decision to comment on something that ordinarily would not be something I would raise in the workplace. I decided, on reflection, after getting that feedback, that it would have been better for me not to make that comment, and that there were other things I could do to show solidarity with Israel.

**The Hon. DAMIEN TUDEHOPE:** I accept that the first email that you sent, regarding which you have now explained why you thought it was necessary to apologise, was anodyne in the sense of you forming a view that you'd picked a side. It was condemning what had occurred and, in the circumstances, calling for a swift end to violence.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** How did anyone possibly construe that as taking a side?

**MICHAEL COUTTS-TROTTER:** I don't know, and I can't possibly know what was in the minds of people in the organisation who raised some concern about what they thought was the leader of the organisation picking a side in a very long-running conflict. But, as I say, my job is to communicate clearly, to choose to communicate on things of relevance in the workplace and to try and foster a sense of belonging in the workplace.

The reason I apologised for my judgement was that, on reflection, it would have been better for me not to have commented as I did in a regular, all-staff email.

**The Hon. DAMIEN TUDEHOPE:** What would have been the alternative? What would have been an alternative phrasing that you could have used?

**MICHAEL COUTTS-TROTTER:** The alternative would be for me to show solidarity with Israel outside of the workplace, not use my position as the head of Treasury to pass comment on it.

**The Hon. DAMIEN TUDEHOPE:** So you shouldn't have sent it at all or shouldn't have passed comment at all?

**The Hon. BOB NANVA:** Point of order: I have refrained from taking a point of order, but I refer to paragraph 9 of the procedural fairness resolution, going to relevance. This is a hearing that goes to the Consolidated Fund, expenditure from the Consolidated Fund, and budget papers and related documents.

**The Hon. DAMIEN TUDEHOPE:** This man is the Secretary of the Treasury.

**The Hon. BOB NANVA:** I believe that the witness has answered the question in any event, but I think we are beginning to stray from relevance, given the terms of reference of this hearing.

**The Hon. CHRIS RATH:** To the point of order: In *New South Wales Legislative Council Practice, Second Edition*, it makes it very clear that in budget estimates, when questioning Ministers and other witnesses, there is wide latitude given. I believe that this is clearly within that wide latitude.

**The Hon. BOB NANVA:** Further to the point of order—

**The CHAIR:** I will rule on the point of order, because we want to get on. I don't uphold the point of order. I do believe that wide latitude is given. The member is asking a series of questions that are beginning to, I think, stray from relevance and the terms of reference for the Committee, but I will allow the questions at this stage.

**The Hon. CHRIS RATH:** Mr Secretary, are you happy to condemn Hamas today as a terrorist organisation?

**MICHAEL COUTTS-TROTTER:** Mr Rath, I am happy to condemn Hamas every day of the week as a terrorist organisation.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, you in fact have also, in the House, expressed that you are standing together as a united community in saying that terrorism is unacceptable. So do you support the Treasury secretary in apologising for his earlier comment?

**The Hon. DANIEL MOOKHEY:** I trust the judgement of the Treasury secretary. The Treasury secretary is Australia's finest public servant. The Treasury secretary demonstrates consistently excellent judgement and, as he has explained today, should he ever find himself in a position where he feels like he needs to clarify his position or take responsibility for his action, he does so. I also make this point: The people who work at Treasury are very hardworking public servants. They are citizens of our democracy. They are entitled to their views on all matters too. They are very respectful of the Treasury culture—which you know is pretty rigorous, pretty forward-thinking—and I have full faith and confidence not just in the Secretary but in all the people who work with the Secretary.

**The Hon. DAMIEN TUDEHOPE:** But you wouldn't be apologising for your comments, to the Treasury staff, would you?

**The Hon. DANIEL MOOKHEY:** Which comments are you referring to?

**The Hon. DAMIEN TUDEHOPE:** The ones that you made in the House.

**The Hon. DANIEL MOOKHEY:** Which ones? I made a few comments.

**The Hon. DAMIEN TUDEHOPE:** Where you said that "we are standing together as a united community in saying that the terrorism is unacceptable".

**The Hon. STEPHEN LAWRENCE:** Point of order: We have moved from, I think, legitimate questioning about the way that the Secretary interacts with his staff now to questions about whether the Treasurer would or wouldn't apologise, apparently in general terms, for something that he said in the House. It is not relevant, in my view, to the task before us.

**The CHAIR:** I do think it's an important matter of public policy, so I'm not going to uphold the point of order.

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

**The Hon. DAMIEN TUDEHOPE:** You do apologise?

**The Hon. DANIEL MOOKHEY:** No, I stand by my comments. You asked me whether I stand by my comments.

**The Hon. DAMIEN TUDEHOPE:** And I asked you whether you would be apologising to the Treasury—

**The Hon. DANIEL MOOKHEY:** No, you asked me, I think—

**The Hon. DAMIEN TUDEHOPE:** No, I asked you whether you would be apologising to the Treasury staff.

**The Hon. DANIEL MOOKHEY:** Why don't we do this the way I used to do it? Why don't you ask me the question again and I'll answer it direct?

**The Hon. DAMIEN TUDEHOPE:** I did ask you. Answer it directly now. Will you be apologising to the Treasury staff for the comments you made in the House?

**The Hon. DANIEL MOOKHEY:** Which comments did I make in the House?

**The Hon. DAMIEN TUDEHOPE:** I'll repeat it again, for your benefit. You said in the House, "We are standing together as a united community in saying that terrorism is unacceptable".

**The Hon. DANIEL MOOKHEY:** You're asking me whether I'm going to—

**The Hon. DAMIEN TUDEHOPE:** Apologise to Treasury staff.

**The Hon. DANIEL MOOKHEY:** —apologise to Treasury staff for condemning terrorism?

**The Hon. DAMIEN TUDEHOPE:** Yes.

**The Hon. DANIEL MOOKHEY:** I am going to condemn terrorism.

**The Hon. DAMIEN TUDEHOPE:** Thank you. Treasurer, was it you who identified the \$150 million which was going to be cut from palliative care funding?

**The Hon. DANIEL MOOKHEY:** In respect to palliative care funding, the facts are these. Next year the budget for palliative care funding is going up to the tune of 6.8 per cent. The following year it's going up a further 8 per cent. Over the course of the next two years, the amount of funding that we're providing to palliative care will have risen by, effectively, 15 per cent or 7.5 per cent on average per year. I think it's an important investment that we're making but, importantly, it's actually money that will be used. And I can say that, in order to facilitate this increase in palliative care funding, no nurse has had to lose their job. What we've managed to do is increase palliative care funding and at the same time we've managed to save over 1,012 nurses.<sup>1</sup> That's important, because I don't think that the two should be pitted against each other.

**The Hon. DAMIEN TUDEHOPE:** Correct.

**The Hon. DANIEL MOOKHEY:** I think, in order for the investment to be realised in palliative care, we actually have to make sure that we have the staff to provide those services.

**The Hon. DAMIEN TUDEHOPE:** Is the funding in the budget a \$150 million cut from the \$743 million which was promised in the last Coalition budget?

**The Hon. DANIEL MOOKHEY:** Mr Tudehope, I saw the questioning that you subjected the Premier to on this subject. As the Premier made clear, what we were advised was that the money that was provided in previous budgets wasn't in a position to be spent to that tune over that time period—

**The Hon. DAMIEN TUDEHOPE:** Who advised you that?

**The Hon. DANIEL MOOKHEY:** I'm just finishing—because of the workplace shortages. As you would know, workplace shortages have developed quite chronically in the health department, and they need to be acted upon. Equally, what we are doing is we're providing the investment in palliative care funding at the same time we're tackling that same problem with the workplace strategy. Because, otherwise, the risk is that money

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<sup>1</sup> In [correspondence](#) to the committee received 27 November 2023, Hon Daniel Mookhey MLC, Treasurer, clarified the evidence given.

would simply sit in a bank account, helping nobody, and the only way to mobilise it is to ensure that there is actually staff to provide the services, and that's what we've been doing.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, just be clear, who identified the \$150 million as a saving that you wanted to make in this budget and who decided that palliative care was the target—

**The Hon. DANIEL MOOKHEY:** Again, I just make the point—

**The Hon. DAMIEN TUDEHOPE:** No, who identified it?

**The Hon. DANIEL MOOKHEY:** I'll come back to you on notice, if you would like some more specific detail.

**The Hon. DAMIEN TUDEHOPE:** Thank you.

**The Hon. DANIEL MOOKHEY:** But I will just make this point again: Palliative care funding is going up. I don't think it helps anybody to suggest otherwise. It's going up by 6.8 per cent next year. It's going up by 8 per cent by—

**The Hon. DAMIEN TUDEHOPE:** But it could have gone up by more, couldn't it?

**The CHAIR:** Order!

**The Hon. DANIEL MOOKHEY:** Well, no, for the very simple reason that the difference is that the previous Government may have put money aside in a bank account, but they had no plan to get it out the door. The difference between our approach and your approach is that we actually aren't taking credit for stashing cash away. We prefer to see that cash used, and the only way for that to be used is to make sure that there are actually staff in these centres to be able to do it.

**The Hon. DAMIEN TUDEHOPE:** But someone advised you that you couldn't get that money out the door. Is that the case?

**The Hon. DANIEL MOOKHEY:** It's been clear that you could not get the money—

**The Hon. DAMIEN TUDEHOPE:** Okay. But someone did it?

**The Hon. DANIEL MOOKHEY:** Yes. As I said to you before, we will come back to you on notice to see what further detail we can provide.

**The Hon. DAMIEN TUDEHOPE:** In relation to Made in NSW, as a result of a campaign conducted, you reinstated the funding for that program, did you not?

**The Hon. DANIEL MOOKHEY:** Sorry, which program are you talking about?

**The Hon. DAMIEN TUDEHOPE:** The Screen NSW program.

**The Hon. DANIEL MOOKHEY:** This is the program that your Government cut. The Screen NSW program, which your Government—

**The Hon. DAMIEN TUDEHOPE:** And you continued that cut, did you not?

**The Hon. DANIEL MOOKHEY:** No.

**The Hon. DAMIEN TUDEHOPE:** We, in fact, funded it up until this year's budget.

**The Hon. DANIEL MOOKHEY:** No, you didn't.

**The Hon. DAMIEN TUDEHOPE:** Yes—

**The Hon. DANIEL MOOKHEY:** No, you didn't. You cut it by \$60 million and then the money that you put aside for the account was less and, as a result—without disclosing that to anybody. No-one in the film industry was told about the fact that your Government had made that decision to cut it at the half-year review.

**The Hon. DAMIEN TUDEHOPE:** Can't you read the budget papers?

**The Hon. DANIEL MOOKHEY:** Well, as it turns out, I did re-look at the budget papers and I went back to the half-year review. In fact, we might see if I can get a copy of the half-year review. Nowhere in the half-year review was it disclosed that you had made the decision to cut that funding for the film industry. It's absolutely the case that—

**The Hon. DAMIEN TUDEHOPE:** You were aware of it at the time that you brought down the budget, were you not?

**The CHAIR:** Order!

**The Hon. DANIEL MOOKHEY:** It was absolutely the case that when the film industry found out about the gift you gave them, of a funding cut, they certainly did draw to our attention the impact that that would have on jobs.

**The Hon. DAMIEN TUDEHOPE:** But you were aware of it when you brought down the budget, were you not?

**The Hon. DANIEL MOOKHEY:** In addition to that, they made it very clear that the quantum of money that was left over was no longer adequate for the demand that they were now experiencing. So, again, when it comes to these programs, that's one example of \$7 billion worth of programs that you either secretly cut or did not fund, and you're quite right to say that the \$7 billion that you secretly cut or did not fund did create challenges for the Government as we prepared the budget.

**The Hon. CHRIS RATH:** Treasurer, why won't you just backflip on the palliative care funding like you did on the Screen NSW funding?

**The Hon. DANIEL MOOKHEY:** It's hard to—

**The Hon. DAMIEN TUDEHOPE:** You did it in one week.

**The Hon. DANIEL MOOKHEY:** I mean, we are increasing the budget for palliative care. Next year it's going up by 6.8 per cent. The year after it's going up by eight.

**The Hon. DAMIEN TUDEHOPE:** And regional palliative care is not being impacted as a result of these cuts?

**The Hon. DANIEL MOOKHEY:** Again, I do point out—and I did hear the questioning that was undertaken both in this session and the Health session when it comes to regional health. I know the health Minister has set out precisely the impact—

**The Hon. DAMIEN TUDEHOPE:** He didn't even know that it had been cut.

**The Hon. DANIEL MOOKHEY:** I know that the Premier, when you asked him about whether or not, for example, Tamworth was going to be affected, the Premier had already answered that question and made it clear that that capital funding that's put aside to be able to expand palliative care functions in Tamworth would be going ahead.

**The Hon. DAMIEN TUDEHOPE:** So will you reinstate it? Will you reinstate the funding which you've cut out of palliative care?

**The Hon. DANIEL MOOKHEY:** We will continue to increase the palliative care budget next year. We will continue to increase it the year after. We will continue to ensure that there are actually staff capable of providing palliative care services.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, I'll move on. Is your Government committed to transparency as a process in this budget document?

**The Hon. DANIEL MOOKHEY:** Well, when it comes to transparency, Mr Tudehope, I note that it's been 77 questions since you last asked me a question in question time. I make myself available to you every single time we convene as a Parliament to be asked questions—

**The Hon. DAMIEN TUDEHOPE:** I'm talking about the budget documents.

**The CHAIR:** Order!

**The Hon. DANIEL MOOKHEY:** —and 77 opportunities have escaped you to ask me a question. I'm glad that I'm here today to be able to transparently answer your questions. I've been waiting for a while. And I'm glad—

**The Hon. DAMIEN TUDEHOPE:** Is the budget document a transparent document?

**The Hon. DANIEL MOOKHEY:** I'll leave it for others to judge.

**The Hon. DAMIEN TUDEHOPE:** Indeed. Whose decision was it to cut out the outcomes statement from the budget papers?

**The Hon. DANIEL MOOKHEY:** It was mine.

**The Hon. DAMIEN TUDEHOPE:** It was your decision?

**The Hon. DANIEL MOOKHEY:** It was.

**The Hon. DAMIEN TUDEHOPE:** Why did you do that? It diminishes accountability and transparency, does it not?

**The Hon. DANIEL MOOKHEY:** I'm prepared to confess that I believe I'm Australia's leading consumer of budget papers. I read them a lot. I read our ones. I read other governments' ones. *Budget Paper No. 02* under your Government was just a total waste of time.

**The Hon. DAMIEN TUDEHOPE:** What? Itemising the cost which was attributed to various programs—

**The Hon. DANIEL MOOKHEY:** Intention was correct. But, like lots of things of your Government—

**The Hon. DAMIEN TUDEHOPE:** So, in fact—

**The Hon. BOB NANVA:** Point of order: I think it would assist with the conduct of these proceedings in an orderly way if there wasn't an ongoing interjection in the witness's answers.

**The Hon. DAMIEN TUDEHOPE:** To the point of order: If the witness had just answered the question, that'd be fine.

**The CHAIR:** I do uphold the point of order. It's important that the witness is afforded courtesy and we don't have constant interjections but allow the witness to answer the questions that have been so cunningly crafted.

**The Hon. DANIEL MOOKHEY:** *Budget Paper No. 02* was so bereft of any relevant information—

**The Hon. DAMIEN TUDEHOPE:** That's your view, though, isn't it?

**The Hon. DANIEL MOOKHEY:** It is. As a person who gets to make the decision, I take this into consideration. What I did in this budget was dispense with that, include outcomes-based budgeting in *Budget Paper No. 01* and *Budget Paper No. 02*, the new one—

**The Hon. DAMIEN TUDEHOPE:** No measures statement.

**The Hon. DANIEL MOOKHEY:** You are quite right to say I also flagged that we do want to have a conversation with you and other people in the Parliament, as well, about how to properly formulate a measures statement because, even though I did not like the way in which you undertook the task, the principle of a measures-based statement is sound. The principle of outcome-based budgeting is sound. I'm observing how other jurisdictions right now, including the Commonwealth, including the ACT, including Victoria, including Queensland, are developing these. I'm looking forward to working with the Parliament to see whether or not we can come up with a meaningful measures statement that aligns with public purposes, which allows the Parliament and others to properly hold the Government to account for how well resources are being expended.

**The Hon. DAMIEN TUDEHOPE:** You'd be aware that we've asked most of the lead Ministers in respect of their portfolios and the measures statements in respect of their portfolios to itemise the costings in relation to those particular measures? Are you aware of that?

**The Hon. DANIEL MOOKHEY:** No.

**The Hon. DAMIEN TUDEHOPE:** I'll provide you with a copy of that correspondence. As a matter of process, Treasurer, are you prepared to identify, in respect of each of the measures, the costings which Treasury have allocated to each of the measures, which are, in fact, identified in relation to the measures statements?

**The Hon. DANIEL MOOKHEY:** At this point, I am yet to see any reason to deviate from the manner in which Treasurer Berejiklian reported the budget, Treasurer Perrottet reported the budget, Treasurer Kean reported the budget with finance Minister Tudehope.

**The Hon. DAMIEN TUDEHOPE:** You're not prepared to identify the costs of the various measures?

**The Hon. DANIEL MOOKHEY:** I'm going to maintain the same practice as treasurers Berejiklian, Perrottet, Kean and finance Minister Tudehope.

**The Hon. DAMIEN TUDEHOPE:** Except on the outcomes statement. You didn't adopt that process.

**The Hon. DANIEL MOOKHEY:** Again, I did that really to save the people of New South Wales from having to waste their time with that statement.

**The Hon. DAMIEN TUDEHOPE:** Can I ask about the Generations Fund?

**The Hon. DANIEL MOOKHEY:** Please.

**The Hon. DAMIEN TUDEHOPE:** Would you agree with me that the contributions are due to recommence in 2024-25 and they are to continue till 2026-27?

**The Hon. DANIEL MOOKHEY:** I will agree with you that we have flagged a reform process when it comes to the NSW Generations Fund.

**The Hon. DAMIEN TUDEHOPE:** The budget paper says they're going to recommence.

**The Hon. DANIEL MOOKHEY:** To be fair, the budget paper says two things about this. The budget paper includes reporting about it, assuming that there are continuing contributions, and the budget paper also, for the first time, reports the underlying result without contributions. You would recall, when a committee of this Chamber undertook an inquiry, one of its calls was for there to be more transparent reporting about the impact the Generations Fund has on the budget result. One of the active decisions that I made in this budget was to ensure that people could see the role the Generations Fund plays in budget returns. If you carefully study the budget papers—

**The Hon. DAMIEN TUDEHOPE:** I am, and it says this, Treasurer:

Contributions are budgeted to recommence from 2024-25 ...

**The Hon. DANIEL MOOKHEY:** —you will see that there are two results. There's a budget result with it, and there's a budget result without it. I think the reason why I did that was also to flag the fact that there is going to be a two-step process of reforming the NGF. Step one is underway, and we look forward to doing step two in the next budget.

**The CHAIR:** Treasurer, you've just said then that the outcomes statement in terms of the budget papers was a waste of time. Are the intergenerational reports that Treasury prepares a waste of time?

**The Hon. DANIEL MOOKHEY:** No.

**The CHAIR:** Why do they provide value to the people of New South Wales? How much do they cost to prepare?

**The Hon. DANIEL MOOKHEY:** In respect to the cost of preparation, I'll see whether or not we could get some further details from there.

**MICHAEL COUTTS-TROTTER:** I'd need to take it on notice. It's produced largely within the Treasury, Mr Buckingham. So we would have to ascribe a notional cost of people's time to it. But we could take that on notice.

**The Hon. DANIEL MOOKHEY:** I think the intergenerational work is important to flag, in effect, what the impact of a variety of different demographic and population changes are likely to have on the State's economy, as well as the State Government's capacity to provide services to the standard people expect.

**The CHAIR:** I accept that. When is the 2022-23 intergenerational report due to be—

**The Hon. DANIEL MOOKHEY:** The 2022-23 intergenerational report?

**MICHAEL COUTTS-TROTTER:** It's on a five-year cycle, from memory, Mr Buckingham. I think the last one was 2021. So we'd be due to produce one in 2026.

**The CHAIR:** So you're working on it now.

**MICHAEL COUTTS-TROTTER:** I'm not aware. I would assume people are planning for it, but I again would have to confirm that on notice.

**The CHAIR:** Having a looking at the 2021-22 one in terms of revenue, expenditure, inflation, employment, population—it's only two years old, and yet it's wrong on revenue forecast, expenditure forecast, inflation forecast, housing forecast, employment, population. On every metric it's wrong. What sort of confidence can we have in these reports that are guiding our planning out to 2061 if, after two years, I think, a reasonable person would look at it and say that they're wrong on so many of those metrics?

**The Hon. DANIEL MOOKHEY:** I say three things to that. Firstly, I think all feedback is welcome. It's the first point. The second point is that, by definition, an intergenerational report is a forecast, and there is always forecast risk. But the third point, I guess, which is the more substantial reply, is that the team are always refining the ways in which they are making these assessments. In fact, whilst the 2021-22 report was published and 2026-27 is coming, you'll see Treasury be publishing on our website a variety of different papers that are updating different forms of methodology and modelling that is being used.

In fact, I will take this opportunity to draw attention to the fact that the New South Wales Treasury is the first of any Australian Treasury to incorporate some of the more exciting work that's been taking place around how to predict productivity growth into the future, when it comes to economic growth. In fact, the Treasury here in New South Wales were the first to apply and publish on this particular topic, which I know is influencing the Federal Treasury and others as well in terms of their preparation of intergenerational report, all of which is my way of saying that you'll find that this particular profession that produces these reports are constantly refining their models. I'm first to say they don't get everything right. I think, to be fair to them, they're the first to say that they don't get everything right. But I still think it's helpful for people to understand the trends.

**The CHAIR:** Thank you. I do read the intergenerational reports because I do think the trend is incredibly important. The last one only made one, superficial reference to artificial intelligence—an incredibly disruptive technology. Some have described it as as disruptive a technology as fire, the wheel, the steam engine et cetera and so forth. What modelling is Treasury doing, if any, to predict which industries will be disrupted the most from artificial intelligence in terms of changes to the nature of our workforce and potential job losses and job creation?

**The Hon. DANIEL MOOKHEY:** Firstly, it's a great question. You are quite right to say that this Treasury, other treasuries and other economic institutions do need to properly assess the impact AI is likely to have on the economy, but not just in terms of our capacity to grow the economy but our capacity to share the wealth of a growing economy fairly too. They're the two issues which I personally want to see joined to each other. I do think that, when all these technologies tend to erupt, we tend to celebrate their arrival but not the fact that not everybody gets to partake equally in their ability to create wealth. Secondly, in respect to AI, in terms of what the model in the Treasury is doing, in a general sense, they are modelling what the impact of new technology does have on productivity. Specifically, it is, I understand, a part of their work program. But maybe this afternoon, when some of the Treasury officials who are responsible for the work are here, you might wish to direct your question there for the very specifics around AI.

**The CHAIR:** Thank you, I will. Treasurer, in your budget you unveiled a new scheme that will see coal royalties increase by 2.6 percentage points from July next year. The changes will improve the State's budget position by more than \$2.7 billion over the four years, and I note the CEO of the Minerals Council was in *The Daily Telegraph* today talking up the contribution of the royalties to the State. How does that fit with the Government's commitment to cut greenhouse gas emissions by at least 50 per cent by 2030 and reach net zero by 2050?

**The Hon. DANIEL MOOKHEY:** You're quite right to say that this Government has modernised our royalties system to ensure that the people of New South Wales are getting a fair return for their resources. Secondly, that did result from some pretty extensive engagement with and consultation with the mining industry. To be frank, they aren't thrilled with our decision. It's fair to say, as they put it themselves, they aren't thrilled to have the cost of buying our coal go up by 31 per cent as well. They did make the point that that will have impacts on the ability to obtain carbon reduction, amongst other points. I think their point, though, is that as an increase in their input costs, it probably makes it more likely that we'll be able to reduce emissions than increase it, as well.

I'd also stress that the coal royalties decision we made is one plank of this Government's commitment to getting us to net zero. Right now there is legislation in front of the Parliament that would enshrine the first legislative target. I do think it's important that we have a legislative target and we have an independent Net Zero Commission to help guide us, because you're quite right to say that calibrating all these different policy settings so they support that goal does require a great deal of judgement. Having the Net Zero Commission will assist us in our deliberations about balancing coal royalties and coal production, as well as the fact that we are signed up to net zero.

**The CHAIR:** Will the Net Zero Commission look at our coal exports as part of its assessment of whether or not we are moving to net zero by 2050?

**The Hon. DANIEL MOOKHEY:** Again, the legislation will provide them with independence and the capacity to provide independent advice. I wouldn't want to foreshadow what advice they intend or not to provide because at this point it's not yet established.

**The CHAIR:** But you would hope their terms of reference would allow them to do that—to look at what our global contribution to greenhouse gas emissions is?

**The Hon. DANIEL MOOKHEY:** I think their focus is more likely to be on what changes need to happen here in New South Wales.

**The CHAIR:** How much money is the Government contributing to coalmining exploration and expediting new coalmining approvals?

**The Hon. DANIEL MOOKHEY:** How much money are we contributing to coal exploration?

**The CHAIR:** Yes.

**The Hon. DANIEL MOOKHEY:** I don't believe the Government does coal exploration directly, so I therefore don't believe we fund it, but let me double-check the detail on that. Your second question was are we providing additional resources to—

**The CHAIR:** Yes.

**The Hon. DANIEL MOOKHEY:** Again, I'll come back to you on the detail to see whether or not any additional resources have been provided specifically for the purposes of coal. The additional planning resources that we've provided the Planning department have been for the explicit purpose of housing.

**The CHAIR:** And the resources that are being applied to Planning will not be applied to expediting coalmining approvals?

**The Hon. DANIEL MOOKHEY:** I would hope that it would be applied to be expediting their functions within the planning system, but the explicit additional funding that was provided in this budget was for the purpose of housing.

**The CHAIR:** Treasurer, do you stand by your comments made in the Legislative Council in June this year where you confirmed that a drug summit will be held in this Government's first term?

**The Hon. DANIEL MOOKHEY:** Yes.

**The CHAIR:** Do you still believe "The Government will be flexible in its approach and will take seriously the summit and the advice provided"?

**The Hon. DANIEL MOOKHEY:** Yes.

**The CHAIR:** You'd be aware of the concept of the opportunity cost in economics. Given the fact that the Australian medicinal cannabis market is showing exponential growth, with an estimated market value of \$1.3 billion within 10 years, what is the New South Wales Government doing to make sure that it seizes the opportunity of medicinal cannabis and the medical technology sector generally?

**The Hon. DANIEL MOOKHEY:** In terms of the medical technology sector generally, you're quite right to say that it's an important part of our economy that is growing. Secondly, it's being led by our scientists and our universities, who are doing a terrific job. What we had to do in this budget was begin the work of resetting some of the strategies that surround how we support science in New South Wales, and your question about the medicinal cannabis aspect—perhaps we can return to that when our time resumes.

**The CHAIR:** Fair enough.

**Ms ABIGAIL BOYD:** Good morning, Treasurer. I want to start by talking about what has to be the most vital issue confronting you at the moment, I would think, which is the Vanderstock case and its ramifications. I've been reading widely on what all the different law firms are saying, and some of them are suggesting that it will impact on everything from motor vehicle duties, rego, the passenger service levy that we currently have on taxis, gaming machine levies, waste disposal levies, royalties, taxes for licences—basically, everything that could possibly be connected to a consumer good and could possibly push up the price of a commodity. What does that leave us with? What's not at risk?

**The Hon. DANIEL MOOKHEY:** Firstly, you're quite right to say that the High Court, in a 4-3 decision, has recently altered the settled constitutional understanding about what constitutes an excise and has reversed precedents that have applied since 1974. Secondly, all governments right now are assessing the impact of that decision. You're quite right to say that it is complicated and it does have an effect on a variety of different taxes and charges, of which you've listed many. What we're doing in response is a few things. At first instance, we are seeking advice about the extent to which the road user charge, which is the most directly impacted, could be revised to fit within the existence of our constitutional authority as it now stands. We'll have to make decisions about whether or not the tax can be affirmed, could be revised or otherwise will need to be repealed. The second thing we are doing is working with the other States to ensure that there is a consistent position across all matters. The third issue is, of course, we're intending to have some good conversations with the Commonwealth.

**Ms ABIGAIL BOYD:** Do you have legal advice already for New South Wales?

**The Hon. DANIEL MOOKHEY:** The advice is underway.

**Ms ABIGAIL BOYD:** When are you expecting to get that advice?

**The Hon. DANIEL MOOKHEY:** I've asked Treasury to be careful and deliberate about this and not to rush it, for the very simple reason that it is complicated and equally does require collaboration between the

jurisdictions. We are developing a common understanding about what the decision means. I'm looking forward to getting the advice but I'm certainly not putting an artificial deadline on Treasury for it, with the exception of, obviously, the road user charge.

**Ms ABIGAIL BOYD:** The Greens took to the election a bunch of revenue-raising suggestions. When I look at them in light of the Vanderstock decision, a number of them appear to be perhaps of the less risky type. We took the coal royalties levy to the election, and that one is perhaps in doubt.

**The Hon. DANIEL MOOKHEY:** Actually, to be fair, I don't believe royalties are. Bear in mind royalties are charges for the extraction of a resource. That is different to an imposition of an excise on the consumption of a good.

**Ms ABIGAIL BOYD:** I hope you're right. I understand that there is potentially a proposal going through Cabinet to zone particular areas for high development. That leaves the potential for a rezoning levy, which we also took to the election. Is that something that you'll now be considering?

**The Hon. DANIEL MOOKHEY:** I like the way you try to charm me into revealing Cabinet deliberations, but I'm not going to fall for your trick, so I'm not going to be discussing what happens within Cabinet.

**Ms ABIGAIL BOYD:** Will you be considering a rezoning levy, though? If we look back into the past, we know that we could have raised multiple billions from that. Is that something that you would consider?

**The Hon. DANIEL MOOKHEY:** I think what we will consider is to ensure, when the Government is making investments in rail assets and other forms of public transport, that we're properly realising a benefit for the people who are providing that investment.

**Ms ABIGAIL BOYD:** Broad-based wealth taxes would also probably be on the safer side after that High Court decision. Would you consider those?

**The Hon. DANIEL MOOKHEY:** To be fair, on broad-based wealth taxes, it depends. You'll have to be more specific about which one you're describing. You'd be aware that there are other constitutional cases that remit the authority of that to Canberra, not necessarily the State.

**Ms ABIGAIL BOYD:** For example, a luxury homes tax?

**The Hon. DANIEL MOOKHEY:** Am I considering a luxury homes tax?

**Ms ABIGAIL BOYD:** Why not?

**The Hon. DANIEL MOOKHEY:** Not at this point, no.

**Ms ABIGAIL BOYD:** When we're looking at stamp duty on property, obviously there has been a long history of what to do with that. We've had many discussions about that. Is this not an opportunity, particularly given the housing crisis, to be reassessing the levels at which you're charging stamp duty on housing transactions?

**The Hon. DANIEL MOOKHEY:** The case of the High Court itself is one factor that means you look at whether or not your taxes are at appropriate levels. But to be fair, this Government has been looking at the appropriate levels of stamp duty for a while. That is part of the reason why we took to the election a policy of removing stamp duty and reducing stamp duty for up to 84 per cent of first home buyers. I wouldn't necessarily say that the High Court itself has catalysed it. The Greens' policy platform—if you want to provide it to me in full—

**Ms ABIGAIL BOYD:** Is excellent.

**The Hon. DANIEL MOOKHEY:** —we can provide you a full and detailed response. My general instinct with High Court cases isn't to rush to implement other parties' political platforms; it is to work through the issues relatively systemically, which is what we're doing.

**Ms ABIGAIL BOYD:** We're just here to help, Treasurer.

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

**Ms ABIGAIL BOYD:** The toll review, I understand, has cost at least \$2 million so far in fees for the people running that review. Will the course of that need to change in the context of the High Court case?

**The Hon. DANIEL MOOKHEY:** No, not to my knowledge.

**Ms ABIGAIL BOYD:** When the RUC was brought in—and, again, we had discussions about this—it was considered to be part of, potentially, an overall plan to reform the way that we use our roads and to implement

congestion taxing and all sorts of other types of time-of-day tolls that we know were being pushed by Transurban at the time. Does the RUC and the High Court case have any implications for the way that our toll system might be reformed in the future?

**The Hon. DANIEL MOOKHEY:** Again, it's something that needs to be examined carefully. It is one of the reasons why we're being pretty deliberate about our deliberations. I will point out this out: As a result of the High Court decision, we now leave ourselves with this inequity that the people who are contributing to our road maintenance are people who use petrol and diesel cars. People who use electric vehicles do not.

**Ms ABIGAIL BOYD:** You know that's a furphy, though.

**The Hon. DANIEL MOOKHEY:** No, it's a fact.

**Ms ABIGAIL BOYD:** That amount that goes into the fuel excise is not actually put aside for roads. It's just general revenue.

**The Hon. DANIEL MOOKHEY:** No. It gets remitted through special-purpose payments from the Commonwealth to the State and helps us maintain our roads.

**Ms ABIGAIL BOYD:** Into general revenue.

**The Hon. DANIEL MOOKHEY:** I would make the point that we support the rollout of EVs. We support the use of EVs to help us reach our target. It's a good example of how moving towards a net zero future requires us to reset policy settings in a number of ways, for which we have to bring our respective values to. When it comes to how we contribute to road maintenance, I think it's important that all road users make a contribution. That's crucially important if you happen to be living in regional New South Wales, who get a disproportionate share of the funding. That's not just my view; that's the view that's been held by every State government of all political persuasions for a long time.

**Ms ABIGAIL BOYD:** But this raft of road taxes that we currently have, with registrations, tolls, a fuel excise levy and all of the other things—none of that is actually a coherent set of taxes that actually is designed to fund road maintenance.

**The Hon. DANIEL MOOKHEY:** I think I understand the point you're making, which is that the State-based charges are one thing. But I'm talking about the Federal system. Obviously, as you know, fuel excises are paid to the Commonwealth Government, not to the State Government.

**Ms ABIGAIL BOYD:** Into their general revenue.

**The Hon. DANIEL MOOKHEY:** And then they have the special-purpose agreements that sit off it, that get renegotiated every five years, that allow us to decide what our road maintenance is. I'd just make the point, again, that it's similar to what we've seen in other forms of utility markets in which you get a cohort of people who can exit them first, but the cost of maintaining them are therefore held with everybody else. It's the same thing in electricity as well. It's not me being ideological about it, but we have to be up-front about the fact that the only way in which we'll keep social licence for that transition is to ensure that people are making a contribution.

**Ms ABIGAIL BOYD:** What about the "polluter pays" principle?

**The Hon. DANIEL MOOKHEY:** Sure. And you should factor that in when you decide the charge. I'm not suggesting that from the perspective of how you go to design. But exclusive constitutional authority to be able to impose such a system now belongs to the Commonwealth. As I've said before, and I'll say it again, the Commonwealth were a party to this proceeding. They should now be a party to the solution.

**Ms ABIGAIL BOYD:** Under the RUC legislation, we are due to have an inquiry—a review.

**The Hon. DANIEL MOOKHEY:** Yes, we are.

**Ms ABIGAIL BOYD:** Are you now going to be rushing to amend that legislation or remove—

**The Hon. DANIEL MOOKHEY:** No. Firstly, we respect the inquiry. We respect the role that the inquiry has in all parties being able to engage on these questions. It's certainly our intention that the inquiry goes ahead. Secondly, that inquiry is an opportunity for us to share the advice we got about whether or not the charge can be reaffirmed constitutionally and whether it requires revision so that it can stay within the remit of our constitutional authority or whether it requires repeal. We're happy to subject ourselves and the advice to that inquiry process, because we recognise its importance.

**Ms ABIGAIL BOYD:** Good. Thank you.

**The Hon. DAMIEN TUDEHOPE:** Returning to the NGF, if you go to chart E-3 on page E-4 of the budget papers—

**The Hon. DANIEL MOOKHEY:** Budget paper number—

**The Hon. DAMIEN TUDEHOPE:** One.

**The Hon. DANIEL MOOKHEY:** Sorry, you're blocking your mouth.

**The Hon. DAMIEN TUDEHOPE:** One.

**The Hon. DANIEL MOOKHEY:** What was the page reference?

**The Hon. DAMIEN TUDEHOPE:** E-4. You'll see there that you claim that contributions to the NGF were temporarily suspended. They, in fact, had been temporarily suspended by the previous Government, had they not?

**The Hon. DANIEL MOOKHEY:** Oh?

**The Hon. DAMIEN TUDEHOPE:** Yes. It then goes on to say, "Contributions are budgeted to recommence from 2024-25."

**The Hon. DANIEL MOOKHEY:** That is what it says.

**The Hon. DAMIEN TUDEHOPE:** That's what it says. So your earlier suggestion that they're not—

**The Hon. DANIEL MOOKHEY:** No. Let me just break it down step by step.

**The Hon. DAMIEN TUDEHOPE:** They're the words on the page, Treasurer.

**The Hon. DANIEL MOOKHEY:** Let me break it down step by step.

**The Hon. DAMIEN TUDEHOPE:** They're the words on the page.

**The Hon. DANIEL MOOKHEY:** I'll break it down step by step.

**The Hon. DAMIEN TUDEHOPE:** No. They're the words on the page.

**The Hon. DANIEL MOOKHEY:** Sure. This is why we have estimates—so I can explain it. Firstly, we have suspended contributions for this year. You will see in the appropriation bill that we haven't sought appropriation authority to make any contributions to the NGF. Secondly, we have flagged that there is a reform process in place when it comes to the NGF. That has two phases. Phase one is to suspend contributions. Phase two is that I've tasked TCorp to develop a strategy around how we can better realise returns from our existing funds by integrating them in order to offset the effect that your Government's policy had on the State's net debt position. Thirdly, we've been transparent about it all. I asked for an inquiry. I released the report that we were given upon forming government to the Parliament. In addition to that, we're in the process of responding to the Parliament's report. I made myself available to that inquiry. Finally, in this particular budget—

**The Hon. DAMIEN TUDEHOPE:** It was Mr Joye's report, was it?

**The Hon. DANIEL MOOKHEY:** —for the first time, I have reported what the effect of the NGF is on the budget result and what the budget result would be without the NGF.

**The Hon. DAMIEN TUDEHOPE:** What would be the impact on the budget result in 2026-27 without the NGF?

**The Hon. DANIEL MOOKHEY:** It's published in the budget papers.

**The Hon. DAMIEN TUDEHOPE:** It is.

**The Hon. DANIEL MOOKHEY:** If you go forward in the budget papers, you'll see it.

**The Hon. DAMIEN TUDEHOPE:** Go to page 1-4 and it tells you that the budget result would be a surplus of \$123 million. With the NGF, the budget result would be a surplus of \$1.5 billion.

**The Hon. DANIEL MOOKHEY:** Bear in mind, Mr Tudehope—

**The Hon. DAMIEN TUDEHOPE:** You agree with me that the NGF is making a significant contribution to the budget returning to surplus.

**The Hon. DANIEL MOOKHEY:** Can I just say, when it comes to the NGF and those particular budget figures—

**The Hon. DAMIEN TUDEHOPE:** They're your budget—

**The Hon. DANIEL MOOKHEY:** —we released at the time, when I made a statement to the Parliament in June, that absent your Government's decision to, in effect, borrow up to \$45 billion and add it to the NGF, the budget would have been in a pretty significant deficit in each of the years that you just mentioned. In fact, from memory—

**The Hon. DAMIEN TUDEHOPE:** And you characterise that as—

**The Hon. DANIEL MOOKHEY:** —and don't hold me to this number, but the number that you said when your Government reported a projected \$300 million surplus for 2024-25, absent your decision to use the State's credit card to add to the NGF, the budget would have been in deficit to the tune of close to \$1 billion and deteriorating. We've been transparent about the effects. I actually think it would have been wiser, and would have sustained the legitimacy of the NGF, if the previous Government had adopted that practice of reporting its impact. Then it would have been more explicable about why your Government was prepared to borrow the same amount of money that it would cost to build Metro West twice.

**The Hon. DAMIEN TUDEHOPE:** It didn't borrow the money, did it, Treasurer? That is a fiction that you have created. It's a fiction.

**The Hon. Dr SARAH KAINE:** Point of order: I think the Treasurer, and all of us, have been quite patient with the constant interjections from Mr Tudehope. I just think the Treasurer should be afforded the same respect we afford all witnesses, and let him answer the question.

**The CHAIR:** I uphold the point of order. If we could treat all witnesses with courtesy, and not interject, that would be appreciated.

**The Hon. DANIEL MOOKHEY:** As I was saying, the decision to borrow so much money for the purposes of the NGF was a huge reason why the State's gross debt was rising.

**The Hon. DAMIEN TUDEHOPE:** You and I will disagree on that. Can I just go to the \$13 billion which you've identified pursuant to the comprehensive expenditure review. Now, the Minister for Finance was unable or unwilling to provide any breakdown of that \$13 billion. Perhaps you will help us today. You've identified budget improvement and reprioritisation measures. Am I right in assuming that while preparing the budget—and you were listening to your rap music, I assume, while you were preparing the budget, were you?

**The Hon. DANIEL MOOKHEY:** I was listening to Chance the Rapper. I was listening to Tupac, Biggie Smalls, Lauryn Hill—

**The Hon. DAMIEN TUDEHOPE:** You simply didn't make up this figure of \$13 billion, did you?

**The Hon. DANIEL MOOKHEY:** No.

**The Hon. DAMIEN TUDEHOPE:** No, that's right. On page 3-3 of *Budget Paper No. 01*, it divides the \$13 billion from the comprehensive expenditure review into two parts. Firstly, over the five years to 2026-27 is \$6.4 billion in budget improvement measures, including non-tax revenue measures. You're aware of that, are you not?

**The Hon. DANIEL MOOKHEY:** Mr Tudehope, I can't hear you. You tend to impede your speech.

**The Hon. CHRIS RATH:** Treasurer, you're a bit difficult to hear as well. If you move the microphone forward—

**The Hon. DANIEL MOOKHEY:** Well, why don't we both bring our microphones forward and then we can all hear each other.

**The Hon. DAMIEN TUDEHOPE:** Do you agree with me that there is \$6.4 billion, which is attributed to budget improvement measures, including non-tax revenue measures?

**The Hon. DANIEL MOOKHEY:** Yes.

**The Hon. DAMIEN TUDEHOPE:** So how much of the \$6.4 billion is made up of non-tax revenue measures, and what are they?

**The Hon. DANIEL MOOKHEY:** I am happy to take you through the key ones.

**The Hon. DAMIEN TUDEHOPE:** Are they in the budget papers, by the way?

**The Hon. DANIEL MOOKHEY:** Let me just take you through them.

**The Hon. DAMIEN TUDEHOPE:** Can you refer me to the budget papers where it says that?

**The Hon. DANIEL MOOKHEY:** I can refer you to the answer I'm about to provide you.

**The Hon. DAMIEN TUDEHOPE:** So they're not in the budget papers?

**The Hon. DANIEL MOOKHEY:** Well, again, just—you need to read the budget papers carefully. I'm sure—

**The Hon. DAMIEN TUDEHOPE:** They're not in the budget papers.

**The Hon. DANIEL MOOKHEY:** Let me just answer your question.

**The Hon. STEPHEN LAWRENCE:** Point of order: That is the fourth time that that answer has been interrupted with an interjection.

**The Hon. DAMIEN TUDEHOPE:** Well, he could acknowledge that they're not in the budget papers.

**The CHAIR:** Order! If we could avoid interjections that would be helpful to the conduct of the inquiry, and also to Hansard, who find it very difficult to do their job when there's constant interjections, I'm told.

**The Hon. DANIEL MOOKHEY:** The principal measure that we're talking about here, amongst a few, is the difficult decision—or to be frank, the easy decision—we made to cut politicians' pay and senior executive size and pay.

**The Hon. DAMIEN TUDEHOPE:** How much do you expect to gain from that?

**The Hon. DANIEL MOOKHEY:** The expectation from that is \$745 million. That is an election policy that we made. It's worked out to be a little higher than was predicted by the Parliamentary Budget Office, mainly for the reasons that the SES was about 400 people larger than it was known to the PBO at the time. I point out again, with respect to my SES colleagues, that the typical SES executive is paid \$272,000 per year, which works out to be roughly four times what a paramedic earns at first year. That's the first significant saving. The second saving I want to take you to is the decision to reduce spending on labour hire. You would be aware, Mr Tudehope, that labour hire was growing at 19 per cent per annum prior to our election, some of which was COVID. We respect that and it played a very important role, but COVID is over and so, as a result, there is an opportunity now for us to rein that in. Simultaneously—

**The Hon. CHRIS RATH:** Treasurer, what specifically—

**The Hon. DANIEL MOOKHEY:** I'm still answering the question. Simultaneously we are reducing consultant spending too. We did make a commitment that we took to the election that we wanted to reduce duplication in the public service. We've started that work. There is more to do but we did make the decision to merge the Greater Cities Commission and the Western Parkland City Authority back into the planning department because, rather than having a plethora of planners and a passel of planning agencies, we prefer to have them in the department.

We did make some difficult decisions around infrastructure projects, not to proceed with those projects, specifically, that were not found to have merit in a cost-benefit sense—in fact, projects in which the costs massively outweighed the benefit. As you would be aware, that includes decisions around whether or not to raise the Warragamba Dam wall, the Dungowan Dam and Wyangala. We also made clear, and took to the election, a policy of not proceeding with the Great Western Highway widening and tunnel, and reallocating that money towards helping with local congestion. So rather than putting aside money for a project that is unlikely to ever get off the ground—or get through the ground, really—we would prefer to spend that busting local congestion for people so they actually get some meaningful differences in their local communities. In addition to that, we have made decisions to—

**The Hon. DAMIEN TUDEHOPE:** Can you give us dollar figures for each one of these measures, please?

**The Hon. DANIEL MOOKHEY:** We will come back to you on notice and see what additional detail we can provide you.

**The Hon. DAMIEN TUDEHOPE:** On notice, will you give us dollar figures in respect of each of those?

**The Hon. DANIEL MOOKHEY:** We will consider what additional information we can provide. But when it come to other issues—

**The Hon. DAMIEN TUDEHOPE:** You'll consider that?

**The Hon. DANIEL MOOKHEY:** You asked me, Mr Tudehope, what we were doing.

**The Hon. DAMIEN TUDEHOPE:** And I asked for dollar figures.

**The Hon. DANIEL MOOKHEY:** I'll just say that we've also made decisions in respect to the continuation of certain COVID programs. Again, these were very important programs during the pandemic, but the pandemic is over and so some of these programs need to go. A good example of that is that we didn't need to add to Health's budget in terms of acquiring PPE equipment. We did make decisions to bring infrastructure projects back under control. Again, two other ones which I can draw to your attention was the Powerhouse Museum, as well as Penrith Stadium. We did make decisions around the future of the Faster Rail program, which was to push it back to when there was a meaningful Commonwealth engagement, and we also—

**The Hon. DAMIEN TUDEHOPE:** On notice, Treasurer, can you give us dollar figures for each one of these?

**The Hon. DANIEL MOOKHEY:** I will come back to you on notice for that.

**The Hon. DAMIEN TUDEHOPE:** Thank you.

**The Hon. DANIEL MOOKHEY:** You did ask me what they were, and I'm going through them.

**The Hon. DAMIEN TUDEHOPE:** Well, you gave the first one—you gave us a figure.

**The Hon. DANIEL MOOKHEY:** In addition to that, we also, as you would rightly have pointed out and your party has rightly—well, not rightly—certainly made an issue about, we made some very difficult decisions about whether or not we could restore the cost-of-living measures that your Government had cut, specifically around Active Kids and Creative Kids. In addition to that, we had to make some difficult decisions about whether or not travel cards could be continued without rorts.

**The Hon. DAMIEN TUDEHOPE:** So just before I go to my—the \$6.4 billion also identifies non-tax revenue measures. What are they?

**The Hon. DANIEL MOOKHEY:** So, again, I gave you a pretty comprehensive list but there's more I can add in terms of our budget repair measures, which I'm sure will be of interest to you. The biggest principal budget reduction cost saving that we made was to reduce the State's interest bill. About \$2.3 billion was saved in interest costs as a result of us stabilising our State's debit position, reducing our gross debt from \$187 billion to \$174 billion over 2025-26.

**The Hon. DAMIEN TUDEHOPE:** And that's part of the \$13 billion?

**The Hon. DANIEL MOOKHEY:** No, I'm just pointing out budget repair measures.

**The Hon. DAMIEN TUDEHOPE:** Is it part of the \$13 billion? Is it part of the—

**The Hon. DANIEL MOOKHEY:** In addition to that, I would also point out our decision to repair the transport—

**The Hon. DAMIEN TUDEHOPE:** Point of order: I'm asking the Treasurer a specific question in relation to the \$13 billion which he's identified in respect of the comprehensive expenditure review. Is he saying—he should answer that question in respect of the \$13 billion which he's identified. Is what he has now identified as interest savings part of the comprehensive expenditure review relating to the \$13 billion he's identified.

**The CHAIR:** That doesn't seem to be a point—

**The Hon. DAMIEN TUDEHOPE:** He's not answering the question.

**The CHAIR:** Order! That doesn't seem to be a point of order; that seems to just be another question. The Treasurer is entitled to answer the question as he sees fit. I cannot direct him on how to answer the question but you can continue to ask the questions as you see fit. You have the call.

**The Hon. DANIEL MOOKHEY:** As I was saying, the \$2.3 billion—

**The Hon. DAMIEN TUDEHOPE:** No, the call is with me, Treasurer.

**The Hon. DANIEL MOOKHEY:** I was answering your question.

**The Hon. DAMIEN TUDEHOPE:** If you go to table 4.3 on page 4-6—

**The Hon. DANIEL MOOKHEY:** Of which budget paper?

**The Hon. DAMIEN TUDEHOPE:** *Budget Paper No. 01.*

**The Hon. DANIEL MOOKHEY:** What page?

**The Hon. DAMIEN TUDEHOPE:** Page 4-6.

**The Hon. DANIEL MOOKHEY:** Yes?

**The Hon. DAMIEN TUDEHOPE:** So are they the revenue measures that you've identified for the purposes of—

**The Hon. DANIEL MOOKHEY:** They are some of them. Again, you will see here that one of the principal measures that we did was in respect to the EV charges. I know that that attracted some controversy, as well. That's definitely one of them. One thing we definitely did do, as you're right to point out, is that we reduced tax concessions that apply to large corporate groups to align with policies that exist in Victoria as well. That's the other major measure that we took there. I've got to be clear about that. In the context of doing budget repair, where we are making difficult decisions about what can continue and what cannot continue, the criteria that we applied was whether or not it would have a wide impact that was deeply felt that would affect family budgets, and of course we wanted to quarantine that. When it comes to the revenue integrity measures that we had planned, which you just drew my attention to, I will point out I do think that providing 100 per cent tax concession for 500 very large corporations/multinationals when it comes to corporate group restructure—

**The Hon. DAMIEN TUDEHOPE:** Casinos?

**The Hon. DANIEL MOOKHEY:** No, Mr Chair, just to be clear which one I'm talking about, you'll see it's called Tax Integrity and Fairness Measures.

**The Hon. DAMIEN TUDEHOPE:** Yes, casinos.

**The Hon. DANIEL MOOKHEY:** No, no, it's not.

**The Hon. DAMIEN TUDEHOPE:** Is that not included?

**The Hon. DANIEL MOOKHEY:** No, not in that one. What is included, though, is the fact that I do think it is fair that, if you happen to have a large corporate group and you're restructuring, a 90 per cent concession is pretty fair.

**The Hon. DAMIEN TUDEHOPE:** You can provide a tax concession to casinos but you can't find \$150 million for palliative care. Isn't that right?

**The Hon. DANIEL MOOKHEY:** I will just point out that the additional taxes we're raising from Star and Crown, which we are collecting, is being used to support our palliative care funding growth, as well as our health investments, amongst many other sources. I would just point out that when it comes to those two particular measures, we managed to do that in a way which didn't cost the jobs of 4,000 working people.

**The Hon. DAMIEN TUDEHOPE:** No, but you can tolerate the pain and dying of people by reducing palliative care, can't you, Treasurer?

**The CHAIR:** Order!

**The Hon. DAMIEN TUDEHOPE:** You can do that, Treasurer.

**The CHAIR:** Order! Mr Tudehope, you have been playing nicely until now.

**The Hon. DAMIEN TUDEHOPE:** You can do that.

**The CHAIR:** Please continue to treat the witness with courtesy.

**The Hon. DANIEL MOOKHEY:** I do think when you properly formulate policy and you take your time to develop it properly, you do find yourself in a position which can result in a good outcome for the State.

**The Hon. DAMIEN TUDEHOPE:** Is the figure of 4.142.7, the \$4.14 billion in the table, included in your \$13 billion?

**The Hon. DANIEL MOOKHEY:** I'll double-check on that, but I don't believe so. Let me come back to you.

**The Hon. CHRIS RATH:** Treasurer, I think it would definitely help if you could provide a category dollar-figure breakdown of each of the categories in that \$13 billion. Can you commit to coming back to us with that?

**The Hon. DANIEL MOOKHEY:** I can certainly commit to seeing what further information we can provide you.

**The Hon. DAMIEN TUDEHOPE:** Surely you know that, Treasurer. That information is available to you.

**The Hon. STEPHEN LAWRENCE:** Point of order—

**The Hon. DANIEL MOOKHEY:** Again, I just committed to see what additional information we can provide to you.

**The CHAIR:** Order! A point of order has been taken.

**The Hon. STEPHEN LAWRENCE:** There were three earlier questions on this point and the Treasurer said that he would consider if he would take that on notice. He has now been asked again and then interrupted when attempting to respond. It is not courteous, I would suggest. He is not obliged to take it on notice.

**The Hon. DAMIEN TUDEHOPE:** To the point of order: The interruption is about whether the Treasurer has knowledge of those figures.

**The CHAIR:** I uphold the point of order. We have to treat the witness with courtesy at all times.

**The Hon. DAMIEN TUDEHOPE:** Treat us with courtesy.

**The CHAIR:** Interjecting is not courteous. You are at liberty to ask the questions that you see fit, but you must treat the witnesses with courtesy and allow them to respond so that we can all get a better understanding and Hansard can transcribe it. Mr Tudehope, or the Opposition, you have two minutes left.

**The Hon. CHRIS RATH:** I think it would definitely help in the interest of transparency if you could provide those figures, Treasurer, in particular with some of the rubbery assumptions behind some of these cuts. For instance, with freezing executive pay, a pretty big assumption identified by the PBO that the costing assumes that all senior executive positions falling vacant during the financial years are either deleted or filled by the transfer of another senior executive, so this is with the natural attrition point—

**The Hon. DANIEL MOOKHEY:** Mr Rath, if you want to talk about rubbery figures, you're referring to my PBO costing—

**The Hon. DAMIEN TUDEHOPE:** Just answer the question, Treasurer.

**The Hon. DANIEL MOOKHEY:** Yes, I am. You're referring to my PBO costing in which we committed to cut by 15 per cent. You committed to cut by 20 per cent on the exact same assumption, so it's as rubbery for you as it is for me.

**The Hon. CHRIS RATH:** But you're in government now, Treasurer, and we're asking the questions.

**The Hon. DANIEL MOOKHEY:** No, Mr Rath, it's an important point you make. When this was teased out in the election campaign, I was asked why aren't we matching your Coalition policy of cutting by 20 per cent. I said it was because we didn't think it could be realised without redundancies, so we took a more conservative position on SES reduction than you did because our position was more realistic. Whilst you are free to read from my costing, perhaps you might want to read your own, because you took a harder position on this than I did.

**The Hon. CHRIS RATH:** On labour hire, Treasurer, when you look at the fact that 75 per cent of the money spent is in ICT and specialist staff, what specifically are you going to cut in labour hire? Are you going to cut the ICT figures or the specialist staff?

**The Hon. DANIEL MOOKHEY:** I would much prefer for us to hire a real workforce rather than pay a king's ransom for a shadow workforce.

**The Hon. DAMIEN TUDEHOPE:** That's just nonsense.

**The Hon. DANIEL MOOKHEY:** What we saw under your government was that the cost of labour hire had risen by 19 per cent per annum. Can I just point out it's not because we're hiring more labour; it's because that labour is more expensive. So we are tasking all the departments with reining in their labour hire spending and being able to use some of those savings to rebuild the public service. Again, we can't continue to diminish the public service, which took place under your watch for 12 years, at great cost. It's not just bad public policy. It turns out it has worked out to be very bad economics as well. We will continue to rein those costs in because we do think we can do a better job at a cheaper price.

**The CHAIR:** Treasurer, returning to the issue of coal royalties, coal is our number one export in terms of value, is it not, in New South Wales?

**The Hon. DANIEL MOOKHEY:** Yes, it is.

**The CHAIR:** And it will continue to be so for many decades?

**The Hon. DANIEL MOOKHEY:** That's my understanding, yes.

**The CHAIR:** To do that, the former Government had a strategic statement on coal exploration and mining and, as part of that, we are going to need to release new areas for more coalmining, are we not?

**The Hon. DANIEL MOOKHEY:** I don't know whether or not that statement said that. That's not my understanding of what the coal statement said, but nevertheless, to be fair—

**The CHAIR:** I can read it to you, if you'd like.

**The Hon. DANIEL MOOKHEY:** Mr Buckingham, I don't want to disagree with you. I think the point is that perhaps the Minister for resources is the better person to answer that question.

**The CHAIR:** It's a massive source of revenue to the State, so I am sure Treasury would be across the issue of how you maintain that revenue.

**The Hon. DANIEL MOOKHEY:** I think the question you're asking me is are we planning to put more areas into place for exploration or are we planning to extract more from existing mines? I think that's the distinction.

**The CHAIR:** Both. The strategic statement on coal under the former Government said that we would have to release new areas for coalmining and we would have to extend the life of existing mines. Does your Government remain committed to both of those?

**The Hon. DANIEL MOOKHEY:** I think what the Government has outlined or will outline is what we intend to do with that statement. You're right to point out that was a statement of the former Government. I know the Minister for Natural Resources is engaging heavily about the future of coal statement and, frankly, as she said in the House, the Future of Gas Statement as well. So I believe that there are already policy processes in place to ensure that any such statements align with this Government's policies. But if you're asking me whether Treasury is assuming that there are going to be new coalmine areas granted for exploration, to the best of my knowledge we're not—assuming that there is. But, again, I'll come back to you if I've got any further information on that.

**The CHAIR:** So you're saying that Treasury is not assuming there will be new coalmines in this State?

**The Hon. DANIEL MOOKHEY:** I'd just point out that I think at this point the only people who are making proposals in the planning system are really to extend existing mines beyond their existing life or to seek further adjustments around it. It goes back to that question about whether or not the footprint is expanding or whether or not there is expansion of existing facilities. To be very clear, we have to wait for those planning processes to play out in the way in which they're envisaged, but it's certainly the case that our projections around coal royalties are turning on volume and price projections, not location of extraction.

**The CHAIR:** The Future Jobs and Investment authorities are a signature policy of the Government. A lot of communities are relying on them as they transition out of coalmining and away from coal-fired power stations. Why hasn't the Government put more money into those authorities yet to assist those coal communities make that transition faster and in a more cohesive way?

**The Hon. DANIEL MOOKHEY:** Firstly, you're right to say that these communities are taking responsibility for their own future, and that's excellent. The idea of future transition authorities or future jobs authorities is an idea that has developed, I know, in the Latrobe Valley, but equally here in New South Wales the Hunter Jobs Alliance has done terrific work in bringing together community, business and workers around common planning future. I know Lithgow council is equally as enthused about the prospect of getting access to a similar scheme, and I know there are other parts of mining communities as well which would like to have access to it. As a result of that advocacy, we took to the election a policy of establishing these authorities, and in this budget we've delivered the funding we said we would at the election.

**The CHAIR:** You've delivered the budget to establish the authorities but you haven't delivered the funding for the authorities to actually assist those communities. Is that true?

**The Hon. DANIEL MOOKHEY:** It's the case that you've got to develop the funding for the authorities in order for them to be able to develop their asks, and I would just point out it's not an approach that we've adopted exclusively to the future transition authorities and the future jobs authorities. Wherever we created an election commitment around the formation of a new government body, we made it very clear that we intend to establish the body first before we intend to make any further decisions about what is the right level of resourcing and investment that we need to make. I'd also point out, particularly, the point around the future jobs authorities: The whole point of them is to allow those communities to have a meaningful say in what they would like to do with the money. And so I don't want to pre-empt the ability of those commissions and authorities to have the conversations with the communities themselves. In fact, the whole point of these authorities is so those conversations are community-led.

**The CHAIR:** That said, then, Treasurer, the expedition of those authorities would be ideal, would it not, to make sure that they are in place, we populate those authorities and they're doing that work sooner rather than later? That would be ideal, wouldn't it?

**The Hon. DANIEL MOOKHEY:** It's certainly happening as a result of this budget. We have delivered our election commitments, and of course I would expect every community, mining and otherwise, to agitate hard for more investment from the State Government and, for that matter, Federal Government and local governments. So it's a good thing that we've established the authorities and we support their work and we're looking forward to them rolling out.

**The CHAIR:** You would be cognisant of those mining communities, the Hunter, Upper Hunter, north-west, Central West, and their argument that they don't feel that they've received a fair return for the royalties and the economic development that they have afforded the people of New South Wales?

**The Hon. DANIEL MOOKHEY:** I am aware that they have that view, but to be fair I am yet to meet any community that feels like they've gotten adequate levels of investment commensurate with their economic contribution as well. I well and truly respect the fact that there are these mining communities that do provide this money and I well and truly expect the perception that you just alluded to is widely felt.

**The CHAIR:** Treasurer, in terms of gas, Victoria has estimated households that move from using gas for heating, hot water and cooking to using efficient electric appliances can save between \$1,000 to \$1,250 per annum. How significant do you consider the savings could be for families here in New South Wales? Will the Government commit, as it did before the election, for a road map to move New South Wales away from gas and to electrification?

**The Hon. DANIEL MOOKHEY:** Electrification does present the opportunity for there to be cost savings for households. That's true. I'm not across the precise modelling that the Victorian Government has done but I'm happy to look into it. I am more across what the ACT has done in this respect with some of the schemes that they're offering, and we are certainly looking at whether or not any of these schemes could be adapted to New South Wales's context.

**The CHAIR:** So you are doing modelling on whether or not these schemes could be—

**The Hon. DANIEL MOOKHEY:** I wouldn't describe it as advanced modelling. At this point, we are looking at some of the incentive schemes that other States have provided to allow fundamentally working-class and middle-income households to get access to these technologies faster than otherwise.

**The CHAIR:** Treasurer, the O'Reilly report commissioned by the Government—Cameron O'Reilly—in terms of the Narrabri gas proposal development in consultation with stakeholders, said:

There were differing views about whether gas supply for NSW would be problematic, but few believed Narrabri could address forecast shortfalls in the required time.

Is the Narrabri gas project essential in New South Wales to increase supply and lower gas prices and electricity prices in this State?

**The Hon. DANIEL MOOKHEY:** I saw you ask the same question of the Premier, and I agree with what the Premier said. It comes down to timescale. I think the point that the O'Reilly report is making is that over the timescale in which there's forecast energy deficits, it perhaps might be unwise to assume that there are new supplies of gas coming online, but over the medium term ultimately the market will decide the future of gas as different cost inputs evaluate, and that's basically the view that a few people have taken. I think that with O'Reilly, though, it has a very separate purpose. It's not to determine the future of gas supply; it's to determine whether or not there is a likelihood of an energy shortage and what steps are likely to be taken. The way I read those comments in the O'Reilly report about Narrabri was that it comes down to the timescale about what interventions are possible and what assumptions you can make around reliability.

**The CHAIR:** Do you accept that the O'Reilly report was saying, in terms of gas supply and energy, that storage was the principle consideration in New South Wales in the short term to ensuring that we had the gas we need for those peaking plants in New South Wales?

**The Hon. DANIEL MOOKHEY:** I accept that the O'Reilly report made the point that storage is very important in order to firm the grid. But I'd also make this point, taking a step back: In this budget we had to surge an additional \$800 million into the Transmission Acceleration Facility in order to connect renewable energy zones to the grid. The long-term solution here is to get those new REZs online as fast as possible. What we are doing in this budget is principally two measures: firstly, the \$800 million additional for the TAF, but also, in terms of storage, the \$2 billion we've set aside for the NSW Energy Security Corporation, which has a mandate to invest

in long-duration storage technologies to accelerate them.<sup>2</sup> That's important because in the absence of such an investment, private capital will continue to go to intermittent power sources because the returns are greater than what would be available from long-duration storage. The reason why we've put the New South Wales Government back into the energy market, the reason why people should have a say in the energy markets through the security corporation is so we do have more control of our energy future.

**Ms ABIGAIL BOYD:** Of course, one of the other massive uncertainties and risks facing the State is in relation to climate change.

**The Hon. DANIEL MOOKHEY:** Sure.

**Ms ABIGAIL BOYD:** We have spoken before about the Auditor-General's report that was looking into the failure of the New South Wales Government to develop a climate risk adaption plan under the Coalition. That Auditor-General report recommends that the Treasury be the one to coordinate that audit across different departments—

**The Hon. DANIEL MOOKHEY:** Yes.

**Ms ABIGAIL BOYD:** —and to ensure that that risk adaption plan is put in place. What have you been doing to progress that?

**The Hon. DANIEL MOOKHEY:** I will provide some preliminary remarks and perhaps allow the secretary to take you through a little bit more of the detail. At first instance, we are undertaking work, dare I say, respecting the Auditor-General's points of view about accounting standards for climate risk. The Auditor-General and others have made the point that there's no consistent standard across government departments around what is climate risk and also how to record it in annual reports. We've had to delay some of that reporting for this forthcoming annual report season in large part as a result of Auditor-General representations to allow those standards to be properly developed. I also point out that there is some work taking place next year, a few conferences around different government agencies and others about how to do this, because we want to make sure that the standards are consistent and that it's like-for-like. That's the first thing that we are doing in respect of climate risk.

The second thing that we are doing and looking forward to doing is that, in our intergenerational report, I think it's important that it reports on climate risk. It's pleasing that the Federal Government has started that work in their intergenerational report, but one of the criticisms of the last intergenerational report is that that wasn't done to the scale to which it was necessary. I do think the intergenerational report is probably the right policy framework to develop some of that thinking around climate risk to the State, to the economy and to the budget. That is the second aspect of what we are doing.

Of course, the third aspect of what we are doing, which Mr Deverall is leading a large part of, is around ESG—around State investments and investment risks. As a Treasury, I'm responsible for \$8 billion under funds management. One thing I did when I was sitting on that side of the table was agitate pretty hard around ESG reporting on our investment funds. It's a good thing that the previous Government eventually got around to commissioning a review. We are implementing those findings. Mr Deverall and TCorp have been tasked and are already doing a lot of groundbreaking work in this respect on developing consistent standards, given the scale.

**Ms ABIGAIL BOYD:** I will come back to the secretary this afternoon.

**The Hon. DANIEL MOOKHEY:** Sure.

**Ms ABIGAIL BOYD:** On that specific issue of working out what the risk is to assets across the State that the Government owns, we saw in that report that there was a huge percentage of assets for which we have no idea what the risk is.

**The Hon. DANIEL MOOKHEY:** That remains. To be frank, you're quite right. That remains a risk, and it's not going to be a risk we're going to solve quickly. But I would stress that the advice that I received was that if you precipitously rush that work, you run the risk of wildly inconsistent standards.

**Ms ABIGAIL BOYD:** Sure. I understand you've only just come into government, but the previous Government said that they were doing this back in 2016.

**The Hon. DANIEL MOOKHEY:** Are you shocked?

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<sup>2</sup> In [correspondence](#) to the committee received 27 November 2023, Hon Daniel Mookhey MLC, Treasurer, clarified the evidence given.

**Ms ABIGAIL BOYD:** No, I'm not shocked. I understand that there is some catch-up to be done. But how can we possibly look to the future and look at what we need to do to bolster the State against climate risk when we don't know what a significant percentage of our assets are exposed to at the moment?

**The Hon. DANIEL MOOKHEY:** Yes, we're playing catch-up. I would have much preferred—

**Ms ABIGAIL BOYD:** What is the Treasury doing on that specific audit?

**The Hon. DANIEL MOOKHEY:** Firstly, I would have much preferred previous governments to do more than make rhetorical commitments. Secondly, it became apparent when I became Treasurer that a lot of this work was dormant at a top level. Thirdly, that's why we are acting around developing consistent standards, consistent time lines and consistent reporting methods for us to be able to assess the nature of the risk. I would stress again that I wouldn't agitate hard around artificial time lines because the accounting standards for climate risk are not yet developed. Part of the issue that we have is that the absence of appropriate climate standards means that we have to make decisions and assumptions ourselves, somewhat unilaterally, which I don't necessarily want to do unless they are best practice. We are working with the Auditor-General on this. The Auditor-General and I have discussed this twice since I've become Treasurer. I very much respect the Auditor-General and the work that her office does in this respect, and she is the one who has been making the point, amongst others, that you need to be careful about the standards you use.

**MICHAEL COUTTS-TROTTER:** Which were only released in draft form this week by the Australian Accounting Standards Board.

**Ms ABIGAIL BOYD:** I understand that there have been a number of exemptions given to State-owned corporations in relation to climate reporting, again, under the previous Treasurer. For example, TAHE, which has ownership of all our rail assets and a significant chunk of the infrastructure we would expect to be exposed to climate risk, had not done this task. Has that now been fixed?

**The Hon. DANIEL MOOKHEY:** When it comes to exemptions that TAHE had access to, I'm not across that particular one. I'll endeavour to come back to you on notice as to whether or not they were formally exempted. But the broader questions around when the State-owned corporations were given exemptions—I certainly haven't granted any.

**MICHAEL COUTTS-TROTTER:** I'll confirm this for this afternoon's discussion, Ms Boyd, but at the moment it is an environment of voluntary disclosure, not just in New South Wales but elsewhere. The Auditor-General's concern was that if the Audit Office is to audit and assure the veracity, accuracy and appropriateness of disclosures, they want to do that within an accounting framework. They would prefer us to wait on an accounting framework before dashing off on a series of disclosures. Some agencies—Landcom and others—choose to disclose, and that's a good thing. But many agencies are waiting on a framework within which they can undertake disclosure.

**Ms ABIGAIL BOYD:** Okay. Let's come back to that this afternoon. There was a *Disaster Cost-Benefit Framework* Treasury guidance released this month, Treasurer. Are you aware of that document?

**The Hon. DANIEL MOOKHEY:** Yes.

**Ms ABIGAIL BOYD:** There's a very curious bit at the back of that document that talks about the benefits that natural hazards can have. I will quote a bit of it. On page 74, it says:

The Fukushima disasters of 2011 provide several examples. These include increases in social cohesion and trust from increased volunteerism, including cases where retired engineers volunteered to replace younger workers in radiation-exposed areas.

Are we really taking into account those sorts of institutional social benefits of a disaster when working out whether or not to mitigate those disasters in the first place?

**The Hon. DANIEL MOOKHEY:** In short, no. I'm prepared to say I don't think nuclear disasters have a benefit, and nor do I think that other natural hazards have benefits per se. Nevertheless, Treasury has a technical task to do, and Treasury are required to undertake certain technical assessments. But if you're asking me whether or not that has any persuasive impact on me as a decision-maker, the short answer is it doesn't.

**Ms ABIGAIL BOYD:** You and I have had lots of discussions about how accounting processes and some of these standard ways of doing cost-benefit analyses are not really in line with what people would expect in terms of government decision-making.

**The Hon. DANIEL MOOKHEY:** You are making a pretty persuasive case right now, Ms Boyd. The officials will be here this afternoon, who perhaps can provide you more details as to the technical nature of what they're required to consider.

**Ms ABIGAIL BOYD:** Had you read that last page?

**The Hon. DANIEL MOOKHEY:** Yes, I had. To be fair, had I read it recently? No, is the short answer. You've got me there. But it's fair to say that, when it comes to government decision-making, we're not going to credential any argument to suggest that there is a benefit to a natural disaster.

**Ms ABIGAIL BOYD:** Turning to the cost of carbon in the cost-benefit analysis, I know that you've also been working on that.

**The Hon. DANIEL MOOKHEY:** Yes.

**Ms ABIGAIL BOYD:** We've had a bit of an update. I understand that it still has a 7 per cent discount rate. The IPCC says there's no justification for applying discount rates as high as even 5 per cent for the cost of carbon. You've put 7 per cent.

**The Hon. DANIEL MOOKHEY:** Treasury undertook quite a bit of reform around discount rate analysis. That followed some very interesting work that the Grattan Institute had published about what the appropriate rate of discounting is when it comes to assessing long-tail costs and risks. There was an argument that 5 per cent was not the right number and 7 per cent was an alignment to move. I think your point is more that you discount the importance of discount rates altogether in such analysis.

**Ms ABIGAIL BOYD:** Not altogether, but I think something around 2 per cent would be a far more sensible, moderate approach.

**The Hon. DANIEL MOOKHEY:** Given that this is quite a technical discussion, which frankly I'd love to get into, you might find it more profitable to direct some of these questions to the officials this afternoon. Nevertheless, I think we would struggle to persuade other jurisdictions to take us seriously if we were to adopt a 2 per cent discount rate. I would also make the general point of principle that, when it comes to discount rate analysis for the purposes of climate risk, I am conscious that the EU has done tremendous work and is perhaps the most developed. They now set global standards when it comes to a few of these issues, to which everybody else either aligns or misaligns. So I'm not going to artificially adopt a rate that would deny us access to markets offshore.

**Ms ABIGAIL BOYD:** Sure, but the typical rate chosen by countries that use a social cost of carbon model is 3 per cent. That's the average. Seven per cent looks like you're not taking the issue seriously, Treasurer.

**The Hon. DANIEL MOOKHEY:** I don't think that's necessarily—I wouldn't infer that, because I have spent quite a few times, actually in response to your advocacy, Ms Boyd, getting across this issue. But, again, I am always open to feedback and suggestions, and we are going to continue to monitor other jurisdictions about what changes they adopt, to ensure that our settings remain aligned with international best practice and standards.

**Ms ABIGAIL BOYD:** In the time I have left, I have one final question in relation to silicosis. I know that you're not the Minister for Work Health and Safety, and it's a decision that is being made by that Minister, but given your advocacy on the issue and your understanding of the long-term cost impact to the State of not banning manufactured stone, what is your view?

**The Hon. DANIEL MOOKHEY:** My view remains, firstly, that the Minister is doing a tremendous job in advocacy on this and, in fact, in opposition it was Minister Cotsis, myself and many other members of the Labor caucus who agitated very hard, frankly, in partnership with other parties, including yours, to get meaningful action on silicosis. Secondly, my approach remains the same—that the preference is for there to be a national approach to this, for the very simple reason that in the absence of one you run the risk of activities in New South Wales migrating to other States and simply exposing a separate set of stonemasons to the risk. For me, that's very personal because the silicosis victim that I was working with and have been working with was a person who was residing in the Gold Coast but cutting in the North Coast, and that interchange is serious.

As the Premier has made clear, in the absence of a national ban we reserve the rights to take whatever actions we consider necessary to save lives here in New South Wales. I think that it's important that this is a bipartisan and a cross-partisan approach, because we do not want to run the risk of another asbestosis crisis like we experienced before. Equally, I said it in the House and I say again that people who are engaging in misinformation and mistruth campaigns in response to the evidence base that, fundamentally, this Parliament has adduced will answer to their conscience for a very long time.

**The CHAIR:** Hear, hear! Questions from the Government?

**The Hon. BOB NANVA:** I was going to ask if there are any aspects of your evidence that you wanted to expand on. But in the first instance if I could, more specifically, ask your thoughts on whether the former Government was transparent about the cuts in funding to the screen industry in the pre-election budget update.

**The Hon. DANIEL MOOKHEY:** Firstly, my answer is no, they were not. In fact, it took a long time to properly understand the magnitude of secret cuts that were engaged in by the previous Government, on the eve of an election, that were never disclosed. I would say that the only reference that was made in respect to anything that could even resemble a screen cut was in respect to a broad saving applied to the Department of Enterprise, Investment and Trade. At no point did the previous Government go to the last election saying that they were cutting the funding.

**The Hon. CHRIS RATH:** Point of order: I know that the Treasurer would love to answer this question, but the Treasurer is not responsible for the previous Government nor the previous budgets. He is responsible for this budget, so I do think that that question is out of order.

**The CHAIR:** I do not uphold the point of order. Wide latitude is given in both the asking and answering of questions, and I think the Treasurer is giving important context to the formation of the budget.

**The Hon. DAMIEN TUDEHOPE:** It wasn't in the budget.

**The Hon. DANIEL MOOKHEY:** The previous Government did not seek a mandate to cut that budget. The previous Government were the first to turn up at the opening nights of Australian films and were the last to pay their bills. That is why we found ourselves in a difficult position. It's fine to turn up to movie night. It would help if the previous Government was honest with the film industry about their secret cut.

**The Hon. DAMIEN TUDEHOPE:** So you turn up now, do you? I'm sure you do.

**The CHAIR:** Order! You will get another turn, Damien—Mr Tudehope, sorry.

**The Hon. DAMIEN TUDEHOPE:** That's alright.

**The CHAIR:** In light of there being no more questions from the Government, we will adjourn and return at 11.15 a.m.

**(Short adjournment)**

**The CHAIR:** The time being 11.15 a.m., we will recommence with questions from the Opposition.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, just to continue down the transparent budget which you've delivered and the level of detail which you've been articulating today, in respect of the \$6.6 billion and the \$13 billion which we were talking about earlier, that is reported as being reprioritisation and reprofiling measures. How much is from "reprioritisation of unallocated funds from grant programs, including Restart, Regional Growth Funds, Snowy Hydro Legacy Fund, WestInvest, Future Economy Fund, Coal Innovation Fund and other programs", which are mentioned on page 5-4?

**The Hon. DANIEL MOOKHEY:** Sorry, can you give me that list again?

**The Hon. DAMIEN TUDEHOPE:** Just go to page 5-4 and they're all mentioned in your own document.

**The Hon. DANIEL MOOKHEY:** What page was that?

**The Hon. DAMIEN TUDEHOPE:** Page 5-4.

**The CHAIR:** Page 5-4 of *Budget Paper No. 01*.

**The Hon. DAMIEN TUDEHOPE:** Box 5.1, at the top, the last paragraph.

**The Hon. DANIEL MOOKHEY:** Yes?

**The Hon. DAMIEN TUDEHOPE:** You see all those programs? Can you provide us with the detail of the dollar values in respect of the reprioritisation or reallocation of those funds? And, in respect of WestInvest, can you please provide us with, on notice, the detail of those WestInvest programs which have either been cancelled or have been reallocated?

**The Hon. DANIEL MOOKHEY:** In respect to WestInvest, the answer to your question, can I provide it on notice, is no; I can provide you more information now. In respect to WestInvest, we took an election policy, for which we got a mandate, to allocate the \$3 billion stream that was established for State government projects towards Western Sydney schools and Western Sydney hospitals. The reason why we took that policy to the election was because Fairfield Hospital, for example, has not had an upgrade since the 1980s, and we are wanting to ensure that the people of Fairfield and south-west Sydney get access to an upgrade. Equally, over the course of the past 12 years, the number of beds available in New South Wales had dropped by 500. Even though Queensland had expanded the number of available beds by 1,100 and Victoria by 600—

**The Hon. DAMIEN TUDEHOPE:** Treasurer, if I can just stop you there.

**The Hon. DANIEL MOOKHEY:** —New South Wales had dropped by 500, which is why we took a policy to, instead of using WestInvest to fund election commitments—

**The Hon. DAMIEN TUDEHOPE:** Point of order: I'm happy for the Treasurer to make speeches. I have asked him for specific details of the WestInvest allocations which have been cancelled and the dollar values attributed to the reprioritisation or reallocation of those funds. I am aware that he has made election commitments. I just want the detail in respect of—

**The Hon. DANIEL MOOKHEY:** Well—

**The Hon. DAMIEN TUDEHOPE:** Are you wanting to make a point of order now, are you?

**The Hon. DANIEL MOOKHEY:** I'm actually allowed, as a member of the upper House. Believe it or not, under the rules, I am. As a member of the upper House, I can.

**The Hon. BOB NANVA:** To the point of order: Mr Rath earlier alluded to the Legislative Council practice which allows for wide latitude with questioning. There is also a degree of latitude to be provided in answers. The Treasurer was providing context to the question that was asked.

**The Hon. DAMIEN TUDEHOPE:** But he can't make speeches. It eats into this time and it's disrespectful, quite frankly.

**The CHAIR:** Order! There is wide latitude given to witnesses in providing context to what are complex questions, so I do not uphold the point of order. Treasurer, you were saying?

**The Hon. DANIEL MOOKHEY:** I was saying we took a policy to reverse, amongst others, the previous Government's decision to reduce the amount of available bed capacity by 500, and that is because we are dealing with some pretty bad backlogs when it comes to elective surgery and the like. So we took a policy with respect to WestInvest. We thought it was a better use of that money, to rebuild Western Sydney schools and Western Sydney hospitals. We got a mandate for that policy, as you would recall. It was actually the subject of quite a lot of questioning in the last week of the campaign, from both the now Opposition as well as the media. We were up-front about the fact that we were going to repurpose that money. We said that Mr Perrottet's Government had its priorities for this money, and we have our priorities for this money. We got that. That's the first point.

Second point, at no point did the previous Government ever disclose what it was going to spend that \$3 billion on. At no point was there public statements, other than every now and then there would be an election commitment that was apparently attributed to that \$3 billion source. To some degree, Mr Tudehope, when you ask me for transparency around what was cancelled, I'm in a very difficult position to provide you that information, because your Government never announced it.

**The Hon. DAMIEN TUDEHOPE:** Thank you. Can you give us the detail in dollar figures—

**The Hon. DANIEL MOOKHEY:** No. I just said I'm answering it here right now in estimates. I don't need to take it on notice.

**The Hon. DAMIEN TUDEHOPE:** The dollar figures of the projects which have been cancelled and the reprioritisation and reallocation—

**The Hon. DANIEL MOOKHEY:** I just said no, because—

**The Hon. DAMIEN TUDEHOPE:** I've given you six funds to actually identify.

**The Hon. Dr SARAH KAINÉ:** Point of order—

**The Hon. DANIEL MOOKHEY:** You asked me about WestInvest.

**The Hon. Dr SARAH KAINÉ:** The Minister has answered the question on multiple occasions now.

**The Hon. DAMIEN TUDEHOPE:** Well, he hasn't.

**The Hon. Dr SARAH KAINÉ:** The Hon. Damien Tudehope is not acting with the appropriate respect that we need to conduct these proceedings. I ask that you call him to order.

**The Hon. DAMIEN TUDEHOPE:** This is the least transparent budget in the history of this State.

**The Hon. Dr SARAH KAINÉ:** And he continues.

**The CHAIR:** Order! I uphold the point of order on the basis of the contribution of Mr Tudehope. Interjecting and showing discourtesy to the witness is not appropriate, according to the resolution of the House. I'd ask Mr Tudehope to—

**The Hon. DAMIEN TUDEHOPE:** Thank you, Chair. We have established that you are not prepared to be transparent in relation to those details, so I'll just move on.

**The Hon. DANIEL MOOKHEY:** Mr Tudehope, I'm trying to answer your question now. Why wait 21 days when you can have the answer?

**The Hon. DAMIEN TUDEHOPE:** I'll just move on, Treasurer, to public sector wages. You agree with me that the budget increases public sector wages for the 2023-24 to 2026-27 by about \$8 billion?

**The Hon. DANIEL MOOKHEY:** I certainly agree that the Government is implementing its election commitments.

**The Hon. DAMIEN TUDEHOPE:** No. Just answer my question, Treasurer.

**The Hon. DANIEL MOOKHEY:** I just started.

**The Hon. DAMIEN TUDEHOPE:** Just answer my question.

**The CHAIR:** Mr Tudehope, you have the option of lodging a question at the end of proceedings.

**The Hon. DAMIEN TUDEHOPE:** I just want him to answer my question, Mr Chair.

**The CHAIR:** Fair enough.

**The Hon. DAMIEN TUDEHOPE:** Eight billion dollars?

**The Hon. DANIEL MOOKHEY:** I well and truly acknowledge the fact that this Government is implementing its election policy.

**The Hon. DAMIEN TUDEHOPE:** Have you increased the wages budget by \$8 billion between 2023-24 and 2026-27?

**The Hon. DANIEL MOOKHEY:** Let me come back to you specifically on the numbers. But I can absolutely say that in this particular budget we have, for the coming year, increased public sector pay to 4.5. In addition, over the budgets, we have put aside \$3.6 billion to support the introduction of a new system.

**The Hon. DAMIEN TUDEHOPE:** I understand that. So you'll come back to me with the—

**The Hon. DANIEL MOOKHEY:** We've also reached a historic agreement with teachers to take them from being the lowest paid to the best. The reasons why we are making these investments is because, in the absence of these investments, the chronic labour shortages, which is diminishing our capacity to provide services to the standards people expect, would continue. I point out right now we have up to 1,500 police officer vacancies. We are 2,000 teachers short from where we need to be. We have a healthcare workforce that is crying out for more investment, who carried us through the pandemic. We have seen private sector wage growth exceed public sector wage growth each quarter since 21 December.

**The Hon. DAMIEN TUDEHOPE:** Do you want to let him just continue to give speeches like this?

**The Hon. DANIEL MOOKHEY:** That is why we took this policy to the election. It's why we've implemented it in the budget.

**The Hon. BOB NANVA:** Point of order: If Mr Tudehope has a point of order, he should take a point of order, rather than just interjecting vaguely in your direction, Chair.

**The CHAIR:** That is true, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** I know, Chair, but it falls on deaf ears. If you allow the Treasurer just to make speeches like this—

**The CHAIR:** Order! If you have a point of order, take it, rather than cast aspersions in my direction, Mr Tudehope. I uphold the point of order. The Treasurer can answer the question any way he likes. You may not like it, Mr Tudehope, but I encourage you to come up with an alternative line of questions.

**The Hon. DAMIEN TUDEHOPE:** To the point of order—

**The CHAIR:** I've ruled on the point of order. You want to take another point of order?

**The Hon. DAMIEN TUDEHOPE:** My further point of order is this: In respect of answering the question, he should be directed to answer the question I ask him, not the question he wants me to ask him. That's the problem which exists with this Treasurer. He makes it up as he goes along to answer a different question.

**The CHAIR:** Order! There's no point of order. Ask a question, or someone else will, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, your policy proposal in relation to wage rises was, in fact, included in your statement to the Parliamentary Budget Office, was it not?

**The Hon. DANIEL MOOKHEY:** The Parliamentary Budget Office has a statutory responsibility to provide the people of New South Wales information on election costings. But, to be fair, I think our policy was set out extensively in the campaign. And—

**The Hon. DAMIEN TUDEHOPE:** But you did make a submission to the Parliamentary Budget Office?

**The Hon. DANIEL MOOKHEY:** We submit policies to the Parliamentary Budget Office. That is true. That is statutorily required. Dare I say the Parliamentary Budget Office never issued a statement in the campaign, chiding me for misleading information.

**The Hon. DAMIEN TUDEHOPE:** But in your submission you said:

While arbitration will no longer be artificially limited by law, the budgetary effect of this policy is that existing targets as presented in the current budget will be maintained as a baseline, and any remuneration increases beyond this will be linked to productivity improvements ...

**The Hon. DANIEL MOOKHEY:** Which document are you referring to?

**The Hon. DAMIEN TUDEHOPE:** The ALP statement to the Parliamentary Budget Office.

**The Hon. DANIEL MOOKHEY:** Do you have a copy?

**The Hon. DAMIEN TUDEHOPE:** Just hear my question. Is it true that you've identified, for the \$8 billion, the productivity improvements in respect of the \$8 billion, which is over and above the existing wages position?

**The Hon. DANIEL MOOKHEY:** I'd just say two things, Mr Tudehope. First, the policy that we took to the election was contained in multiple policy documents, including the policy documents that the now Premier referred to when the Labor campaign launched, including to the documents that were referred to throughout the campaign debate. There's two—

**The Hon. DAMIEN TUDEHOPE:** You lied to the Parliamentary Budget Office, did you?

**The CHAIR:** Order!

**The Hon. DANIEL MOOKHEY:** There's two components—

**The Hon. DAMIEN TUDEHOPE:** Did you lie to the Parliamentary Budget Office?

**The Hon. DANIEL MOOKHEY:** No.

**The CHAIR:** Order! Mr Tudehope, I remind you to treat all the witnesses, even the Treasurer, with respect and courtesy at all times. Casting aspersions on the witness in that way was out of order. Maintain the dignity and the decorum of the Committee, please.

**The Hon. DANIEL MOOKHEY:** To be fair, as the Premier said, there were two components to that. There was productivity improvements and budget savings. That's what we've done. To the extent to which there's been an adjustment in position since the campaign, I point out what you said, which was, "If we were still in government, 4 per cent would be something which I think I could've taken to the Cabinet and you can make an argument for it." I did actually at the time welcome your endorsement of the policy. I'm not sure now whether or not you agree with yourself in terms of the statement you made on 23 May. Nevertheless, when it comes to public sector pay and conditions, we are dealing with real-life labour shortages in these services. To the extent to which we can be bipartisan in responding, that would be good. We certainly are not going to be bringing back any wage cap because that will simply compound labour shortages over the long term. In this budget, we have prudently ensured that we can make the investments we need to deliver services to the standard people expect.

**The Hon. DAMIEN TUDEHOPE:** In a media release on 15 September, just four days before the budget, the Deputy Premier announced that she had found \$1.4 billion to fully fund the teachers' wage rise from the Education portfolio. You weren't included in the media statement. Was her plan costed by Treasury? Did you sign off on that plan?

**The Hon. DANIEL MOOKHEY:** Yes, it was. I can take you through some of the detail, firstly, in respect to what those savings are. As the Deputy Premier has pointed out, there are admin savings to the tune of \$414 million. The education department has decided that, instead of spending hundreds of millions of dollars on contractors and management consultants, they would prefer to spend it on teachers. Equally, they've made a point that each of the corporate divisions within the education department absolutely could trim. They are expecting to do that. They've also made the point that there's been a lot of duplications in digital learning, communications and

management systems, which they feel they can redirect. In addition to that, they think that there's a capacity to make savings in IT, telephony and travel. They prefer to spend this money in classrooms, not in back offices.

Can I just say that is actually the approach we want to adopt. We aren't interested in funding education programs that don't work. Given that we've inherited 10 years of declining education standards, what we do want to invest in is one thing that we know does work, which is teachers. Any person with a parent in a public school, like I have, would know that we are dealing with merged classes and combined classes and lost lessons on a weekly basis. I myself have a child in public education. Every fortnight they are learning in either a combined class or in a cancelled class. That does have an impact on educational outcomes—hence the choice to deal with the teacher shortage, to be able to responsibly budget for it and to reinvest those savings, which, by the way, is exactly what we said we would do in the election.

**The Hon. CHRIS RATH:** Treasurer, is that an additional saving to the whole-of-government saving—that \$411 million?

**The Hon. DANIEL MOOKHEY:** Certainly, the education department have found the savings within their budget to be able to redirect.

**The Hon. DAMIEN TUDEHOPE:** On top of the savings that the department was required to make?

**The Hon. DANIEL MOOKHEY:** Yes.

**The Hon. DAMIEN TUDEHOPE:** So it wasn't double-counting?

**The Hon. DANIEL MOOKHEY:** No.

**The Hon. CHRIS RATH:** How much is the education department's total budget being increased by in this budget?

**The Hon. DANIEL MOOKHEY:** Perhaps you might want to turn to the page of the budget statement and you can read it.

**The Hon. CHRIS RATH:** Is it 0.9 per cent?

**The Hon. DANIEL MOOKHEY:** Again, you would see that there's a lot of COVID funding that's there, and you will see the fact that, yes, we are pointedly making sure that Education and other departments are ensuring that they're spending on their priorities. I'd just say, Mr Rath, you judge spending on the quality of outcomes it procures. I certainly am of the view that when it comes to education, we have listened to the experts in the area. The Government made a very important policy decision to take New South Wales teachers from being amongst the worst to the very best because we do need to deal with the teacher shortages. It was difficult and it wasn't an easy policy position to arrive at and to deliver, but we stand by the fact that New South Wales students deserve access to a teacher. Right now, the situation we inherited saw so many kids go without lessons. That does create great angst for parents, and we are determined to act on it.

**The Hon. CHRIS RATH:** So a real cut to education overall, with inflation, of around 5 per cent.

**The Hon. DANIEL MOOKHEY:** But can I just say, Mr Rath, if we adopt that principle of what is real and what is not then your Government cut the TAFE budget in real terms.

**The Hon. DAMIEN TUDEHOPE:** This isn't about comparison; this is your budget, Treasurer.

**The Hon. CHRIS RATH:** We're not talking about that, Treasurer. We're not asking about that.

**The Hon. DANIEL MOOKHEY:** No, we are.

**The CHAIR:** Order!

**The Hon. DANIEL MOOKHEY:** We can't be so "What's good for the goose isn't good for the gander" here. If we were to apply this principle of real concepts in the way which you're talking about then you would find that you cut most budgets for most of your government agencies as well, except for the ones that perhaps were favoured by certain Cabinet members. Again, if you want to talk about the facts, we can talk about the facts. But, as you continue to evolve these tests, you'll find you yourself tend to be hoisted by your own petard.

**MICHAEL COUTTS-TROTTER:** The other big factor there was a re-forecast in the enrolment share between government and non-government schools. In other words, there was an assumption that there would be a larger number of children in government schools. That's been re-forecast; therefore, the budget drops accordingly.

**The Hon. DAMIEN TUDEHOPE:** Thank you, Secretary.

**The Hon. DANIEL MOOKHEY:** But, dare I say, that is because we haven't been building schools in a lot of new growth suburbs. As a result, people don't feel like they can actually send their kids to a public school, which is part of the reason why, also, we are committing record levels of funding towards constructing new public schools.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, you made a commitment before the election that there'd be no new taxes, did you not?

**The Hon. DANIEL MOOKHEY:** I certainly made the point that we would not be increasing taxes.

**The Hon. DAMIEN TUDEHOPE:** No, in a Channel 10 interview you made a commitment there'd be no new taxes.

**The CHAIR:** Order! Mr Tudehope, you asked a question—

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

**The CHAIR:** —and the Treasurer is answering it.

**The Hon. DAMIEN TUDEHOPE:** He's answered it.

**The CHAIR:** Well, good. I didn't notice.

**The Hon. CHRIS RATH:** Is increasing royalties a tax, Treasurer?

**The Hon. DANIEL MOOKHEY:** No, can I just say it's not. Let me be very clear here: The resources belong to the people of New South Wales. We charge people to extract them. That's not a tax; it's a charge for our resources and the sale of our resources.

**The Hon. CHRIS RATH:** Is a duty a tax?

**The Hon. DAMIEN TUDEHOPE:** Is a duty a tax?

**The Hon. DANIEL MOOKHEY:** If you adopt a different proposition then what you're arguing for is for us to give away our resources for free, which we're not doing. It is a case of, like lots of people make decisions about what is the appropriate charge to sell a resource or a service or a good, so do we.

**The Hon. DAMIEN TUDEHOPE:** But it's a tax.

**The Hon. DANIEL MOOKHEY:** I would make the point that that's not just my opinion; that is the way accounting standards work too. I would make the point that when we do things for the purposes of intergovernmental tax capacity and stuff, no-one argues that. I will just say, if the Liberal Party is going to adopt the principle that royalties are a tax, then you're arguing to effectively give the resource away for free.

**The Hon. DAMIEN TUDEHOPE:** No, that's just not true.

**The Hon. CHRIS RATH:** Treasurer, is a duty a tax?

**The Hon. DANIEL MOOKHEY:** Which one are you specifically referring to?

**The Hon. CHRIS RATH:** Say the stamp duty, for instance, or the emergency services levy.

**The Hon. DANIEL MOOKHEY:** So is stamp duty a duty?

**The Hon. CHRIS RATH:** Is it a tax?

**The Hon. DANIEL MOOKHEY:** Is stamp duty a duty? It's the charge we apply to transact a resource.

**The Hon. CHRIS RATH:** So when you said that you would rule out taxes, you didn't rule out fees, duties, levies, charges or tolls.

**The Hon. BOB NANVA:** Point of order—

**The Hon. CHRIS RATH:** It's a legitimate question.

**The Hon. BOB NANVA:** I'm hoping we can get to the question. What specifically is the question?

**The CHAIR:** There's no point of order. I think Mr Rath is getting to the question in a roundabout way.

**The Hon. DANIEL MOOKHEY:** Perhaps to cut to the chase, the fact is when we released the budget, Business NSW put out a press release welcoming it, particularly welcoming the fact that we had honoured our pledge not to increase taxes. So whilst we can have semantic debates about what is and what is not, I just point you to the fact that Business NSW issued that statement.

**The Hon. DAMIEN TUDEHOPE:** But you told an untruth, did you not?

**The Hon. DANIEL MOOKHEY:** No, I did not.

**The Hon. DAMIEN TUDEHOPE:** Before the election you said there'd be no new taxes.

**The Hon. DANIEL MOOKHEY:** I would just point out that my budget was greeted positively by Business NSW, for which this was the crucial issue, in the forum in which I found myself engaging with the former Treasurer when we both made that commitment. I feel like perhaps I would simply advise the Committee to pay attention to that statement when it comes to the point you're trying to make.

**The Hon. CHRIS RATH:** Will you rule out increases to duties, levies, fees and charges?

**The Hon. DANIEL MOOKHEY:** The changes that we're presenting are the ones in the budget. When it comes to duties, dare I say, I am the person who's sitting here who is responsible for taking out 84 per cent of first home buyers from stamp duty or paying reduced stamp duty. I'm not the one who was asking them to pay a forever tax on their family home. Right now, first home buyers are not paying either—84 per cent are paying a reduced stamp duty or no stamp duty, and none are paying a land tax.

**The Hon. CHRIS RATH:** So you won't rule it out.

**The Hon. DAMIEN TUDEHOPE:** You're not ruling it out.

**The Hon. CHRIS RATH:** You could have ruled it out.

**The Hon. DAMIEN TUDEHOPE:** You're not ruling it out, so that's fine. That's what we've got.

**The CHAIR:** Treasurer, are you aware of the 1928 referendum that was held in this State to prohibit the sale and consumption of alcohol?

**The Hon. DANIEL MOOKHEY:** I am, and do you know how I'm aware? I once found myself sitting next to Gough Whitlam, who gave me a full history of constitutional referenda in New South Wales and Australia. He knew about and he took umbrage with the result of the 1914 referendum on universities, and he mentioned that one too. That's how I'm aware.

**The CHAIR:** And you're aware that it was ultimately unsuccessful?

**The Hon. DANIEL MOOKHEY:** Yes, I am.

**The CHAIR:** As a community, we decided—

**The Hon. DANIEL MOOKHEY:** We did not prohibit.

**The CHAIR:** We did not prohibit alcohol, and you accept we instead decided to regulate and tax alcohol?

**The Hon. DANIEL MOOKHEY:** Yes.

**The CHAIR:** Are you aware that we went through a similar public policy process with gambling in this State? Many forms of gambling were prohibited previously—poker machines up until 1956, various types of—

**The Hon. DANIEL MOOKHEY:** Yes, I am aware, but I'm not sure, necessarily, that we've ever submitted gambling policies to a referendum in New South Wales.

**The CHAIR:** No, I don't think we have either, but they were both areas where the prohibition had been in effect or was proposed but was rejected ultimately in favour of regulation and taxation. The same can be said with pornography. In previous times there was a prohibition and, in the fullness of time, we've moved to a system of regulation and so forth. Do you accept that?

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

**The CHAIR:** Looking at other jurisdictions, do you think it's foreseeable that we may move to a system of the legalisation of adult use of cannabis? In particular, looking at other jurisdictions like the United States, Canada and the EU, is it foreseeable that we may go through that process?

**The Hon. DANIEL MOOKHEY:** Ultimately, that turns on the democratic contest we have in New South Wales. It's fair to say I am not making any such prediction at this point in time as to the timescale. But I do, as you rightly point out, note that other jurisdictions have made similar moves.

**The CHAIR:** In making those similar moves, there's been a significant economic benefit to those jurisdictions from ending prohibition of cannabis, has there not?

**The Hon. DANIEL MOOKHEY:** I believe that their evidence is being evaluated on that question, but certainly various States in the United States that have moved towards ending a prohibition attitude and shifting towards a regulatory model make that claim. Other jurisdictions make the claim that it also comes with costs, and to some degree we are still evaluating where the balance lies.

**The CHAIR:** When you say "we are still evaluating", are Treasury or the Government actively evaluating?

**The Hon. DANIEL MOOKHEY:** I mean more the economics profession. It's actually quite an interesting subject that is taking place right now in order to evaluate the costs and benefits.

**The CHAIR:** But the economics profession, not Treasury or Government?

**The Hon. DANIEL MOOKHEY:** Yes, that's right.

**The CHAIR:** Are you aware that in Ontario, for example, the forecast revenues to their provincial government from the legal adult use of cannabis have gone from \$67 million in 2021 and \$186 million in 2022 to \$225 million in 2023?

And it's forecast to be half a billion dollars in 2023-24. Are you aware of that?

**The Hon. DANIEL MOOKHEY:** I think you got me, Chair. I'm not au fait with the Ontario revenue projections.

**The CHAIR:** And those revenues, by the end of the decade for that province, will be greater than the revenues that they're receiving from alcohol, tobacco and gambling.

**The Hon. DANIEL MOOKHEY:** Again, I'm not an expert in Ontario and public finances.

**The CHAIR:** But it's a very similar demographic and cultural province to New South Wales. They're a government that is basically transitioning away from revenues from alcohol, tobacco and gambling to ones which society has said is an acceptable industry—which is adult cannabis use. You are not interested in that at all?

**The Hon. DANIEL MOOKHEY:** To be fair, there's two things I'd say to that. Whilst I'm not au fait with Ontario finances, I am au fait with Canadian province and central government interstate financial relations. There's two things which I will point out that distinguish the Canadian context from the Australian context. The first is, as a result of the High Court, which Ms Boyd was referring to, there is now a very good chance that the only people who can impose excise duty on cannabis would be the Commonwealth Government. The way in which Canada and the Ontario jurisdiction navigates that particular problem is that they have a central agency that is responsible for tax collection at a Federal level that then remits it to the States. That's part of the reason why constitutional issues in Canada around cannabis are less complicated than they are here in New South Wales. Part of the reason I'm not getting too excited about the prospect of there being revenue coming into NSW Treasury as a result of cannabis legalisation is because, constitutionally, we don't arrive at the table with the same powers as Canadian jurisdictions.

**The CHAIR:** Is that because we don't have a movement federally on this issue? We would need leadership from a Federal level on this issue.

**The Hon. DANIEL MOOKHEY:** There's two questions. I'm not 100 per cent across whether or not the Federal poisons Act prohibits cannabis. The Federal health settings would obviously override State to the extent to which there is constitutional inconsistency. To the extent to which it is legal—

**The CHAIR:** It does.

**The Hon. DANIEL MOOKHEY:** —to be able to embrace cannabis production in New South Wales—there are models; don't get me wrong—it's absolutely the case that the Commonwealth are the only people who are capable of imposing an excise duty.

**The CHAIR:** Mindful of that, because the Commonwealth is the only one—and in Canada, it is the Federal Government that gathers the excise, but 75 per cent of the revenue is devolved to the States. But because of those constitutional issues, it's not an area that the Treasury is going to work on in terms of its forecasting in terms of alternative revenue streams, mindful that so much of this transformation in terms of cannabis prohibition has moved from medicinal cannabis, which is completely legal in this State, into a recreational market? Are we not modelling how we grow our medicinal cannabis market or how we prepare for possible regulatory reform in this space?

**The Hon. DANIEL MOOKHEY:** That's a slightly separate question. Firstly, when it comes to the growth of medical cannabis and hemp-based industries, as you know, Regional NSW plays a crucial role in its

economic development. I note that the Minister and I are engaged on that issue. Secondly, when it comes to whether or not we're modelling the prospect of a broad charge for cannabis, it's fair to say that I've tasked Treasury with other priorities, pending the outcome of the drug summit and other reform opportunities that the Premier has already discussed with this Committee.

**The CHAIR:** You don't see it as an opportunity for revenue in the medium to long term?

**The Hon. DANIEL MOOKHEY:** There is an opportunity for revenue. But it's fair to say that I don't necessarily think it's one that New South Wales can capitalise on with the current constitutional settings. Obviously, depending on how a market is structured, it may provide other opportunities. At this point, it's hard for me to task Treasury to create such modelling when the first advice that's likely to come back is that there are constitutional prohibitions on our ability to impose an excise duty.

**The CHAIR:** But there's opportunities for levies, duties, other charges, fees for service that—

**The Hon. DANIEL MOOKHEY:** You're right to say that, should such settings be adjusted, that might create additional opportunities that would require Treasury to engage more. It's fair to say that, at this point, the conversation that we have to have about cannabis decriminalisation and removal of prohibition is, firstly, a health question. To be fair to you, you've been campaigning for this as a health issue for a long time. To some degree, those questions need to resolve before, perhaps, the Treasury engages on that question. I'll be frank: I'm always up to adjusting circumstances depending on how facts change. I am, of course, paying attention to developments that are taking place in this market.

**The CHAIR:** You said previously that you and the primary industries Minister were engaged in assessing the opportunities for the medicinal cannabis market. How are you doing that? Are you aware that the Victorian Government, for example, has a proactive industry policy when it comes to medicinal cannabis, which is this year forecast to be an industry in this country worth close to half a billion dollars?

**The Hon. DANIEL MOOKHEY:** As the Minister said to the House, she, perhaps with you, staged a very successful hemp roundtable. That is one way in which I'm paying attention to it and discussing the opportunities that result. Secondly, in terms of Victoria and the Victorian model, yes, I am paying attention to what is happening in Victoria. It has featured in informal discussions in terms of some of the lessons that can be learnt from the Victorian experience.

**The CHAIR:** On the other side of the ledger, prohibition on cannabis in this State costs the taxpayer a lot of money, does it not?

**The Hon. DANIEL MOOKHEY:** Can you be more specific?

**The CHAIR:** Estimates are that it costs the Government up to half a billion dollars a year to enforce—through policing, then the criminal justice system and through corrections—cannabis laws in this State. Do you think that is good value for money?

**The Hon. DANIEL MOOKHEY:** I haven't seen that specific measure, but I'm happy to look at it if you've got that data point. In general, I would prefer to spend less on crime, because I would like there to be less crime.

**The CHAIR:** Would you take that on notice and get back to us with the cost—

**The Hon. DANIEL MOOKHEY:** Yes, I'm happy to.

**The CHAIR:** —of cannabis prohibition and law—

**The Hon. DANIEL MOOKHEY:** To the extent to which we can find that, I will. I will take it on notice.

**The CHAIR:** That's good.

**Ms SUE HIGGINSON:** Good morning, Treasurer.

**The Hon. DANIEL MOOKHEY:** Good morning.

**Ms SUE HIGGINSON:** I'm going to turn to one of my favourite topics, which is forestry, as you are one of the shareholder Ministers.

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

**Ms SUE HIGGINSON:** Has Treasury undertaken any modelling of the jobs for the native forest logging sector and the associated hardwood industry?

**The Hon. DANIEL MOOKHEY:** Secretary?

**MICHAEL COUTTS-TROTTER:** I would need to take that on notice, Ms Higginson. I'm not sure.

**Ms SUE HIGGINSON:** If you could, thank you. Has Treasury or yourself, Treasurer, been briefed on the Frontier Economics reports and the Blueprint Institute report that have examined in detail the costings for transition plans and, most importantly, the potential growth for regional diversified industries, including tourism, that would—

**The Hon. DANIEL MOOKHEY:** I believe I have been briefed on the Frontier report. The Blueprint Institute, which is the Liberal-aligned think tank—is that the one you're referring to?

**Ms SUE HIGGINSON:** Yes.

**The Hon. DANIEL MOOKHEY:** That specific one, I'm not sure I've been briefed on. I believe I may have been briefed on the Frontier by people who were responsible for committing that report, if it's the right one that I'm thinking of.

**Ms SUE HIGGINSON:** I think you probably have. There were two. There was one that suggested we should transition very fast out of the south-east forests, and then one that provided an overall cost-benefit analysis of transitioning out of the entire public forest estate—the hardwood sector. Is it something that Treasury will be looking at? One of the findings from the Blueprint Institute—which is Branching Out, which I think you've got a copy of—found that \$294 million between now and 2040 is up for revenue streams. That's transitioning out of the North Coast forests alone. Is that something you're aware of?

**The Hon. DANIEL MOOKHEY:** Let me double-check whether we have that report. I don't believe I have a copy of that report. That's the first point. If you've got one, I'm happy to look at it. I can't respond to the specifics of a report that I don't believe I've seen.

**Ms SUE HIGGINSON:** Do those figures sound like something that you think you and Treasury should be looking at at this point in time, especially given we're talking about a State-owned corporation that you're the shareholder Minister of?

**The Hon. DANIEL MOOKHEY:** Firstly, the question is obviously valid. I would make the point that a lot of the policy work is being led by Environment and Regional NSW. Treasury is, of course, engaged in that process. That is somewhat separate from our responsibilities to supervise a State-owned corporation. I just want to be clear about the distinction.

**Ms SUE HIGGINSON:** Absolutely, I'm very clear about that and obviously working at that level. The money alone, Treasurer, is alarming—the losses, the subsidies—and the real fear is the job cliff. The cliff that the industry is heading towards, like what happened in Victoria.

**The Hon. DANIEL MOOKHEY:** Can I say, in respect to the opportunities that are presented by the forest estate, yes, we are looking at all opportunities that are presented by the forestry estate, including alternative uses.

**Ms SUE HIGGINSON:** Can you elaborate on what they are?

**The Hon. DANIEL MOOKHEY:** Yes. I made the point before that, in respect to the forestry estate—both the plantation and the natural forest—Forestry Corp have been pretty up-front about the fact that they do want to explore the capacity to locate renewable energy sources in the estate. That's one big opportunity that is present as well. In fact, some of the work that Forestry has done to identify those opportunities to be able to redeploy that is helpful. The second point, which is perhaps where the debate is heading, turns on whether or not there's a capacity for us to use the forestry estate to be able to provide carbon offset. That is a huge opportunity. I will just point out that it's not limited to Forestry Corp; it's across a few of the State-owned corporations and a few of the others. It's fair to say that I'm actively engaged in testing that proposition. I'm saying it's not necessarily limited to Forestry Corp or the forest estate. In fact, as Australia's biggest landholder, we do think that there's opportunities that are present as a result of the new Federal Government and its new policies and I am eager to explore those opportunities.

**Ms SUE HIGGINSON:** Are you aware that the Natural Resources Commission—your own independent advisory body on forest health—tabled a report in December last year that said if we continue to manage the public forest estate as we are, which is industrially logging it, the chances are this forest estate will become a carbon emitter?

**The Hon. DANIEL MOOKHEY:** I can't say that I'm 100 per cent familiar with that particular report, so I'm happy to look into the detail of that report as well. But the proposition that you need to manage your forest to help abate carbon, I accept.

**Ms SUE HIGGINSON:** So then you would also accept, given the findings in that report, that to continue logging the forest estate is potentially destroying that potential revenue capacity, or investment capacity, through carbon?

**The Hon. DANIEL MOOKHEY:** What I would say is that I would expect that risk to be managed.

**Ms SUE HIGGINSON:** I think the report is suggesting that the Government needs to look, because it's not. I think the NRC is suggesting that if we carry on doing what we're doing in your State-owned corporation, then it's a real chance that the forest could become carbon—it's really frightening. It's actually a really frightening report.

**The Hon. DANIEL MOOKHEY:** Ms Higginson, I will have to look into the specific details of the report, but your point about my expectations of the corporation, of course I expect them to manage all risks, including that risk. With us, as a Government, committed to the Great Koala National Park and also committed to net zero, these are material changes that need to be considered by government and all parts of the Government, including State-owned corporations.

**Ms SUE HIGGINSON:** At the moment we are subsidising, quite heavily, the Forestry Corporation. What are you doing to decrease that subsidisation? What are you doing in relation to the job cliff and what are you doing, most importantly, to bolster and grow that part of the Forestry Corporation that is proving financially really beneficial to the State, namely the plantation softwood sector?

**The Hon. DANIEL MOOKHEY:** When you refer to subsidy, what are you referring to? Are you referring to the hardwood division?

**Ms SUE HIGGINSON:** Absolutely.

**The Hon. DANIEL MOOKHEY:** In respect of the hardwood division, you're quite right to point out that for the last two years it's shown losses. The statement of corporate intent and business plan that was developed by the previous Government and tabled in the Parliament showed that there was a return to profitability in a few years' time. Obviously we've been paying close attention to that. When it comes to the statement of intent and the business plan that was tabled, we made it very clear that for all our State-owned corporations—not just Forestry—that the new Government certainly intends to work pretty hard to ensure that those forecasts are rigorous and reliable and that the business plans remain fit for purpose. We're undertaking that particular work.

In respect to how we are intending to grow the very profitable part of it, which is the softwood division, I've got to say that there are some exciting opportunities for softwood plantations. I am certainly of the view that Forestry Corp are working through pretty diligently identifying those opportunities and investing in and expanding them and that includes the renewable energy investments.

**Ms SUE HIGGINSON:** Well, yes, but that doesn't actually expand the productivity of the softwood sector. Why is there currently nothing in the budget for any form of land acquisition program to support the expansion of the plantation sector? You need land to grow trees.

**The Hon. DANIEL MOOKHEY:** Well, firstly, the budget is the general government sector. You are referring to the State-owned corporation sector, which is different.

**Ms SUE HIGGINSON:** When I questioned Forestry last week, they said there is nothing in the pipeline to expand the plantation estate—nothing.

**The Hon. DANIEL MOOKHEY:** Again, I'm happy to come back to you on detail about what the business plans are but it doesn't follow that a budget investment is required in order for them to expand it because, to be fair, they are commercial businesses.

**Ms SUE HIGGINSON:** But they're running a loss-making industry and it is. I understand your—

**The Hon. DANIEL MOOKHEY:** I don't believe Forestry is losing money. Is Forestry losing money?

**Ms SUE HIGGINSON:** Not through the softwood sector. If we are looking at the softwood sector—

**MICHAEL COUTTS-TROTTER:** Not overall and in evidence they said, "Well, look, we're managing 1.8 million hectares of native forestry and there are costs associated with that management that offset the profits from the sale of native hardwood."

**Ms SUE HIGGINSON:** Don't you think that's money that, right now, should be invested and reinvested in the successful, growing side of the business and your job is to help avoid that job cliff, avoid the public forest estate becoming a dangerous carbon emitter and actually invest in protecting it and regenerating it for all of those regional diversification economic opportunities?

**The Hon. DANIEL MOOKHEY:** I absolutely agree with you that there is a requirement of all of us to make sure that regional communities grow and regional communities have jobs. Yes, we are of the view that the capacity to grow jobs in Forestry Corp is there and it does come from their planation side of their business, but I would not discount the opportunities that are present from being able to utilise the forestry estate to assist in wider carbon abatement that does provide pathways to jobs.

**Ms SUE HIGGINSON:** If we stop logging it. If we stop logging it, is the evidence.

**The Hon. DANIEL MOOKHEY:** Yes, again, I would just stress that these are the balance of issues that need to be resolved—which we are—but you asked me what are we doing. What we are doing is: firstly, we are making sure that Forestry Corp is taking advantage of all the opportunities in the softwood decision; secondly, we are making sure that our estate is being properly managed in terms of its hectares; and thirdly, we are looking at what additional opportunities there are in carbon abatement for not just Forestry Corp but the New South Wales Government all our State-owned corporations.

**Ms SUE HIGGINSON:** Could I table that one report and then you have a copy of that.

**The CHAIR:** Sure.

**Ms SUE HIGGINSON:** Thank you.

**The Hon. ROBERT BORSAK:** Treasurer, just a quick question following on from the line of questioning in relation to Forestry Corporation. Do you see it as your role to make business decisions on behalf of a self-managing, self-funding corporation?

**The Hon. DANIEL MOOKHEY:** I see it as my role to make sure that the business is being managed well. You are right to say that the statute requires them to have independence and that their board is responsible for developing their business plans. My job, as shareholder, is to ensure that they're complying with the law and that they are meeting the expectations of their shareholders.

**The Hon. ROBERT BORSAK:** Is Forestry Corporation meeting your expectations?

**The Hon. DANIEL MOOKHEY:** At this point, yes.

**The Hon. ROBERT BORSAK:** It is?

**The Hon. DANIEL MOOKHEY:** Yes.

**The Hon. ROBERT BORSAK:** Okay, regardless of any individual division of its operations. Obviously hardwood is being singled out in the questioning you've just endured. There are plenty of other divisions making more than enough return on capital.

**The Hon. DANIEL MOOKHEY:** Yes, that's true.

**The Hon. ROBERT BORSAK:** They are?

**The Hon. DANIEL MOOKHEY:** Yes.

**The Hon. ROBERT BORSAK:** I suppose you do know that one of the reasons why the hardwood division of the New South Wales Forestry Corporation is not operating so well is that they've endured probably the best part of 20 to 25 years of having mature hardwood plantations taken off them and turned into national parks. That was happening under the previous Labor Government.

**The Hon. DANIEL MOOKHEY:** I have some awareness with regards to that history but to be fair to Forestry Corp—

**Ms SUE HIGGINSON:** There hasn't been one national park in the last 20 years.

**The CHAIR:** Order!

**Ms SUE HIGGINSON:** Point of order—

**The Hon. ROBERT BORSAK:** Sixteen years of the Carr Government, and followers, took away the most economic form of hardwood, the mature hardwood forests, and turned them into national parks. No Green can deny that.

**The Hon. DANIEL MOOKHEY:** What can I confirm is that the trigger events that perhaps catalysed losses in the hardwood division were bushfires, which resulted in the previous Government being unable to meet its wood supply agreements. That's what I've come to understand.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, what would you define as a contingent liability?

**The Hon. DANIEL MOOKHEY:** I rely on the definitions that are provided by the ABS that define budget standards.

**The Hon. DAMIEN TUDEHOPE:** And that is?

**The Hon. DANIEL MOOKHEY:** It's disclosed in the budget. You should read the definitions.

**The Hon. DAMIEN TUDEHOPE:** I have read.

**The Hon. DANIEL MOOKHEY:** For what it's worth, when I was in opposition, I spent quite a lot of time coming to understand ABS classifications and principles—

**The Hon. DAMIEN TUDEHOPE:** Thanks for the lecture.

**The Hon. DANIEL MOOKHEY:** And I certainly would simply say that the ABS has uniform standards that apply to every government—we don't make the rules up—because each budget needs to be comparable to every other budget, which is why, to be frank, the achievement of uniform budget standards was a good thing and I'm not intending to change any of that.

**The Hon. DAMIEN TUDEHOPE:** Would you agree that the commitment to keep Eraring open—

**The Hon. DANIEL MOOKHEY:** I can't hear you, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** Would you agree that the commitment to keep Eraring open represents a contingent liability?

**The Hon. DANIEL MOOKHEY:** No.

**The Hon. DAMIEN TUDEHOPE:** Why not?

**The Hon. DANIEL MOOKHEY:** Because the Government hasn't made any policy decisions.

**The Hon. DAMIEN TUDEHOPE:** It has, has it not?

**The Hon. DANIEL MOOKHEY:** No.

**The Hon. DAMIEN TUDEHOPE:** Are you telling us here today that there is no commitment to keep Eraring open?

**The Hon. DANIEL MOOKHEY:** I'm telling you here today that the Government has not made any commitments in that respect. What we have committed to do is to engage in conversations with the owner of the Eraring power plant to determine what their intent is and to determine whether or not they can play a role in stabilising energy. But can I point out that the reason why we have to have that conversation is as a result of one of Australia's worst, if not the worst, privatisations that your Government took. Your Government made the decision to sell the Eraring Power Station. It made the decision to sell it for \$50 million, or thereabouts I believe, and it will rank as one of the most absurd decisions made because, as a result, rather than the people of New South Wales determining when coal-fired stops, a private investor who answers to their shareholders does. That is not the case in Queensland. In Queensland, the government—Liberal or Labor—is accountable to the people for the decisions it makes. As a result of your Government's decision to sell that power station, that prerogative belongs to shareholders of those corporations who do not answer to the people of New South Wales.

**The Hon. DAMIEN TUDEHOPE:** So you would agree—and thank you for the speech—

**The Hon. BOB NANVA:** Point of order—

**The Hon. DAMIEN TUDEHOPE:** It is more respectful if you would not give speeches but answer the question.

**The CHAIR:** A point of order has been taken.

**The Hon. BOB NANVA:** That is not a question, Chair, and he is casting a personal reflection on the Treasurer.

**The Hon. DAMIEN TUDEHOPE:** It is disrespectful.

**The CHAIR:** I will rule on the point of order, if you don't mind, Mr Tudehope. It was a reflection on the member. You asked a question and he gave you the answer.

**The Hon. DAMIEN TUDEHOPE:** And you let him make a speech.

**The Hon. BOB NANVA:** Point of order—

**The CHAIR:** Order!

**The Hon. BOB NANVA:** He should be called to order.

**The Hon. STEPHEN LAWRENCE:** Dissension.

**The CHAIR:** Yes, if you dissent from my ruling again, Mr Tudehope, I will call you to order. I will reserve my right.

**The Hon. DAMIEN TUDEHOPE:** Would you agree with me, Treasurer, that no allowance or provision is made in this budget document for the cost of keeping Eraring open?

**The Hon. DANIEL MOOKHEY:** I would absolutely agree with you that we have not—

**The Hon. DAMIEN TUDEHOPE:** It's a simple question: Is there anything in the budget document?

**The CHAIR:** Order! Mr Tudehope, you have asked a question. You will allow the Treasurer to answer.

**The Hon. DAMIEN TUDEHOPE:** Answer it.

**The CHAIR:** It's not my fault that he's answering it well.

**The Hon. DAMIEN TUDEHOPE:** What!

**The Hon. DANIEL MOOKHEY:** We're not using the budget as the principal device to negotiate with Origin, nor are we using budget estimates to have those negotiations. In making that decision I am consistent with the practice of Treasurer Kean who, when he was exploring the prospect of having to buy back the station that his Government sold for a penny, wasn't using it either. All I will point out is that, in respect of the budget treatment of Eraring, the budget treatment of Eraring in this budget is consistent with the practices adopted by Treasurer Kean when he was having similar conversations.

**The Hon. DAMIEN TUDEHOPE:** So the bargaining position you say we should be adopting is the same one as the Minister for energy change?

**The Hon. DANIEL MOOKHEY:** I hope not, I really hope not, because whilst I haven't had the opportunity to be briefed on precisely what he was bargaining around—

**The Hon. DAMIEN TUDEHOPE:** No, I'm talking about your Minister. So when Minister Sharpe says on the negotiations, "We will start from zero and go from there", is that the current bargaining position that your Government is adopting?

**The Hon. DANIEL MOOKHEY:** What I will say is we are being very rigorous about making sure that the lights stay on, working in a complex market environment that's been complicated further by the fact that you sold this power station and you sold other power stations. New South Wales has no direct ownership of these coal-fired plants, which makes us unique now in the eastern seaboard because we're the ones who sold it after effectively the current iteration of the National Energy Market. Again, Queensland, which has held onto its power assets, has two advantages that we don't have. The first is they get big fat dividend cheques from public ownership that they can use to pay for energy relief and they can use to pay for their schools and their hospitals. Secondly, they make decisions about the future of their power stations, and they answer to the people of New South Wales for them. What I'm interested in, in respect to Eraring, is to ensure that the lights stay on.

**The Hon. DAMIEN TUDEHOPE:** And that is going to come at a cost, is it not?

**The Hon. DANIEL MOOKHEY:** Again, we are working through that process. I'm struggling—and I've seen some of the commentary that has come from your party. I know Treasurer Kean is opposed. I don't know whether Mr Speakman is, and I have no idea what your position is either. I will simply say that it is helpful for all of us, in a bipartisan way, to send a message to Origin that says that they've made off very well from your privatisation, that your party accepts that its privatisation decision was wrong and, as a result, the people of New South Wales and the businesses of New South Wales have less control of their energy future than they otherwise would have.

**The Hon. DAMIEN TUDEHOPE:** One thing we would not have done is adopt a commercial approach to negotiation the way that your Government has done—

**The Hon. BOB NANVA:** Point of order—

**The Hon. DAMIEN TUDEHOPE:** —by indicating that this is just something where we start at zero and go to wherever we like.

**The CHAIR:** Order! A point of order has been taken, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** Treasurer—

**The CHAIR:** A point of order has been taken.

**The Hon. BOB NANVA:** Mr Tudehope is making a statement.

**The Hon. DAMIEN TUDEHOPE:** The Treasurer does.

**The Hon. BOB NANVA:** I don't believe there was a question at the end of that.

**The Hon. DAMIEN TUDEHOPE:** The Treasurer makes statements.

**The CHAIR:** I uphold the point of order. Mr Tudehope, limit yourself to asking questions rather than giving speeches.

**The Hon. DANIEL MOOKHEY:** Can I just say I do welcome you providing advice about how to negotiate. It is my general habit—

**The Hon. DAMIEN TUDEHOPE:** I certainly wouldn't play my hand—

**The Hon. DANIEL MOOKHEY:** But bear in mind I might not accept the negotiation advice from the people who sold the Eraring Power Station for \$50 million and the people who stole Vales Point for, like, a dollar. The advice that you provide is perhaps helpful because it does provide us a good guide as to what not to do.

**The CHAIR:** Order!

**The Hon. DAMIEN TUDEHOPE:** See, in that sort of manner or approach to asking questions you'll get laughs from the peanut gallery, but you won't deal with it seriously.

**The CHAIR:** Order! I ask you to withdraw that, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** Which one?

**The CHAIR:** You know which one.

**The Hon. DAMIEN TUDEHOPE:** Which part? The direction to the Treasurer?

**The CHAIR:** The one about the gallery.

**The Hon. DAMIEN TUDEHOPE:** Probably they're not peanuts, okay.

**The Hon. CHRIS RATH:** Treasurer, has—

**The CHAIR:** Order! I've asked Mr Tudehope to withdraw.

**The Hon. DAMIEN TUDEHOPE:** I withdraw it.

**The Hon. CHRIS RATH:** Treasurer, has the Treasury undertaken any work to determine what type of cuts would be needed to keep Eraring open?

**The Hon. DANIEL MOOKHEY:** Cuts to what?

**The Hon. CHRIS RATH:** Cuts to the budget, to programs and projects, in order to undertake Eraring?

**The Hon. DANIEL MOOKHEY:** Can I say the process is certainly not at that stage, but I can absolutely affirm that no advice would have been necessary had the previous Government not sold the station.

**The Hon. DAMIEN TUDEHOPE:** Would you agree with me then that the Eraring position is a risk for the budget?

**The Hon. DANIEL MOOKHEY:** I would agree with you that the lights going off is a risk to households, a risk to businesses and a risk to the economy that—

**The Hon. DAMIEN TUDEHOPE:** Have you included that in the budget document—that risk?

**The Hon. DANIEL MOOKHEY:** What, that we don't have power?

**The Hon. DAMIEN TUDEHOPE:** Yes.

**The Hon. DANIEL MOOKHEY:** I think that we've been pretty up-front about the fact that—

**The Hon. DAMIEN TUDEHOPE:** Where?

**The Hon. DANIEL MOOKHEY:** Sorry, Mr Tudehope, I was just answering your question.

**The Hon. DAMIEN TUDEHOPE:** Is there anything contained in the budget document outlining that risk?

**The Hon. DANIEL MOOKHEY:** I would absolutely make the point that modern economies need electricity. I don't believe that it's a risk we need to disclose because it's obvious, on the face of it, that you need power. I would much prefer to have the renewable energy zones connected. Stepping away from the partisan contest spats we're having, the broad question here is that the sooner we connect the renewable energy zones, the better position we are in to make decisions about the future of coal-fired power. I would stress as well that, to the extent to which political parties of each persuasion are agitating against connections and transmission, they are in effect leaving us in a position where coal-fired would have to stay on longer.

**The Hon. DAMIEN TUDEHOPE:** Would you agree with me, as a summary of the evidence which you've given here today—

**The Hon. DANIEL MOOKHEY:** I agree it's been thorough, it's been transparent, it's been clear.

**The Hon. DAMIEN TUDEHOPE:** I'm going to put a contrary position to you.

**The Hon. DANIEL MOOKHEY:** I'm surprised; I'm shocked.

**The Hon. DAMIEN TUDEHOPE:** Perhaps you might discern that what you have in fact demonstrated in your evidence today is that you are not across the figures which in fact make up your \$13 billion comprehensive review. That's correct, is it not? You're not across the figures which in fact are going to impact in relation to salary increases, and where the impact on the budget is going to be in relation to those. As a whole, this document, which is supposed to elucidate the Government's position for the people of New South Wales, makes nothing clear in respect of how you will budget for the people of New South Wales.

**The Hon. BOB NANVA:** Point of order: I truly have resisted the urge to take a point of order but that question was just littered with argument and inferences and a number of questions rolled into one.

**The Hon. DAMIEN TUDEHOPE:** I'm asking him to comment.

**The CHAIR:** I'll rule on the point of order. It was a long question, but I'm not going to uphold the point of order. The member is asking a question, a very long one.

**The Hon. DAMIEN TUDEHOPE:** It's a long one but it is a process. What we are faced with here is a document where you could have, for example, identified measures that you are going to adopt and you have done that, but you have done nothing to articulate in any document part of the budget what the cost of those measures is going to be. Would you agree with that?

**The Hon. DANIEL MOOKHEY:** I agree that I have been consistent with the practices of Treasurers Berejiklian, Perrottet and Kean—and Constance to be fair to him as well. We forget him. So I believe that we've been consistent with the practices that your Government adopted.

**The Hon. DAMIEN TUDEHOPE:** Can I put a contrary position to you that if you had adopted an outcomes-based approach to the budget, you would have identified in respect of each particular measure that you are proposing to take the cost of each of those measures over the forward years? Were you aware of the outcomes-based approach that the previous Government took?

**The Hon. DANIEL MOOKHEY:** I was aware of how bad it was. No-one was happier on budget day than me. I used to love getting the budget papers and I used to open them up and read them diligently and spend months and months and time reading them. To be fair, few people on your side do the same. *Budget Paper No. 02* perhaps, Mr Tudehope, was so bad your own Government never referred to it, and I just make no apologies about the fact that we would prefer to have a meaningful framework than simply to discharge—

**The Hon. DAMIEN TUDEHOPE:** And tell us nothing, and tell the people nothing. That's what this is about, Treasurer. It's telling them nothing.

**The CHAIR:** Order!

**The Hon. DANIEL MOOKHEY:** You asked me whether I would agree with you. I will give you many more reasons, but the short answer is I don't.

**The Hon. DAMIEN TUDEHOPE:** Of course you don't because if I took you to a specific provision in relation to an education measure for building a school, is there anything in this budget which identifies the process for delivering that school in terms of the funding for the planning, the funding for the actual delivery over a period of time for the purposes of delivering that school?

**The Hon. DANIEL MOOKHEY:** Yes. Do you want to grab *Budget Paper No. 03 Infrastructure Statement*?

**The Hon. DAMIEN TUDEHOPE:** Yes.

**The Hon. DANIEL MOOKHEY:** I draw your attention, firstly, to page 3-3 "Key projects delivered by Education". I also take you through to the capital expenditure in which it lists on, for example, page 2-11, table 2.5 "Key new Education projects commencing in 2023-24 included in this Budget". As you can see, there are a few of them there. Then you'll go to the specific list that has been provided by the department that aligns with the full report of the capital report. Dare I say, I made no changes to this. This is consistent practice that has been adopted—

**The Hon. DAMIEN TUDEHOPE:** No, Treasurer—

**The Hon. DANIEL MOOKHEY:** Sorry, I'm answering your question. I specifically in this particular budget made sure that the manner in which it was being reported was similar to last year to avoid what I'm sure you would otherwise have criticised me for, which is not being able to provide you information to do a like-for-like comparison. When it comes to the manner in which we import these budgets, you would find that if you go back to your Government's first budget back in 2011-12, the changes to the manner in which reported did make it harder to do like-for-like comparisons. And I was pretty conscious of the fact that that is an important piece of information that should be provided as well.

**The Hon. DAMIEN TUDEHOPE:** But it isn't provided.

**The Hon. DANIEL MOOKHEY:** Hence the reason why we provided the statements consistent with the manner in which they were provided before was to facilitate your inquiries in that respect.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, going back, am I able to identify in respect of each particular project what funding is available in what year and the process for the delivery?

**The Hon. DANIEL MOOKHEY:** Mr Tudehope, I do have sympathy as you're my successor as shadow Treasurer, and I accept that and it's a tough job, but I had to learn how to read budget papers.

**The Hon. DAMIEN TUDEHOPE:** Don't patronise me, Treasurer.

**The CHAIR:** Order!

**The Hon. DANIEL MOOKHEY:** I had to work through how to view the detail, and I'm sorry but there are no shortcuts.

**The Hon. DAMIEN TUDEHOPE:** I have to say that, if I was hopefully preparing a document, which I will be in four years' time or some other list in this capacity, I will not produce a budget which looks like this in terms of what it tells the people of New South Wales because what I say to you Treasurer is this—

**The Hon. Dr SARAH KAINE:** Point of order: I really am struggling to be able to find a question in Mr Tudehope's stream of consciousness about what he would like to do some time hypothetically in the future.

**The Hon. DAMIEN TUDEHOPE:** The Treasurer invited me to.

**The CHAIR:** Order!

**The Hon. Dr SARAH KAINE:** I'd ask that you to direct him to ask a question so the Treasurer can answer it in the remaining time that they have.

**The CHAIR:** I uphold the point of order. That was not a question, Mr Tudehope. Please ask a question.

**The Hon. DAMIEN TUDEHOPE:** Except the Treasurer invited me to in my capacity as the shadow Treasurer.

**The CHAIR:** Mr Tudehope, it would be best if you don't cavil with the Chair's rulings.

**The Hon. DAMIEN TUDEHOPE:** I'm cavilling with the Treasurer. It is something which I think is an obligation on you as the Treasurer, would you agree with this, to produce documents which are transparent for the purposes of people being able to identify the manner in which you are delivering spending or alternatively cuts for the people of the State?

**The Hon. DANIEL MOOKHEY:** I agree with you that I have been consistent with the practices of Treasurers Berejiklian, Perrottet and Kean in the manner in which we produced the budget.

**The Hon. DAMIEN TUDEHOPE:** Can I take you to *Budget Paper No. 01*, page 5-5, table 5.2? Do you see that there are figures there for other operating expenses?

**The Hon. DANIEL MOOKHEY:** Yes.

**The Hon. DAMIEN TUDEHOPE:** And grants and subsidies and other transfers?

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

**The Hon. DAMIEN TUDEHOPE:** Do you agree that they represent, apart from staff-related expenses, depreciation, amortisation and interest, other expenses of running government?

**The Hon. DANIEL MOOKHEY:** I agree that they are two of the six categories by which this table has been reported for 12 years.

**The Hon. DAMIEN TUDEHOPE:** And that's terrific, and can you accept that the total of those two items for 2022-23 is \$28.7 billion and \$27.675 billion, a total of \$56.452 billion? Do you accept that figure?

**The Hon. DANIEL MOOKHEY:** Yes.

**The Hon. DAMIEN TUDEHOPE:** Do you agree that you can accept that the total of those two items for 2026-27 is \$26 billion and \$21 billion respectively, which is \$47.580 billion? They're there; the figure is on the page.

**The Hon. DANIEL MOOKHEY:** Yes, sure.

**The Hon. DAMIEN TUDEHOPE:** Do you agree that that represents a 16 per cent reduction in spending?

**The Hon. DANIEL MOOKHEY:** I certainly can explain that.

**The Hon. DAMIEN TUDEHOPE:** No, do you agree? That's what I'm asking you.

**The Hon. DANIEL MOOKHEY:** I agree that you have read the table correctly.

**The Hon. DAMIEN TUDEHOPE:** Good. Do you agree that if inflation is taken into account then the reduction in spending in real terms is even greater than 16 per cent?

**The Hon. DANIEL MOOKHEY:** No, I don't.

**The Hon. DAMIEN TUDEHOPE:** You don't?

**The Hon. DANIEL MOOKHEY:** No.

**The Hon. DAMIEN TUDEHOPE:** So there's no inflation over the next four years is what you're telling us?

**The Hon. DANIEL MOOKHEY:** Can I just point out, as I explained to Mr Rath, that if you wish to apply real to funding growth, you do run the risk of being hoisted by your own petard because if you were to go back to each of your budgets, you would find that you delivered real funding cuts.

**The Hon. DAMIEN TUDEHOPE:** This is your budget.

**The Hon. DANIEL MOOKHEY:** I know, but the 2022-23 was your budget to be fair.

**The Hon. DAMIEN TUDEHOPE:** Yes.

**The Hon. DANIEL MOOKHEY:** Secondly, if you want to ask me about what's going on here, I'm very happy to tell you. At first instance some of this is the COVID expenditure coming off, which I think you would agree with me—

**The Hon. DAMIEN TUDEHOPE:** So will you outline the cuts that you're going to make.

**The Hon. DANIEL MOOKHEY:** But if you want to talk about the grants subsidies and other transfers, you'll find that most of this is actually transfers to the PNFC sector and the SOC sector. The reason why we are able to reduce grant subsidies and other transfers is because we are cleaning up the mess you left us in respect to the Transport Asset Holding Entity, which was driving explosive levels of growth in this particular line item. When you're talking about grant subsidies and other transfers, the fact that was happening here was that we were having to transfer billions of dollars to the Transport Asset Holding Entity as a result of the fact that your Government stuffed it up.

**The Hon. DAMIEN TUDEHOPE:** But it was still government money.

**The Hon. DANIEL MOOKHEY:** And what was going on is precisely the reason why I wanted to reform the Transport Asset Holding Entity, which was because so much of this money was leaching out of the general government sector, going into that sector and then being trapped in cash terms in TAHE and not being returned, and that wasn't leading to any better public transport outcome. Part of the reason why TAHE reform is the biggest significant issue to do with net debt reduction in this budget was because we were effectively cleaning

up the mess that was left to us. I would rather spend money delivering better public transport than bailing out an accounting trick gone wrong.

**The Hon. CHRIS RATH:** Treasurer, I have a final question. Do you chair ERC? How many meetings have you missed, and how many meetings has the Premier missed?

**The Hon. DANIEL MOOKHEY:** I have those figures for you, Mr Rath. Do I chair ERC? Whilst I cannot comment on Cabinet matters, like all Treasurers, I do chair that. With respect to ERC processes, I'm pleased to be able to tell you that I have attended all meetings of the ERC. The Premier has attended all meetings bar one, for which his office was represented. His attendance has been very helpful, and he takes it very seriously. He is a Premier who, as anyone who has come before ERC knows full well, is expected to ask pretty tough questions. I can also inform you that this particular ERC round has been very thorough. As part of our comprehensive expenditure review, there have been 45 formal meetings for the CER in the lead-up to this budget. That includes 15 pre-briefs with agencies, 16 trilateral meetings between our ministerial colleagues, and 14 separate and distinct ERC meetings that considered a record number of budget submissions.

I made myself quite unpopular by calling ERCs on Saturdays, but I think the people of New South Wales are working on Saturdays and so should we when we have to make these important decisions. I put all my colleagues on notice that we will continue to have as many ERC meetings as are required for us to be able to produce the finances to the State that we are. I am pleased that all ERC members take it very, very seriously as a responsibility. Particularly, as we have delivered our first budget, it is something that all Ministers have been involved in. Finally, I want to take this opportunity to thank the public service and the Treasury, who have supported our work as an ERC at record pace: the highest number of decisions made over a short period of time and the most amount of budget submissions requiring submissions. Many, many public servants in the Treasury, but equally other agencies like Infrastructure NSW, TCorp, education and health, worked very, very hard to support the new Government. I want to place on the record my appreciation for the work that they have done to support the Government in its new decision-making.

**The Hon. CHRIS RATH:** Could you table the attendance rate of the Ministers please, Treasurer?

**The Hon. DANIEL MOOKHEY:** Let me come back to you and see what information I can provide. I will point out it's a Cabinet process.

**The CHAIR:** Treasurer, are you aware that Mexico has legalised cannabis?

**The Hon. DANIEL MOOKHEY:** Actually, I am.

**The CHAIR:** Good. Are you aware that Mexico has a massive tourism industry and part of that is a lot of North Americans, especially from the US and Canada, travelling to Acapulco to avail themselves of a particular type of cannabis—Acapulco gold? Are you aware of that?

**The Hon. DANIEL MOOKHEY:** It is fair to say that I'm not au fait with the cannabis market of Acapulco.

**The CHAIR:** Do you know what else has happened in Acapulco in the last week?

**The Hon. DANIEL MOOKHEY:** No.

**The CHAIR:** It was destroyed.

**The Hon. DANIEL MOOKHEY:** By the hurricane, yes.

**The CHAIR:** The entire city was completely obliterated by a category 5 hurricane that went from a category 3 storm to a category 5 hurricane in 12 hours, unprecedented in human history. It was the biggest storm ever to cross the Pacific coast. It obliterated Acapulco, destroyed 80 per cent of all the buildings, killed hundreds of people, on recent estimates, and has probably cost that community dearly. It is the first time in recorded history a city of more than one million people has suffered the eyewall of a category 5 hurricane. It has completely destroyed the city, costing billions of dollars. You weren't aware of that?

**The Hon. DANIEL MOOKHEY:** I am aware of the effects of the hurricane on that region. I'm sorry if I wasn't specific about my knowledge of its effect on Acapulco, but I do want to take this opportunity to express our solidarity with the people who are recovering from that, but also the people in the wider Caribbean who have also been subject to that particular hurricane event.

**The CHAIR:** In your budget, you've set aside \$3.1 billion in the NSW Reconstruction Authority for recurrent disaster reconstruction and have a new program, Get Ready NSW. Is New South Wales going to be able to get ready for disasters of that magnitude, like the Lismore flood that cost \$6 billion and the Black Summer

bushfires that cost \$80 billion? Do we have the money to reconstruct our cities and towns in the face of climate impacts like that?

**The Hon. DANIEL MOOKHEY:** You're quite right to say the severity of climate events in New South Wales is increasing. The damage that they're creating to life and property is rising. Yes, it remains a big policy challenge for all governments, not just this Government, to ensure that there are adequate resources to be able to assist communities in recovery.

**The CHAIR:** How can you say we're going to have adequate resources if—

**The Hon. DANIEL MOOKHEY:** I didn't say we had adequate resources.

**The CHAIR:** So we don't have the resources to reconstruct?

**The Hon. DANIEL MOOKHEY:** I said it's a big challenge for all governments, and you're quite right to say that here in New South Wales we have experienced floods, droughts and fires that are creating a great toll on communities and those lives. I want to say, particularly with the flood events in Lismore and the fires in the South Coast, that, yes, we had to do more in this budget to assist those communities to get back on their feet. The funding that you referred to was actually money that we had to put into this budget to pay for some of the bills that weren't paid for the last three or four years. We provided that money to simply be able to get those projects finished.

**The CHAIR:** The budget set aside \$3.1 billion. On page B-9 of your *Budget Paper No. 01*, under "Extreme weather events and impacts of climate change", it says that per year by 2061—it is courageous to be forecasting what's happening on planet Earth in 2061—the costs of climate change will be \$17 billion per annum and that they were \$5.1 billion in 2020-21. Considering that now we're setting aside \$3 billion for recovery and the costs are already \$5 billion, how can we have confidence we're going to deal with these impacts going forward, if in the budget now there is already a \$2 billion deficit when it comes to reconstruction from climate and disaster impacts?

**The Hon. DANIEL MOOKHEY:** Yes, you're quite right to say it's a big challenge that all governments between now and 2060 that are thinking through appropriate revenue design will need to be across, which is to ensure that we can meaningfully meet these requirements. But taking a step back, the broader strategy here has got to be to prevent climate change and stop the climate crisis, which I get is very hard. We'll have disputes about it. But that remains the first principle that the Government adopts. We are embracing a simple view that it's going to happen and therefore we have to adapt. Secondly, you're quite right to say that we have to take into account what's taking place right now and what we think is going to take place into the future. The third point you raise is quite right, which is we do need to have a conversation about reform, both to prevent climate events but also to ensure that the community can recover from them. It's fair to say that what recent flood, fire and drought events have exposed is the fact that a decade of neglect on these questions has resulted in the State approaching them from a weaker position than other jurisdictions.

**The CHAIR:** Do you accept that the greatest cause of anthropogenic climate change is the burning of fossil fuels—in particular, coal?

**The Hon. DANIEL MOOKHEY:** Yes.

**The CHAIR:** Do you accept that New South Wales is the largest point source exporter of thermal coal in the world?

**The Hon. DANIEL MOOKHEY:** As a matter of fact, we are.

**The CHAIR:** That's right. How does that line up with spending billions of dollars on recovery and then trying to source revenue to fund the recovery through selling coal?

**The Hon. DANIEL MOOKHEY:** It's a good question.

**The CHAIR:** Isn't there a cognitive dissonance there that you're aware of?

**The Hon. DANIEL MOOKHEY:** I'll leave it to others to decide whether it's a cognitive dissonance or not, but the broad question about whether or not we achieve net zero by exiting coal exports faster is a proposition that requires some expert consideration. I can tell you, if New South Wales coal were to leave the market, it doesn't follow that Indonesian coal or Indian coal will. It is the case that Indonesian coal and Indian coal have less calorific value, which could lead to more of it being burnt. It's a complicated question. Hence, I think that the better issue is to be able to set the broad policy settings and then work through the detail once they're in place.

It's fair to say that this Government took a mandate to get a Net Zero Commission in place so we can make all these calibrations and calculations with expert advice. At the same time, we have to acknowledge the

fact that mining is a very important part of our State. It's a very important part of our economy, and it's a very big job supporter. All these considerations need to be factored in. When it comes to the future of coal, as I alluded to earlier, in New South Wales many of these conversations have been led by those communities themselves. The Hunter Jobs Alliance has been excellent in formulating a proper consideration about what coal and its future decline means for the people of the Hunter. I know that similar conversations are taking place in the Central West and in the Illawarra and South Coast.

**The CHAIR:** Thank you, Treasurer. It is a very difficult question, but isn't one of the broad policy settings that people are putting forward and might be considered by the Government is that we should not approve any new coalmines?

**The Hon. DANIEL MOOKHEY:** That is absolutely a position that people are advocating for.

**The CHAIR:** Is that one that the Government is actively considering?

**The Hon. DANIEL MOOKHEY:** I have no policy announcement to make in that respect today because, frankly, such a view involves a whole-of-government conversation that is being led by other Ministers.

**The CHAIR:** Who would be leading that if it's not Treasury?

**The Hon. DANIEL MOOKHEY:** Of course the Minister for Natural Resources plays a pretty big role in that debate; as does the Minister for Planning and Public Spaces; as does the Minister for the Environment, and Minister for Climate Change; as does the Minister for Regional New South Wales.

**The CHAIR:** So they would be leading it but they are not leading it?

**The Hon. DANIEL MOOKHEY:** Again, you'll have to speak to them. I believe three of them are likely to be appearing before estimates.

**Ms CATE FAEHRMANN:** Good afternoon, Treasurer. I want to ask you about the gambling and betting taxes, and the forecast that you've got there. In the explanatory paragraph to the gambling and betting taxes it states that it's 346.8—

**The Hon. DANIEL MOOKHEY:** Which page?

**Ms CATE FAEHRMANN:** Sorry, I've just got the notes here. I don't know what page it is, but it's "Gambling and betting taxes".

**MICHAEL COUTTS-TROTTER:** Page 4-9.

**Ms CATE FAEHRMANN:** In the budget papers it states it is \$346.8 million lower than forecast in the pre-election budget update. I just have a question around the activity, because it states:

This reflects lower gaming machine activity in both clubs and hotels, a more subdued outlook for Sydney's casinos and lower casino tax rates.

I think I understand the lower casino tax rate and the more subdued outlook for Sydney's casinos. What's the lower gaming machine activity in both clubs and hotels based on?

**The Hon. DANIEL MOOKHEY:** Again, I can give you a general answer and I'm sure this afternoon the officials who are responsible for these forecasts can give you a more specific answer. In general, I think it's been alluded to by many commentators across the board that as consumer spending is falling across the economy it is obviously having an impact on the amount of people who are gambling through poker machines and other gambling venues as well. And, equally, that is advice which various operators, I believe, have provided to the market as well, which reflects a decline in consumption spending.

**MICHAEL COUTTS-TROTTER:** That's it, but we can go into more detail if you want with the revenue forecast in terms—

**Ms CATE FAEHRMANN:** Just to be clear, the amount that is being lost and poured into these machines is not actually going backwards per se, it's just been revised to a slightly less ambitious estimate?

**The Hon. DANIEL MOOKHEY:** I will have to take that on notice to see whether or not it's a reflection of a changing consumption pattern or a changing consumption pattern in the tax base.

**Ms CATE FAEHRMANN:** Alright, so we'll get that on notice in terms of what the assumptions are behind that?

**The Hon. DANIEL MOOKHEY:** Yes.

**Ms CATE FAEHRMANN:** Because, at the very least, it's still going up. It's still, over the forward estimates, predicting a 6.6 per cent increase in gambling in pokies in pubs and 1.6 in clubs. Can I check whether there has been any work undertaken within your department around looking at what a higher tax rate on pokies would deliver? You are aware, I am sure, Treasurer, of the difference between what we tax pokie machines in pub and clubs compared to, for example, Victoria? In New South Wales it averages out to 18.05 to 28.05, whereas in Victoria in clubs it is 46.7 to 60.67. In terms of pubs, it is kind of similar, 33 to 50, and in Vic hotels it goes up to 62.5 per cent. Have you looked at what it would bring in based on increasing those taxes 5 per cent, 10 per cent, 15 per cent?

**The Hon. DANIEL MOOKHEY:** Perhaps, three things which I can probably mention. Firstly, whether or not we have looked at the specific changes that Victoria has proposed, I don't believe we have.

**MICHAEL COUTTS-TROTTER:** Tax expenditure statements give some indication of that.

**Ms CATE FAEHRMANN:** Victoria was just an example, that they have higher tax rates.

**The Hon. DANIEL MOOKHEY:** Secondly, in respect to the general modelling that we are doing on the specific taxes, it's fair to say that in the analysis that we did on the casino taxes there was obviously benchmark work done compared to the pubs and the clubs as well, on the machines side of that. That's for sure. Treasury did look at that. The third thing that I can definitely mention is that, obviously, there are two components to the way in which we look at the taxes. There is both the tax income but then the tax concessions as well, which is reported at the back of the budget. Of course, in the context of the Government's cashless gaming trial, we are supporting the cashless gaming trial panel with economic advice as they see fit.

**Ms CATE FAEHRMANN:** Okay, so that's—

**The Hon. DANIEL MOOKHEY:** Which, basically, is my way of saying to some degree the cashless gaming trial is the principal method by which we are doing policy formulation and so Treasury, obviously, is engaged in that process and will stay engaged in that process.

**Ms CATE FAEHRMANN:** That's a good segue into my next questions which are around cashless gambling. It doesn't look like, in these forward estimates, for example, there has been anything factored in that would really reduce the amount of money that's being poured into poker machines. For example, if something is implemented, such as a cashless gaming card, that should have a pretty big impact on the cash that's being laundered?

**The Hon. DANIEL MOOKHEY:** Well, that's one contention. Bear in mind there are other contentions, which is that cashless gaming without a daily limit would lead to more gaming. So it cuts both ways. If you're looking at this from the perspective of a tax question as to how much revenue we're projecting, it doesn't necessarily follow that the introduction of cashless gaming leads to a reduction in gaming. In fact, that's the point of contention that needs to be resolved in the trial. And it's not just my view. You'll find that the Sydney University people who have been speaking about this issue, who are on the panel, make the point that you can't simply assume that the introduction of a new technology leads to a reduction in consumption. It turns on the settings that surround it, which is part of the reasons why we're testing it.

**Ms CATE FAEHRMANN:** Of course, and advocates have talked about a cap on the amount that can be gambled.

**The Hon. DANIEL MOOKHEY:** Yes. But it's fair to say that—

**Ms CATE FAEHRMANN:** That's an essential harm reduction measure.

**The Hon. DANIEL MOOKHEY:** In the budget, you'll see on page 4-7 that club gaming devices' average growth is projected to be 1.6, which is a lot less than hotel gaming and is a lot less than racing as well. Treasury does these forecasts using their models, but obviously it has to reflect policy settings as they apply at the time.

**Ms CATE FAEHRMANN:** Over several years now the budget papers have reflected what is quite an extraordinary increase or growth rate in terms of what is coming in via the pub gaming machines compared to clubs. So in terms of policy settings, is there a reason why that is happening and has continued to happen over the past few years, why it's such a stark difference?

**The Hon. DANIEL MOOKHEY:** Again, can I answer that in a general sense and then maybe in the afternoon the specific officials can provide you more detail? There are a few factors which I point to. Firstly, it may well reflect a change in consumption patterns, which is that people tend to consume poker machines more in pubs and clubs, and there is a differential rate. Part of the reason why the revenue might be going up faster in

hotels and clubs is that a dollar lost in a poker machine at a pub is taxed differently to a dollar lost in a club, so if more people migrate their expenditure then the tax increase is, obviously, higher.

**Ms CATE FAEHRMANN:** Just going back to the casino tax rate, you mentioned the fact that you were bringing that down?

**The Hon. DANIEL MOOKHEY:** No, we're increasing it.

**Ms CATE FAEHRMANN:** Sorry, but you did look at the comparison—just to finish—between what there was for pubs and clubs in terms of a tax rate?

**The Hon. DANIEL MOOKHEY:** Yes.

**Ms CATE FAEHRMANN:** The question I asked you earlier, though, was whether you have considered what it would look like to increase the tax rate on poker machines in pubs and clubs in terms of the extra revenue that it would bring into the State. Have you considered it and has the department done any modelling? And, if not, why not?

**The Hon. DANIEL MOOKHEY:** I haven't sought that advice. The reason why is because I think that the cashless gaming trial and associated reforms need to take place to develop an evidence base for further decision-making in this respect.

**Ms CATE FAEHRMANN:** Everything, it seems, is being put onto that poor independent panel that meets once a month. They've got far more than I thought was originally tasked to them. So—

**The Hon. DANIEL MOOKHEY:** To be fair, that's something that the sector has been asking for, which is the opportunity to play a role in policy development. I mean anti-gambling advocates.

**Ms CATE FAEHRMANN:** You do recognise, though, there is billions. In the last six months leading to the end of June, the data that's coming from ILGA was \$3.9 billion that was lost by the people of New South Wales. It's a massive increase on even the pre-COVID high. That's a lot of money, potentially, to tax a bit more, to bring more revenue into the State. Why wouldn't you—even just 5, 10 per cent. Of course, The Greens want higher than that. Why is it not being considered as part of your revenue-raising measure when the budget is, as you say, in need of good revenue measures? Why isn't it on the table?

**The Hon. DANIEL MOOKHEY:** I'm saying that the evidence base that's required for meaningful policy development is being developed through the cashless gaming trial. That evidence base is required for us to make future decisions.

**Ms ABIGAIL BOYD:** The Treasurer's direction that we raised last year, that allowed gifts of property under \$10,000—I understand that's still in effect.

**The Hon. DANIEL MOOKHEY:** It is, I believe.

**Ms ABIGAIL BOYD:** Why is that?

**The Hon. DANIEL MOOKHEY:** A good example is that, every now and then, we need to make some gifts of less than \$10,000, particularly to community organisations. A good example is one that I'm not sure that we are yet to determine, but it's a good example of why you need to have such policies. There are some certain property, for example, in Walgett that could otherwise be repurposed for a swimming pool. So I want to make sure that we've got the opportunity to have that as a flexibility, because—

**Ms ABIGAIL BOYD:** Yes, but \$10,000?

**The Hon. DANIEL MOOKHEY:** As in below \$10,000 doesn't need to be disclosed?

**Ms ABIGAIL BOYD:** The previous one was \$10,000. Is that still the case?

**The Hon. DANIEL MOOKHEY:** Let me double-check whether that is still the case.

**MICHAEL COUTTS-TROTTER:** I would have to double-check, myself. I don't know.

**The Hon. DANIEL MOOKHEY:** We'll double-check that. But I think—

**The CHAIR:** You'll be taking that on notice.

**The Hon. DANIEL MOOKHEY:** I'll take it on notice.

**Ms ABIGAIL BOYD:** If the gift has a fair value of or over \$10,000—

**The Hon. DANIEL MOOKHEY:** It requires approval?

**Ms ABIGAIL BOYD:** Yes.

**The Hon. DANIEL MOOKHEY:** Yes, it does. Here's another—

**Ms ABIGAIL BOYD:** What about below? It used to be, I think, \$500.

**The Hon. DANIEL MOOKHEY:** To be fair, I don't want to gum up the process by—anyone who wants to donate \$200 worth of equipment has to come to the Treasurer for approval—

**Ms ABIGAIL BOYD:** So you can give a laptop, give a car.

**The Hon. DANIEL MOOKHEY:** Yes. To be frank, here's another good example of what we're talking about. We have this massive stockpile of PP equipment that was left over after COVID. That was gifted to charities because it may not be able to be used by hospitals, but it could equally be used in many other settings—

**Ms ABIGAIL BOYD:** Why can't we hear about that? Why does that have to be exempted?

**The Hon. DANIEL MOOKHEY:** I'm happy to look at it, but there's always a balance here to be reached between ensuring there's adequate public reporting, but also there comes a point where requiring everybody to put an application into the Treasurer to approve a gift of \$50, \$100, \$150 might not necessarily be the most efficient way to make that decision. Delegation of—

**Ms ABIGAIL BOYD:** But corruption is also very inefficient. We want to make sure that we are—

**The Hon. DANIEL MOOKHEY:** Yes, but, Ms Boyd, unless you've got specific allegations to make—I am always looking at what is the right levels of delegation and what is the right levels of transparency. If we can find better ways to report on gifts that are less than \$10,000, we will. There is annual report requirements on gift disclosure, which I certainly read, of all of the agencies, as well. I would certainly take this opportunity to encourage all people who are producing annual reports to disclose gifts voluntarily, if they need to, so long as it doesn't breach any confidentiality requirements we have with the recipients of the gifts.

**The Hon. DAMIEN TUDEHOPE:** Treasurer, you have the final report of the Sydney Metro review on your desk, do you not?

**The Hon. DANIEL MOOKHEY:** On my desk? No.

**The Hon. DAMIEN TUDEHOPE:** Is it available? Has it delivered the final report?

**The Hon. DANIEL MOOKHEY:** Yes. The Government's made clear that we're receiving that report in October, and we are processing it.

**The Hon. DAMIEN TUDEHOPE:** When will you release the report or the findings of that report?

**The Hon. DANIEL MOOKHEY:** In due course.

**The Hon. CHRIS RATH:** It's 31 October.

**The Hon. DANIEL MOOKHEY:** Happy Halloween. In due course. The Government's working through the report. I'll just say, in respect to this particular project and this particular report, given the magnitude of money we are borrowing from our kids and our grandkids to build it—

**The Hon. DAMIEN TUDEHOPE:** It's lucky we've got an NGF.

**The Hon. DANIEL MOOKHEY:** —given, equally, the fact that the Government has had to stage a rescue of the south-west metro to the cost of more than \$1 billion, we absolutely are doing our due diligence on these projects to ensure that every dollar we're borrowing from our kids and our grandkids is being appropriately spent and yielding a strong outcome, especially when it comes to housing.

**The Hon. DAMIEN TUDEHOPE:** How much did you spend on getting the review done?

**The Hon. DANIEL MOOKHEY:** I think I can come back to you with details on the costs of that.

**The CHAIR:** So you'll take that one on notice? That one's on notice?

**The Hon. DANIEL MOOKHEY:** But can I say the costs pale into comparison with the rising cost of that particular project. I recall when I was sitting, in fact, exactly where Mr Rath was and my good friend Andrew Constance was sitting where I was. He published the results of metro via tweet and then deleted it. At the time he did that, it was \$16 billion. So I can absolutely assure you that the costs of the review pale in comparison with the cost that's taken place since my good friend Mr Constance published by tweet what the estimated total cost was going to be.

**The Hon. CHRIS RATH:** It sounds like you don't support Metro West, Treasurer. Are you going to cancel it?

**The Hon. DANIEL MOOKHEY:** I endorse Andrew Constance. I believe he's making a comeback.

**The Hon. DAMIEN TUDEHOPE:** Are you going to cancel it?

**The Hon. DANIEL MOOKHEY:** Andrew Constance has my full support for the Senate.

**The Hon. DAMIEN TUDEHOPE:** Are you going to cancel it? Today's your day. Are you going to cancel the project?

**The Hon. DANIEL MOOKHEY:** I can tell you we're working through the report diligently.

**The Hon. DAMIEN TUDEHOPE:** So you won't give a no.

**The Hon. DANIEL MOOKHEY:** I certainly will not be using this as an opportunity to make government policy announcements.

**The CHAIR:** Thank you, everyone. The time for questions of the Treasurer has expired. Thank you, Treasurer, for your testimony today. Thank you, everyone, for your questions and your excellent behaviour. We will reconvene at 2.00 p.m.

**(The Treasurer withdrew.)**

**(Luncheon adjournment)**

**Ms MARINA van der WALT**, Deputy Secretary, Financial Management and Services, NSW Treasury, sworn and examined

**Ms ELIZABETH LIVINGSTONE**, Deputy Secretary, Policy and Budget, NSW Treasury, sworn and examined

**Ms SONYA CAMPBELL**, Deputy Secretary, Commercial, NSW Treasury, sworn and examined

**Ms JOANN WILKIE**, Deputy Secretary, Economic Strategy and Productivity, NSW Treasury, affirmed and examined

**The CHAIR:** Good afternoon, everyone. Welcome back to the Portfolio Committee No. 1 inquiry into the budget estimates for 2023-2024. We have some new witnesses joining us for the afternoon session, and we are very grateful for their attendance. We begin with questions from the Opposition.

**The Hon. DAMIEN TUDEHOPE:** I suppose I should proceed through you, Treasury Secretary, if you will allocate the question to the person most appropriate to answer it.

**MICHAEL COUTTS-TROTTER:** That would be wonderful, thank you.

**The Hon. DAMIEN TUDEHOPE:** You'll recall that before lunch I was asking the Treasurer various questions about the \$13 billion identified in the expenditure review. Perhaps I'll get more helpful answers this afternoon.

**MICHAEL COUTTS-TROTTER:** Perhaps.

**The Hon. DAMIEN TUDEHOPE:** The expenditure review appears to be broken down into two sections, a \$6.4 billion section and a \$6.6 billion section, as is disclosed on page 3-3 of the budget papers. Could you confirm that those two figures, \$6.4 billion and \$6.6 billion, are not just invented figures but are the result of a process where other figures were added together to get the \$13 billion?

**MICHAEL COUTTS-TROTTER:** No, they're the result of a process of decision-making.

**The Hon. DAMIEN TUDEHOPE:** There is a process.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** So there are identifiable, specific numbers for either savings or reprofiling or whatever needs to be done. Starting with the \$6.4 billion, which is the so-called non-tax revenue measures, can you identify what they are?

**MICHAEL COUTTS-TROTTER:** Non-tax revenue measures are a component of that \$6.4 billion. From memory, they are almost a rounding error in the total. They're tens of millions a year across the four years within that \$6.4 billion.

**The Hon. DAMIEN TUDEHOPE:** I think the Treasurer did identify this. You could, for example, identify the amount of the \$6.4 billion that was from reducing labour hire.

**MICHAEL COUTTS-TROTTER:** Absolutely. That, from memory, is a net saving of about \$420 million over the four years.

**The Hon. DAMIEN TUDEHOPE:** And that's across all agencies?

**MICHAEL COUTTS-TROTTER:** That's the whole-of-government saving, yes.

**The Hon. DAMIEN TUDEHOPE:** And similarly for reducing spending on consultants?

**MICHAEL COUTTS-TROTTER:** Yes, again, that's around \$141 million across agencies.

**The Hon. DAMIEN TUDEHOPE:** Good. Cutting spending on advertising?

**MICHAEL COUTTS-TROTTER:** About \$125 million.

**The Hon. DAMIEN TUDEHOPE:** Reducing travel costs across government?

**MICHAEL COUTTS-TROTTER:** And accommodation costs?

**The Hon. DAMIEN TUDEHOPE:** Yes.

**MICHAEL COUTTS-TROTTER:** About \$167 million.

**The Hon. DAMIEN TUDEHOPE:** Reducing legal expenses?

**MICHAEL COUTTS-TROTTER:** Close to \$84 million.

**The Hon. DAMIEN TUDEHOPE:** For reducing the number of senior executives, I think you gave a figure of \$700 million?

**MICHAEL COUTTS-TROTTER:** It was \$745 million, as a result of reducing the size of the senior executive service cohort and freezing our pay for two years.

**The Hon. DAMIEN TUDEHOPE:** How is that going, by the way?

**MICHAEL COUTTS-TROTTER:** I'm loving it.

**The Hon. DAMIEN TUDEHOPE:** That surprises me, Secretary.

**MICHAEL COUTTS-TROTTER:** How is it going in what sense, Mr Tudehope?

**The Hon. DAMIEN TUDEHOPE:** Have there been reductions already in the senior executive service?

**MICHAEL COUTTS-TROTTER:** There have. I don't know what the figure is across government, and my colleagues in the Premier's Department have the lead on that. But, from memory, the anticipated reduction across government over the four years is about 583 roles and people. Within Treasury, we have a target of 10 senior roles to be reduced between now and March 2025. Speaking for my own agency, we've reduced one role at this point.

**The Hon. DAMIEN TUDEHOPE:** And clearly none of the people at this table.

**MICHAEL COUTTS-TROTTER:** No.

**The Hon. DAMIEN TUDEHOPE:** That's good. I'm delighted to see them all here. Is there an actual process for reporting?

**MICHAEL COUTTS-TROTTER:** Yes. The Minister for Finance has the lead on this and has been working closely with us and through us with other agencies to ensure that we are able to report on the delivery of those specific areas of expenditure, rather than the total dollar value. One approach would just be to go, "Well, we've got to find \$100 in savings from travel. We'll take that out of everybody's budget—saving delivered." This Government wants to have quarterly reports on progress towards those savings targets, and we're in the process of working with the finance Minister to find the lightest-touch way of doing that that satisfies the Government's requirements.

**The Hon. DAMIEN TUDEHOPE:** Just to confirm, that's quarterly reports to them?

**MICHAEL COUTTS-TROTTER:** Quarterly reports.

**The Hon. DAMIEN TUDEHOPE:** The next thing was freezing the levels of pay for members of Parliament and public sector executives. How much?

**MICHAEL COUTTS-TROTTER:** I don't have a separate figure for that. The \$745 million in savings is senior executive service reductions and freezing pay for senior executives and parliamentarians.

**The Hon. DAMIEN TUDEHOPE:** So that's included in the \$745 million?

**MICHAEL COUTTS-TROTTER:** That's included in that amount, yes.

**The Hon. DAMIEN TUDEHOPE:** The last item in the table was agency operational procurement and corporate efficiencies.

**MICHAEL COUTTS-TROTTER:** Sorry, which table are you referring to, Mr Tudehope?

**The Hon. DAMIEN TUDEHOPE:** I thought it was 5.2.

**MICHAEL COUTTS-TROTTER:** Oh, yes, box 5.1.

**The Hon. DAMIEN TUDEHOPE:** That's correct.

**MICHAEL COUTTS-TROTTER:** I'm sorry, I don't have a figure for that.

**The Hon. DAMIEN TUDEHOPE:** I haven't got a calculator to do a sum of the expenditures you've just referred to. What other savings measures comprise the \$6.4 billion?

**MICHAEL COUTTS-TROTTER:** They are outlined in the measures statement in *Budget Paper No. 01*.

**The Hon. DAMIEN TUDEHOPE:** Can you take me to where that is?

**MICHAEL COUTTS-TROTTER:** Yes. I used to know the budget papers better than I know them now. It's appendix A5, starting at A5-1. By department or grouping, we've then got a variety of measures outlined.

**The Hon. DAMIEN TUDEHOPE:** Then we turn to the \$6.6 billion, which is in relation to the reprioritisation of unallocated funds from each of a number of grant programs. Starting firstly with Restart NSW, how much was left in that fund which has now been—

**MICHAEL COUTTS-TROTTER:** I will take that on notice, but my best recollection is there was a reprioritisation of around \$2 billion in restart.

**The Hon. DAMIEN TUDEHOPE:** And the regional growth funds?

**MICHAEL COUTTS-TROTTER:** I'd have to take that on notice, I'm sorry. I don't have that.

**The Hon. DAMIEN TUDEHOPE:** That's okay. Similarly, the Snowy Hydro Legacy Fund?

**MICHAEL COUTTS-TROTTER:** About \$570 million, from memory, reprioritised to other regional investments.

**The Hon. DAMIEN TUDEHOPE:** The next one was WestInvest, which I thought was more than \$3 billion, or something, that the Treasurer identified.

**MICHAEL COUTTS-TROTTER:** No. You probably recall there was \$5 billion all up—\$2 billion of it were community competitive grants and \$3 billion was so-called Government-led proposals. Within that, I think around \$2 billion was reprioritised.

**The Hon. DAMIEN TUDEHOPE:** In respect of the reprioritisation, had that \$2 billion, or any component of the \$3 billion, already been allocated by the previous Government and which that allocation had been cancelled in favour of the reprioritisation which the Treasurer—

**MICHAEL COUTTS-TROTTER:** It may have been earmarked for various projects. I think the Treasurer, in his evidence this morning, said explicitly what he would do from opposition is take projects that were earmarked in that component of WestInvest and reprioritise some of those to the incoming government's priorities.

**The Hon. DAMIEN TUDEHOPE:** Are you able to identify where that reprioritisation actually—

**MICHAEL COUTTS-TROTTER:** I'd have to take that on notice, I'm afraid.

**The Hon. DAMIEN TUDEHOPE:** To identify the project that was not proceeded with and to identify the one that was proceeded with. The next one we have is the Future Economy Fund. Do you have any—

**MICHAEL COUTTS-TROTTER:** No, I don't.

**The Hon. DAMIEN TUDEHOPE:** —figure on that?

**MICHAEL COUTTS-TROTTER:** I don't, I'm afraid.

**The Hon. DAMIEN TUDEHOPE:** That's fine. But you'll take that on notice. And the Coal Innovation NSW Fund?

**MICHAEL COUTTS-TROTTER:** From memory, that was a \$17 million fund. That's my best recollection.

**The Hon. DAMIEN TUDEHOPE:** That surprised me. I wasn't aware of that fund, I must say.

**MICHAEL COUTTS-TROTTER:** There were a lot of funds.

**The Hon. DAMIEN TUDEHOPE:** In fact, the next one was even more interesting because it states "other grant programs". Can you identify what those other grant programs were?

**MICHAEL COUTTS-TROTTER:** I'm sorry, I would have to take that on notice as well.

**The Hon. DAMIEN TUDEHOPE:** And you're able to give us a breakdown?

**MICHAEL COUTTS-TROTTER:** I'm able to take it on notice and see how we can respond.

**The Hon. DAMIEN TUDEHOPE:** Finally, in terms of the summary of the 6.4 and the 6.6, we started by saying that you cannot identify the spending measure or the dollar figure in respect of each component of the \$13 billion.

**MICHAEL COUTTS-TROTTER:** I'm saying the budget papers published a series of measures that accumulate to that \$6.4 billion of savings.

**The Hon. DAMIEN TUDEHOPE:** For the purposes of this exercise, you're able to provide me with a list of—

**MICHAEL COUTTS-TROTTER:** I will take the question on notice and respond.

**The Hon. DAMIEN TUDEHOPE:** Potentially breaking it up into the 6.4—for example, for the purposes of the budget, was the increase in coal revenues treated as a non-revenue measure?

**MICHAEL COUTTS-TROTTER:** No. To be very clear, the \$13 billion does not include \$4.1 billion of separate revenue measures, the major one of which was the increase in the rate of coal royalty.

**The Hon. DAMIEN TUDEHOPE:** That wasn't included in the—

**MICHAEL COUTTS-TROTTER:** No.

**The Hon. DAMIEN TUDEHOPE:** —\$13 billion? Can I go through the measures statement with you, which is, as you correctly identify, appendix A5 of *Budget Paper No. 01*? Can you confirm that the figures given in the table for the total impact of all new measures in the portfolio are not just made up there again and, like I asked you previously, they are the result of actual calculations?

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** Can you confirm that the list of material measures for each portfolio set out those which have a material impact on the expense revenue and capital figures?

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** Well—

**MICHAEL COUTTS-TROTTER:** No, I'm just thinking on what is a very carefully framed question. You're asking are all material measures included in this presentation?

**The Hon. DAMIEN TUDEHOPE:** Yes.

**MICHAEL COUTTS-TROTTER:** Yes. I think the answer to that is "yes".

**The Hon. DAMIEN TUDEHOPE:** And to the extent that they feed into the expense revenue and capital components of the measures statement?

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** In respect of that, if I go to the very first one, which is "the Cabinet Office, all new measures" on the next page.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** If I looked at that, there's funding to establish a special commission of inquiry into health funding. There'd be a dollar figure in relation to that?

**MICHAEL COUTTS-TROTTER:** Yes, there would.

**The Hon. DAMIEN TUDEHOPE:** And then additional funding for the special commission of inquiry into LGBTIQ hate crimes?

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** Stopping there, there's not a specific figure for any of those included anywhere in these budget papers, is there?

**MICHAEL COUTTS-TROTTER:** No, I think that's right.

**The Hon. DAMIEN TUDEHOPE:** Although, as you said to me, there is a figure for the purposes of arriving at the table.

**MICHAEL COUTTS-TROTTER:** That's right.

**The Hon. DAMIEN TUDEHOPE:** Similarly, there's additional funding for the delivery of the 2024 local government elections?

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** Without going through each particular agency—

**MICHAEL COUTTS-TROTTER:** I'd love to.

**The Hon. DAMIEN TUDEHOPE:** I'm sure you would. Is it possible to provide a list of the funding for each of the measures statements contained for each agency?

**MICHAEL COUTTS-TROTTER:** I will take it on notice. Of course, I did listen closely to the Treasurer's testimony this morning about the choice that he and the Government made on continuing a pattern of how the measures statements are presented in the budget papers. I'm very aware of that. I'll take the question on notice.

**The CHAIR:** What have we just taken on notice? You've asked for a breakdown of—

**The Hon. DAMIEN TUDEHOPE:** The costing of each of the—

**The CHAIR:** Of every element of all the measures—

**The Hon. CHRIS RATH:** Of the \$13 billion.

**The CHAIR:** Of the \$13 billion.

**The Hon. DAMIEN TUDEHOPE:** I've already asked that. I'm then also asking in relation to the measures statements contained in each—

**The CHAIR:** For every department?

**The Hon. DAMIEN TUDEHOPE:** Correct.

**The CHAIR:** You're happy to take that on notice?

**MICHAEL COUTTS-TROTTER:** I am taking it on notice. I don't propose, at this point, to provide a guarantee about the nature of the response. But we will take it on notice.

**The Hon. DAMIEN TUDEHOPE:** But you've told me that in relation to each of them there is a dollar figure.

**MICHAEL COUTTS-TROTTER:** The ones that you exemplified, absolutely. We obviously know what we estimate the cost of the special commission of inquiry into health funding to be. We have an estimate of the additional funding for the special commission of inquiry into LGBTIQ hate crimes.

**The Hon. DAMIEN TUDEHOPE:** But you'd agree with me, for the purposes of a transparent budget, that actually identifying that spending by the Government is an important component of the transparency of the budget to say, "This is how much we're going to spend"? If I go to the next—

**The Hon. STEPHEN LAWRENCE:** Point of order: I'd suggest that's seeking an opinion from the public servant on a matter of Government policy—i.e. how the budget is structured and framed.

**The CHAIR:** I tend to agree.

**MICHAEL COUTTS-TROTTER:** Different governments choose to present their budgets in different ways. This is consistent with previous years.

**The Hon. DAMIEN TUDEHOPE:** If you don't provide me with a figure, I wouldn't be able to know what the expenditure is, would I?

**The Hon. Dr SARAH KAINE:** Point of order: I'm not sure that posing rhetorical questions is demonstrating the respect that we require in these hearings. Perhaps Mr Tudehope could go into a more fruitful line of inquiry.

**The Hon. CHRIS RATH:** To the point of order: It definitely wasn't rhetorical. I think Mr Tudehope was wanting a response.

**The CHAIR:** I won't uphold the point of order. It could have been interpreted as a rhetorical question, but I'm sure Mr Tudehope was not making a comment. Rather, he was seeking information. I won't uphold the point of order.

**The Hon. DAMIEN TUDEHOPE:** Even if I got to the next measures statement—this is for Customer Service—there's funding to maintain cyber risk management activities. It goes on. Surely there is a dollar figure which is able to be attributable to that?

**MICHAEL COUTTS-TROTTER:** Yes, that's absolutely right.

**The Hon. DAMIEN TUDEHOPE:** It's something the Treasury worked on for the purposes of—

**MICHAEL COUTTS-TROTTER:** That's true of every budget presentation of the recent period.

**The Hon. DAMIEN TUDEHOPE:** You'd have to say that, having given those measures statements, I could expect Treasury to identify the dollar figure attributable to each of them?

**MICHAEL COUTTS-TROTTER:** You could expect Treasury to respond to the policy choices of the government of the day.

**The Hon. DAMIEN TUDEHOPE:** Are you saying to me that the policy choice may be not to disclose the dollar figures?

**MICHAEL COUTTS-TROTTER:** Firstly, these budget papers disclose, in a great deal of detail, where we're getting money from, what we're spending it on and what position that leaves the State's finances, and the figures are accurate. The figures have been reviewed most recently by the credit ratings agencies and they have given their stamp of approval to the budget and its direction of travel. What you are asking is really challenging the decision that the Treasurer made about the measures statement presentation. He gave evidence on that this morning.

**The Hon. DAMIEN TUDEHOPE:** Can you take it on notice as to whether you can expand on the information which has been provided in respect of each of those particular measures?

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** Just in terms of actually being able to provide that information, it's not true that the actual dollar figures are contained anywhere else in the budget papers, is it?

**MICHAEL COUTTS-TROTTER:** They're aggregated in the section we're looking at, year by year, by expense, by revenue and by capital. They build up into the presentations elsewhere in *Budget Paper No. 01* and they are embedded in all of the detail in *Budget Paper No. 02* and *Budget Paper No. 03*.

**Ms ABIGAIL BOYD:** Secretary, can we just go back to the Treasurer's Direction 21-04, I think it is, in relation to that \$10,000 limit?

**MICHAEL COUTTS-TROTTER:** Yes, indeed.

**Ms ABIGAIL BOYD:** Just to clarify, this was released in September 2022 by the former Treasurer and it lifted that threshold for recording and reporting gifts of government property to \$10,000. When I asked about this earlier, there was a comment "Yes, but it's disclosed in agency records." That's not true for those under \$10,000, is it?

**MICHAEL COUTTS-TROTTER:** No. We're required to keep a register of anything over \$10,000 and disclose that. That's exactly right.

**Ms ABIGAIL BOYD:** What do you do in terms of transparency in relation to everything under \$10,000 now then?

**MICHAEL COUTTS-TROTTER:** Just speaking from experience, that would be a question for the delegations that are provided within agencies to make certain decisions. This would either be held by the head of the agency, which, to the best of my recollection, was my experience, or delegated to senior people in the organisation. Agencies could then choose to require people to provide information about the exercise of that delegation, but there's no legal requirement to do that and there's no requirement in the Treasurer's Direction to do that. In the break, I did check with our accounting policy team and we do have this under review, so there is work being done to consider some of the issues you and other people have raised and provide advice to the Treasurer. I am told it's just proven to be a very difficult thing to strike the right balance on. You could drown people in red tape but, equally, you don't want to leave room for the possibility that someone may do something wrong and stupid.

**Ms ABIGAIL BOYD:** I think when I raised this with the previous Treasurer last year, there was a discussion about, for example, if a government department was to move from one office to another maybe it would have a bunch of different bits of office equipment—

**MICHAEL COUTTS-TROTTER:** Yes, equipment you'd leave behind.

**Ms ABIGAIL BOYD:** Yes. Can that just be given to anybody? Are staff taking it home? Ten thousand dollars just seems such a huge amount.

**MICHAEL COUTTS-TROTTER:** I must say I've never heard of an incident where staff have taken it home. Usually the gifting of information and communications technology tends to be to schools or community groups.

**Ms ABIGAIL BOYD:** As you say, we don't want to tie that up in red tape if that is beneficial.

**MICHAEL COUTTS-TROTTER:** We don't want to smother—

**Ms ABIGAIL BOYD:** But we also don't want any old gift—a \$9,000 gift of a car or something—going to who knows.

**MICHAEL COUTTS-TROTTER:** No, of course.

**Ms ABIGAIL BOYD:** I'll leave that one with you. Perhaps, through you, Secretary—this is probably one for Ms Wilkie. Even in the last month the assumptions on which the budget projections were based have changed in that we are continuing to see high inflation and there's a chance of increased interest rates again next week. What would be the implication of that increased interest rate—I guess, the hike—on the basic assumptions in the budget and how the forecast looks?

**MICHAEL COUTTS-TROTTER:** Yes, I am happy to hand it to Ms Wilkie. Obviously, Ms Boyd, we update macro-economic forecasts for the purpose of the half-yearly review, which is due to be released in the second half of December. I think our budget papers make clear that we adopted a conservative assumption about whether or not there's likely to be one more rate hike. I think we assumed that there was. I am happy for my colleague Joann Wilkie to add anything else.

**JOANN WILKIE:** Thank you, Ms Boyd. I am always happy to talk about the forecasts and the underlying assumptions. As Mr Coutts-Trotter has said, the forecast at the budget anticipated at least one further interest rate rise and then the interest rates would stay high over the coming year because we anticipate inflation will take a while to come back down. Our assumptions around interest rates and inflation are very similar to the Reserve Bank's. We're doing a forecasting round now for the half-yearly review, which will be out before Christmas. You would need to see sustained inflation and, therefore, many more interest rate increases to get a substantial deviation from where our forecasts are. At the moment, it doesn't look like events are going to substantially deviate from where our forecasts are.

**Ms ABIGAIL BOYD:** Further to that—I apologise that it's a bit of a basic question; perhaps it's one for Mr Deverall—when we're looking at the government bond maturity profile, we have a huge number of benchmark bonds coming in the next year. I believe it's \$4 billion, or something. That's all been taken into account in terms of the market for refinancing?

**DAVID DEVERALL:** It's a big topic you're asking about, so I'll try and explain the way we do it.

**Ms ABIGAIL BOYD:** And also the impact on that of the new war in the Middle East.

**DAVID DEVERALL:** With the outstanding debt—it's roughly over \$100 billion; call it \$150 billion of outstanding debt—what we try to do is stagger the repayment profile or the refinancing profile of that debt over 10 to 12 years so we have a series of maturities due such that we are not having to refinance \$100 billion in one year. As a result of that, the overall cost of interest that the State pays is nowhere near as sensitive to the

fluctuations that we've seen in interest rates because where it's impacting us is where we're on the margin having to refinance. Clearly, over the last 12 months interest rates have kicked up again so that the cost of 10-year debt for New South Wales is now in the order of 5½ per cent. But, as I said, where that's impacting us is where we're raising the marginal dollar for this year's funding requirement. Our strategy has been, and will always be, to spread out that refinancing risk for as many years as possible, and who knows where interest rates are going to be in a year's time, let alone five years' time. I am not sure if that answered the question because it was a pretty broad one.

**Ms ABIGAIL BOYD:** It was a broad question. It's just interesting that, from a lay person's perspective, when it comes to government-issued bonds there is quite a variation in the types of bonds maturing at different times over the next 10 years. I'm just interested in whether that mix is going to be continued. In 2024 there are only benchmark bonds.

**DAVID DEVERALL:** Yes.

**Ms ABIGAIL BOYD:** Is there going to be a greater diversification in the refinancing?

**DAVID DEVERALL:** Probably not. Probably the next series of bonds—because the benchmark bonds are the majority of the bonds that we issue. The other types would be floating rate notes or some of the sustainability bonds. I think the earliest refinancing of sustainability bonds might be the 2028s, so that's a number of years away. So in the meantime it's mostly going to be the benchmark bonds. And the question now is, with the ones that are maturing now, what rate did we borrow them at? These would have been borrowed 10 years ago at whatever the prevailing rate was, which might, funnily enough, be roughly similar to what the rates are today.

**Ms ABIGAIL BOYD:** Yes, some of them appear to be. Just one other little question before I hand over to my colleague. We've got the confirmation in now on Moody's and Fitch for triple-A?

**MICHAEL COUTTS-TROTTER:** Fitch, Moody's and Standard & Poors. So we're triple-A stable outlook with Moody's and Fitch and we retained double-A-plus with S&P.

**Ms ABIGAIL BOYD:** So that's been confirmed?

**MICHAEL COUTTS-TROTTER:** Yes. In the endless war of interstate rivalry, the cost of our debt relative to Victoria's debt and Queensland's debt improved, and the cost of our debt relative to Commonwealth debt improved as well.

**Ms SUE HIGGINSON:** I was just curious, has Treasury done any work in looking at the investment window and the confidence that comes with setting an interim target for reaching emissions reduction in the State? Currently your Government is proposing that the 2030 and the 2050 are there.

**MICHAEL COUTTS-TROTTER:** I'll pass to my colleagues. I do recall that, for example, in the intergenerational report there were some assumptions about—possibly it came later—the presence of the energy transition road map and the sort of scenarios of a managed and orderly transition versus a poorly managed and disorderly transition. The different potential trajectories of getting to net zero do matter a lot, both for performance of the economy overall and the impacts of that transition on people and places within New South Wales. But, Joann, is there anything you wanted to add?

**JOANN WILKIE:** In the IGR, the modelling around the transition was based on the Electricity Infrastructure Roadmap at the time, so that was in 2021.

**Ms SUE HIGGINSON:** And anything beyond in terms of other sector pathways? Obviously there's the energy transition, but in terms of the overall targets of emissions reductions and any modelling or analysis on the investment opportunities of those targets.

**JOANN WILKIE:** So that is work that we are preparing to do. It's not work that we've done yet. The IGR in 2021 where we did some physical climate risk modelling, we did global coal demand modelling and we did energy transition modelling, they set a baseline for the types of modelling that we want to do for future IGRs but to also support the work of government more broadly as well. We have acquired additional datasets and that sort of thing to be able to do more work in that space.

**Ms SUE HIGGINSON:** In August, I think it was, Ken Henry tabled a report in Parliament that suggested we need to do a big review of our environmental laws, particularly our biodiversity and conservation laws. In terms of Ken Henry's review, he said that there needed to be a big reform program and the Minister responded by saying there would be a whole-of-government response. There was nothing in the budget around that that I could see. Is that something that you have been asked to look at in terms of the modelling and financing and how we will afford to do that and when we will do it?

**MICHAEL COUTTS-TROTTER:** We are not leading that work but I'm pretty sure we are contributing to that work.

**ELIZABETH LIVINGSTONE:** The Cabinet Office has recently formed a whole-of-government working group to commence work. The first meeting of that group was in the last couple of weeks. We haven't been asked to do that kind of modelling at this point in time.

**Ms SUE HIGGINSON:** Was there any indication that there will need to be a cost around that work for Treasury?

**ELIZABETH LIVINGSTONE:** I think as all the issues are worked through, that will become apparent, but it's still early stages in the reform process.

**Ms SUE HIGGINSON:** Can I just go back to the work that I think the Treasurer said that he was looking at, or perhaps you said, in terms of looking at the modelling around jobs in the native forest logging industry and that sector and whether that work has started or any work that's been done on that?

**MICHAEL COUTTS-TROTTER:** Again, my colleague should add in or correct me but I think, as Minister Moriarty indicated, there is work going on to develop an industry road map for forest industries, and we are, again, not leading that work but we would be contributing to that work.

**Ms SUE HIGGINSON:** In saying that, what sort of contribution do you think you're being asked to make to that work?

**SONYA CAMPBELL:** I'm happy to take that question. I think we'll have a range of contributions to that work. Obviously Treasury represents the interest of the shareholding Ministers in Forestry Corporation, so looking at the future of both the hardwood and softwood divisions. But I think, in addition to that, it will be a typical Treasury role of challenging and testing business case assumptions, economic analysis, that will be looking at a whole range of features, including jobs, tourism, balancing with environmental requirements to really look into the future of the industry.

**Ms SUE HIGGINSON:** Are you able to elaborate a little bit on this work the Treasurer was referring to about looking at carbon markets in terms of tenures? But specifically for me, I'm interested at the moment in the public land sector.

**MICHAEL COUTTS-TROTTER:** There is a great deal of interest from the Treasurer and other members of the Government in seeing how we can potentially use forests to acquire ACCUs, so be paid for net abatement. I will defer to my colleagues for the state of the work, but I would anticipate that that's inevitably part of an industry road map or at least elements of the industry road map.

**SONYA CAMPBELL:** I'm not across the details of that work but, as I said, this is sort of live conversations that are happening at the moment, obviously catalysed by commitments around the Great Koala National Park and the need to particularly have a close look at the impacts on the forestry industry, which will include the opportunities that come from the State forests that we own.

**Ms SUE HIGGINSON:** Is it fair to say that we're not really operationalising that work at the moment? I'm not trying to be harsh; I'm just trying to get a genuine insight into how much attention is being focused on the carbon capacity of the public estate.

**MICHAEL COUTTS-TROTTER:** I think there's a real appreciation that it could be an absolute game changer in regional economies if there's a genuine market for carbon abatement. But it is relatively early days for the work that we're contributing to.

**Ms SUE HIGGINSON:** Thank you.

**MICHAEL COUTTS-TROTTER:** Can I just correct the record? My natural ebullience and my poorly read briefing note last week gave me great optimism that Standard & Poor's would confirm our double-A plus credit rating. I shouldn't guess what they will do. They haven't done it yet. My apologies.

**Ms ABIGAIL BOYD:** I didn't think I had seen that. When is that expected?

**MICHAEL COUTTS-TROTTER:** We expect it confirmed by late November.

**Ms ABIGAIL BOYD:** By late November.

**MICHAEL COUTTS-TROTTER:** A decision, sorry. I should not second guess a credit rating agency—a decision by late November.

**The CHAIR:** It may be a function of my poorly worded query to the Treasurer this morning, but it wasn't clear to me who is leading the work in government on the adoption of the transition to and the adoption of AI technologies. Who is leading that work? Who is doing that work in government? Is it Treasury?

**MICHAEL COUTTS-TROTTER:** No. All of the colleagues that I talk to are thinking about the potential benefits and risks of artificial intelligence within the context of their own agencies. The lead agency from a whole-of-government perspective on the work is the Department of Customer Service.

**The CHAIR:** That's Digital.NSW?

**MICHAEL COUTTS-TROTTER:** Yes. They really have the responsibility for establishing some of the policy frameworks and the tools by which we assess the costs and benefits of technology-enabled change, and AI represents both stunning opportunities and also, of course, some very significant risks, particularly in information management and privacy.

**The CHAIR:** What sort of budgetary allocation do they have to do that work?

**MICHAEL COUTTS-TROTTER:** I'd need to take that on notice, Mr Buckingham.

**The CHAIR:** They're the lead agency for that, but Treasury is not doing any—

**MICHAEL COUTTS-TROTTER:** No, we have done some work. You did raise the notion of AI in the context of the previous intergenerational report. There was some work done at this point that Treasury contributed to, to try and identify those occupational groupings that were likely to be most affected by the adoption of AI. The Productivity Commissioner, which is supported by Joann's team, has done a subsequent report on the technology opportunities afforded not only by AI but including by AI for the New South Wales economy. That was released last year. There's continuing work going on so that we are better able to anticipate the productivity effect of the adoption of technologies both in the economy and within public services.

**The Hon. DAMIEN TUDEHOPE:** I will ask you one final question on the measures statement, to confirm where we are at the moment. Treasury does have a dollar figure for each of the measures contained in the measures statement. My request to you on notice is to provide a dollar figure for each of the measures referred to in Appendix A for each of the agencies referred to in "A5 Measures Statement".

**MICHAEL COUTTS-TROTTER:** Thank you for clarifying your request. We'll take it on notice.

**The Hon. DAMIEN TUDEHOPE:** Thank you. The Treasurer has, from time to time, made a suggestion that the previous Government was out there using the State's credit card for the purposes of investing in the NGF. Do you stand by that statement?

**The Hon. STEPHEN LAWRENCE:** Point of order—

**MICHAEL COUTTS-TROTTER:** That's not something I can pass comment on.

**The CHAIR:** There is a point of order. I might know what the point of order is.

**The Hon. STEPHEN LAWRENCE:** It's twofold. It is seeking an expression of opinion on a matter of Government policy in terms of the way that it has been characterised. But it also seems fundamentally not to relate to this year's budget.

**The CHAIR:** I'll uphold the point of order on the first point. It certainly was seeking an expression of opinion on policy. I'm not so sure about the second one, but one will do.

**The Hon. DAMIEN TUDEHOPE:** To your knowledge, did the previous Government borrow money for the purposes of investing in the NGF?

**MICHAEL COUTTS-TROTTER:** If you are running an operating deficit, you are borrowing money. Money is fungible. I should leave it at that. We were running an operating deficit, so we were borrowing money for the operations of government.

**The Hon. DAMIEN TUDEHOPE:** Do you agree with me that in circumstances where we were in deficit, the previous Government did, in fact, elect not to make any contributions to the NGF?

**MICHAEL COUTTS-TROTTER:** When we were in cash deficit, yes.

**The Hon. DAMIEN TUDEHOPE:** Mr Deverall, what's the current balance of the Debt Retirement Fund?

**DAVID DEVERALL:** I think the number is as of 30 June, which would have moved a little bit but not much since then. It was \$16 billion, which is up roughly three-and-a-bit billion from inception, if that's what the question was.

**The Hon. DAMIEN TUDEHOPE:** The net return from that investment?

**DAVID DEVERALL:** Last year I think it was 8.9 per cent. On a rolling basis since inception, I think it's between 6 per cent and 7 per cent.

**The Hon. CHRIS RATH:** That's a pretty good return.

**DAVID DEVERALL:** Thank you.

**The CHAIR:** You are probably investing in medical cannabis.

**The Hon. DAMIEN TUDEHOPE:** I join with my colleague in that accolade. I take it you've had an opportunity of having input into the budget papers, and you would have heard me before lunch asking these questions: Without the net investment returns from the NGF, what would the surplus of the budget be in 2026-27, Mr Deverall?

**DAVID DEVERALL:** I don't know. I just run the money. I don't know the exact figures of the budget. Maybe Mr Coutts-Trotter—

**MICHAEL COUTTS-TROTTER:** It's presented at chart 3.2 on page 3-4, Mr Tudehope. This budget, for the first time, presents the operating result, both including the returns of the NGF and excluding them. Of course, the line of logic for excluding them is that they are unable by legislation to be used to fund services. They're constrained only for reducing net debt and then eliminating debt. The reason for presenting the budget in this way is to provide a more transparent view of the underlying position of the operating result.

**The Hon. DAMIEN TUDEHOPE:** The truth is, I think, that it would be about \$123 billion—\$123 million.

**MICHAEL COUTTS-TROTTER:** Yes, \$123 million. If it was \$123 billion, Standard & Poor's would be rushing out their decision.

**The Hon. DAMIEN TUDEHOPE:** In fact, I think you'd be on the phone to them.

**MICHAEL COUTTS-TROTTER:** I would. That's right, it all but eliminates the otherwise pretty healthy operating result.

**The Hon. DAMIEN TUDEHOPE:** So the NGF plays a significant—

**MICHAEL COUTTS-TROTTER:** It plays a role in the presentation of a result, but an operating result suggests, "This is the surplus you have to spend on the running costs of government." I think the point the Government is making is that the NGF's contribution to that operating surplus cannot be spent on the running costs of government. It can only be spent on reducing debt.

**The Hon. DAMIEN TUDEHOPE:** I accept that point, and that's certainly a valid point in terms of the credit agencies' assessment of—

**MICHAEL COUTTS-TROTTER:** They do consider it in their assessment of our balance sheet position. One of them—I can't remember which one—discounts the value of the assets a little bit, but all of them take it into account.

**The Hon. DAMIEN TUDEHOPE:** Mr Deverall, in view of the 8.9 per cent which you've indicated was the return on your sound investment policy, I take it you'd take umbrage at the suggestion you were out there gambling on the stock market?

**The Hon. BOB NANVA:** Point of order: That's a question that is full of argument, inferences and imputation. I ask you to rule it out of order.

**The CHAIR:** Yes, I think it is in breach of the resolution. I uphold the point of order. I think you could reframe the—

**The Hon. DAMIEN TUDEHOPE:** Do you want to hear me on the point of order?

**The CHAIR:** Alright, yes, I do. If you are making a contribution to the point of order.

**The Hon. DAMIEN TUDEHOPE:** I am making a contribution. The fact that it may be construed as argumentative is not something that prevents it from being asked in this forum.

**The Hon. STEPHEN LAWRENCE:** To the point of order: It's also seeking an expression on government policy, I would suggest, because it's characterising a policy in a negative way and asking whether he disagrees with it. That's the line.

**The CHAIR:** I'm prepared to rule so we can get on. That is the pertinent point: it is seeking an expression of opinion from a public official, which is outside the resolution of the House.

**The Hon. CHRIS RATH:** Can I express it in a slightly different way? What are the interest payments, the debt servicing payments, for our debt in New South Wales?

**DAVID DEVERALL:** If you weighted average the outstanding debt at the moment, it's about 3.5 per cent.

**The Hon. CHRIS RATH:** So far less than 8.9 per cent?

**MICHAEL COUTTS-TROTTER:** It is a question of degree. You could, from that, go, "Well, we should borrow an infinite amount because we'll borrow at three and we'll get a return at eight", and of course that would put the State's budget in a position of extraordinary risk. These are questions of judgement and degree, as I think was made clear in the evidence before the parliamentary inquiry into the NGF.

**The Hon. DAMIEN TUDEHOPE:** Mr Deverall, has there been a revised risk appetite statement for the Debt Retirement Fund?

**DAVID DEVERALL:** We do an annual review of the risk appetite statement. To the extent to which there has been one done in the last 12 months, the short answer would be yes. Would there have been a material change to that? I highly doubt it.

**The Hon. DAMIEN TUDEHOPE:** One of the things that the Treasurer has indicated, and I think he indicated you are involved in this process, is the consolidation of various funds to be managed. Are you aware of the various funds which he has in mind for the purposes of consolidation into a single managed fund?

**DAVID DEVERALL:** Yes, I am.

**The Hon. DAMIEN TUDEHOPE:** Are you, on notice, able to provide me with a list of those funds which would be the subject of a consolidation?

**DAVID DEVERALL:** Yes, I am.

**The Hon. DAMIEN TUDEHOPE:** I take it that consolidation would be into management by TCorp?

**DAVID DEVERALL:** Yes, that's right.

**The Hon. DAMIEN TUDEHOPE:** The Treasurer also indicated that you were involved in work relating to the ethical investment strategy which the Government would be adopting. When is it proposed that that work would be finished?

**DAVID DEVERALL:** We haven't set a specific date. Our approach to investment stewardship or ESG investing, as across all of our funds, what we would be looking to do for this situation is to have one single approach to—one single risk appetite statement for the fund and a single unified approach to the way in which we do ESG investing. So there is no specific date in mind. I am sure that when things are more developed something will be announced, but not right now.

**The Hon. DAMIEN TUDEHOPE:** So you would anticipate no marked difference in terms of your investment strategy as a result of that level of review?

**DAVID DEVERALL:** No. The way we think about ESG integration is that we see ESG as a risk that needs to be managed. There are risks and opportunities associated with it, and what we want to do is to make sure that the investment strategy makes the most of those risks and opportunities to drive the best risk-adjusted return. We're confident that we can work with the Government and with Treasury to come up with the right setting, the right risk appetite, the right investment strategy, coupled with the approach to investment stewardship or ESG investing that we're comfortable with. We've been doing it in some of our other portfolios. We work with State Super to manage their investment portfolio. We have already got a net zero by 2050 investment strategy in place for that. We'll be looking to roll that approach out across the other funds.

**The Hon. DAMIEN TUDEHOPE:** Mr Secretary, if I can now move to public sector wages. I am sure you were involved in the negotiation process to some—

**MICHAEL COUTTS-TROTTER:** Not the negotiation process. That would not have been constructive.

**The Hon. DAMIEN TUDEHOPE:** I'll accept that. Would you accept from me that the actual figure which I indicated this morning of increases by way of public sector wages for the period 2023-24 to 2026-27 is about \$8 billion?

**MICHAEL COUTTS-TROTTER:** I think you're referring to the expense trends and further analysis table 5.2. Arithmetically, that's absolutely right. Total employee expenses anticipated in 2023-24 is \$43.5 billion, rising to \$49.5 billion in 2026-27. That's both the numbers of people who are employed in the public sector and what they're paid.

**The Hon. DAMIEN TUDEHOPE:** And it allows for increases?

**MICHAEL COUTTS-TROTTER:** It does.

**The Hon. DAMIEN TUDEHOPE:** Of 2.5 per cent for 2026-27, for example?

**MICHAEL COUTTS-TROTTER:** No. That's an average increase of 4.1 per cent a year and contained within that is the Government's decision to provide 4½ per cent pay in the current financial year and that's run through the forward years. It's the cost of the pay settlement and reforms with the teaching award, and it also includes \$3.6 billion in the Essential Services Fund, which is essentially a provision to enable public sector employers to bargain to try to improve the quality of public services and provide higher wages.

**The Hon. DAMIEN TUDEHOPE:** What I glean from that is the Government's bargaining parameter in respect of wage increases is 4 per cent?

**MICHAEL COUTTS-TROTTER:** No, you couldn't conclude that, because this includes both the number and—that is the total cost of public sector labour costs. For example, most of the \$747 million in savings from fewer senior executives and a pay freeze are in that as well, depressing the figure. So there are a variety of changes. You couldn't conclude a dollar figure pay policy, because beyond 2023-24 the Government's policy is to engage in interest-based bargaining with its workforce.

**The Hon. CHRIS RATH:** And the teachers' additional pay increase is in this as well?

**MICHAEL COUTTS-TROTTER:** It's in this and, of course, there are some offsetting savings that pay for it.

**The Hon. DAMIEN TUDEHOPE:** We heard about some of those this morning. Can you just elucidate in relation to that? In respect of the Education portfolio's actual spend on labour hire contractors for 2022-23, what was that?

**MICHAEL COUTTS-TROTTER:** I don't have that figure to hand. I had a whole-of-government figure, but I don't have—

**The Hon. DAMIEN TUDEHOPE:** Can you take that on notice?

**MICHAEL COUTTS-TROTTER:** Yes, I can take that on notice and see what we can provide.

**The Hon. DAMIEN TUDEHOPE:** And the allocated contribution of the Education portfolio to the whole-of-government reduction of 25 per cent in labour hire costs by 2025-26?

**MICHAEL COUTTS-TROTTER:** Yes, I will take that on notice and see what we can provide.

**The Hon. DAMIEN TUDEHOPE:** In relation to the education department, do you have the actual spend on consultants for 2022-23?

**MICHAEL COUTTS-TROTTER:** No, but of course it'll be published in their annual report, which will be tabled in the Parliament during November. Sorry, I assume it will be tabled in November.

**The Hon. DAMIEN TUDEHOPE:** Is it a figure you could get now?

**MICHAEL COUTTS-TROTTER:** No, because it would be part of the process of Education closing off their accounts.

**The Hon. DAMIEN TUDEHOPE:** And when will that occur?

**MICHAEL COUTTS-TROTTER:** Well, for the production of an annual report for 2022-23 and financials—

**The Hon. DAMIEN TUDEHOPE:** It's a circular process.

**MICHAEL COUTTS-TROTTER:** —which would be, in the usual course, in November in any given year.

**The Hon. DAMIEN TUDEHOPE:** So for the same portfolio—

**MICHAEL COUTTS-TROTTER:** I did have a quick look at the transcript from last week's estimates and I know the department took a number of similar questions on notice themselves.

**The Hon. DAMIEN TUDEHOPE:** In terms of the \$38 million reduction per year on consultants, what is the education department's contribution to that, are you aware?

**MICHAEL COUTTS-TROTTER:** I'm not, I'm afraid, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** Would you be able to take that on notice?

**MICHAEL COUTTS-TROTTER:** I can take it on notice.

**The Hon. DAMIEN TUDEHOPE:** In respect of the \$411 million to be cut from supporting 200 contractors and consultants, is this entirely additional to the allocated contributions to the whole-of-government reductions?

**MICHAEL COUTTS-TROTTER:** Yes, it is.

**The Hon. DAMIEN TUDEHOPE:** When bargaining parameters are set for the lead agency for wage negotiations, what is Treasury's advice in relation to that for the purposes of input into what wage rises are capable of being afforded within the budget parameters? We've got a figure, for example, of 4.1 per cent, which is the average across—

**MICHAEL COUTTS-TROTTER:** The point I would make about that is, if you looked at the same figure for other States and Territories, with the exception of the ACT—they don't count—we've got a more conservative assumption within our budget. In other words, we are anticipating a higher year on year growth in employee-related expenses than other States. Of that I would say that that means that our budget position is a solid one as a result. It's a conservative provision in the \$3.6 billion Essential Services Fund.

**The Hon. DAMIEN TUDEHOPE:** You would be confident, would you not, that any wage rises negotiated with any other public sector unions will not exceed the Essential Services Fund?

**MICHAEL COUTTS-TROTTER:** It's a bargaining environment. Ultimately, in the absence of a negotiated agreement, it will be an arbitration environment. So all we are doing in this is making a reasonable and conservative assumption and provision to enable public sector employers to bargain to try and achieve improved services for the community.

**The Hon. DAMIEN TUDEHOPE:** But the Government's position would be, of course, that they would not want the bargaining position to be any greater than the amount which is covered by the Essential Services Fund.

**MICHAEL COUTTS-TROTTER:** No, certainly. That's understood, yes.

**The Hon. DAMIEN TUDEHOPE:** Would you agree that every 1 per cent in terms of increases over and above 4 per cent costs about a half a billion dollars?

**MICHAEL COUTTS-TROTTER:** From memory, that's about right. Rule of thumb.

**The Hon. DAMIEN TUDEHOPE:** In the last minute available to me, can I just ask you in relation to WestInvest. As part of the caretaker period, how much of the \$5 billion was unallocated during that period by the previous Government?

**MICHAEL COUTTS-TROTTER:** I'd take that on notice.

**The Hon. DAMIEN TUDEHOPE:** What projects were allocated funding from WestInvest prior to the start of the caretaker period that have been cancelled since the election?

**MICHAEL COUTTS-TROTTER:** From the Government-led component as opposed to the community competitive component?

**The Hon. DAMIEN TUDEHOPE:** Yes.

**MICHAEL COUTTS-TROTTER:** Yes, okay.

**The Hon. DAMIEN TUDEHOPE:** None of the community ones have been cancelled.

**MICHAEL COUTTS-TROTTER:** No, they've been endorsed in toto.

**The Hon. DAMIEN TUDEHOPE:** Government-led investments, some have been cancelled?

**MICHAEL COUTTS-TROTTER:** Some of the previous Government's priorities for that component of WestInvest have been replaced with this Government's priorities.

**The Hon. DAMIEN TUDEHOPE:** And were announced prior to caretaker?

**MICHAEL COUTTS-TROTTER:** I'm sorry, I'm unaware of that.

**The Hon. DAMIEN TUDEHOPE:** Can you take that on notice?

**MICHAEL COUTTS-TROTTER:** Sure.

**The Hon. DAMIEN TUDEHOPE:** And, potentially, a breakdown of the WestInvest investment strategy and the cancellation of funds—the cancellation of allocations which may have been made by the previous Government.

**MICHAEL COUTTS-TROTTER:** Yes.

**Ms SUE HIGGINSON:** Can I just go back to our targets, as in the emissions reduction targets. Has Treasury been engaged with the current Net Zero Emissions board?

**MICHAEL COUTTS-TROTTER:** Not yet because, I think, the board is either to be appointed or has only recently been appointed.

**Ms SUE HIGGINSON:** No, the board, not the commission.

**MICHAEL COUTTS-TROTTER:** The existing—I am sorry. I'll turn to my colleagues. I don't know. There appears to be some body language here suggesting no.

**SONYA CAMPBELL:** I would expect that that has typically been led out of the Office of Energy and Climate Change as part of the Treasury group over the last couple of years.

**MICHAEL COUTTS-TROTTER:** I think that's absolutely right. Thank you.

**Ms SUE HIGGINSON:** Does the 82 per cent renewable—again, this is going to be the crossover with the energy, but the 82 per cent renewables by 2030 is from the intergenerational report. Does that rely on public investment or private-owned energy generation? Or is it assumed that it will be private?

**JOANN WILKIE:** It works off the energy road map, so whatever the breakdown is in that. I don't have the details with me.

**MICHAEL COUTTS-TROTTER:** There is some public investment in that.

**SONYA CAMPBELL:** I can talk to, I guess, some of the things that our State-owned corporations are doing. WaterNSW is working closely with EnergyCo, looking at pumped hydro project opportunities. We spoke about Forestry already, but they are looking at renewable opportunities, particularly around wind farm investment within the State forests, given that they've got existing road infrastructure and an ability to do that. Each of the businesses are essential, are also looking at renewable opportunities and how do they work together with the renewable energy zones, which are obviously being led by Energy Co under Minister Sharpe.

**Ms SUE HIGGINSON:** Was Treasury included and involved in the draft of the current proposed Climate Change (Net Zero Future) Bill?

**SONYA CAMPBELL:** I think my colleague Ms van der Walt might be able to talk to that in the context of some of the work that our strategic balance sheet management team is doing in the sustainable financing space.

**MARINA van der WALT:** We might take that one on notice and get back to you. I'll see if I can get back to you today.

**Ms SUE HIGGINSON:** Thank you. Have you got Treasury forecasts and work that has relied on the current emissions reduction target of 70 per cent by 2035?

**MICHAEL COUTTS-TROTTER:** I think we would need to take that on notice.

**Ms SUE HIGGINSON:** Thank you.

**MICHAEL COUTTS-TROTTER:** Yes, we'll take it on notice for you.

**Ms SUE HIGGINSON:** In the intergenerational report and the mapping out of the potential of the critical minerals expansion and how that feeds into the renewable future, has Treasury taken into account the associated regulatory costs and so forth with that quite dramatic potential expansion?

**MICHAEL COUTTS-TROTTER:** Great question. I will turn to my colleague Joann Wilkie.

**JOANN WILKIE:** It is a great question.

**MICHAEL COUTTS-TROTTER:** Did you? If not, why not?

**JOANN WILKIE:** As I said, in 2021 it was the first IGR that we had done climate- and energy-related modelling. It was to set a baseline. It was predominantly done, I guess—for want of a better word—at the aggregate economic level. The sorts of costs associated with those changes is the next level of detail that we want to go down into for the next IGR but also in terms of building up our models and that sort of thing. Those are the sorts of issues that we want to look at in the next generation of models.

**Ms SUE HIGGINSON:** Great. Can I draw to your attention the current massive regulatory issue that's happening with the Cadia minerals mine project and what looks like an explosive regulatory cost around that, including the long-term potential health impacts and that be something Treasury takes on board in any regulatory costs?

**MICHAEL COUTTS-TROTTER:** Yes.

**Ms SUE HIGGINSON:** Thank you.

**MICHAEL COUTTS-TROTTER:** This is the recent EPA decision in respect of Cadia.

**Ms SUE HIGGINSON:** Yes. I think we can be safe to assume that really is only just starting to touch the surface of the potential that's gone wrong out there and has been going wrong for some time.

**Ms ABIGAIL BOYD:** Can I ask you a few questions about non-quantifiable contingent liabilities? This is a question I ask every year primarily—

**MICHAEL COUTTS-TROTTER:** It's fresh for me. So this is great.

**Ms ABIGAIL BOYD:** It's primarily in relation to the coal ash dams at each of the privatised power stations. I understand that in order to be a non-quantifiable contingent liability it needs to be uncertain in terms of its timing or uncertain in terms of how much it's going to be. I've had the discussion previously about how we know that the quantum of the clean-up costs for those coal-fired power stations could be in the hundreds of millions—if not billions—of dollars. Is there somewhere else where we say, "Look, we know that this is going to be a liability because we've got the contracts and we see that. We know it will be a significant sum. We don't know how much, but we will be putting something in reserve for the future"? Is there somewhere else in the budget where that gets reflected, or do you just ignore it until it crystallises?

**MICHAEL COUTTS-TROTTER:** No, obviously I can see the disclosure in section C.2, "Contingent liabilities". I might invite my colleague Sonya Campbell, whose team supports these entities, but also maybe Marina, if you've got a perspective on the accounting end of it.

**SONYA CAMPBELL:** Yes, thank you, Secretary. I was waiting for the question, Ms Boyd, having been asked it last year as well. I think there was a question for the Treasurer this morning around the definition of contingent liability, which is obviously set out in *Budget Paper No. 01*, appendix C. As the secretary said, we do have a provision in there for what is not quantified. If you want to just talk specifically about the different power stations, Vales Point—we don't have a budget provision in there. It is a contingent liability. We don't have sufficient information at this stage to quantify that, as you know.

**Ms ABIGAIL BOYD:** We've seen at some of the power stations that have already closed in the past and where we knew we had a liability that, as the liability becomes known, it gets transferred on to the sort of known—

**SONYA CAMPBELL:** Correct.

**Ms ABIGAIL BOYD:** —whatever that other bit of contingent liability is.

**SONYA CAMPBELL:** Yes, it's in the budget.

**Ms ABIGAIL BOYD:** I understand that, from an accounting perspective, we don't need to have that on here. We don't need to put aside money for that clean-up. But given the size of those power stations, given what we have learnt in the past three years about the potential cost of the clean-up to the Government, is it not prudent to put somewhere a reserve or something else to cover that cost to the public in the future?

**SONYA CAMPBELL:** Yes, I think, Ms Boyd, these are continually under review in respect of each of the power stations. For Liddell, for example, we do have a provision in the budget, which is in the Treasury administered items. It's not specifically called out because of the commercial sensitivity around that. We're obviously in conversation with the owner, AGL, around the remediation standards and the extent that the State's

indemnity may be triggered or would be triggered. For that reason, we are making provisions when we have sufficient information based on expert advice, which is continually under review.

**Ms ABIGAIL BOYD:** I guess this is a broader issue for the environment Minister. The fact is that the extent to which those sites need to be remediated is dictated by the stringency of the regulations that get developed around it, so it's a little bit of a strange situation where however—

**SONYA CAMPBELL:** And we do have the baseline reports around the baseline at the time of the transactions, but you're right—it is heavily regulated by the EPA, and it depends on what the owner of that site wants to use that site for into the future.

**Ms ABIGAIL BOYD:** But we also know that learnings from overseas are that a lot of the environmental and health damage done by those coal ash dams, sitting as they are in those unlined pits, becomes worse and worse over time. The science is evolving and the amount of rehabilitation that is required is evolving. I understand that it's a nebulous area, but it worries me that we have this amount that could just crystallise at any moment in the future.

**SONYA CAMPBELL:** Just one thing I would add is that we obviously have GPM, who's out there remediating at the moment. We are learning those lessons, and we do have actual evidence and costs, as that work is being done, to inform our future projections.

**Ms ABIGAIL BOYD:** One of the transactions that's been added into table C.4 versus what we saw in the last budget is in relation to Green State Power, and an item there refers to contingent liabilities involving a formal dispute proceeding. Are you able to tell me anything about that dispute, presumably with Green State Power?

**SONYA CAMPBELL:** I don't have any information on that. I'd have to take that on notice.

**Ms ABIGAIL BOYD:** The other thing that's been added is the ports contracts, which I know that we will now get to see thanks to Labor keeping its election promise. There's an addition here that the State will be liable to pay limited compensation to the financiers if the leases are terminated for any reason. Can you explain in a bit more detail what that quantum might be and how it would be determined, even if we don't know the exact amount at the moment?

**SONYA CAMPBELL:** I think, to answer that question, we're not anticipating those leases to be terminated. Obviously, we have concluded the ACCC proceedings. As you'd be aware, we do have the IPART determination process on foot at the moment in respect of the Port of Newcastle. We're not expecting a final determination until around April or May next year, so I'd have to get some advice around what might be included in that type of liability.

**Ms ABIGAIL BOYD:** Yes, how the termination payment will be calculated would be useful to know. Can I ask about the new PwC spin-off, Scyne? I understand that the Federal Government is going to monitor Scyne Advisory very closely for the next 12 months in terms of its contracts with Scyne. Will the New South Wales Government use Scyne for any of its Government work? If so, will it also be subject to some sort of monitoring arrangement for the first 12 months at least?

**MICHAEL COUTTS-TROTTER:** Scyne—your special subject.

**SONYA CAMPBELL:** I know it's yours, Secretary. We still have in place the suspension from PwC around the taxation services and all the measures that we put in place that we discussed at the recent parliamentary inquiries. Our expectation is that Scyne would need to apply under the pre-qualification schemes to be eligible for work and would be subject to the stringent requirements of those pre-qualification schemes to be part of the PMS scheme in Government. All of that work is still under review, given that the transition from PwC to Scyne has not yet been concluded.

**Ms ABIGAIL BOYD:** Is it possible that some additional requirements will be imposed on Scyne, similar to what we've seen from the Federal Government?

**SONYA CAMPBELL:** It's possible. As we've discussed in other forums, this is something that is being closely looked at by the procurement board on an ongoing basis. We're obviously in the process of responding to the Auditor-General's recommendations, which did include having a look at how our consultancy schemes work and providing greater definition and greater guidance, both within Treasury as a department and across the sector.

**Ms ABIGAIL BOYD:** The very limited restriction on using PwC for tax work—I think we worked out it was about 0.6 per cent of what PwC would get paid in an average year from the New South Wales Government—was supposed to be a temporary measure, I understand, pending more information from PwC. Where are we up to with that?

**SONYA CAMPBELL:** The suspension is still in place. It was reviewed in September and has been extended. But the board also introduced additional requirements for any new engagements with PwC or any variations to existing agreements, such that there are requirements in place for those engagements to be approved at the secretary level of all departments and also reported to the procurement board.

**Ms ABIGAIL BOYD:** I keep hearing about a review that's being done by the Government in relation to board positions across government. Is that being done on a department-by-department basis or—

**MICHAEL COUTTS-TROTTER:** It's being coordinated by the Cabinet Office. Every agency is asked, within the terms of that review, to have an initial look at their boards and committees. The Cabinet Office is coordinating the work across government.

**Ms ABIGAIL BOYD:** What sorts of things are you looking for when you're looking at those boards?

**MICHAEL COUTTS-TROTTER:** The most important thing is: Are they needed? That's really the first question that people are tending to.

**Ms ABIGAIL BOYD:** Are you also looking at unavoidable conflicts of interest or unavoidable perceptions of conflict of interest?

**MICHAEL COUTTS-TROTTER:** I'd have to take that on notice. I can't recall. There is guidance in place at the moment that does, as you would know better than I, restrict people. For example, third-party lobbyists can't be engaged in a board dealing with a matter on which they have, in turn, lobbied in the previous 12 months. For the process of providing probity and background checks for potential candidates to State-owned corporations' boards, someone who was a registered lobbyist—this would be a matter for very careful judgement about whether you would consider that would be an appropriate appointment to a board.

**Ms ABIGAIL BOYD:** To your knowledge, has there been any consideration given to the expansion beyond registered lobbyists, as we know there are—

**MICHAEL COUTTS-TROTTER:** I understand the point of distinction.

**Ms ABIGAIL BOYD:** There are people who have influence without—

**MICHAEL COUTTS-TROTTER:** I don't know. I can take that on notice.

**Ms ABIGAIL BOYD:** Jumping to a completely different topic: banking fees. I know that in the past we have seen around \$50 million being spent on banking fees across a few different commercial banks for government. Are you able to give me a figure for how much we spent in the last financial year?

**MICHAEL COUTTS-TROTTER:** I'm happy to again pass to my colleague Sonya Campbell. I must say one of the things I have learnt on coming into this job is just how sophisticated Treasury's management of these contracts is becoming. I do think we're getting increasingly good value for the taxpayer, in a frenemy relationship with our banking partners.

**SONYA CAMPBELL:** Thank you, Secretary. I don't have the exact numbers. I can take that on notice and get that information for you. But we have been negotiating strategic merchant rates recently with the major providers. I think all of those agreements are now in the process of being concluded and signed, which will deliver genuine savings to citizens in terms of making payments to government.

**MICHAEL COUTTS-TROTTER:** And I'm being a bit flippant in my description of frenemies. It's a very productive partnership. But people on our end are tough and commercial.

**Ms ABIGAIL BOYD:** You're worried now that the deal is going to get more expensive if you keep calling them your frenemies.

**The CHAIR:** Excuse me, Ms Boyd, if I could jump in with a quick question relating to the Great Western Highway upgrade—or not. The Transport for NSW website says that a variety of projects, as part of that greater project, are paused and awaiting confirmation of funding by both the Australian and State governments. The measures part for Transport on A5-12 says that they are deferred. What does that mean? Are they cancelled or are they paused, subject to Federal Government funding?

**MICHAEL COUTTS-TROTTER:** I'm happy to take that one on notice so that I can make sure we are accurate in response to the Committee. I think it really turns on the results of the Commonwealth's own review of its infrastructure program, which is yet to be released.

**The CHAIR:** Does that mean that those projects, depending on that review—including the faster rail project and those other highway projects—are not entirely cancelled and may still be funded in the future?

**MICHAEL COUTTS-TROTTER:** Let me take that one on notice so I give you an accurate response, Mr Buckingham.

**The CHAIR:** The Opposition has two minutes.

**The Hon. DAMIEN TUDEHOPE:** I will go back to the question of contingent liabilities. You probably heard this morning that I did ask questions about contingent liabilities relating to Eraring Power Station and keeping that open. Why doesn't that fall within the definition of a contingent liability? And it can be unfunded. It didn't require disclosure. But it should have been included, should it not, as a contingent liability in view of the Government's announcement that it was negotiating the keeping open of Eraring?

**MICHAEL COUTTS-TROTTER:** No, I would disagree with that proposition. The Government, through a group led by colleagues in the Office of Energy and Climate Change, are engaging with the current owners of Eraring. This is an exploratory discussion. There have been previous indications from the owners, Origin, that they could withdraw the station as early as August 2025. Of course, as you would realise, there's a current proposal from Brookfield to buy most of Origin. The chair of Brookfield has said publicly that if they were to own the business, they would not be withdrawing Eraring from the market until there was a guarantee of energy security with other substitutes, most likely.

**The Hon. DAMIEN TUDEHOPE:** That would be zero impact, in that case.

**MICHAEL COUTTS-TROTTER:** Precisely.

**The Hon. DAMIEN TUDEHOPE:** But the Government is committed to keeping it open, so that's a—

**MICHAEL COUTTS-TROTTER:** The Government, for the reasons of energy security and the assessment of a range of people, including the Cameron O'Reilly report, recognises that there is a risk to energy security in that period, and it would be preferable to have Eraring continue to operate. We proceed from the assumption that that could well be a profitable thing for the owners of Eraring to do anyway. There's no reason for taxpayers to bear the cost of that.

**The Hon. DAMIEN TUDEHOPE:** It's probably not worth quibbling about because I think the energy Minister did say that the cost of keeping it open is anywhere from zero to whatever, depending on who the owner is at the time and what other factors are playing into that. But it strikes me that it is something the Government is committed to doing and, therefore, raises the spectre of potentially being a liability.

**MICHAEL COUTTS-TROTTER:** Yes. But we don't for a moment think there is a liability that needs to be registered in any way, shape or form at the moment.

**Ms ABIGAIL BOYD:** Coming back to those banking fees, Ms Campbell, if I could have the total amount that was spent last year and then also which banks that was spent with—I think it was two or three of them last time—that would be very useful. Can I also ask in relation to councils, I understand that local councils have significant funds that they've invested in various places and that there are requirements for them to have those funds invested in certain banks. Are you able to come back to me—

**MICHAEL COUTTS-TROTTER:** I must say, I haven't—

**SONYA CAMPBELL:** I was going to say, Ms Boyd, to your question, the State has three banking partners—Westpac, ANZ and Citibank. Westpac and ANZ are our institutional bankers where we hold the State's liquidity and they manage the transactions. That's where the agencies—and, I expect, the councils—hold their accounts. Citibank provides us with our purchasing card scheme to transition away from manual processing through to digital, which is a big part of the digital reform program that Treasury is leading, in line with what we're seeing in the Commonwealth.

**Ms ABIGAIL BOYD:** Mr Deverall, do you—

**DAVID DEVERALL:** I've got nothing further to add to that.

**Ms ABIGAIL BOYD:** There's no TCorp capacity, though, for councils—

**DAVID DEVERALL:** Where TCorp gets involved is less on their day-to-day banking side of things but more on their lending side. But that's another topic.

**Ms ABIGAIL BOYD:** Is there anything to stop them in terms of a policy change to have that capacity for TCorp to be investing the money for them, instead of them having to go to a private bank?

**DAVID DEVERALL:** In terms of their investing side of things they're allowed to invest in any ADI, but if they want to go into the investment world they have to invest through TCorp. We have a range of managed

funds through which they can get equity market exposure, as opposed to parking their short-term money market needs with an ADI.

**Ms ABIGAIL BOYD:** Thank you.

**The CHAIR:** Thank you, Mr Deverall, and thank you all. We are going to have a break now for 15 minutes to refresh. We will reconvene at 3.45 p.m. for the last session.

**(Short adjournment)**

**The CHAIR:** Thank you, everyone, for coming back, especially the witnesses. We now have another round of 20 minutes of questions from the Opposition.

**The Hon. DAMIEN TUDEHOPE:** Using the same basis, these questions may or may not be for Mr Gellibrand. Secretary, you can take them, if you wish. Could you confirm that the capital expenditure given in table 1.1 on page 1-4 of *Budget Paper No. 01* of \$19.919 billion for 2026-27 is an 11.6 per cent cut from the \$22.7 billion budgeted for 2023-24?

**MICHAEL COUTTS-TROTTER:** Sorry, Mr Tudehope. I'm just scrambling to find that table.

**The Hon. DAMIEN TUDEHOPE:** Table 1.1 on page 1-4.

**MICHAEL COUTTS-TROTTER:** Page 1-4. Capex, \$19.919 billion. No, I can't confirm that, although, of course, I could on notice. It is a \$116 billion four-year program, which is pretty much, almost to the dollar, equivalent to the previous four-year program but the profile may have changed.

**The Hon. DAMIEN TUDEHOPE:** If you assume that I'm right—and I'm sure you'll do that—that represents an 11.6 per cent cut from the budget for 2023-24 of \$22.22 billion.

**MICHAEL COUTTS-TROTTER:** So—

**The Hon. DAMIEN TUDEHOPE:** The figures are there: capital expenditure 2023-24, \$22.227 billion.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** And in 2026-27, \$19.916 billion.

**MICHAEL COUTTS-TROTTER:** What the budget papers do refer to is, if you looked at the 2022-23 financial year, we were not able to spend around \$7 billion of earmarked capital expenditure in that year, and that had been proceeded in the three or four years prior with the same kind of slippage. The reason for that is really the capacity of both government and industry to digest a program of that scale. So there is, by intent, an effort in this budget to bring the infrastructure program, over time, to a scale that enables it to be delivered with confidence and for value for taxpayers. In other words, we, and other observers, say that infrastructure programs collectively around Australian governments have been a bit too large to be effectively delivered. There has been an effort, through the Kanofski infrastructure review and contribution from my colleagues at Infrastructure NSW, to try and, over time, maintain a really solid program of infrastructure investment, but to scale it at about an average of 2 per cent of GSP. That's at a level we think is appropriate to meet the needs of a growing community but also capable of being delivered for value for money.

**The Hon. DAMIEN TUDEHOPE:** So that means try and end some of it?

**MICHAEL COUTTS-TROTTER:** That means trying to moderate its size over time. It's still a very large program but not so large it can't be delivered, which is the experience of the last couple of years.

**The Hon. DAMIEN TUDEHOPE:** So some programs may be expedited and some may be slowed down?

**MICHAEL COUTTS-TROTTER:** There are some programs that have been slowed down a little bit but most of our program was under contract for delivery. The conclusion of the review was that it didn't represent value for taxpayers to try and mess around with contractual arrangements for delivery, but it did make sense to identify projects in the early stages of planning that either didn't match this Government's priorities or, on a benefit-cost ratio assessment, weren't good projects. They've been removed and the effect of that—

**The Hon. DAMIEN TUDEHOPE:** Can you give me a list of those, on notice?

**MICHAEL COUTTS-TROTTER:** The two major ones are Wyangala and Dungowan dams with BCRs of a fraction of one-tenth of 1 per cent. They, together with some other projects in planning stages that have ever been deferred or stopped, have avoided about \$42 billion of expenditure in the planning years.

**The Hon. DAMIEN TUDEHOPE:** But Warragamba Dam was never one of those, was it?

**MICHAEL COUTTS-TROTTER:** Warragamba Dam, of course, was in the planning stage. Obviously this Government's policy is not to proceed with the raising of the Warragamba Dam wall.

**The Hon. DAMIEN TUDEHOPE:** But no previous funding had been allocated, other than some planning money—

**MICHAEL COUTTS-TROTTER:** I'd need to take that on notice, but I think you're right, yes.

**The Hon. DAMIEN TUDEHOPE:** —for Warragamba Dam.

**MICHAEL COUTTS-TROTTER:** But, if they do proceed, they come at a cost, and the analysis undertaken by Ken Kanofski and colleagues in Infrastructure NSW was that the projects the Government put a stop to have avoided \$42 billion worth of expenditure.

**The Hon. DAMIEN TUDEHOPE:** Can you give me, on notice, any additional projects other than those two dams?

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** Are there any projects under threat as a result of the Commonwealth Government's Infrastructure Investment Program?

**MICHAEL COUTTS-TROTTER:** We wait and see what the Commonwealth Government decides and publishes, so at this point we just don't know.

**The Hon. DAMIEN TUDEHOPE:** What is the timing of the Commonwealth review? Are you aware?

**MICHAEL COUTTS-TROTTER:** No, I'm not.

**The Hon. DAMIEN TUDEHOPE:** In terms of Federal IR reforms, has Treasury done any modelling on the impact on the New South Wales economy of those IR reforms?

**MICHAEL COUTTS-TROTTER:** Not to my knowledge, unless we've got an enthusiastic modeller working away.

**JOANN WILKIE:** Not to my knowledge either.

**MICHAEL COUTTS-TROTTER:** No.

**The Hon. DAMIEN TUDEHOPE:** There may be some impact from those on businesses obviously in New South Wales. I would have thought that's self-evident.

**MICHAEL COUTTS-TROTTER:** Possibly, yes. There is a range of factors affecting businesses in New South Wales. That may be one of them.

**The Hon. DAMIEN TUDEHOPE:** Can you confirm that the revenue from point of consumption tax for 2022-23 was \$371 million, which was significantly lower than the budgeted amount of \$452 million?

**MICHAEL COUTTS-TROTTER:** I think I may have to take that on notice, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** Would you also take on notice what information Treasury has about the possible reasons for the discrepancy and whether there is any under-reporting, and what audit processes might be in place?

**MICHAEL COUTTS-TROTTER:** Okay.

**The Hon. DAMIEN TUDEHOPE:** If in fact there is that discrepancy, might one of the reasons be under-reporting and, if so, is there any audit process in place?

**MICHAEL COUTTS-TROTTER:** I'm happy to take that on notice.

**JOANN WILKIE:** The second part of the question, Mr Tudehope, is Revenue NSW, so we'll need to talk to them about that, because it goes to the administration.

**The Hon. DAMIEN TUDEHOPE:** I am about to embark upon a discussion about TAHE, so I will ask my friend to—

**JOANN WILKIE:** Sorry, one general comment I can make—

**MICHAEL COUTTS-TROTTER:** There is a Geneva Convention against that, you know.

**The Hon. DAMIEN TUDEHOPE:** I thought you might tell me that.

**JOANN WILKIE:** Before you go on, just a general comment about gambling taxes: There's been general downgrades in revenue over the last period as household disposable income has been reduced, both as COVID support payments have come off and also as cost-of-living pressures have gone up.

**The Hon. DAMIEN TUDEHOPE:** And that might be the answer.

**JOANN WILKIE:** I suspect that is going to be a large part of the answer, but the compliance issue is also a good one, so we'll look into that one.

**The Hon. DAMIEN TUDEHOPE:** The other side of that argument is there was anecdotal evidence, of course, that people increased their gambling habits during COVID.

**JOANN WILKIE:** It wasn't just anecdotal; there was data evidence supporting that as well.

**The Hon. DAMIEN TUDEHOPE:** That was real, yes.

**The Hon. CHRIS RATH:** Mr Coutts-Trotter, I was wondering if you or the Treasurer have approved any public servant's travel overseas?

**MICHAEL COUTTS-TROTTER:** To the best of my recollection, I certainly haven't, and I will take on notice, if you like, the second part of your question.

**The Hon. CHRIS RATH:** Are you aware of any trade union officials accompanying delegations overseas from your department?

**MICHAEL COUTTS-TROTTER:** No.

**The Hon. CHRIS RATH:** Has it ever been the practice of your department to pay for trade union officials' travel on such delegations?

**MICHAEL COUTTS-TROTTER:** Sorry, what sort of delegations?

**The Hon. CHRIS RATH:** Visits overseas as part of official business, meeting with ratings agencies, or visits to sister cities or conferences, other sorts of delegations?

**MICHAEL COUTTS-TROTTER:** I would like to take Stewart Little to meet Moody's, but—

**The Hon. Dr SARAH KAINE:** He'd love that.

**MICHAEL COUTTS-TROTTER:** He'd love it. Sorry, I'm unfortunately habitually flippant. I will take that on notice. Not to my knowledge.

**The Hon. DAMIEN TUDEHOPE:** I am going to ask some questions about TAHE, and this is an education program for me because I must say I'm hoping the expertise at that end of the table knows more about this than most people. I am a bit surprised that Cass Wilkinson isn't here, but—

**MICHAEL COUTTS-TROTTER:** She earned the right not to be.

**SONYA CAMPBELL:** She is in the working group on the transition, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** I'm sure. This is a series of questions, and there may be things that flow from this, but what contribution is the restructuring of TAHE expected to make to the reduction in gross debt?

**MICHAEL COUTTS-TROTTER:** The impact on both gross and net debt, from memory, is about a \$4.1 billion reduction.

**The Hon. DAMIEN TUDEHOPE:** On both gross debt and net debt?

**MICHAEL COUTTS-TROTTER:** On both net and gross debt.

**SONYA CAMPBELL:** It is 4.3—very close.

**MICHAEL COUTTS-TROTTER:** It is 4.3, thank you.

**The Hon. DAMIEN TUDEHOPE:** In respect of the specific elements involved in the restructuring of TAHE, what is predicted to reduce net debt by \$4.3 billion? How do we get to that \$4.3 billion figure?

**MICHAEL COUTTS-TROTTER:** Fundamentally, because when you move away from a model where you are cash funding depreciation, you're building up—the previous model was building up very significant cash balances in TAHE against a future capital program. The model that's being introduced will see the cash balances in TAHE used to fund the capital program of the agency in the next little while and, as a result, there's no call on borrowings. Also, the previous model, as you would recall, provided funding for TAHE to provide a return on

equity as well as meet the cost of the holding loss year by year. So, again, the amount of money that needs to move from the general government to TAHE has been reduced as a result of moving away from the previous operating model.

**The Hon. DAMIEN TUDEHOPE:** I suppose my confusion is that this is all still in government money, though, whether you call it general government money or whether it's paid into an owned corporation.

**MICHAEL COUTTS-TROTTER:** The most significant change is you're using cash you have to deliver the capital program rather than borrowing to accumulate an ever larger growing cash balance inside TAHE, so that's the most significant impact on reducing both gross and net debt. But the other changes have an impact on the amount of borrowings in the general—reduce the borrowings needed in the general government to deliver the capital program.

**The Hon. DAMIEN TUDEHOPE:** But if you had in fact just increased the cash amount within TAHE, that still remains within a government entity, does it not?

**MICHAEL COUTTS-TROTTER:** Sorry, I'm not—

**SONYA CAMPBELL:** TAHE, in its current structure as a State-owned corporation, is not in the general government.

**The Hon. DAMIEN TUDEHOPE:** No, it's not in general government, but effectively one way potentially the money could shift from TAHE back to the general government—pay a dividend.

**MARINA van der WALT:** That's right but I think, essentially, under the previous model it was equity contributions from the State to TAHE, and those are generally funded. Under the new model, where the Government has made its intention clear that it won't be a for-profit entity, those equity contributions are changing to capital grants.

**MICHAEL COUTTS-TROTTER:** And those capital grants are smaller than the previous payments because they don't have to provide a return on equity and they don't have to fund the annual cost of a holding loss.

**MARINA van der WALT:** Correct. It is a simpler model.

**The Hon. DAMIEN TUDEHOPE:** Maybe you'd better buy me a beer at some stage and—

**MICHAEL COUTTS-TROTTER:** We have a Bruce Petty-style cartoon that explains the—

**The CHAIR:** A Knowledge Nation mind map, I think.

**MICHAEL COUTTS-TROTTER:** A mind map. It tries to visualise this for people other than Treasurer Mookhey.

**The Hon. DAMIEN TUDEHOPE:** Are you able to table that?

**MICHAEL COUTTS-TROTTER:** Happy to provide it on notice to you.

**The Hon. DAMIEN TUDEHOPE:** I will continue my questions just in case there are any nuggets of gold in any of this. When do we expect the current rail access agreements between TAHE and Sydney Trains and NSW Trains to expire?

**MICHAEL COUTTS-TROTTER:** Sonya, have you got—

**SONYA CAMPBELL:** No, I don't think I've got that on hand, but I can certainly find that out for you, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** I anticipate they won't be renewed.

**SONYA CAMPBELL:** They will be renegotiated because of the Government's policy changes.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** So TAHE now exists in a different form but you have to actually have a renegotiated—

**SONYA CAMPBELL:** Correct.

**MICHAEL COUTTS-TROTTER:** Yes. It's a non-commercial PNFC, or will become a non-commercial PNFC.

**The Hon. DAMIEN TUDEHOPE:** Would you anticipate that the renegotiation would be a reduction in those access fees?

**MICHAEL COUTTS-TROTTER:** Yes, because the access fees will no longer have to contain a return on equity and a payment for that year's share of a holding loss.

**The Hon. DAMIEN TUDEHOPE:** In this budget have any changes been made which reflect how rail has now been treated in this budget?

**MICHAEL COUTTS-TROTTER:** The 2023-24 budget?

**SONYA CAMPBELL:** I think the key changes are the recognition away from equity to grants. That is the key change in the budget.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** I can perhaps ask some of these on notice as supplementary questions. Is there going to be a change in the valuation model of—

**MICHAEL COUTTS-TROTTER:** Yes.

**SONYA CAMPBELL:** Yes.

**MICHAEL COUTTS-TROTTER:** So in the previous model it was a discounted cashflow model. In the non-commercial PNFC model it will be a current replacement cost model.

**The Hon. DAMIEN TUDEHOPE:** And that will increase the depreciation—

**MICHAEL COUTTS-TROTTER:** That is likely to increase the value of the assets and therefore increase the non-cash depreciation expense.

**The Hon. DAMIEN TUDEHOPE:** So that will have a negative impact on the budget?

**MICHAEL COUTTS-TROTTER:** In an accrual sense, it's an expense, but it doesn't have to be cash funded.

**MARINA van der WALT:** It's also reflected in the PNFC sector and not in a general government sector.

**MICHAEL COUTTS-TROTTER:** That's true. Thank you.

**The Hon. DAMIEN TUDEHOPE:** And what is the impact of that?

**MICHAEL COUTTS-TROTTER:** We don't yet know. We haven't valued the assets yet on the new basis.

**MARINA van der WALT:** That's right.

**The Hon. DAMIEN TUDEHOPE:** I think the Auditor-General put 40 billion on a replacement value and it was—

**MARINA van der WALT:** I think the Auditor-General was asked this question earlier in the week and she mentioned that the State accounts have not been audited.

**The Hon. DAMIEN TUDEHOPE:** She hedged.

**MARINA van der WALT:** Yes.

**MICHAEL COUTTS-TROTTER:** But the accounts, both at a TAHE level and a total State level for 2022-23, are being prepared on a discounted cashflow basis, but the 2023-24 accounts, both on an entity and a total State sector level, will be done on a current replacement cost valuation basis.

**The Hon. DAMIEN TUDEHOPE:** And I think the evidence you just gave then was that it would have no impact on the budget?

**MARINA van der WALT:** The valuation itself is not going to flow through to the budget because we expect TAHE to be in the PNFC sector, which is outside the general government sector, so the depreciation charge will fall in the PNFC sector.

**The Hon. DAMIEN TUDEHOPE:** Is that an accounting trick?

**MARINA van der WALT:** It's not an—

**MICHAEL COUTTS-TROTTER:** No, it's just a usual accounting treatment.

**The Hon. DAMIEN TUDEHOPE:** The same as the—

**MICHAEL COUTTS-TROTTER:** The public housing portfolio, its depreciation sits in the PNFC sector. A PNFC entity—its depreciation sits in that sector.

**The Hon. DAMIEN TUDEHOPE:** One of the things that TAHE currently does as part of its portfolio base is rail land, which it is seeking to realise for the purpose of providing additional housing stock, I anticipate?

**MICHAEL COUTTS-TROTTER:** Yes, and that has real policy merit, having that sort of focus.

**The Hon. DAMIEN TUDEHOPE:** I'm not quibbling with that. On the sale of that land, does that build up the asset portfolio of TAHE?

**MICHAEL COUTTS-TROTTER:** If the land—

**The Hon. DAMIEN TUDEHOPE:** Or alternatively they could become the developer of that land.

**MICHAEL COUTTS-TROTTER:** Indeed. They could retain an equity stake in, say, a social and community housing development.

**The Hon. DAMIEN TUDEHOPE:** Are you aware whether they have in fact embarked on any of those projects already?

**MICHAEL COUTTS-TROTTER:** I would need to take that one on notice.

**SONYA CAMPBELL:** They have projects in the pipeline.

**MICHAEL COUTTS-TROTTER:** Yes, that's right.

**The Hon. DAMIEN TUDEHOPE:** There is specifically one. Is the land at Epping, which is the subject I think of a 320-odd unit development, a TAHE asset?

**MICHAEL COUTTS-TROTTER:** I must confess I don't know.

**SONYA CAMPBELL:** I think that would be one for Transport.

**The Hon. DAMIEN TUDEHOPE:** It may be just Landcom that owns that asset.

**The CHAIR:** To be clear, you were going to take that one on notice?

**MICHAEL COUTTS-TROTTER:** We'll probably refer it to our colleagues in Transport.

**The Hon. DAMIEN TUDEHOPE:** Page 4-15 of *Budget Paper No. 01* states:

- \$922.3 million in additional revenue reprofiled from 2022-23 from TAHE for management of capital projects. This includes \$300.0 million from TAHE relating to the election commitment on accessibility and car park upgrades at train stations.

Can you explain to me how this re-profiling results from the proposed restructuring?

**SONYA CAMPBELL:** I can answer that, Secretary, if you like.

**MICHAEL COUTTS-TROTTER:** That's very good news.

**SONYA CAMPBELL:** Mr Tudehope, that doesn't relate to the restructuring of TAHE. That is part of the, I believe, More Trains, More Services program which is run out of Transport but under TAHE's financial sponsorship, and it just relates to a slippage in that program over time, so the capital moving from one year to the next.

**The Hon. DAMIEN TUDEHOPE:** But TAHE is administering it, is it?

**SONYA CAMPBELL:** Yes, TAHE has responsibility for a number of projects that are developed and delivered by TAHE, and on completion they become the asset owner and asset manager.

**The Hon. DAMIEN TUDEHOPE:** Okay, I understand it. On page 5-1, it states that "the reclassification of equity contributions and an increase in grant expenditure to TAHE" and this is the point that you may have been making, Ms van der Walt is contributing to an increase in government expenses. What is the amount attributed to the reclassification of equity contributions to an increase in government expenses?

**MICHAEL COUTTS-TROTTER:** To a capital grant? I don't recall.

**SONYA CAMPBELL:** We would have that information but we might need to take that on notice.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** For that matter, what is the amount attributed to an increase of grant expenditure to an increase in government expenses?

**MICHAEL COUTTS-TROTTER:** We can take that one on notice for you, Mr Tudehope.

**The Hon. DAMIEN TUDEHOPE:** If I go to page 5-7, it provides that expense reclassifications of TAHE is contributing to an increase in grants and subsidies. What amount is attributed to this?

**MICHAEL COUTTS-TROTTER:** Again, this would be treating previous equity contributions as a capital grant and it would run through the operating result. It's essentially the same as previous questions we've taken on notice, but we'll respond on that.

**The Hon. DAMIEN TUDEHOPE:** You do a word search on "TAHE" and you go to each page where TAHE is mentioned and then a new question arises. I then look at page 7-6. It appears that TAHE's capital expenditure is still being treated as part of the PNFC sector rather than the general government sector.

**MICHAEL COUTTS-TROTTER:** That would be right. There is a capital grant provided from the general government sector to the PNFC sector, which runs through the operating result and then an asset is being acquired in the PNFC sector.

**The Hon. DAMIEN TUDEHOPE:** In some parts of the budget, TAHE is being treated according to its current status, and in some cases the proposed restructure is anticipated and the budget reflects the assumption that this would proceed. What rule was used to determine which of these two approaches we would take?

**MICHAEL COUTTS-TROTTER:** Just checking my memory of this, we did for the purposes of the 2022-23 financial year at a total State sector level treat the payments to TAHE as a capital grant.

**MARINA van der WALT:** That's correct, yes.

**MICHAEL COUTTS-TROTTER:** Within their own accounts, they were treated as a capital grant for some of the period, but not all of it. Is that correct?

**MARINA van der WALT:** As equity.

**SONYA CAMPBELL:** As equity.

**MICHAEL COUTTS-TROTTER:** In discussions with the Audit Office there's an approach at a total State sector level to the question of whether it's an equity transfer or a capital grant, and for 2022-23 and ongoing it's a capital grant at a total State sector level. At a general government level for 2023-24 and an entity level, it will be on the same basis.

**The Hon. DAMIEN TUDEHOPE:** The test about whether this is working, of course, is whether everyone around this table understands any of this, but in any event—

**The CHAIR:** It must be working very well. I'm completely across it, thank you, Mr Tudehope, and only because of your erudite questioning, thank you.

**MICHAEL COUTTS-TROTTER:** We'd negotiated an agreement with the Treasurer that he could not speak about TAHE for more than 30 seconds at a time.

**The Hon. DAMIEN TUDEHOPE:** I think that's a very good direction. If I go to page A5-12, it lists for the Transport portfolio a list of material measures related to TAHE. These are the questions which I was asking you previously, Mr Secretary. Can you provide on notice a detailed breakdown by year for each of those material measures? It probably fits within what I had asked you to do previously, but it's a specific one.

**MICHAEL COUTTS-TROTTER:** I'm looking at the points. Yes, we'll respond on notice.

**The Hon. DAMIEN TUDEHOPE:** One of these measures is an increase in grant expenditure provided to TAHE to compensate for interest revenue forgone due to the utilisation of TAHE's cash balances.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** How much interest revenue is TAHE expected to forgo?

**MICHAEL COUTTS-TROTTER:** We're happy to take that on notice. In the scheme of things, it's not a very large amount, from memory—tens of millions.

**SONYA CAMPBELL:** We'll have that information.

**The Hon. DAMIEN TUDEHOPE:** I want to ask some requests now about the impact of inflation. I foreshadowed these with the Treasurer earlier. You may recall, Mr Secretary, when I was asking the Treasurer about this. Could you confirm that the total anticipated increase in the Sydney CPI over the years 2023-24 to 2026-27 is 13 per cent, and the budget uses this as a surrogate for inflation?

**JOANN WILKIE:** We do use Sydney CPI as a proxy for inflation.

**MICHAEL COUTTS-TROTTER:** And our assumptions are set out in table 2.1.

**The Hon. DAMIEN TUDEHOPE:** On that basis, could you confirm that the budget expenditure summarised in table 5.2 on page 5-5, under other operating expenses for 2026-27 is \$26.05 billion? The question I want to again pose to you is: Is this a 10 per cent cut from the budgeted \$28.738 billion from 2023-24?

**MICHAEL COUTTS-TROTTER:** I'm sorry, what's the table reference, Mr Tudehope?

**The Hon. DAMIEN TUDEHOPE:** Table 5.2 on page 5-5.

**MICHAEL COUTTS-TROTTER:** Are these expressed in dollars of the day?

**The Hon. DAMIEN TUDEHOPE:** Yes. So that's about a 10 per cent cut from the budgeted—the difference between 2026-27 and 2023-24 is about a 10 per cent reduction.

**ELIZABETH LIVINGSTONE:** Which line item?

**The Hon. DAMIEN TUDEHOPE:** Other expenses—"Other Operating Expense".

**ELIZABETH LIVINGSTONE:** There's a changing mix of expenses given the changes that the Government has made to its priorities.

**The Hon. DAMIEN TUDEHOPE:** There is \$28.738 billion in 2023-24.

**MICHAEL COUTTS-TROTTER:** That's true.

**The Hon. DAMIEN TUDEHOPE:** In 2026-27, it's \$26.065 billion. So that's about a 10 per cent reduction.

**MICHAEL COUTTS-TROTTER:** Yes, but the composition of what's in that has changed as well.

**The Hon. DAMIEN TUDEHOPE:** Are those figures available?

**MICHAEL COUTTS-TROTTER:** I am happy to take that on notice, but reflecting on 2023-24, you've got coal price cap grant payments. You've got an increase to energy rebates. You've got \$2 billion, from memory, of disaster grant funding carried forward from 2022-23 into the following year. So there are a range of things that would explain the difference between the 2023-24 figure and the 2026-27 figure, other than just that these are comparable figures with discount inflation. I'm just saying it's a bit more complex than that.

**The Hon. DAMIEN TUDEHOPE:** No, I get it. But if I took inflation into account—so I've got a 10 per cent reduction, and I know I take the inflation into account, it's possibly as much as a 23 per cent cut in expenditure in real terms.

**MICHAEL COUTTS-TROTTER:** You're asking me an arithmetical question.

**The Hon. DAMIEN TUDEHOPE:** There's a 10 per cent reduction on the figures and then I take into account the CPI over that period of time. So in real terms that may represent as much as a 23 per cent reduction.

**MICHAEL COUTTS-TROTTER:** Except each year we then re-index the numbers, don't we?

**ELIZABETH LIVINGSTONE:** Each year we make provision for CPI increases in a lot of the accounts that sit in operating expenses for agencies, so these would reflect the CPI amounts we know to date.

**The Hon. DAMIEN TUDEHOPE:** Probably then the real question is, potentially, what real cuts in expenses there are between 2022-23 and 2026-27.

**ELIZABETH LIVINGSTONE:** Some of the changes relate to things that we've talked about before, including some of the reduction in spend on consultants, advertising, travel and legal. All those components would fit in that line item.

**MICHAEL COUTTS-TROTTER:** Yes.

**The Hon. DAMIEN TUDEHOPE:** If I go to the line item "Grants, Subsidies, and Other Transfers", for 2026-27, this is \$21.515 billion. This represents a cut of 30 per cent from the budgeted \$28.1 billion in 2023-24.

**ELIZABETH LIVINGSTONE:** For this line item, some of the things that the secretary mentioned before like the TAHE grants, energy relief and toll relief, even grants we make for things like out-of-home care et cetera are higher in 2023-24.

**The Hon. DAMIEN TUDEHOPE:** Are you able to, on notice, give me a break-up of how we've got to that reduction?

**ELIZABETH LIVINGSTONE:** We can take on notice providing some explanation of that.

**The Hon. DAMIEN TUDEHOPE:** I think you'd probably would give the same explanation about CPI, that it's taken into account year on year. So you wouldn't just accumulate that CPI.

**ELIZABETH LIVINGSTONE:** It depends in this category. It wouldn't automatically apply to all of the separate line items. The other thing to note in 2023-24 as well is there was a significant increase in funding for the Disaster Relief Account just for 2023-24.

**The Hon. DAMIEN TUDEHOPE:** So that might be part of the explanation—

**ELIZABETH LIVINGSTONE:** That's right.

**The Hon. DAMIEN TUDEHOPE:** —as to why there would be that difference between 2023-24.

**ELIZABETH LIVINGSTONE:** In the future years.

**The Hon. DAMIEN TUDEHOPE:** In fact, that might be the answer to the question on notice.

**ELIZABETH LIVINGSTONE:** It would be part of the answer to that.

**The Hon. DAMIEN TUDEHOPE:** I ask you to confirm this: The budget expenditure on employee and superannuation expenses for 2026-27 represents 46.3 per cent of the total expenditure. That's correct?

**MICHAEL COUTTS-TROTTER:** We'll take that on notice and pull our calculators out—

**The Hon. DAMIEN TUDEHOPE:** And confirm it?

**MICHAEL COUTTS-TROTTER:** —and confirm it.

**The Hon. DAMIEN TUDEHOPE:** And this represents an increase of 5.3 per cent from the 41 per cent of 2023-24. I'm just asking you to confirm those questions of fact as disclosed in the table. What we seem to have is that there are spending cuts for services and infrastructure over the forward years. There certainly is an increase in public sector wages.

**MICHAEL COUTTS-TROTTER:** It's also true we're coming out of the response to COVID. A large part of the response to COVID was a series of grant expenditures of one kind or another to support jobs and business viability and the economy, costs through the healthcare system and the like. So I suppose from a Treasury perspective we think there is a necessary reduction against COVID-era levels of expenditure. We simply couldn't sustain them through the forward period.

**The Hon. DAMIEN TUDEHOPE:** Mr Secretary, what I'm putting to you, in fact, is this: On the figures contained in that table, what it demonstrates is another explanation—that we are cutting spending for services and infrastructure for forward years to pay for public sector wages.

**MICHAEL COUTTS-TROTTER:** I won't comment on that proposition because I think it goes pretty close to politics, but the four-year capital program at \$116 billion is a very large program and is basically unchanged from the previous four-year program of around \$116 billion. Its composition in the last year changes a bit as this Government's priorities are included in the program, but I don't think you could say over the budget and the three following years that there has been a cut to the infrastructure program.

**The Hon. DAMIEN TUDEHOPE:** Well, there is certainly an increase in the percentage of the total spend in employee-related expenses. It's now 46 per cent.

**MICHAEL COUTTS-TROTTER:** Sure.

**The Hon. DAMIEN TUDEHOPE:** So in terms of where that is coming from, if you see reductions in other areas, it may well be that those reductions are funding the increase in employee-related expenses.

**MICHAEL COUTTS-TROTTER:** Sure. But, I mean, the State Government, above everything else, is basically the business of people helping other people. The wage bill and what sits beyond that—the engagement of motivated, able people to deliver essential services—is absolutely our bread and butter.

**The Hon. DAMIEN TUDEHOPE:** Yes. Well, other than asking you to repeat all of your explanation in relation to TAHE for my benefit again, in a complete and lucid sentence, I have nothing further to ask.

**The CHAIR:** Thank you, everyone, for your attendance and evidence today. The secretariat will be in contact with you soon with a transcript and a request for answers to any questions taken on notice. Once again, thank you very much for your attendance today and we will see you next year.

**(The witnesses withdrew.)**

**The Committee proceeded to deliberate.**