

PORTFOLIO COMMITTEE NO. 1 – PREMIER AND FINANCE

Thursday 29 August 2024

Examination of proposed expenditure for the portfolio area

TREASURER

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The Committee met at 9:15.

MEMBERS

The Hon. Jeremy Buckingham (Chair)
The Hon. Robert Borsak (Deputy Chair)
Ms Abigail Boyd
The Hon. Dr Sarah Kaine
The Hon. Bob Nanva
The Hon. Chris Rath
The Hon. Emily Suvaal
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**

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The CHAIR: Welcome to the second hearing of the Portfolio Committee No. 1 – Premier and Finance inquiry into budget estimates 2024-2025. I acknowledge 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. My name is Jeremy Buckingham and I am the Chair of the Committee. I welcome Treasurer Mookhey and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of the Treasurer.

I ask everyone in the room to please 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. Welcome, again, and thank you for making the time to give evidence. All witnesses will be sworn prior to giving evidence. Treasurer, I remind you that you do not need to be sworn as you have already sworn an oath to your office as a member of Parliament.

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

The CHAIR: 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 session 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 3.30 p.m. We will then have a 15-minute break before holding a session with witnesses from independent agencies from 3.45 p.m. to 5.30 p.m. During these sessions there will be questions from the 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 begin with questions from the Opposition.

The Hon. DAMIEN TUDEHOPE: Mr Mookhey, could you bring your microphone a little closer to you?

The Hon. DANIEL MOOKHEY: I can't hear you, sorry.

The Hon. DAMIEN TUDEHOPE: Could you move your microphone a little bit closer to you?

The Hon. DANIEL MOOKHEY: I can if you can. Do you mind doing that as well?

The Hon. DAMIEN TUDEHOPE: No, you can hear me.

The Hon. DANIEL MOOKHEY: Genuinely, it might help.

The Hon. DAMIEN TUDEHOPE: I'm sure you can. Treasurer, in respect of the McPhillamys goldmine, had you anticipated any royalties from that goldmine and included them in the 2024-25 budget?

The Hon. DANIEL MOOKHEY: The long and the short of that is that royalties are not paid until mines are operational and, as I understand it, that particular project is in construction phase for a number of years before the liability to the State for the extraction of the people's resources would require the payment of a royalty. So it's fair to say that the royalties assumptions that are contained within the budget are reflective of the expected extractions of operating mines over the next four years.

The Hon. DAMIEN TUDEHOPE: Have you got any modelling about the expected extractions from that mine?

The Hon. DANIEL MOOKHEY: The applicant has made the point that should such a mine operate they expect to be paying circa \$200 million in royalties.

The Hon. DAMIEN TUDEHOPE: That's right. So that would be an impact on the New South Wales economy by way of loss of those royalties, obviously, if they're not collected?

The Hon. DANIEL MOOKHEY: Given the mine has not got approval to proceed as is in respect of its tailing dams, the impact on the economy spans the impact in the construction phase, the operational phase, the export phase, as well as an impact on the State's royalties income.

The Hon. DAMIEN TUDEHOPE: And potentially in terms of payroll tax as well, would it not?

The Hon. DANIEL MOOKHEY: I presume that all people who are operating businesses that satisfy the threshold pay payroll tax. My understanding is that mine would absolutely satisfy that requirement, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: You would be supportive of that mine proceeding, would you not?

The Hon. DANIEL MOOKHEY: I support the expansion of goldmining in New South Wales when it's done in accordance with the law.

The Hon. DAMIEN TUDEHOPE: Given the Premier was absolutely in direct conflict with the environment Minister yesterday and questioned the rationale for the refusal of that goldmine, you support the Premier's position?

The Hon. DANIEL MOOKHEY: I concur with the Premier.

The Hon. DAMIEN TUDEHOPE: And that mine should proceed?

The Hon. DANIEL MOOKHEY: I concur with the evidence that the Premier gave you yesterday.

The Hon. DAMIEN TUDEHOPE: Do you agree with me that there is a potential solution in relation to that issue and that is for a disallowance motion to be passed by the Senate?

The Hon. DANIEL MOOKHEY: I think that I'll leave the Senate to its own deliberations. In terms of what the Government is doing, I think it's fair and reasonable for the Government to operate under the conditions that are currently—

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The Hon. DAMIEN TUDEHOPE: Yes, but if you want this—

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

The Hon. DAMIEN TUDEHOPE: I heard you.

The Hon. DANIEL MOOKHEY: Do you mind if I answer the question?

The Hon. DAMIEN TUDEHOPE: I had the answer that I want.

The Hon. DANIEL MOOKHEY: I think, Mr Tudehope, to be fair—

The Hon. DAMIEN TUDEHOPE: Well, you be fair.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: Just give me about 15 more seconds.

The CHAIR: Mr Tudehope, let the Treasurer answer the question.

The Hon. DANIEL MOOKHEY: I would simply make the point that the direct actions the New South Wales Government can take are the actions that the Minister for Natural Resources is taking, and that is to engage with the proponent and to see whether or not there is an alternative solution to the particular issue of the tailings dam. We, as a government, are working collegiately. Of course, the Minister for Natural Resources is the lead. I think it's fair and reasonable for the Minister to engage in that action under the law as it presently stands and, of course, we'll leave it to the Senate to undertake its own deliberations.

The Hon. DAMIEN TUDEHOPE: Hang on, when you were faced with difficulties in relation to the GST you were very vocal in terms of your encouragement of the Federal Government to take a different position in relation to the GST distribution from the Commonwealth Grants Commission, weren't you?

The Hon. DANIEL MOOKHEY: I'll leave it to you to characterise my level of vitriol.

The Hon. DAMIEN TUDEHOPE: I was left in no doubt about your level of vitriol, Treasurer. Why aren't you adopting the same level of vitriol in respect of your encouragement for this dam to proceed and encouraging those New South Wales senators from the Labor Party to—

The Hon. DANIEL MOOKHEY: Because—

The Hon. DAMIEN TUDEHOPE: Just let me finish my question—support a disallowance motion in relation to this regulation?

The Hon. DANIEL MOOKHEY: Because I'm interested in an outcome, not theatre. And when it comes to this particular position, I think that the manner in which the Government is engaging is what you'd expect from a mature government—that is, we work as a team, we each play our respective roles and we explain our actions to the community, particularly those that are affected. I think, as you'll see from the position that's been adopted by the Premier and by the Minister for Natural Resources, we're getting the balance right between being clear about where we think the Federal Government could do better but, equally, taking our responsibility to ensure that the practical steps that we can take are indeed undertaken.

The Hon. DAMIEN TUDEHOPE: Yes, but it would be real action, not words, to support the disallowance motion.

The Hon. DANIEL MOOKHEY: Mr Tudehope, I would simply make the point that I think those people in the community who are affected by this have a reasonable expectation that their State Government engage on this matter in a manner which is constructive and, therefore, our responsibility is broader than simply adopting a view that says it's only a matter for the Senate to resolve. I will leave the Senate to its deliberations. I think we've made our view crystal clear. I think the Premier, the Minister for Natural Resources and the other Ministers who have responsibility from the New South Wales Government, in this respect, have been very clear about what the New South Wales Government's position is on this. Equally, they're engaging with the community, the proponent and the affected workers who are wanting more than just carry-on. They actually want an outcome.

The Hon. DAMIEN TUDEHOPE: Do you support the disallowance?

The Hon. DANIEL MOOKHEY: What I support is the Federal Government, obviously, providing an explanation of their answers. I will leave the Senate to its deliberations. Our focus here is on ensuring that the steps that we can take are indeed taken. I don't think that it would be wise for this Government to simply pretend as though we can pass the buck to the Senate. I think it's our responsibility to ensure and to engage constructively with this issue in the wake of the decisions that have been made by the Federal Government.

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The Hon. DAMIEN TUDEHOPE: The mining company have said—

The Hon. DANIEL MOOKHEY: Sorry, Mr Tudehope, you're covering your mouth.

The Hon. DAMIEN TUDEHOPE: The mining company—

Ms ABIGAIL BOYD: Point of order: The Treasurer did ask if Mr Tudehope could bring his microphone forward. It is a long distance away. This is not the first time that the Treasurer has made that request in this room. If the member could please bring it forward to allow people to be able to hear each other, that would be the decent thing to do.

The Hon. DAMIEN TUDEHOPE: Is there anyone in this room who can't hear me?

Ms ABIGAIL BOYD: Some people have hearing issues.

The Hon. DAMIEN TUDEHOPE: I do.

The CHAIR: I will rule on the point of order. I can hear Mr Tudehope loud and clear, for better or worse, but could he bring the microphone a little bit closer to assist the Treasurer?

The Hon. DAMIEN TUDEHOPE: This is a fixed microphone, I have to tell you, Chair. The microphone doesn't move.

Ms ABIGAIL BOYD: No, it does.

The Hon. DAMIEN TUDEHOPE: This one doesn't move.

The CHAIR: Damien's doesn't. Let's proceed. Mr Tudehope, could you speak up a little and not cover your mouth?

The Hon. DAMIEN TUDEHOPE: I understand from your responses—this is the summary of where we are—that you're happy for a situation to exist where 17 people have made a recommendation to the environment Minister in the Federal Government and, potentially, if the mine owners are to be believed, the New South Wales Government not only will lose out on the job capacity of this mine but will lose out on potentially \$200 million in royalties. You're comfortable with that position, are you?

The Hon. DANIEL MOOKHEY: Mr Tudehope, I think any fair characterisation of the Government's position is not of the manner in which you've just described.

The Hon. DAMIEN TUDEHOPE: You've indicated to me nothing, have you, that you are prepared to do?

The Hon. DANIEL MOOKHEY: I think, Mr Tudehope, as I explained, as a government, the senior Ministers of the Government and all the Ministers of the Government have been engaged on the issue. We are a team. We work as a team. We don't, for example, say one thing to each other and then text random messages to 2GB to undermine each other. We support each other in our roles.

The Hon. DAMIEN TUDEHOPE: That was gratuitous, wasn't it? That's unbecoming and unworthy of you but, at any rate—

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: I just make the point, Mr Tudehope, that is the culture which we adopt in order to be effective.

The Hon. DAMIEN TUDEHOPE: You haven't indicated one thing, have you, that you're prepared to do? Not just talk about it, Treasurer, but to do.

The Hon. DANIEL MOOKHEY: Mr Tudehope, I have. I accept the fact that you might not like the answer, but I have. I would also just make the point that I don't think it's wise to pretend that there is a bigger difference here between your side of politics and my side of politics in New South Wales on this issue. I well and truly respect where you're coming from on this matter, and I would also just think that one of the hallmarks of what could be this Parliament is that, on serious issues, both sides seriously engage. I don't think it's wise to artificially pretend that the differences between us are such that it's a wide gulf. I accept your point that you feel as though the Senate can play a role. I'll leave the Senate to their deliberations. I think it's fair and reasonable therefore that you accept my point that the manner in which we are engaging with the proponent of this particular project and the affected community is what a mature government would do.

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The Hon. DAMIEN TUDEHOPE: There isn't a vast difference between us. We both want this mine to proceed; we see the benefits for the community. But you will be aware, of course, that the disallowance motion has been moved by our side of politics, has it not?

The Hon. DANIEL MOOKHEY: I take your word for that.

The Hon. DAMIEN TUDEHOPE: Thank you. Has the extension of the "no worse off" guarantee, which was negotiated by the Premier, actually been legislated yet?

The Hon. DANIEL MOOKHEY: It's an intergovernmental agreement and, therefore, as a result, it's an undertaking that was obtained from the national Cabinet and reflected therefore. I simply make the point that when it comes to the legislation of the "no worse off" guarantee, an important point of context here is that in 2018, when that legislation was enacted by the then Morrison Government, they sunsetted the "no worse off" guarantee from 2026. The position of the Federal Government, after much advocacy and, dare I say, vitriol from the States, was to see that extended. I was pleased that that was done, but I make the point now as I made back then, that simply ensures that the States maintain their current position for a further three years. It doesn't resolve the issue long term.

There is a requirement for a long-term resolution. I understand the Federal Treasurer has made the point that there is to be a Productivity Commission inquiry to commence, I believe, by the end of next year, I think it is. He certainly has made the point that he would like to see the outcome of that inquiry. It's fair to say that the New South Wales Government has very strong views about the GST system as it presently applies. Therefore, you can expect us, Mr Tudehope, to be participating in that Productivity Commission inquiry, and I'm pleased and confident in the steps that the secretary and the Treasury are taking to prepare for it.

The Hon. DAMIEN TUDEHOPE: In answer to my question, the "no worse off" guarantee hasn't been legislated. Are you suggesting that it doesn't need to be?

The Hon. DANIEL MOOKHEY: I make the point, I don't want them to legislate a protection for the States in a bad system, and I make the point that, rather than legislating the extension of the "no worse off" guarantee system, I'd much prefer that the Federation have a better system.

The Hon. DAMIEN TUDEHOPE: You and I can agree on that.

The Hon. DANIEL MOOKHEY: So I'm not going to necessarily say that the New South Wales Government's expectation is for a bad system to be permanently legislated. I would much prefer a bad system to be dispatched with.

The Hon. DAMIEN TUDEHOPE: Can I just take you back to the question? It hasn't been legislated. You've acknowledged that there is a sunset date contained in the current legislation.

The Hon. DANIEL MOOKHEY: I'm making the point to you, Mr Tudehope, that, as a matter of fact, you are quite correct in saying it has not been legislated. As a matter of substance, I'm asking you why would you want it to be?

The Hon. DAMIEN TUDEHOPE: Because, if there is a sunset date in the legislation, I would not want that sunset date to pass without it being legislated.

The Hon. DANIEL MOOKHEY: Then I'm sure, Mr Tudehope, you'd be pleased with the fact that the New South Wales Government and others ensured that that was extended for a further three years, and I'm sure that you would join with me in saying that the entire system is ridiculous. The entire system is in need of reform, and New South Wales, once more, is being asked to carry the Federation on its shoulders. Right now, for every dollar that is collected in New South Wales only 84¢ comes back, which is the lowest level we've ever had. In this particular budget you'll see that our expectations as to New South Wales's GST share drops each year to a point where we would be receiving, I believe, Secretary, 79¢ in the dollar.

MICHAEL COUTTS-TROTTER: The lowest level ever for the GST.

The Hon. DAMIEN TUDEHOPE: But there is a formula for calculating that, though, isn't there?

The Hon. DANIEL MOOKHEY: It is a ridiculous formula to calculate that. I think that it's important that we take this opportunity to both be on team New South Wales here, when it comes to getting a better system.

The Hon. DAMIEN TUDEHOPE: A hundred per cent, we're both on team New South Wales.

The Hon. DANIEL MOOKHEY: And I'm thrilled therefore that, regardless of which one of us should be Treasurer, let us both undertake to resolve to campaign for as long as it takes to get a better system.

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The Hon. DAMIEN TUDEHOPE: A hundred per cent. You should have known well in advance about how the GST formula would have been applied at the time of the half-yearly statement, should you not?

The Hon. DANIEL MOOKHEY: Mr Tudehope, I wish the GST system was as simple as filing your nomination forms, but it's not. It's the same system that was in place when you were the finance Minister.

The Hon. DAMIEN TUDEHOPE: But those things that the Grants Commission take in—

The Hon. DANIEL MOOKHEY: I would like the system to be so simple that even the Liberal Party could understand it, but we're not there yet.

The Hon. DAMIEN TUDEHOPE: A competent Treasurer may have been able to predict what the GST allocation would have been.

The Hon. DANIEL MOOKHEY: But, Mr Tudehope, once more—

The Hon. DAMIEN TUDEHOPE: And the forecasting may have been a little bit more accurate than what it was.

The Hon. DANIEL MOOKHEY: Mr Tudehope, a minute ago you were on team New South Wales.

The Hon. DAMIEN TUDEHOPE: I am on team New South Wales.

The Hon. DANIEL MOOKHEY: Why are you wanting to jump off it? All I'm saying is—

The Hon. DAMIEN TUDEHOPE: What I'm saying is that your competency, and those advising you, is called into question when you can't even do the basic projections relating to the distribution of GST.

The Hon. DANIEL MOOKHEY: Mr Tudehope, you're welcome to direct that criticism to me. But I'll just make the point that in doing so you're also directing that criticism to former Treasurer Perrottet, who, last time the Commonwealth Grants Commission duded New South Wales, made the point:

... that NSW is set to lose almost half a billion dollars only reinforces the view that a root-and-branch overhaul of the GST distribution process, and the Commonwealth Grants Commission itself, is desperately needed.

The Hon. DAMIEN TUDEHOPE: I agree.

The Hon. DANIEL MOOKHEY: I'm the first to accept that if you are indeed legitimate in your criticism of the Treasury and myself in our forecast methodology then, just to be fair and to be consistent, you'd have to direct the same criticism at Treasurer Perrottet back in 2018.

The Hon. DAMIEN TUDEHOPE: How wrong did he get the forecast?

The Hon. DANIEL MOOKHEY: He got it wrong to the extent that, in that particular year, he saw New South Wales lose \$451 million. To be fair to us in this particular year, I agree with Treasurer Perrottet's point at the time that it was, as he described it, "black box magic" or words to that effect. I think he was right, and I think that the system then was absurd. To be fair to Mr Perrottet, he made the commitment back in 2018 to get on with the job of arguing for national change. I simply make the point that when he did so back then, we gave him bipartisanship in that cause. I well and truly accept the fact, Mr Tudehope, that you are disappointed with the fact that New South Wales got less money than it deserves.

The Hon. DAMIEN TUDEHOPE: Correct.

The Hon. DANIEL MOOKHEY: But I just think that if you're going to be fair and consistent in your criticisms of me, you'd have a lot more credibility if you were fair and consistent in your criticisms of Mr Perrottet too.

The Hon. DAMIEN TUDEHOPE: I think Mr Perrottet got the projections much more accurately assessed than you do, Treasurer, but let's move on.

The Hon. DANIEL MOOKHEY: Let's.

The Hon. DAMIEN TUDEHOPE: Employee expenses—why has the Government reduced its offer to firefighters from 10.5 per cent over three years to 10 per cent over three years?

The Hon. DANIEL MOOKHEY: Mr Perrottet—sorry, I was falsely praising you. In respect of the negotiations with the FBEU, our offer is public and I don't believe it's what you just described.

The Hon. DAMIEN TUDEHOPE: So you don't say that it has.

The Hon. DANIEL MOOKHEY: Mr Perrottet—

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The Hon. DAMIEN TUDEHOPE: That's twice.

The Hon. DANIEL MOOKHEY: Mr Tudehope—I'm just pining for the days when the roles were reversed, clearly. I make the point that we've been in negotiations with the FBEU, in essence, since we got here. I very much respect the FBEU. They are a very, very tough union and they argue very strongly for their members. I would simply make the point that this is a scenario which we inherited from you. In fact, you'll find—

The Hon. DAMIEN TUDEHOPE: That wasn't the question I asked you, Treasurer.

The Hon. DANIEL MOOKHEY: But I do think it's important context.

The Hon. DAMIEN TUDEHOPE: I asked you why the offer had been reduced to 10 per cent.

The Hon. DANIEL MOOKHEY: What are you ascribing a reduction in offer to?

The Hon. DAMIEN TUDEHOPE: The FBEU is saying that the offer of the New South Wales Government at the moment is 10 per cent. Why have you reduced the offer from 10.5 per cent to 10 per cent?

The Hon. DANIEL MOOKHEY: I don't accept the premise that we have.

The Hon. DAMIEN TUDEHOPE: You say that it hasn't been reduced?

The Hon. DANIEL MOOKHEY: It hasn't been reduced.

The Hon. DAMIEN TUDEHOPE: Treasurer, if you go to the budget papers, on page A1-12 of *Budget Paper No. 01*, the funding for the conditional offer of an additional 0.5 per cent is a special appropriation to the Treasurer. You control that 0.5 per cent, don't you? Why have you withdrawn that offer?

The Hon. DANIEL MOOKHEY: Let me take this opportunity to explain to you how bargaining works.

The Hon. DAMIEN TUDEHOPE: I'm happy for you to explain it, Treasurer. That's what budget estimates is all about.

The Hon. DANIEL MOOKHEY: I'm thrilled that I can have that opportunity if we have time, Chair. I simply make the point that I'm sure we can pick it up in the next set of Opposition questions, but what you're referring to is the component of our offer which was in the event that we seek a consent arrangement. The FBEU has been engaged in good faith in negotiations but has elected, amongst others, not to accept the Government's offer and to proceed to arbitration. I just point out that they have that choice because we brought it back. They did not have that choice under you. Part of the reason why you failed at industrial relations—

The Hon. DAMIEN TUDEHOPE: You've reduced the offer, haven't you?

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: The reason you failed to reach agreement with them was because you had no system in place to resolve an impasse.

The Hon. DAMIEN TUDEHOPE: Yes, we did.

The Hon. DANIEL MOOKHEY: You've got to accept that our mutual gains bargaining system is better than your wage cap.

The Hon. DAMIEN TUDEHOPE: Tell me how many—

The Hon. DANIEL MOOKHEY: Are you saying that the wage cap is better?

The Hon. DAMIEN TUDEHOPE: I'll come back to that.

The CHAIR: Order! Your time has expired, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: The clip yesterday was just disgraceful. They were ridiculous.

The CHAIR: Order! We won't have a repeat of yesterday.

The Hon. DAMIEN TUDEHOPE: Zero per cent in COVID.

The CHAIR: Order! Mr Tudehope, I call you to order for the first time.

The Hon. DANIEL MOOKHEY: Mr Tudehope, are you saying you'd offer them 0 per cent?

The CHAIR: Order! Treasurer, we're not going to have a—

The Hon. DAMIEN TUDEHOPE: No, you've got 0.3 per cent.

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The CHAIR: Order!

The Hon. DAMIEN TUDEHOPE: Sorry, Chair. I beg your pardon.

The CHAIR: I've called you to order one time. I'll call you to order for the second time, which would make history, if you continue to interject and ignore me. Treasurer, are you a problem gambler?

The Hon. DANIEL MOOKHEY: No.

The CHAIR: Are you a gambler at all?

The Hon. DANIEL MOOKHEY: If you're referring to the use of—well, no. In the ordinary definition of the sense, no.

The CHAIR: You don't gamble?

The Hon. DANIEL MOOKHEY: I don't.

The CHAIR: You don't have a punt, even just occasionally on the Melbourne Cup? Never?

The Hon. DANIEL MOOKHEY: No. It's not reflective of any particular position but, as a practice, it's not one that I engage in.

The CHAIR: Why not?

The Hon. DANIEL MOOKHEY: Honestly, because my luck ain't that good. That's the first point. The second point is that I prefer other forms of recreation.

The CHAIR: Have you looked at gambling and thought it's not worth it? Why have you not taken it up as a pastime?

The Hon. DANIEL MOOKHEY: I think each of us are free to choose how we spend our recreational time. I prefer to read books.

The CHAIR: Is the New South Wales Government addicted to gambling revenues?

The Hon. DANIEL MOOKHEY: I wouldn't characterise it as that, but you are quite right to say that gambling revenues or revenues from gambling activity do form an important part of the State's revenue base. I'd also just make the second point that, in large part, that's reflective of a scenario that's simply—a lot of this activity couldn't be prohibited and, therefore, it should be regulated and therefore should be taxed. I understand that you are campaigning for a similar approach to other forms of industries for which the same approach could be applied, but I simply make the point that those are the reasons why New South Wales, and every other State, has gambling as a part of its revenue base.

The CHAIR: I'm glad you raise that, and I'll get to that. But why does the Government take that approach to gambling, and not—as I think you were alluding to it—cannabis legislation?

The Hon. DANIEL MOOKHEY: In large part because there are constitutional questions as to whether or not a State could take that approach to the distribution and consumption of matters like—be it cannabis or alcohol.

The CHAIR: How do you know that?

The Hon. DANIEL MOOKHEY: Because there's been a series of High Court judgements that suggest that the form of taxation that you're describing, which is excise taxation, is a matter that's within the provenance of the Commonwealth.

The CHAIR: Is that something that you're actively investigating, or that is just an assessment of historical precedents?

The Hon. DANIEL MOOKHEY: The best advice that I have received is that the manner in which we tax gambling doesn't fall within the definition of an excise for the purposes of the constitutional settlement.

The CHAIR: Treasurer, online wagering has experienced rapid growth in New South Wales and is a relatively high-risk form of gambling, with a high proportion of those who gamble online being problem gamblers. Gambling provokes family and relationship breakdown, domestic violence and distress, depression, suicide, financial stress and bankruptcy. Gambling places a cost on our society, and online gambling has proliferated.

In the ACT the betting operations tax is 25 per cent with a tax-free threshold of \$150,000. In Queensland the betting tax is applied at a rate of 20 per cent with a tax-free threshold of \$300,000. In South Australia the betting tax is 15 per cent with a tax-free threshold of \$150,000. In Tasmania it's 15 per cent and a net wage and

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revenue from Tasmania bets over the tax-free threshold of \$150,000. In New South Wales the POCT is 15 per cent with a tax-free threshold of \$1 million. Why is New South Wales taxing gambling less than other States? Why didn't you increase the New South Wales point of consumption tax to 20 per cent in the 2024 budget?

The Hon. DANIEL MOOKHEY: Let me answer the first question first, Mr Buckingham. The short answer is those are the arrangements we inherited. The answer to your second question is that the Government has established now a process to consider a proposal that's been made to us by Tabcorp, in which the appropriate role and design of point of consumption taxes is a feature.

The CHAIR: That process has been initiated by Tabcorp?

The Hon. DANIEL MOOKHEY: Yes. And I just make the point, that is the same process that led to Queensland changing its point of consumption tax, and incidentally the same process that led to Victoria. So whilst you're right to point out the differences in the tax arrangements that apply between the eastern seaboard States, it's fair to say that both those States undertook similar reforms in response to a similar problem. Frankly, it's because—you're quite right to point out that there has been a migration of wagering activity away from retail settings towards online settings and each State is having to determine whether or not the present design of their revenue arrangements, particularly those that support the racing industry, is sustainable into the long term.

The difference in the process that I have embarked upon, and perhaps the process that the other States did—I'm not reflecting on their processes by any means—is that, firstly, we have revealed the fact that an offer has been made. Secondly, we have established a clear process and, third, we are designing that process so that other affected parties have the opportunity to have input into otherwise what would be considered to be a direct dealing. The final point I'll make is that given that Tabcorp holds our racing distribution agreement, they are a counterparty to an arrangement with the State, and we have good faith obligations to deal with them when they do make such proposals.

The CHAIR: The proposal from Tabcorp, I understand, is to consider a lifting of the POCT from 15 to 20 per cent?

The Hon. DANIEL MOOKHEY: Obviously I have to respect the ICAC direct dealing guidelines and therefore the confidentiality arrangements that sit behind the process where it presently is.

The CHAIR: That was the subject of a memo that went out, wasn't it?

The Hon. DANIEL MOOKHEY: But it's fair to say, Mr Buckingham, as has been indicated publicly, that is a feature of their proposal.

The CHAIR: In New South Wales the tax-free threshold of \$1 million applies for all operators liable for the point of consumption tax. In New South Wales the threshold is applied to each licensed betting service provider and does not consider grouping arrangements. Grouping provisions such as those in Victoria remove any incentive for a wagering operator to set up multiple entity structures that each have access to an earnings threshold to minimise their overall tax liability. Are multiple entity structures being used in New South Wales to take advantage of the tax-free threshold and why don't we have business groupings so that that one tax-free threshold can be claimed? Is this something that you will consider amending in this process?

The Hon. DANIEL MOOKHEY: Mr Buckingham, do you mind if I answer your last question first?

The CHAIR: Certainly.

The Hon. DANIEL MOOKHEY: In respect to the incorporation of grouping provisions into the tax, actually it's an interesting question, and I'll have to take advice on that. It's an arrangement which we obviously inherited in the design of the POCT. Equally, you're quite right to say other States have changed it, so it's fair and reasonable I think for you to ask whether we examine the same. I will get back to you on that, if you don't mind. With respect to the first part of your questions as to the threshold, and whether or not it's being used as a way of, effectively, I think as you put it, a tax avoidance measure, that question is really best answered by Revenue NSW to the extent to which they do, who have obviously the enforcement rights over the point of consumption tax. I'm not in a position to provide any insight into the operational matters, which your question asked, but I do make the point that I think it's a good question.

The CHAIR: I appreciate that. Tabcorp currently holds the sole retail wagering totalisator licence in New South Wales with retail exclusivity until June 2033. Tabcorp has been fined \$4.6 million in order to transform its operations after the Victorian Gambling and Casino Control Commission found it failed in its approach to responsible gambling. Tabcorp has approached the New South Wales Government with a proposal to make tax and regulatory changes to the wagering sector that would alter the way funding flows to the racing industry. The Government will establish a formal process to consider Tabcorp's proposal—which you are alluding to—which

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will include engaging with relevant racing industry bodies. The existing Tabcorp deal, which extends to 2033, is under review at the request of the wagering giant. What have they asked for? Are they asking for exclusivity?

The Hon. DANIEL MOOKHEY: Mr Buckingham, I am eager to provide you with as much information as I can on this matter. Perhaps what I might do is, just broadly speaking, describe the subject matter for which their proposal entails. But, in essence, it's similar to the proposals that have been made in other States and, equally, I think to be fair to Tabcorp, they have been arguing for changes like this for a while. They've published papers themselves that I think you can refer to—and, if not, we can provide for you—that provide you with a sense as to where they're coming from. I think it's important that people understand that general context.

In terms of how the Government is going to assess this process, perhaps I can give you some more insight. The reality is, as I said when we announced this, we intend to apply strict scrutiny to this proposal and we will only accept any proposal if it's clear the public will be better off. Equally, I have made it clear to all and sundry who are involved in this that the Government will engage in good faith. We do expect to consult closely with people who are affected by any change, particularly people who are affected by any changes to the racing distribution agreements, and equally people who are affected, whether or not they would be captured by any changes to the point of consumption arrangement. I have also made it very clear that, ultimately, tax policy is a matter for government.

The Hon. ROBERT BORSAK: I've got a few questions, specifically relating to some of the commitments made by Minister Haylen in relation to the boating industry. She announced, for example, that much-needed boating infrastructure and dredging works will be delivered across New South Wales with a \$44 million funding boost from the New South Wales Government to improve safety and accessibility for all water users. The program will allocate \$28 million towards public boating amenities over four years and \$16 million for dredging in key locations across New South Wales coast boating infrastructure maintenance. The budget papers clearly stated that \$79 million was for upgrading of ferry wharves and improved accessibility and ongoing maintenance, and upgrading to various regional maritime assets. A number of questions flow from this series of statements. Firstly, could you please clarify whether \$35 million is allocated for the upgrading of ferry wharves and the remaining \$44 million to be used as announced by Minister Haylen, or is there a different allocation and division?

The Hon. DANIEL MOOKHEY: It's a very good question. The information that I can provide is you are right to say that we have put aside additional money for ferry wharves and, equally, the use of particular funds generally supports this as well. The specific question that you've asked about the distinction between the \$44 million and the \$35 million, do you mind if I check if we have got any further information?

The Hon. ROBERT BORSAK: No, absolutely. Please.

The Hon. DANIEL MOOKHEY: I might need to take that part of it on notice, but we'll see if we can get you some answers later on today, if not for this afternoon.

The Hon. ROBERT BORSAK: That's no problem. Thank you. It's a little drill down. It's quite specific. Secondly, the \$75 million is apparently allocated from 2024 to 2027-28. Of that amount, is the intention to cascade significantly more funds in the initial years, tapering off to later years, or similar allocations yearly?

The Hon. DANIEL MOOKHEY: I think that reflects the profiling of the construction. To be fair to the transport department, we would expect the intensity of the spend to reflect the intensity of construction. As we go through various wharf upgrades, my expectation is that it's likely to peak. Then, as happens on the capital side of the budget often with capital projects, the outflows match, basically, the payment plan.

The Hon. ROBERT BORSAK: What you're saying is it's going to be spaced in accordance with capital allocation and expenditure for those capital items as they come along?

The Hon. DANIEL MOOKHEY: That's my expectation. I don't know if the secretary has any further detail on that.

MICHAEL COUTTS-TROTTER: No, I don't, I'm afraid.

The Hon. DANIEL MOOKHEY: But that's our reasonable expectation for, generally, the capital side of the budget. Again, we're happy to see if we can find you any additional information.

The Hon. ROBERT BORSAK: Yes, you might be able to clarify that.

The Hon. DANIEL MOOKHEY: But I should make the point that that's just for the capital side of the budget. You're right to say that on the recurrent side of the budget, it's far more likely to be an even spend.

The Hon. ROBERT BORSAK: Yes, sure. On the revenue expenditure side, it could well be flatter.

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The Hon. DANIEL MOOKHEY: Yes. That will probably pick up maintenance, though. The variable there will be the base activities and the maintenance schedule. I'm sure that Transport, when they're here, will be in a position to give you some further information.

The Hon. ROBERT BORSAK: Next, is there an intention to continue upgrading ferry wharves utilised by commuters, extending the Transport Access Program and, if so, which locations?

The Hon. DANIEL MOOKHEY: I can certainly say that the Government is wanting to upgrade ferry wharves. I know that a longstanding area of interest of yours, Mr Borsak, has been the Kamay wharves.

The Hon. ROBERT BORSAK: Fishos fish off wharves, so that's why we like them.

The Hon. DANIEL MOOKHEY: Indeed.

The Hon. ROBERT BORSAK: Access, access, access.

The Hon. DANIEL MOOKHEY: I hear you. Again, as to the specifics of things—but, broadly speaking, yes, there's always an intention to ensure that our marine facilities remain fit for purpose, which includes the purposes that you just described.

The Hon. ROBERT BORSAK: Will the ongoing maintenance and upgrades of maritime assets be restricted to State-owned assets? If not, which private assets will be supported?

The Hon. DANIEL MOOKHEY: That, I don't know. I will have to take that on notice and see if I can get back to you with some further detail. And we'll give reasonable notice to the transport officials that you might ask them, too.

The Hon. ROBERT BORSAK: Yes, please. The Kamay ferry project has been excluded from the allocation. Which source of funding will support this project?

The Hon. DANIEL MOOKHEY: You're quite right to say that that is an important project. And it is, of course, one of the projects that we've inherited that was in a state of disarray when we inherited it. I think you'll find that the Minister has made it clear to her department that her expectations are that the project is delivered without any additional cost or overruns. It is sensitive to the environment areas, and they continue to work with affected communities including fishers, National Parks and Wildlife and First Nations. The best information I have, Mr Borsak, is that an EOI process is underway now to test the market for an interest in a future ferry service that has the potential to operate between La Perouse and Kurnell on either side of the ocean entrance to Botany Bay, and that construction of the wharves has started in July 2023 and is due for completion later on in 2024. As for the actual specific budget allocation, I think you'll find that if that's not in the source that you just described, it's probably budgeted for elsewhere in the transport capital plan.

The Hon. ROBERT BORSAK: Is the \$79 million allocation from consolidated revenue or from another source? If it's not consolidated revenue, from which source will it be derived?

The Hon. DANIEL MOOKHEY: I'll have to get back to you on that one, as to how much of it is consolidated revenue or whether all of it is consolidated revenue. I'm not sure if we have any further information on that.

MICHAEL COUTTS-TROTTER: No.

The Hon. DANIEL MOOKHEY: I'll get back to you on that, Mr Borsak.

The CHAIR: Returning to the point of consumption tax, Australians lose approximately \$25 billion on legal forms of gambling each year, representing the largest per capita losses in the world. Since 1 January 2019, the New South Wales Government has been collecting a point of consumption tax. It raised \$161.6 million in 2021, of which \$52.7 million was gifted to Racing NSW. In 2022-23, \$70 million from the point of consumption tax was again given to Racing NSW. In March 2024, the Minister for Finance, the Hon. Courtney Houssos, stated in budget estimates that revenue from the tax was forecast to be \$970 million—nearly \$1 billion. In 2023-24, the Government distributed \$90 million under the Racing Distribution Agreement to Racing NSW, Harness Racing NSW and Greyhound Racing NSW. Why are large shares of the point of consumption tax being gifted to the racing industry and the rest of the money going into consolidated revenue?

The Hon. DANIEL MOOKHEY: The answer to that question, again, stems from the origin story of point of consumption tax. The origin story of point of consumption tax was that it was introduced to ensure that online gambling platforms that, in this market, are operated by the likes of people like Ladbrokes and Sportsbet are not making no contribution to the State, through any form of taxation arrangement. That was, in fact, the reason why it was introduced. Equally, at the time, it was introduced because the only contributions that those platforms were making to public coffers whatsoever were via the Northern Territory Government, which had

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effectively offered a tax discount and therefore saw all those kinds of platforms enter the national market by registering in the Northern Territory. That then led to the establishment of a nationwide point of consumption tax, which simply said that you pay tax in the State in which the bet was placed. That was done to mitigate the migration of revenue from the retail wagering settings to, effectively, offshore multinationals.

As to why the racing industries are incorporated in part of that, the best understanding and explanation I have is that which was advanced by the previous Government, which is it was there to ensure that they were left "no worse off" compared to the revenues that they would otherwise be accessing through the Racing Distribution Agreement. The final point in that is that the reason why the racing industry has access to those revenues is because I think that they would make the point that they previously owned Tabcorp and the like prior to that, and then, in essence, when it was sold, that was the arrangement that was put in place to ensure their ongoing future funding. The argument that they would make is that by having access to those arrangements, they are therefore not asking or making a call on the Consolidated Fund.

The CHAIR: Do you think, with a thousand-fold increase in the revenue coming into Treasury from the point of consumption tax over a very short amount of time, going from less than \$100 million to over \$1 billion over four or five years, that there should be money hypothecated to online gambling harm-reduction strategies? And should we also be, as a State, joining with those calling for a ban on online gambling ads?

The Hon. DANIEL MOOKHEY: In respect to the first question about hypothecation of funds towards harm reduction, I will happily make the point that, whether you hypothecate or not, governments should be—

The CHAIR: Did you just kill that fly?

The Hon. DANIEL MOOKHEY: I didn't. The secretary did.

MICHAEL COUTTS-TROTTER: It's a very practical use of the budget paper.

The Hon. ROBERT BORSAK: Well done. May Hansard record that that fly needed to be taken care of.

The Hon. DANIEL MOOKHEY: I make the point that, broadly, whether you hypothecate or not, I do think it's important that government invest in harm reduction. Secondly, in respect of your other question about whether or not there should be a ban or otherwise, I certainly support a reduction in gambling advertising.

The CHAIR: How so? How would you like to see that manifested—a complete ban, a partial ban, restriction?

The Hon. DANIEL MOOKHEY: I'm going to leave it to the people who are responsible for determining such a policy to work through the complexities that are associated with the introduction. As I understand it, that's what's happening. I think it is important to make the point that it's a good thing that that is the direction in which the national Government is going. I'll leave it for them to explain their intentions and their proposals.

The Hon. DAMIEN TUDEHOPE: Just returning to the negotiations with the FBEU, its website says:

On Tuesday, FRNSW finally also clearly articulated their position by finally filing their draft Awards. In a petty move, FRNSW and the Government have lowered their wages offer to 3% per year over 3 years deducting 0.5% from their baseline wages offer in the first year after we refused to accept their quite frankly insulting baseline wages offer.

You have explained to us that the discretionary amount that you retained to yourself in relation to the 0.5 per cent is in relation to entering into an award or a consent award. Do you say that that represents mutual gains bargaining best practice?

The Hon. DANIEL MOOKHEY: I make the point that the mutual gains bargaining process that we have undertaken with the FBEU provides our hardworking firefighters the opportunity for much more gain than was in place in response to your wage cap system, which is why I make the point. Surely you have to agree with me, Mr Tudehope, because if you are sincere in your desire to see firefighters paid more, you've got to agree with me that our mutual gains bargaining system provides that more than your wage cap system does.

The Hon. DAMIEN TUDEHOPE: Tell me a concession that the Government has made to the firefighters as part of that arrangement.

The Hon. DANIEL MOOKHEY: I'll simply make this point—

The Hon. DAMIEN TUDEHOPE: Tell me the concession.

The Hon. DANIEL MOOKHEY: I'll tell you four.

The Hon. DAMIEN TUDEHOPE: Four?

The Hon. DANIEL MOOKHEY: Yes, I will.

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The Hon. DAMIEN TUDEHOPE: Give me the four.

The Hon. DANIEL MOOKHEY: Just to be clear, Mr Tudehope, when it comes to the FBEU, these changes have only been possible because there was a change of government. When we were elected you will recall, I'm sure, because you were the industrial relations Minister, that their award had already expired. In fact, their award expired in February 2023. Indeed, they were making no progress.

The Hon. DAMIEN TUDEHOPE: You were going to give me the four, Treasurer.

The Hon. DANIEL MOOKHEY: I'm about to. But, equally, what's fascinating is that despite their award expiring in February 2023, it turns out that the then industrial relations Minister never met with them.

The Hon. DAMIEN TUDEHOPE: Give me the—

The Hon. DANIEL MOOKHEY: In fact, I checked your diary. You didn't meet with them at all.

The Hon. DAMIEN TUDEHOPE: Give me the four, Treasurer.

The Hon. DANIEL MOOKHEY: You'll find that when we got in, we then picked up your failed negotiation and continued on. In the course of negotiations that took place last year under our mutual gains bargaining framework, we managed to agree on the introduction of last year's award, with the cooperation and support of the FBEU—who, to be fair to them, have been advancing these propositions for a while. We were in a position to reach an agreement with them on the introduction of safe and minimum staffing standards within their awards; updates to their leave provisions; the creation of an allowance for non-station-based roles, to attract people into training roles; increased consultation, formalised through a joint consultation committee; and new health screening processes. The reason I make that point, Mr Tudehope, is because that's a perfect case study in the difference between the two approaches, because under your wage cap system—

The Hon. DAMIEN TUDEHOPE: They say that you have made no concessions.

The CHAIR: Order! Mr Tudehope, the Treasurer is answering your question.

The Hon. DANIEL MOOKHEY: Under your wage cap system, no such gains were possible. Under our system, in its first year, it delivered the firefighters of New South Wales those additional changes, in addition to the biggest pay increase they had received in more than a decade, which is why I make the point. I'm sure you would agree with me now, Mr Tudehope, having heard it, that our mutual gains bargaining system is much more superior to your wage cap system.

The Hon. DAMIEN TUDEHOPE: I agree with them.

The Hon. DANIEL MOOKHEY: Are you suggesting that your wage cap system would led to a better result for firefighters?

The Hon. DAMIEN TUDEHOPE: The wage cap system didn't eliminate the opportunity for unions to bargain with the Government.

The Hon. DANIEL MOOKHEY: Therefore, are you saying that you think that that's the system that should apply in New South Wales?

The Hon. DAMIEN TUDEHOPE: No, you had a mandate to remove that. But what I would put to you, Treasurer, is that even with the criticism that was thrown at me yesterday in relation to the offer by the Government during COVID—

The Hon. DANIEL MOOKHEY: Is that when you reduced it to 0 per cent?

The Hon. DAMIEN TUDEHOPE: —when people were losing their jobs in every other sector and there was a general loss of jobs across the board, in Queensland, in fact, a Labor Government had adopted a zero-wage policy position, the same as New South Wales. In fact, the union wasn't precluded from negotiating with the Government in relation to wage rises.

The CHAIR: Mr Tudehope, could you please ask a question?

The Hon. DAMIEN TUDEHOPE: The Treasurer asked me the question.

The CHAIR: I know, but you need to ask him one.

The Hon. DAMIEN TUDEHOPE: You would agree with me, Treasurer, that in fact the unions went to the Industrial Relations Commission to seek a pay rise greater than 0 per cent, didn't they?

The Hon. DANIEL MOOKHEY: And they didn't get it.

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The Hon. DAMIEN TUDEHOPE: Yes, they did. They got 0.3 per cent from the industrial umpire as a result of negotiations. In fact, those advising the union movement at that time were fantastic negotiators because, during the course of the negotiations, the unions were offered more and refused to take it.

The CHAIR: Mr Tudehope, could you please ask a question, rather than just making commentary.

The Hon. DAMIEN TUDEHOPE: Just make sure that you get your facts straight when you want to clip my utterances in this place. When you asked me whether I would support the wage cap, I say you had a mandate to do it, but you had a mandate also to negotiate in good faith. I say to you that the unions are saying that the Government has offered nothing in relation to the good faith bargaining process, and that's why they're now before the Industrial Relations Commission. Isn't that their position?

The Hon. DANIEL MOOKHEY: Mr Tudehope, I'm not surprised that, of course, there is always a desire amongst all people who are involved in industrial negotiations to explain their positions. But can I simply make the point—

The Hon. DAMIEN TUDEHOPE: Mine is the honest position, Treasurer.

The Hon. DANIEL MOOKHEY: Mr Tudehope, if you are indeed as honest as you say and if you are proud of the policy that you applied during COVID then I think the clear and logical interference, if I'm correct in hearing you, is that you would do it again.

The Hon. DAMIEN TUDEHOPE: I would say thank God you weren't the Treasurer during COVID.

The CHAIR: Order! Mr Tudehope—

The Hon. DANIEL MOOKHEY: I can only assume that should you find yourself having to deal with a similar set of circumstances, you once more would reduce the Government's offer to 0 per cent. Is that right? Did I hear you correctly?

The Hon. DAMIEN TUDEHOPE: We would consider the State's economic position, as you're supposed to.

The CHAIR: Treasurer, please desist from asking Mr Tudehope questions. That's not how this process is supposed to work. It does not assist in the hearing or the inquiry.

The Hon. DANIEL MOOKHEY: To be fair, Chair, I did make a career out of asking questions in budget estimates to Mr Tudehope.

The CHAIR: I know, and now it's time—

The Hon. DAMIEN TUDEHOPE: I would welcome swapping places, quite frankly.

The CHAIR: Let's get on with the business of the hearing.

The Hon. DAMIEN TUDEHOPE: Just in terms of your good faith bargaining and how the process is now working—the mutual gains bargaining—the Nurses and Midwives' Association has met 10 times now with the Ministry for Health and reports that the Government refuses to budge from its 10.5 per cent offer. Are you never going to agree to the 15 per cent demand?

The Hon. DANIEL MOOKHEY: Firstly, I'll simply make the point that I think it's a good thing that the Government and the nurses are meeting regularly.

The Hon. DAMIEN TUDEHOPE: Without any outcome.

The Hon. DANIEL MOOKHEY: I think that's a sign of good faith. You make the point that your inference is that the Government is not engaging in good faith. I say that the fact that the Government is working as closely as we can with the Nurses and Midwives' Association on their claims demonstrates that we are. I'd also make the point that in our first year in office, in addition to providing nurses, amongst others, with the biggest pay rise the public sector had received in a decade, we also introduced safe staffing levels. That was the Nurses and Midwives' Association's number one claim and an issue for which they were bargaining for more than a decade.

The Hon. DAMIEN TUDEHOPE: You've told the nurses, haven't you, that the safe staffing levels are in lieu of a pay rise.

The Hon. DANIEL MOOKHEY: Sorry, Mr Tudehope, I haven't completed my answer.

The CHAIR: Order! Mr Tudehope, the Treasurer was in the middle of answering your question. Please allow him to continue and ultimately conclude.

The Hon. DAMIEN TUDEHOPE: This is the crux of the problem.

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The Hon. DANIEL MOOKHEY: The final point I make here, Mr Tudehope, is that on 1 July 2024 we didn't fire 1,200 nurses.

The Hon. DAMIEN TUDEHOPE: The COVID nurses?

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: In fact, we provided an additional massive investment in keeping them in the system. We were able to work in partnership with the Nurses and Midwives' Association on that policy. Which is my way of saying that of course industrial negotiations are going to be robust and of course I respect the Nurses and Midwives' Association and their right to characterisation our position however they see fit. But I simply make the point that the nurses of New South Wales are much better off under our mutual gains bargaining system than they were under your wage cap system, which precluded them from even asking for safe staffing levels. I simply make the point that your policy would bar them from even having the chance to make a case.

The Hon. DAMIEN TUDEHOPE: What was the point of the 10 meetings?

The Hon. DANIEL MOOKHEY: I just make the point, Mr Tudehope, that surely, having heard what our system has delivered for nurses, you would agree with me now that our mutual gains system is better than your wage cap system.

The Hon. DAMIEN TUDEHOPE: What I'm putting to you is what was the point of the 10 meetings? What did you achieve at any of those meetings, Treasurer?

The Hon. DANIEL MOOKHEY: To be fair, you started your line of questioning by implying—

The Hon. DAMIEN TUDEHOPE: What was the point of the 10 meetings?

The Hon. Dr SARAH KAINE: It's bargaining. That's what it is.

The Hon. DAMIEN TUDEHOPE: What were you bargaining about?

The Hon. DANIEL MOOKHEY: I'm happy to answer your question, Mr Tudehope, if you let me. I just make the point that you started your line of questioning by implying that the Government was acting in bad faith.

The Hon. DAMIEN TUDEHOPE: I do, and I continue it.

The Hon. DANIEL MOOKHEY: And I make the point that our good faith bargaining obligations require us to meet regularly, consider proposals, respond in good faith and provide timely information. I understand that that is the process which Health is embarking upon with the Nurses and Midwives' Association. I'm not going to, at all, suggest that the Nurses and Midwives' Association are wrong if they're frustrated with that process; they have every right to be. But, as you rightly point out, the responsibility of government is to engage in good faith. You asked me, "What is the point of the 10 meetings?" The point of that is so we can indeed satisfy both our legal obligation to bargain in good faith, but also our moral obligation. I also just make the point that under your system there were no meetings. None.

The Hon. DAMIEN TUDEHOPE: That's not true.

The Hon. DANIEL MOOKHEY: Equally, that part of the Nurses and Midwives' Association, and many of the other trade unions, campaigned for more than a decade for the right to bargain and, in the event that bargaining fails, the right to seek recourse to an independent umpire. As we have made clear to the nurses, we will work in good faith with them to see what is possible—

The Hon. DAMIEN TUDEHOPE: But you've told them—

The Hon. DANIEL MOOKHEY: —in terms of their log of claim. But we have also made it clear that we respect their right to arbitration and we will participate in any such process in good faith too.

The Hon. DAMIEN TUDEHOPE: So you've told them that because of the concession in relation to safe staffing levels, there's no money left for pay rises above 10.5 per cent, haven't you?

The Hon. DANIEL MOOKHEY: We've made the point that by delivering on their number one ask, we've made tremendous progress.

The Hon. DAMIEN TUDEHOPE: So, you've—

The Hon. DANIEL MOOKHEY: We appreciate the fact that the Nurses and Midwives' Association helped to co-design that model. I'd also make the point—

The Hon. DAMIEN TUDEHOPE: So you're asking the nurses to pay for a community benefit?

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

The CHAIR: Order! Mr Tudehope, please desist from talking over the top of the Treasurer. You've asked a question. Please allow the Treasurer to answer it without the constant interjections. It doesn't assist me in listening to the answer. It certainly doesn't assist Hansard, who are trying to write down and record the answer to a good question.

The Hon. DANIEL MOOKHEY: I just make the point that the introduction of safe staffing levels was designed to retain nurses, at the request—and total kudos to the Nurses and Midwives' Association which has been campaigning for such a policy for more than a decade, having seen the effects on retention it had when it was introduced in Queensland and Victoria. In fact, as a result of the introduction of that particular policy, we are really pleased that retention levels have gone up dramatically. In fact, retention levels of nurses are now returning to pre-COVID levels. I think that the Nurses and Midwives' Association deserves tremendous kudos for that, and also so does Health for working out how to introduce such a system.

You make the point that whether or not—I'm sure as a former industrial relations Minister you would know that that system replaced the nursing per hours per patient model that was contained in the awards. It has always been the case that such a system in New South Wales has been reflected in awards because it provides the capacity for there to be flexibility around its application and design. I think the fact that the expertise of not just Health but the Nurses and Midwives' Association has been tapped in order to design that is another example of the innovation that is possible under our mutual gains system that was impossible under your wage cap system. And surely, Mr Tudehope—

The Hon. DAMIEN TUDEHOPE: They're not going to get above 10.5 per cent from you, are they, Treasurer?

The Hon. DANIEL MOOKHEY: Surely, Mr Tudehope, therefore—

The Hon. DAMIEN TUDEHOPE: Is that your position?

The Hon. DANIEL MOOKHEY: Therefore, if you're true to your convictions—

The Hon. DAMIEN TUDEHOPE: Are they going to get above 10.5 per cent?

The Hon. DANIEL MOOKHEY: —you would accept the fact that the mutual gains bargaining system is better for the employer and better for the employee than the wage cap system.

The Hon. DAMIEN TUDEHOPE: Are they going to get above 10.5 per cent?

The Hon. DANIEL MOOKHEY: I will simply make the point that we are going to engage in respectful and good faith conversations with the Nurses and Midwives' Association. It's not my intent—

The Hon. DAMIEN TUDEHOPE: If they have to go to arbitration, Treasurer, will you take the 0.5 per cent off them as well?

The Hon. DANIEL MOOKHEY: It's not my intention to bargain with the Nurses and Midwives' Association through a budget estimates process because that would not be in good faith.

The Hon. DAMIEN TUDEHOPE: If they go to arbitration, will you be removing the 0.5 per cent as part of the offer?

The Hon. DANIEL MOOKHEY: I'll simply make the point that the Nurses and Midwives' Association can determine their industrial strategy, and I respect their right to do so because that is how bargaining works. I'm simply not going—

The Hon. DAMIEN TUDEHOPE: So the answer is yes, is it?

The Hon. DANIEL MOOKHEY: Mr Tudehope, I make the point that the Government will remain in good faith in a mutual gains process and we will engage in good faith in an arbitration process, if it comes to that, as well.

The Hon. DAMIEN TUDEHOPE: Let me ask you this. If in fact you were acting in good faith, can we agree that you should pay at least the 3 per cent now, straightaway, pending the outcome of the arbitration position so that these people who are waiting for that determination at least have an extra pay rise? Can we agree on that? You should agree, right now, to pay them the 3 per cent which you've offered.

The Hon. DANIEL MOOKHEY: I just make the point on that particular proposition that, to be fair, the attitude of our industrial counterparties is mixed. I will simply make the point that, therefore, I think the wisest

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thing to do, in answering your question, would just be to allow the Government to engage, and the union movement—

The Hon. DAMIEN TUDEHOPE: But you could make the concession. You haven't to date, have you?

The Hon. DANIEL MOOKHEY: Sorry, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: You forced them to arbitration. You haven't made any concessions.

The CHAIR: Order! Mr Tudehope, the Treasurer was halfway—I know you're very eager. You're keen. Could you just wait for the Treasurer to conclude before you ask your next question, please? The Treasurer has the call.

The Hon. DANIEL MOOKHEY: As I was saying, given the fact that any such position should ideally be agreed between both parties, I think it's fair to say that we will engage in any conciliation—

The Hon. DAMIEN TUDEHOPE: The firies have asked for it, have they not—for you to pay it straightaway, pending the outcome of the arbitration? They've asked for it. What's your position?

The Hon. DANIEL MOOKHEY: I will simply make the point that, as I understand it, all such discussions that you are referring to are taking place under the auspices of conciliation with the commission. I think, to be fair to the commission, as well as to be fair to the industrial counterparties, the wisest thing to do would be to simply allow the Government and the FBEU and others to have good faith discussions on any such proposal through the conciliation process.

The Hon. DAMIEN TUDEHOPE: The truth of it is this: All the talk that you engage in about all the wonderful good faith bargaining you do and the wonderful new system that you assert that you put in place—you've only allocated 10.5 per cent and you are not going to agree to any figure above that, are you?

The Hon. DANIEL MOOKHEY: I think the truth of the matter is this, Mr Tudehope—

The Hon. DAMIEN TUDEHOPE: Yes or no?

The Hon. DANIEL MOOKHEY: In the first year of government we took New South Wales teachers from being the worst paid in the country to the best. We delivered the public sector the biggest pay rise it's received in more than a decade. In addition to that, we modernised and—

The Hon. DAMIEN TUDEHOPE: Up against a background of significant inflation, but anyway.

The Hon. DANIEL MOOKHEY: —professionalised the paramedics award that has seen paramedics become amongst the best paid in the country. In addition to that, we've introduced safe staffing levels for our nurses.

The Hon. DAMIEN TUDEHOPE: But I didn't ask that. I said, "Are you going to pay them above 10.5 per cent?"

The Hon. DANIEL MOOKHEY: No, you asked me what the truth of the matter is, and I'm saying the truth of the matter is that we have made more progress in 12 months on modernising our public services and showing respect to our essential workers than you did in 12 years.

The Hon. DAMIEN TUDEHOPE: Is it the case that you're not going to pay above 10.5 per cent?

The Hon. DANIEL MOOKHEY: No, I made the—

The Hon. DAMIEN TUDEHOPE: That's what your budget provides for, isn't it?

The Hon. DANIEL MOOKHEY: Mr Tudehope, I think you'll find—

The Hon. DAMIEN TUDEHOPE: Isn't that what your budget provides for?

The Hon. DANIEL MOOKHEY: I think you'll find that in a mutual gains bargaining process the principle that I've clearly enunciated is that should we find ourselves in a position to provide better services to the public via a more cooperative framework with our workforce, we intend to share the benefits of that with our workforce. I'd also make the point that it's not just rhetoric; we demonstrated that. It's how we managed to make New South Wales teachers amongst the best paid in the country. It's also why the number of teacher vacancies in New South Wales has halved since we've come to power.

The Hon. DAMIEN TUDEHOPE: It's also the case that enrolments have dropped, isn't it?

The Hon. DANIEL MOOKHEY: Equally, the introduction of the safe staffing levels has seen a return of nurses to the profession, and their retention. That's also the reason why nurse retention levels are rising to

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pre-COVID levels. I'm also really pleased to say that as a result of the changes that we agreed in our first year with paramedics, we now have the ability for paramedics to practise using more of their scope of practice than before. When it comes to the FBEU, you're quite right to say that the truth of the matter is that in our first year in office our first award with the FBEU delivered more gains for firefighters and better services for the public than your system provided them in more than a decade.

The Hon. DAMIEN TUDEHOPE: Nothing above 10.5 per cent—isn't that the case?

The Hon. DANIEL MOOKHEY: I just refer you to my previous answer, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: No, I'm asking you specifically about what's contained in the budget for wage rises, and it's 10.5 per cent, isn't it? You've got no scope above 10.5 per cent?

The Hon. DANIEL MOOKHEY: I just refer you to the budget papers.

The CHAIR: Treasurer, referring to your previous answer, is the constitutionality of a possible cannabis excise the principal disincentive for the Government to favourably consider cannabis legalisation in New South Wales? Is that what I'm hearing from you, from your previous answer?

The Hon. DANIEL MOOKHEY: No.

The CHAIR: What is the principal reason?

The Hon. DANIEL MOOKHEY: I think it's the same reason we gave you before in March. I don't believe there has been any broad change to the Government's position on this matter. In March, as we made the point, there is a drug summit. We very much respect your advocacy. I understand that you're now undertaking an inquiry into the matter. We, of course, look forward to your deliberations and your findings.

The CHAIR: Treasurer, the Australian medicinal cannabis market is valued at over \$350 million and is growing rapidly—one of the fastest growing in the world. But it is dominated by cheap and, some argue, inferior imports, principally from Canada—70 per cent of the market is imports from Canada. Will the Government and Treasury consider measures to especially ensure that New South Wales producers of medicinal cannabis can better capitalise on this burgeoning market, including calling on the Federal regulator, the Office of Drug Control, to reduce foreign imports?

The Hon. DANIEL MOOKHEY: I might answer your first question first. I'd simply say that yes is the broad answer to that. I think you'll find that the Minister for Agriculture has undertaken developing a hemp strategy, which I think encompasses the capacity for whether or not we expand. I want to allow that process to, obviously, continue. I make the point that, when it comes to the production, distribution and sale of medical cannabis, I would obviously expect that, like all our legal agricultural industries, we do see what opportunities are available to us in that particular marketplace.

The CHAIR: Just on that, you were saying that the Minister for Agriculture is developing a strategy?

The Hon. DANIEL MOOKHEY: Sorry, I think the point that the Minister has made is that she's in consultation with the development of it and that's the process. I don't want to mislead either you—or, for that matter, to verbal the Minister—but to simply say that I well and truly respect the fact that such consultation takes place.

The CHAIR: I'd like to turn to aerial firefighting contracts. A recent report from the Audit Office detailed that the Rural Fire Service spent more than \$255.5 million on aircraft hire in 2019-20. These costs are assumed to relate to "call when needed" aircraft hire facilitated through the National Aerial Firefighting Centre and Federal grants. Separately, the Rural Fire Service are said to have several direct contracts with Coulson Aviation for the operation and maintenance of the RFS's own fleet. In July, the Minns Government announced a further 10-year contract between RFS and Coulson worth \$400 million. Treasurer, 10 years goes well beyond forward planning. What specific factors have led to this long-term spend?

The Hon. DANIEL MOOKHEY: I think an expectation that we're going to require aerial firefighting over the next 10 years, is the first point. The second point I make is that there's an expectation that perhaps the intensity of the use of such equipment may well rise as well. I think the third thing that perhaps has motivated that decision is a desire to ensure that we have ready access to such equipment.

The CHAIR: Was there a competitive tender process entered into?

The Hon. DANIEL MOOKHEY: I don't know, Mr Buckingham. I'll to have take that one on notice, otherwise perhaps direct you to RFS when they appear.

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The CHAIR: Have there been any concerns raised with the Government over this significant procurement arrangement?

The Hon. DANIEL MOOKHEY: Whether it's been raised with the Government, I don't know. Whether it's been raised with me, it hasn't.

The CHAIR: The Canadian headquarters of Coulson Aviation is at the same address as a casino, which is also owned by the company. RFS executives have previously and routinely visited the site as part of Minister-approved travel. Were RFS executives entertained or accommodated at the casino, to your knowledge?

The Hon. DANIEL MOOKHEY: Can you identify when that trip took place?

The CHAIR: I can't, actually. I don't have that information, but I assume it's in the last year or so.

The Hon. DANIEL MOOKHEY: Without having any further or specific information about when such a trip took place, I don't think I can shed further light. I'd make the point that my understanding of the way in which foreign travel is disclosed is through the annual reports process. I believe the annual report for the Rural Fire Service for the 2023-24 year is yet to be published.

MICHAEL COUTTS-TROTTER: That's right.

The Hon. DANIEL MOOKHEY: I don't believe that we're at that point in the cycle where it is, so I'm going to either infer that it took place prior to the 2023-24 year—unless you've got better information—of which I'm not sure, because I'm not necessarily sure which Minister would have given such approval and therefore under what terms.

The CHAIR: Treasurer, as a shareholder Minister of Forestry Corporation, does it concern you that in the last five years the corporation has been fined over \$1.5 million for breaches of logging and environmental laws?

The Hon. DANIEL MOOKHEY: Yes.

The CHAIR: Why does it concern you?

The Hon. DANIEL MOOKHEY: It's my expectation that all State-owned corporations—as well as, for that matter, all private businesses, as well as the entire public sector—obey the law.

The CHAIR: What are you doing to address your concerns?

The Hon. DANIEL MOOKHEY: I think that's a good question, Mr Buckingham. I'd make the point that I think the matters to which you are referring refer to events that took place in 2020.

The CHAIR: Yes, they do.

The Hon. DANIEL MOOKHEY: Obviously—as you'd be aware—firstly, I wasn't the Treasurer in 2020. Secondly, for that matter, nor was I a shareholder in Forestry Corp. Thirdly, you'll find that, to the best of the advice that I've received, neither was the incumbent Chair and neither was the current CEO. You asked me what am I doing it about it. I make the point that I have had the opportunity to engage with the Chair and the CEO in the wake of such discussions, and I've been briefed by them about the steps that they have indeed taken in response to the findings of the court in that matter. They've advised me that they, firstly, obviously take it very seriously.

Secondly, that they have now established processes of regular reporting and monitoring to the board. Thirdly, that the actual operational changes that they have made include a new dedicated team to provide quality assurance and to proactively conduct compliance audits in the field. Equally, they've employed more people to assist with compliance and planning on the ground. They've increased specialised training for their staff and their contractors, and they're embedding new technological systems to improve compliance in the field. I should also just make the point that my expectation is that they do take all such steps that are required to ensure that they are always compliant with the law.

The CHAIR: During the recent negotiation between Forestry Corporation and the EPA over the most recent changes to greater glider site-specific conditions, a number of harvesting crews were stood down. I understand Forestry Corporation paid these crews during the time. Are you aware of the payments being made by Forestry Corporation to contracted harvesting crews who were not undertaking any harvesting? There has been a suggestion that the payments could be in excess of \$1 million. How do you respond to that?

The Hon. DANIEL MOOKHEY: So that I can understand properly, I am aware of the fact that, in response to the legal requirements—or certainly how they intend to manage the risks that they're involved in as it applies to the greater glider—yes, they have taken actions to do so. As I understand it, that does involve the payment of costs to other people who have been displaced from work or otherwise in respect to that. As to the specific numbers, I'm not sure I have any information on that.

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MICHAEL COUTTS-TROTTER: No, I don't have them, I'm afraid.

The Hon. DANIEL MOOKHEY: We can see whether we can find the information for you this afternoon.

The CHAIR: You'll take that on notice?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DANIEL MOOKHEY: Yes, we'll take it on notice but, equally, when the officials are here this afternoon, I'm sure that they will be in a position to provide you with some further advice as to what those costs have been. I should just make the point that I think that's reasonable. My expectation is that, if Forestry Corp has to take actions that displace people from the capacity to work, I do think it's reasonable as an employer that they provide support to those affected parties.

The CHAIR: Thanks, Treasurer. I will hand over to the Deputy Chair for a moment, and questions from The Greens.

Ms ABIGAIL BOYD: Good morning, Treasurer. You and I have been on this side of budget estimates for many years prior to this term of Parliament.

The Hon. DANIEL MOOKHEY: I miss you too, Ms Boyd.

Ms ABIGAIL BOYD: Particularly, I recall sitting with you as we had the representatives from the independent agencies in front of us. We have been asking them about their funding.

The Hon. DANIEL MOOKHEY: I thought you might ask me about this, Ms Boyd. My years of experience with you suggested that you might ask me about the Electoral Commission.

Ms ABIGAIL BOYD: Yes. In particular, we have been asking and asking, and waiting, for proper funding for the Electoral Commission. So it was a bit astounding to find out yesterday that the commission is so underfunded that not only will we not get iVote back until 2030 at the very earliest but apparently the Electoral Commission is now being forced to cut half of its staff and is warning of electoral failure and having to manually count the Legislative Council vote in 2027. How can this be?

The Hon. DANIEL MOOKHEY: Firstly, you're quite right to say that you and I did spend many years—but, to be fair, a proper characterisation of the record suggests that I was sitting next to you as you were asking the questions, and I was enjoying the opportunity to hear the answers. Secondly, I also had the opportunity to hear the questions yesterday and also to hear the answers. I want to make the point that I very much appreciate the role of the independent agencies and I very much respect the independence of the Electoral Commission. I absolutely do not begrudge their right to ask. In fact, this Government has kept the process that the previous Government established when it comes to dealing with the independent agencies.

In addition to that, as you are well and truly aware, we are seeking to legislate it as well. You would be aware that that process provides agencies the right to ask but ultimately, though, it is still the responsibility of government to balance such requests with the broader budget challenges. So what I can say about the Electoral Commission is two things. Firstly, there are absolutely no aspersions being directed to the acting commissioner for the evidence that he gave yesterday. But, as I understand it from the transcript, he made the point that ERC had rejected it. That's technically not accurate. ERC did not reject it; we invited them to pursue it in another budget year. There is a distinction there. A rejection entails a permanent rejection. Not accepting it means that the matter can still be considered at a future time. That's the first point.

Ms ABIGAIL BOYD: But can we talk in real terms?

The Hon. DANIEL MOOKHEY: Yes, we can. The second point I make is that the reason why we adopted that position is because, no doubt, the Electoral Commission has a reasonable case but, to be fair, there are a lot of agencies that are seeking to re-baseline their budgets that do, and we have to balance that request. Particularly in this budget year, where there has been a \$12.6 billion reduction in the State's GST income, I make the point that that's going to mean that the State is going to have to make some very tough decisions. That's not me reflecting on the merits or otherwise of the case the commission has made—which brings me to the second point.

The second point that we have adopted as a government is that when it comes to determining the baseline for the Electoral Commission, we think it's appropriate that there is a new commissioner in place. They're currently going through a selection process for the commissioner, in which I am not involved. But it is important to make the point that when it comes to requests like this, I do think it's fair and reasonable that we have a permanent electoral commissioner in place in order for the Government to properly consider the request.

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The third point I make—and I want to be very up-front because, Ms Boyd, I'm not going to mislead you—the State's fiscal circumstances are challenging, and I would expect them to be as challenging next year. I well and truly respect the fact that the Electoral Commissioner has, effectively, been seeking these changes for 12 years. I expect that they will continue to seek them until they get them, and I respect their right to do so. But I'm not going to pretend as though the State's fiscal constraints aren't in place.

Ms ABIGAIL BOYD: In response to those points, firstly, as you know, The Greens continue to give you a whole lot of revenue-raising ideas, and I will not accept that there was no money left on the table that you could have raised in order to bolster our democratic systems.

The Hon. DANIEL MOOKHEY: I accept that if you become the first New South Wales Greens Treasurer you will make different choices than we will.

Ms ABIGAIL BOYD: I certainly would. On the second point, yes, they've been asking for this increase in funding for this long because they could see what was going to happen. We're moving into an atmosphere of heightened risk when it comes to voter interference and fraud, and we need to have very, very strong technology for our Electoral Commission. They have been putting in this bid all this time, and now we're being told that because of the Government's failure, your Government's failure, to fund them appropriately, we are looking at a very high risk of there being electoral failure in 2027. How can this be allowed?

The Hon. DANIEL MOOKHEY: Sorry, Ms Boyd, reading the transcript from yesterday, to be fair, the Government did actually fund their cybersecurity uplift to the tune of \$15.8 million, which was the part of their funding proposal which, I agree with you, needed to be funded to address the risk that you spoke about—particularly the concept of electoral interference with cyber systems.

Ms ABIGAIL BOYD: But what they said is they had no staff for that.

The Hon. DANIEL MOOKHEY: I'm coming to that. I don't dispute the right of the Electoral Commission to seek these changes, but I think, to be fair, what they're actually seeking is to change the labour model. Right now, the manner in which they are funded effectively sees that they—given that they predominantly conduct two sets of elections, which are local government elections and the State election, their model has heretofore been that they obviously scale up for that task. What they are seeking to do, and I don't begrudge their right to ask, is rather than a model which sees them scale up and scale down, they would like to keep it permanent. Just to be very clear what that involves, that does involve them increasing their staff numbers, I believe, to about 216. I don't begrudge their right to ask, but I do make the point that that is why they make the point that they have to scale down their labour—

Ms ABIGAIL BOYD: Okay, but let's be clear about what that is. They said at the moment they're reliant on third parties, and if they had sufficient staffing they would not have that inefficient extra cost of having to get third parties all the time and it would actually be cheaper and more efficient in the long run. We still haven't addressed the point that, even with the money for the cybersecurity, what they said yesterday was that Treasury had said to them they needed to put the additional staffing required for that into their request for re-baselining, which was then, they said, rejected—you might say deferred. The effect of that is they're telling us they do not have the staff in order to make these systems secure.

The Hon. DANIEL MOOKHEY: Ms Boyd, to be fair, I don't begrudge their right to ask, nor do I begrudge Treasury's right to provide advice. But, ultimately, the point that I make is that there are many cases that are meritorious that are presented to the committee. And I just make the point that with respect to this particular budget the ERC considered \$77 billion worth of funding requests at a time when the State had a \$12.6 billion reduction in its GST revenue, so of course we have to make priorities.

Ms ABIGAIL BOYD: But we're talking about \$80 million a year.

The Hon. DANIEL MOOKHEY: So you have some context—

Ms ABIGAIL BOYD: We're talking about \$80 million a year for the Electoral Commission to be able to do its job properly.

The Hon. DANIEL MOOKHEY: Yes, but just to be clear, Ms Boyd, on the recurrent side of the budget that's not a small ask. And to be fair to the Electoral Commission, yesterday they made that point too, that they weren't asking for a small amount. In fact—

Ms ABIGAIL BOYD: They said \$500 million over 10 years and \$323 million over 10 years.

The Hon. DANIEL MOOKHEY: No, it's \$500 million over four and it's a billion over 10. I don't begrudge their right to ask, and I expect that they will continue to ask. But I just make the point—

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Ms ABIGAIL BOYD: It's pretty fundamental, though, the integrity of our voting system.

The Hon. DANIEL MOOKHEY: Yes, and it was a hard decision. I'm not going to suggest for a second it was an easy one.

Ms ABIGAIL BOYD: It was the wrong decision, wasn't it?

The Hon. DANIEL MOOKHEY: Ms Boyd, I accept the fact that you'd make a different choice.

Ms ABIGAIL BOYD: Can I just raise another aspect of this? The reason why this first piqued my interest four years ago is because the disability community have been saying, "How on earth are people who are blind or vision impaired going to have the ability to cast a vote without a third party?" They loved iVote. Now iVote can't be used. This is yet another decision of your Government not to fund essential services and products for people with disability. It's really offensive. What have you done for people with disability in this budget? I can't find anything except for a \$1 million increase in taxi subsidies.

The Hon. DANIEL MOOKHEY: I think you'll find that when it comes to the provision of assistance to our citizens who have a disability the predominant form of State Government engagement is to ensure that they have access to adequate supports in light of the NDIS changes. But to specifically talk about—

Ms ABIGAIL BOYD: That's 10 per cent of people with disability in our State who can access NDIS. What about everyone else?

The Hon. DANIEL MOOKHEY: Sure, but it's very important, Ms Boyd, I'm sure you'd agree. The second point is that you make the point around the Electoral Commission's case around what I think they describe as technology-assisted voting. Again, I'm the first to accept that it has merit, but I'm also going to make the point that the Electoral Commission did release a report—

Ms ABIGAIL BOYD: It doesn't just have merit; it's a human right.

The Hon. DANIEL MOOKHEY: But I just make this point: The NSW Electoral Commission did also release a report in November 2023 that said:

TAV has inherent risks that, if they were to materialise, could impact the integrity and delivery of an election. These risks require mitigation steps, including strictly limiting eligible elector cohorts in the short term to those who require TAV for accessibility reasons ...

I think they're quite right to make that point.

Ms ABIGAIL BOYD: That's why they need the money.

The Hon. DANIEL MOOKHEY: I simply say that is part of the reason why we do think it's appropriate that there be an Electoral Commissioner in place for which we can have discussions around what is the right way in which to mitigate it. But I don't want to for a second suggest to you, Ms Boyd, that I'm underplaying the seriousness of the issues that you're raising.

The CHAIR: In the absence of Government questions, we will now have a break.

(Short adjournment)

The CHAIR: Welcome back, everyone. We will recommence the inquiry into budget estimates 2024-2025 for the area of the Treasury with questions from the Opposition.

The Hon. CHRIS RATH: Good to see you, Treasurer. It was good seeing you in my natural habitat of the Centre for Independent Studies the other day. I wanted to ask about inflation. Was modelling undertaken on the impact of the 2024-25 budget on inflation before you committed to new spending measures?

The Hon. DANIEL MOOKHEY: In essence, yes. As you would be aware, we also model inflation and publish our forecasts.

The Hon. CHRIS RATH: I know you model inflation, Treasurer, but for new spending measures, new projects and new increases in spending, were those measures modelled in terms of what impact they would have on inflation?

The Hon. DANIEL MOOKHEY: Yes, the standard forecast model would require them to assess levels of public demand that are contemplated by government and the relative effects. Obviously, that happens at a macro level across the budget forecasts, as you would be aware. That is a part of the methodology of the forecast, but I'm happy to have the secretary supplement if there's anything I missed.

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MICHAEL COUTTS-TROTTER: No.

The Hon. CHRIS RATH: Each individual project or program—new spending measures that you put in place—were they each tested as part of what impact they would have specifically on inflation, or was it just inflation?

The Hon. DANIEL MOOKHEY: No, that's not how it works because, obviously, inflation is a macro-economic variable, so you test the macro-economic impact of them in aggregate terms. To be fair to Treasury, in the event that they feel as though there is a particular measure that requires additional and supplementary advice to be provided, they do. We expect that. I respect their expertise. To the best of my recollection, I don't believe there were any such particular callouts in respect to inflation risk, in that respect.

MICHAEL COUTTS-TROTTER: No, there weren't. The operating expenditure is estimated to increase by 1.4 per cent in the coming year. That is extremely modest. Obviously, the Government has got a very significant infrastructure program, which is probably the most significant aspect of public demand, but it is not material in an \$830 billion economy.

The Hon. CHRIS RATH: So the budget hasn't added—

MICHAEL COUTTS-TROTTER: We think it's basically neutral when it comes to inflation.

The Hon. CHRIS RATH: The budget overall is neutral on inflation.

MICHAEL COUTTS-TROTTER: Yes, it's not making the Reserve Bank of Australia's task any harder.

The Hon. CHRIS RATH: How does that reconcile then with the Reserve Bank board, in its 7 May statement, saying that State and Federal public sector spending is growing strongly and that, if accompanied by further growth in public demand, this could sustain aggregate demand above the economy's supply potential and delay the return of inflation back to target?

The Hon. DANIEL MOOKHEY: Sorry, which RBA statement? Are you referring to the May Statement on Monetary Policy?

The Hon. CHRIS RATH: Yes, the monetary policy decision on 7 May.

The Hon. DANIEL MOOKHEY: Firstly, the 7 May SMP was issued—7 May, I think it was. That was a week before the Victorian budget and two months before mine. That's the first point. Secondly, you'll find, if you've read the latest Statement on Monetary Policy, which was issued, I think, in June—the June SMP—that they've made the points. I think you'll see that the RBA governor, in her evidence to the Senate, has also made the point that they factored it into their forecast. The third point I'd simply make is that that is precisely the reason why we have been very disciplined about our cost growth. That's why we are the only State on the eastern seaboard to have lowered our forecast borrowing and our issuance. Therefore, if you study the reaction of the market to our budget, you will find that, in the days afterwards, the reduction in our forecast borrowing saw the market lower New South Wales's borrowing costs by about 10 basis points, from recall.

MICHAEL COUTTS-TROTTER: That's right.

The Hon. DANIEL MOOKHEY: We also simultaneously managed to lower Victoria's and Queensland's as well.

The Hon. CHRIS RATH: It's still \$11.5 billion in deficits over the next four years. How can you say that that's not adding to inflation?

The Hon. DANIEL MOOKHEY: Mr Rath, it's a good question. I make the point that \$12.6 billion in revenue reduction is the predominant reason why the budget finds itself with its present forecast. It's not an expense issue. The second point I make is I'm glad that you are asking these questions—because you're entitled to criticise, perhaps, the scope and intention of the Government's spending position—but, just to be fair, your side of politics, since the election, has committed itself to \$62 billion of additional spending.

The Hon. CHRIS RATH: Treasurer, I'm not asking about that. I'm asking about the budget. I'm not asking about what we did in government or what our policies are now. I'm asking you about the budget, which is the point of budget estimates.

The Hon. DANIEL MOOKHEY: Indeed. I'm simply making the point that if you compare my budget to your proposed policies, my budget does more to reduce inflation than your proposed policies do—which is to see the level of spending rise by about \$62 billion.

The Hon. CHRIS RATH: Would you not say, Treasurer, that increases in public sector wages not met or offset by productivity improvements is inflationary?

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The Hon. DANIEL MOOKHEY: What you are asking for is a bit more complicated than that and, to be fair to you, Mr Rath, you know that.

The Hon. CHRIS RATH: So you can pay public servants an infinite increase and have no productivity improvements, and you don't think it adds to inflation?

The Hon. DANIEL MOOKHEY: Mr Rath, I'm not proposing to pay public servants an infinite increase.

The Hon. CHRIS RATH: Substantial increases.

The Hon. DANIEL MOOKHEY: What do you define as substantial?

The Hon. CHRIS RATH: I think 10.5 per cent is a substantial increase, and not offset by productivity improvements. How is that not inflationary?

The Hon. DAMIEN TUDEHOPE: Which you agreed that you would do.

The Hon. DANIEL MOOKHEY: Just to be clear—you think that the 10.5 per cent is excessive?

The Hon. CHRIS RATH: I think that's the floor that you've suggested. There could very well be more to come.

The Hon. DANIEL MOOKHEY: Just to be clear—

The Hon. CHRIS RATH: No, I'm asking the questions, Treasurer. You're not asking me the questions. How can you say that increases in public sector wages at a minimum of 10.5 per cent—and quite possibly a lot more to come—without increases in productivity improvements is not inflationary?

The Hon. DANIEL MOOKHEY: So that I can properly understand the context of your question—because I think you just changed it—your first question to me was whether infinite increases to public service wages is inflationary.

The Hon. CHRIS RATH: That's if you want to take the hypothetical question.

The Hon. DANIEL MOOKHEY: That's the question you asked me. It's not hypothetical. It's precisely the question you asked me.

The Hon. CHRIS RATH: Why don't you start by answering that one, and then I'll ask my second one.

The Hon. DANIEL MOOKHEY: I'll go back to my point then, which is I'm yet to come across anyone who has offered anyone an infinite increase in wages.

The Hon. CHRIS RATH: But you don't have a cap.

The Hon. DANIEL MOOKHEY: So your suggestion is that the Government's policy is for an infinite increase, is it?

The Hon. DAMIEN TUDEHOPE: It's uncapped.

The Hon. CHRIS RATH: No. You have a floor, but you don't have a cap.

The Hon. DANIEL MOOKHEY: And your view is that the floor is excessive? Are you saying that the floor is excessive?

The Hon. DAMIEN TUDEHOPE: Point of order—

The Hon. CHRIS RATH: Treasurer, I am asking the questions.

The Hon. DANIEL MOOKHEY: I'm trying to understand the questions.

The CHAIR: Order! As elucidating as this is, can we just have questions and answers rather than questions and more questions.

The Hon. CHRIS RATH: New question, Treasurer: With public sector wages increasing at a minimum of 10.5 per cent—and it could well be much more substantial than that in the future—without increases in productivity, how can you say that that's not inflationary or won't add to inflation?

The Hon. DANIEL MOOKHEY: Mr Rath, I would refer you to the RBA's SMP statement, which makes the point that, actually, you align wage growth to unit price growth. You'll find that if you were to undertake such a reconciliation between the Government's offer and the trend average on unit price growth you would see that the two numbers are closely correlated. Therefore, if you're asking me on a macro-economic perspective as to what the answer is to your question in a technical sense, the technical answer is that it turns on what you think is

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going to happen to unit price growth. Incidentally, there is a similar calculation that has to be undertaken by private sector employers as well. You'll find that the trend growth on unit price is traditionally the midpoint of the RBA plus one, which reflects the historic rate of productivity growth in the Australian economy and the New South Wales economy.

You're quite right to point out that there's been a deterioration in productivity from its trend numbers. But, if you're paying close attention to the detail that's been published by the RBA, you'll also see that they themselves are making the point that there is an uptick in productivity growth. To be fair to them, they are also making the point that it's quite an interesting question as to what's causing it and whether it will be sustained. To simply suggest, as you are, that 10.5 per cent over three years is radically different to what is provided by the RBA forecast—you'll find that it's not. You'll also find that our numbers are aligned closely with private sector trends as well. Therefore, I make the point that it's not my job to make predictions, but you'll find that the technical answer to your question is that. The principal answer to your question is that I do think that people have a fair and reasonable right to participate and get access to the income and wealth that is created by greater productivity through their wages.

The Hon. CHRIS RATH: So you don't believe that it's contributing, in the Reserve Bank's words, to delaying the return of a normal inflation target? And isn't it—

The Hon. DANIEL MOOKHEY: Sorry, now you're confusing two issues, Mr Rath. The first point you made, when you quoted the RBA, was about public demand. Public demand is different to wages.

The Hon. CHRIS RATH: Fuelled very much by wages.

The Hon. DANIEL MOOKHEY: Yes, but that's not what the RBA said.

The Hon. CHRIS RATH: When 45 per cent of the budget is public sector wages, how can you say that public demand, at a State level—

The Hon. DANIEL MOOKHEY: Mr Rath, you know the definition of public demand.

The Hon. CHRIS RATH: —is not led by wages when it's about half the budget?

The Hon. DANIEL MOOKHEY: Sorry, Mr Rath. I'm very happy to get technical on what is the definition of public demand. You'll find that when it comes to public demand, as it's ordinarily understood it's the aggregate spend, which incidentally includes the recurrent and capital components of the budget. Equally, you'll find that what you're referring to as 45 per cent of the budget is 45 per cent of the recurrent side of the budget. The budget encompasses its capital program in addition, and that changes some of the proportions. To be fair to you, it's still a high amount. I accept your point. The second point I'd simply make is, compared to what? Basically, what I'm inferring from your questioning is you would like there to be a wage reduction in nominal terms, and—

The Hon. DAMIEN TUDEHOPE: No, we want more productivity.

The Hon. CHRIS RATH: We're not suggesting that Treasurer, what I am suggesting is that—

The Hon. DANIEL MOOKHEY: But if you're saying that 10.5 as a floor is excessive and inflationary, then the implication is that you'd like it to be lower.

The Hon. CHRIS RATH: There's more to come. There's some unspecified amount to come in terms of wages.

The Hon. DANIEL MOOKHEY: That then invites the question, Mr Rath. The reality is, you're quite right to say, "At times of high inflation what is the appropriate form of macro-economic strategy?" In my view, it requires careful calibration. It also requires all of us to be making a contribution to inflation reduction. To simply suggest that it's the sole responsibility of wage earners to do it is a political position which you're entitled to take, but if you are going to take that position then you should be up-front about that.

The Hon. CHRIS RATH: Treasurer, you promised before the election that wage increases would be offset by productivity improvements. Have you broken your promise?

The Hon. DANIEL MOOKHEY: No.

The Hon. CHRIS RATH: Why not? Where are the productivity improvements?

The Hon. DANIEL MOOKHEY: I'll refer you to the following: In respect of the arrangement that was reached with respect to the paramedics, the fact that we were in a position to go from four classifications to seven classifications allowed paramedics to practise using more of their scope of training. It's a pretty significant productivity gain for the State, and therefore reasonable that we would obviously offer remuneration commensurate with the additional work that is being performed by paramedics. The second point I make is another

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example I point you to, which is when it comes to teacher vacancies. We were really pleased that a position that we reached in agreement with the Teachers Federation, after quite a lot of consternation, has seen New South Wales teachers become the best paid in the country. It has also seen us return 1,200 of the best teachers to the classrooms.

The Hon. DAMIEN TUDEHOPE: You stole all the money from the schools. You took all the money out of the schools.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: For example, kids who are in public schools—I know that there are a number of us who have kids in public schools—have gotten access to more of the best teachers. That's really important when you're trying to turn around 10 years of education decline. Mr Rath, no doubt we have a difference of opinion in this matter, but I just make the point that these benefits that we've been able to put as part of our wage policy have been done in a manner which is respectful of the State's fiscal position. You'll also find that when we put these changes through Parliament, we also made sure that the new system does take into account the State's fiscal position.

The Hon. CHRIS RATH: Could you table, Treasurer, a list of the productivity improvements and the dollar figure?

The Hon. DANIEL MOOKHEY: Let me see what additional information I can provide to you.

The Hon. DAMIEN TUDEHOPE: Treasurer, I was asking you previously about the issue in respect of mutual gains bargaining. The fact is that the Government is intent on forcing the unions into arbitration and, in fact, mutual gains bargaining is a sham, isn't it?

The Hon. DANIEL MOOKHEY: No.

The Hon. DAMIEN TUDEHOPE: Well, if you have 10 meetings and you get no concessions in relation to the nurses and midwives, or if you engage in a process where you force the firms into arbitration and then offer them a lower percentage, your strategy is to allow the Industrial Relations Commissioner to be the arbiter in relation to pay rises above 10½ per cent and you have no intention of using mutual gains bargaining to reach an outcome. Isn't that the case?

The Hon. DANIEL MOOKHEY: No. You'll find, Mr Tudehope—

The Hon. DAMIEN TUDEHOPE: Well, the facts say otherwise, don't they?

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

The Hon. DAMIEN TUDEHOPE: No, the "no" was good.

The Hon. BOB NANVA: Point of order: I just can't help but note that the question was longer than the answer that was allowed to be provided. I just ask—

The CHAIR: It was, and the Treasurer—

The Hon. DAMIEN TUDEHOPE: To the point of order: The Treasurer gave me the answer: no. I'll move on to the next question.

The CHAIR: No, that's totally disingenuous. He said no and then was taking a big breath and had some other things to say.

The Hon. DAMIEN TUDEHOPE: You say that, but the answer was no.

The CHAIR: I do say that. Treasurer, do you have anything else to say?

The Hon. DANIEL MOOKHEY: Mr Tudehope, as I made the point to you earlier this morning, the right to seek arbitration is a right for which the trade union movement has fought for more than a hundred-odd years. I was very pleased that we as a government sought a mandate to restore that right and very pleased that we as a government have acted on that right, and equally very pleased that unions that are wishing to exercise that right can do so free from any legal constraint that was previously imposed.

The Hon. DAMIEN TUDEHOPE: But there's no mutual gains bargaining. What's the purpose of the mutual gains bargaining?

The Hon. DANIEL MOOKHEY: But then I'd also make the point that we have introduced multiple bargaining streams into the Industrial Relations Act.

The Hon. DAMIEN TUDEHOPE: Which achieved nothing.

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The Hon. DANIEL MOOKHEY: All of which have achieved more than a wage cut system did. Surely you, Mr Tudehope, would appreciate the fact that under your wage cap system the number of hours—

The Hon. DAMIEN TUDEHOPE: Treasurer, don't attribute to me what the "surely" is. I'd rather just have your views.

The Hon. DANIEL MOOKHEY: Surely, Mr Tudehope, you will accept that under your wage cap system the State lost nearly 200,000 hours to industrial action.

The Hon. DAMIEN TUDEHOPE: Surely you'll agree with me, Treasurer, that mutual gains bargaining is a sham.

The Hon. DANIEL MOOKHEY: Well, I don't. But then, Mr Tudehope, it's for you therefore to say that if you think it's a sham, if you have the courage of your convictions—

The Hon. DAMIEN TUDEHOPE: Ask the nurses and midwives. Ask the Fire Brigade Employees' Union.

The Hon. DANIEL MOOKHEY: —then you would simply tell the nurses—

The Hon. DAMIEN TUDEHOPE: Ask them. Don't ask me; ask them.

The CHAIR: Mr Tudehope, please desist from talking over the top of the Treasurer. You've asked the question.

The Hon. DAMIEN TUDEHOPE: Ask the unions.

The CHAIR: Mr Tudehope, please don't talk over the top of me. You've asked a question. Allow the Treasurer to answer it, please.

The Hon. DANIEL MOOKHEY: Mr Tudehope, if you have the sincerity of your convictions, which I believe you do, then surely you would tell the nurses and you'd tell the firefighters that you don't like the mutual gains bargaining system and you think we should restore the wage cap system that was there beforehand.

The Hon. DAMIEN TUDEHOPE: If I had set up mutual gains bargaining in the circumstances that you set it up, I wouldn't use it as a sham and pretend to the unions that they were engaging in a process where you had no concept of or intent of delivering them anything. Let me move on. Has The Star casino paid any \$25,000-per-head penalties under the jobs guarantee agreement?

The Hon. DANIEL MOOKHEY: Not to my knowledge, no, because the jobs have been protected.

The Hon. DAMIEN TUDEHOPE: There have been no jobs lost at The Star casino?

MICHAEL COUTTS-TROTTER: There's been no breach of the jobs guarantee agreement.

The Hon. DAMIEN TUDEHOPE: So they've maintained their full head count each quarter?

The Hon. DANIEL MOOKHEY: The advice that I have is that they are satisfying the terms of the agreement.

MICHAEL COUTTS-TROTTER: Yes, as confirmed by the relevant union.

The Hon. DAMIEN TUDEHOPE: Does that include keeping on employees who have been found to be falsifying records?

The Hon. DANIEL MOOKHEY: The jobs agreement allows them to exercise disciplinary matters. That's not what it's designed to impede. But you'll also find that the way in which the jobs agreement has been constructed—

The Hon. DAMIEN TUDEHOPE: Are you aware whether or not they're still employed by The Star?

The Hon. DANIEL MOOKHEY: I don't know who you're referring to.

The Hon. DAMIEN TUDEHOPE: The employees who were—perhaps I can give you details of that and you can make those checks. When did you formally agree to change the deadline of 31 August 2004 for The Star casino to implement its cashless gaming, which was set under their deed?

The Hon. DANIEL MOOKHEY: Sorry, I didn't make such a decision.

The Hon. DAMIEN TUDEHOPE: Who did?

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The Hon. DANIEL MOOKHEY: I believe that the only person who has the power to determine that is not me. I see the regulator—

The Hon. DAMIEN TUDEHOPE: You were the—

MICHAEL COUTTS-TROTTER: Yes, it's Minister Harris.

The Hon. DAMIEN TUDEHOPE: You were the principal protagonist of the agreement, though, were you not?

MICHAEL COUTTS-TROTTER: No, not in relation to this.

The Hon. DANIEL MOOKHEY: No, but they're separate matters. What you're referring to is that the jobs agreement requires Star to participate in the introduction of cashless gaming on poker machines.

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: I think what you're referring to is carded play on tables. It's a different form of things.

The Hon. DAMIEN TUDEHOPE: No, I'm talking about the \$5,000 limit on cashless gaming.

The Hon. DANIEL MOOKHEY: Are you talking about table games, or are you talking about the poker machines?

The Hon. DAMIEN TUDEHOPE: Poker machines.

The Hon. DANIEL MOOKHEY: No, there has been no extension given to The Star. They are participating in the trial and they have introduced it on the poker machine side.

The Hon. DAMIEN TUDEHOPE: But they were in fact, were they not, required to implement cashless gaming by 31 August 2024.

The Hon. DANIEL MOOKHEY: On their poker machines?

The Hon. DAMIEN TUDEHOPE: To the best of my knowledge.

The Hon. DANIEL MOOKHEY: I think you're confusing the two, Mr Tudehope, with good faith. I think that the 31 August deadline applies to table games, but I'll double-check.

The Hon. DAMIEN TUDEHOPE: In any event, it goes to the question which has been previously asked. If you had a real commitment to dealing with problem gambling, why was the extension given to The Star in relation to the requirement to implement cashless gaming by 31 August?

The Hon. DANIEL MOOKHEY: Again, you'll have to direct the question to the relevant officials and Minister when they appear before estimates, because it wasn't an issue in which I exercised ministerial responsibility.

The Hon. DAMIEN TUDEHOPE: Treasurer, is there anyone in Treasury capable of leading the Government's negotiations with the concessionaires in relation to the changes to network tolling? Why do you have to look outside Treasury to do that?

The Hon. DANIEL MOOKHEY: To be fair, there are excellent people inside Treasury who are leading that work, and they are also getting access to expert advice as part of that project.

The Hon. DAMIEN TUDEHOPE: Why do you need a consultant to do it, though?

The Hon. DANIEL MOOKHEY: Because you privatised these toll concessions. You signed New South Wales up to a system that sees us pay out—

The Hon. DAMIEN TUDEHOPE: It's not about us.

The Hon. DANIEL MOOKHEY: To be clear about this, it's about you because you're the one who privatised these roads, and I have to say that in respect—

The Hon. DAMIEN TUDEHOPE: No, Treasurer, your Government has privatised just as many as us, let me tell you.

The Hon. DANIEL MOOKHEY: No, I'll simply make the point that you signed the people of New South Wales up to pay about \$190 billion worth of tolls over the next 45 years.

The Hon. DAMIEN TUDEHOPE: And how many did Labor governments sign up?

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The Hon. DANIEL MOOKHEY: You're the one who introduced this particular model, and it's one of the many issues of privatisation which have been left to us to deal with. I respect the fact that Treasury has great expertise here. I respect the fact that given the complicated—

The Hon. DAMIEN TUDEHOPE: Who is the lead negotiator for the Treasury?

The CHAIR: Order! Unfortunately, Mr Tudehope—have you concluded, Treasurer?

The Hon. DANIEL MOOKHEY: Just on the answer to that last question, who is the lead negotiator, my understanding is Treasury is currently in procurement.

The CHAIR: You would be aware that there are a significant number of large coalmines in New South Wales, open cut and underground, and that there is a pipeline of 19 large coalmines, either greenfield or coalmine expansions, on the books in New South Wales also. One of them, HVO, Glencore and Yancoal, if approved—I think it's currently before the department of planning and heading towards the IPC—would be one of the largest coalmines ever approved in Australia and the largest, I think, in New South Wales. New South Wales also has a legislated commitment to reach a 70 per cent cut in its scope one and two greenhouse gas emissions by 2035 and 100 per cent by 2050. If that pipeline of coalmines is approved, that will mean other sectors of the economy are going to have to cut harder and faster in terms of their greenhouse gas emissions to facilitate those mines and to meet our net zero commitments. Do you accept that as a proposition?

The Hon. DANIEL MOOKHEY: Potentially. In respect of that as a proposition, it turns on what you're classifying as scope 1 and scope 2. But I accept the premise of the question, yes.

The CHAIR: What modelling, if any, is Treasury doing on the economy-wide impact of sectors other than coal having to cut harder and faster when it comes to greenhouse gas emissions? What modelling are you doing on a possible approval of those coalmines?

The Hon. DANIEL MOOKHEY: To be fair, it is within the bailiwick of either the department of climate change and environment or the Net Zero Commission.

MICHAEL COUTTS-TROTTER: DCCEEW has the primary model. NARClIM2.0 I think is the next update of that model.

The CHAIR: That's the climate model?

MICHAEL COUTTS-TROTTER: That's the climate model.

The CHAIR: I'm not talking about a climate model. I'm talking about the impact of—

The Hon. DANIEL MOOKHEY: I think the scenario modelling that you're describing is this particular scenario and the responsibility to model it. The answer to the question is that Treasury is not modelling that because that falls within the responsibility of the department of climate change and energy. Also, to be fair, I think the Net Zero Commission's formation also can assist in that task.

The CHAIR: So at the moment the Treasury is not modelling and forecasting the impact of approved coalmines on other sectors of the economy, in terms of the cost to them of having to reduce their emissions potentially harder and faster?

The Hon. DANIEL MOOKHEY: Are you talking about proposed mine expansions or approved mines?

The CHAIR: Both. A lot of them are already approved mines but they are expanding.

The Hon. DANIEL MOOKHEY: On the approved mining side of that equation, Treasury would rely on the outputs of the model that the secretary just referred to. That is designed to ensure that the Government has one source of modelling. We don't really like the idea that the Government, on such forecasts, would have different and competing models. It's fine for the models to be challenged, but it's important that there is one model that the Government does rely on. I think it is appropriate that the climate change, environment and water department has custody of that model.

The CHAIR: That's the NARClIM model?

The Hon. DANIEL MOOKHEY: Yes. The second aspect is, in terms of the scenario modelling that you are describing, which is this particular scenario, I don't know if Treasury has had access to it. I don't know if they've modelled it, but I'm sure we can find out for you.

MICHAEL COUTTS-TROTTER: I can take it on notice.

The CHAIR: But your suggestion was it was probably in the bailiwick of the commission.

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The Hon. DANIEL MOOKHEY: Yes. To be fair, it's because they are obviously the policy lead here.

The CHAIR: When constructed, what impact will the Narrabri Gas Project have on east coast gas prices?

The Hon. DANIEL MOOKHEY: The proponents say they intend to dedicate 50 per cent of the supply to New South Wales. That is the first point. But the direct price impact of that project turns, fundamentally, on the international benchmark for which gas is generally priced in New South Wales.

The CHAIR: So that means none?

The Hon. DANIEL MOOKHEY: It's a very good question. It's hard to predict because obviously it's good that if such a project was to be developed, the intention is to provide it domestically.

The CHAIR: Why is that?

The Hon. DANIEL MOOKHEY: In the absence of a gas reservation policy—

The CHAIR: But we have a gas reservation policy.

The Hon. DANIEL MOOKHEY: We don't have one on retrospective programs, which is the majority of the supply that is produced in Australia. I should make the point that I do think that it would have been wiser for the nation to have introduced a reservation policy 15-odd years ago.

The CHAIR: Or in 2013 when I called for one.

The Hon. DANIEL MOOKHEY: You did call for it in 2013. I was specifically referring to 2009, when the AWU called for it. But, either way, take whichever period or scenario in which we would have been better off.

The CHAIR: From what I'm hearing you say, the impact of the Narrabri Gas Project on east coast gas prices will be zero.

The Hon. DANIEL MOOKHEY: I'm not saying that.

The CHAIR: But you're saying that the east coast gas price is linked to the—

The Hon. DANIEL MOOKHEY: I'm saying it's hard to predict, because it does turn on the volume of supply that is in the east coast market in general.

The CHAIR: Previously, you've argued against approval of the Narrabri Gas Project.

The Hon. DANIEL MOOKHEY: I did.

The CHAIR: I think you were a duty MLC out at Coonamble, if I recall.

The Hon. DANIEL MOOKHEY: Yes, that's correct.

The CHAIR: You gave a few stump speeches out there. They were quite good; I didn't mind those. What impact will the Narrabri Gas Project have on the cost of living for people in New South Wales?

The Hon. DANIEL MOOKHEY: I'm not in a position to tell you. That is the honest answer on that particular question, other than I hope that, in the event that the project goes ahead, it lowers the cost of living. Obviously, that does turn on the gas intensity and household consumption. I should make the point that the majority of gas consumption is by industrial businesses, so it's not a major part of the household energy mix. But you're quite right to say it does help set the price of other forms of energy. So there is a correlation, is what I would accept. You make a point of my previous opposition to it. I would simply make the point that my opposition then was, and still is, about what impact the project would have on the Great Artesian Basin. But I should make the point that that position was taken to an election. It wasn't endorsed by the people of New South Wales, and we have made the point since that we respect the independent planning processes that have taken place since.

Ms ABIGAIL BOYD: Treasurer, we were talking earlier about my concerns with this budget having very little for people with disability in our State. In fact, I think there was that \$1 million in extra taxi subsidy that we could find and that was about it. Did people in Cabinet not come and actually ask for money for people with disability or was it rejected?

The Hon. DANIEL MOOKHEY: I'm not necessarily sure, Ms Boyd, that I would agree with your characterisation that that's all there is, but I do accept your point that that's all you saw, in terms of what you saw. I would make the point, when it comes to disability, there are other initiatives I would point to. Firstly, the refuelling of the budget available for the Transport Access Program is one example. Another example, of course, is the provision of additional assistance in our education system for kids who have a disability.

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Ms ABIGAIL BOYD: Sorry, can we go back to that first one? The Transport Access Program is the one that people with disability are a bit frustrated with because it has been over 20 years since we signed up to the Federal agreement to make all of our transport accessible. This was merged with the car park program, I understand, and now it's very unclear for us to see what exactly is—

The Hon. DANIEL MOOKHEY: My best recollection is that the TAP is still a program. It's in isolation and we continue to fund it. I'll happily come back to you on detail on that.

Ms ABIGAIL BOYD: Was there an increase in funding?

The Hon. DANIEL MOOKHEY: Certainly in the last budget, yes. Let me check the details, but I'm fairly positive, from memory, that this is one of those projects that was slated to be on a fiscal cliff. We were happy to be in a position to provide it with additional resources. But I accept this it's a very important program that has led to people having more access to public transport. To be fair to the Transport Access Program, it should be a continuous program. It should be going for 20 years. It should be going for more than 20 years.

Ms ABIGAIL BOYD: No, but it didn't get started for at least 20 years. I understand that you weren't in—

The Hon. DANIEL MOOKHEY: I've only been in Treasury for 15 months.

Ms ABIGAIL BOYD: I know. We did have a Labor Government in some of that time, and they didn't do anything either.

The Hon. DANIEL MOOKHEY: Ms Boyd, maintain your rage, as one Labor leader put it. I would make the point that, well and truly, I think you and I both agree how important that program is. Let me see if I can get you additional information about disability communities in the budget. We'll see if we can track down a more specific list of information for you on that.

Ms ABIGAIL BOYD: That would be really good. Also, I was quite disappointed with some of the responses to some of the supplementary questions and questions taken on notice in the last budget statements. I assume you sign off on them.

The Hon. DANIEL MOOKHEY: I do. I'm sorry to have disappointed you.

Ms ABIGAIL BOYD: I was quite disappointed.

The Hon. DANIEL MOOKHEY: I'm not sure I can promise to do any better, but I will try.

The Hon. DAMIEN TUDEHOPE: You should. Some of the answers are disgraceful.

Ms ABIGAIL BOYD: One of the issues that you and I both spoke about when you were in opposition was in relation to having a more transparent budget document. I appreciate that you've inherited quite a scrambled mess of a government to try to wrap our heads around. However, one of the things that the domestic and family violence sector have been calling for, for a long time, is in relation to having a very specific line item in which we can see exactly how much is being spent on programs, rather than having to ask every time in estimates about exactly what you're funding where.

I asked about this in a supplementary question. I said, "Will you commit to clearly stated budget line items to ensure spending on domestic and family violence prevention and response in New South Wales can be tracked?" The answer I got back was, "The financial aggregates in the budget are prepared each year in accordance with the Uniform Presentation Framework and the Australian Accounting Standards."

The Hon. DANIEL MOOKHEY: It's a great answer.

Ms ABIGAIL BOYD: It's obviously not what I was asking. I wasn't asking, "Are you in compliance with applicable accounting standards?" Obviously, you are. I was asking if you would provide transparency over domestic and family violence funding.

The Hon. DAMIEN TUDEHOPE: That's one of the less egregious examples.

Ms ABIGAIL BOYD: I will come to the others.

The Hon. DANIEL MOOKHEY: Firstly, Ms Boyd, the idea that we should take for granted that governments comply with accounting standards—as you and I have learned—is not something that we should necessarily assume.

Ms ABIGAIL BOYD: That is also fair.

The Hon. DANIEL MOOKHEY: The second point—and this is a far more serious point—is that the uniform financial presentation is designed to ensure that State budgets, firstly, are comparable to each other and,

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secondly, are prescribed as a standard by the ABS. We all have to follow it. The second point about budget papers, *per se*, is that they have to reflect appropriations, which means that—as you are well aware, particularly when it comes to the intervention of family and domestic violence—there is a series of interventions that are undertaken by separate appropriations. That is why you can't necessarily identify by a program level; it is a component of a broader appropriation.

In this particular case, obviously, it's the Department of Family and Community Services, the health department and education department—lots of things. That's in *Budget Paper No. 01*. But you'll also recall that you're talking about the supplementary questions. But you also asked me about the broader budget papers and I made the point that part of the reason we engaged in reform of *Budget Paper No. 02* and the incorporation of a wellbeing framework was to pick up on the valid point you are making, which is that we can make information more accessible.

Ms ABIGAIL BOYD: But there are particular line items, for example, the funding of frontline workers in domestic and family violence services, which would be easy to actually specify and state. That would be really helpful.

The Hon. DANIEL MOOKHEY: Yes, but you have to reconcile with the legal requirement to publish it in appropriation form. So if you pick up, for example—

Ms ABIGAIL BOYD: You could provide that information as part of the supplementary papers. It's a choice, isn't it, as to how you actually specify a whole bunch of this information when certain things are drawn out as being, "Look, we're doing this; we're doing that"? Why not that? Why not, "This is how much we are spending"?

The Hon. DANIEL MOOKHEY: To be fair, in this particular budget, I don't think the Government hid the fact that we have made the biggest single increase in emergency and other support for domestic and family violence.

Ms ABIGAIL BOYD: I would not be going down this track, Treasurer, when we are still at two-thirds of what they have in Victoria.

The Hon. DANIEL MOOKHEY: I have to. To be fair, Victoria started this process back in 2014. We didn't. We weren't in at that time. In my first two budgets I have substantially—not me, but the Government, in partnership with the sector, who we deeply respect—increased it. I take your point about the fact that in particular we do want to make information more accessible and easily understandable, which is why the Finance Minister is leading the work around the reform of *Budget Paper No. 02*, which is the wellbeing framework. We look forward to working with you and others in that process.

Ms ABIGAIL BOYD: So two things out of that. The first one is this answer to my supplementary question was not an answer, was it?

The Hon. DANIEL MOOKHEY: To be fair—

Ms ABIGAIL BOYD: No.

The Hon. DANIEL MOOKHEY: To be fair, I always made the point that supplementary questions are an addition to the evidence that I gave in the committee. I think it's reasonable that you read the supplementary in accordance—

Ms ABIGAIL BOYD: It is very clear: Will you commit? The answer is, "We prepare in accordance with"—you know as well as I do that is not an answer.

The Hon. DANIEL MOOKHEY: It's an answer. You just don't like the answer. You disagree with the position.

Ms ABIGAIL BOYD: It is an answer to a completely different question, which would have been, "Do you prepare in accordance with accounting standards?" You would have said, "Yes, we do." That's not the question. The question asked was, "Will you commit to a clearly stated budget line item in relation to domestic and family violence spend?" You've not answered that question. You've just answered a completely different one.

The Hon. DANIEL MOOKHEY: I will commit to ensuring that the budget papers comply with the legal requirements and other presentational requirements.

Ms ABIGAIL BOYD: That's still not what was asked.

The Hon. DANIEL MOOKHEY: And I will commit to seeing what further information we can provide in our budget papers.

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Ms ABIGAIL BOYD: Separately—and I have my own views on why this is and I would really appreciate a candid response—it seems that the Government is far more keen to fund new things than it is to increase existing things. We see it a lot in the domestic and family violence sector, where we see, for instance, a sector that is asking for frontline workers in existing services and to have their funding increased by double, basically, in order to meet demand. They keep asking for that, and then in every budget, whether it's your Government or the previous one, we get, "Here's some capital spend on a brand new refuge" or "Here's a program or initiative that we decided to put money into." There is never funding for what some might think of as just not being as media worthy, which is actually increasing the core funding for these services. Why is that?

The Hon. DANIEL MOOKHEY: Firstly, I don't consider there to be a trade-off between new and existing. Secondly, I think it's very important that we do have new and additional resources here. I point to two particular initiatives. I refer to the emergency package, but I also refer to the fact that this budget made the biggest single investment in the expansion of social housing that any Government has made since World War II, half of which will be available for the family survivors of domestic violence. That is huge.

Ms ABIGAIL BOYD: We will come back to that as well, because the numbers are very odd.

The Hon. DANIEL MOOKHEY: The second point I make is that you brought a point around the particular issues to do with the campaign that has been led by NCOSS and others for a baseline funding increase for the organisations that are not-for-profit that participate in the sector. We are working with them on that. The first point I would make is that with the work we have done in respect of that particular campaign, we have been the first Government to commit to the introduction of long-term contracts. I think you make the point about the sector. The sector has a series of requests. The first is that they would like to have security of funding. That is why we have a reform process in plan with NCOSS and the ASU for the introduction of five-year funding agreements.

Ms ABIGAIL BOYD: I look forward to that being actually rolled out.

The Hon. DANIEL MOOKHEY: We have made it clear that as part of that process we want to be sure that these very important partners of the Government are supported.

Ms ABIGAIL BOYD: Sorry to interrupt you, but it is quite a long answer.

The Hon. DANIEL MOOKHEY: It was a long question.

Ms ABIGAIL BOYD: A little while back you said that you were working in consultation with the domestic and family violence sector in working out what was important. But the domestic and family violence sector have said nothing other than the funding for their core services is the number one priority.

The Hon. DANIEL MOOKHEY: No, that's not true.

Ms ABIGAIL BOYD: Domestic Violence NSW, as the peak body, has been putting that forward over and over as the most important priority, and yet that keeps getting ignored.

The Hon. DANIEL MOOKHEY: That's not the only thing they have said. Of course, they have said it. And I respect very much the contribution and the role that Domestic Violence NSW plays. Which is why I asked them, coincidentally, to co-chair the shared equity redesign scheme. They did that work and it was fantastic work. They were the first ones to actually define who is a victim-survivor.

Ms ABIGAIL BOYD: Why are we ignoring their advice?

The Hon. DANIEL MOOKHEY: We're not. That's my point.

Ms ABIGAIL BOYD: But we're still not doing the very basic thing. People are being turned away because there are not enough people. These workers are being burned out because the demand is so high.

The Hon. DANIEL MOOKHEY: Ms Boyd, I have no doubt that those people who are responding to family and domestic violence do an incredible job—

Ms ABIGAIL BOYD: Is it because it sits on the recurring spending?

The Hon. DANIEL MOOKHEY: No. Ms Boyd, could you let me finish?

Ms ABIGAIL BOYD: Is that why we are not funding it?

The Hon. DANIEL MOOKHEY: No. I'll answer part of that issue. There are two issues there. Firstly, it is Domestic Violence NSW and NCOSS and it's also the Australian Services Union. We are working with all of them on this particular challenge that you are making a point on—which is a very valid point—about the challenge of keeping and recruiting people who are capable of responding to family and domestic violence. I can point to a series of changes that we have implemented that address their concerns. Equally, I accept the fact that they would

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like more. I would just point out that in addition to the other issues we have put in place, in both budgets we have incidentally accepted that when there is a wage increase handled by the Fair Work Commission, we will pass it on. We have done that as a crucial step in response to their advocacy. That's the first point on what we've done.

The second point is that we are introducing portable entitlement leave. That is also a very key ask. What I am saying, Ms Boyd, is that we are working through the requests. Does it mean that every request is going to be granted on day one? No. But we're not dismissing the problem. Nor are we suggesting that the problem is illegitimate. But we are being honest and truthful about the programs and reforms that are required for us to be in a position to make such decisions around what they are asking for. I am not going to tell Domestic Violence NSW to stop campaigning. I'm going to continue to make the point to them, "Please tell us what more you need."

Ms ABIGAIL BOYD: They won't be able to soon. They'll be too exhausted.

The Hon. DANIEL MOOKHEY: To be fair, I don't think that's true either, Ms Boyd. They are very, very good advocates. To be fair to them, in response to some of the terrible tragedies that we have seen this year, caused by men to women, Domestic Violence NSW has been an incredible partner for the Government in navigating these very complicated issues.

Ms ABIGAIL BOYD: Yes, you're very lucky.

The Hon. DANIEL MOOKHEY: We are.

Ms ABIGAIL BOYD: You should listen to them.

The Hon. DANIEL MOOKHEY: I'm not going to suggest for a second that as an organisation they are anything other than an ideal partner to work with. But that doesn't mean we agree on everything at the same point in time.

The Hon. DAMIEN TUDEHOPE: Treasurer, do you recall before the election an interview you did—I think it may have been with Lachlan Kennedy—where you committed to no new taxes during the next four years of government?

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

The Hon. DAMIEN TUDEHOPE: Do you recall an interview that you did before the election where you committed to no new taxes? I think it was with Lachlan Kennedy.

The Hon. DANIEL MOOKHEY: I do.

The Hon. DAMIEN TUDEHOPE: So you say, in relation to that, having seen the submissions on the short-term rental framework which closed six months ago, that there will be no new taxes introduced in relation to the short-term rental market?

The Hon. DANIEL MOOKHEY: Sorry, what was the question?

The Hon. DAMIEN TUDEHOPE: Do you say or tell us that there will be no new taxes introduced in respect of the short-term rental market?

The Hon. DANIEL MOOKHEY: The short-term rental consultation paper which you're referring to is canvassing a series of policy initiatives that are designed to ensure that there is no further leakage of rental stock from long-term rental to short-term rental and, equally, a return of stock from short term to long term. That is important because we have had evidence, undertaken by the Treasury, in fact, that does suggest that there has been a migration—and I'm going off memory now—to the extent of about 45,000 over the last five years that may have otherwise stayed in the long-term rental market. That does have an impact on price. I think it is—again, from memory—circa 1 to 1.3 per cent of rent, but I will double-check that number. That is the problem that is described in that consultation paper.

The Hon. DAMIEN TUDEHOPE: I accept the problem.

The Hon. DANIEL MOOKHEY: The consultation paper canvasses a number of initiatives that the Government could take in response to that, one of which is the one you've referred to, which is the introduction of a charge. The second is further restrictions on the number of days, and there are other such initiatives that are proposed in response to that particular problem.

The Hon. DAMIEN TUDEHOPE: Would you rule out the introduction of a new charge?

The Hon. DANIEL MOOKHEY: I would simply make the point that what has been interesting about that process is the feedback that it has yielded, and equally about what initiatives could work and what initiatives the community would accept. What has been fascinating has been the fact that there is a widespread consensus

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that the problem does need to be tackled and there is still work to do about which is the right initiative to be pursuing to address the problem. It's my intention to, of course, allow that consultation process to take place in good faith.

The Hon. DAMIEN TUDEHOPE: But in acknowledgement of the commitment that you made, can you rule out the charge?

The Hon. DANIEL MOOKHEY: I'll simply make the point that in this particular budget we didn't impose the charge.

The Hon. DAMIEN TUDEHOPE: I'm well aware of that.

The Hon. DANIEL MOOKHEY: Given that this is budget estimates, I would refer you to the budget.

The Hon. DAMIEN TUDEHOPE: Well, no. I'm giving you an opportunity, having discussed the options which are being canvassed in the discussion paper, one of which included a charge. In view of the commitment which you made before the election, will you rule that out?

The Hon. DANIEL MOOKHEY: Again, I just refer you to my earlier answer, Mr Tudehope, which is that the Government is consulting in good faith. It is good faith for us to consult.

The Hon. DAMIEN TUDEHOPE: Along those lines, the commitment which you made was also a commitment not to increase taxes. I think you were asked some questions earlier in relation to the point of consumption tax. Will you rule out an increase in that tax?

The Hon. DANIEL MOOKHEY: I think I made clear that the point of consumption tax is one component of a broader funding arrangement for the racing industry. I also described in some detail the consultations that the Government is undertaking. I will simply make the same point I just made in respect of your questions about the short-term rental, which is that I think it is fair and appropriate that we allow that process to take place in good faith.

The Hon. DAMIEN TUDEHOPE: Are you preparing us all for a broken promise?

The Hon. DANIEL MOOKHEY: Well, Mr Tudehope, what I would simply say is—

The Hon. DAMIEN TUDEHOPE: You said no new taxes.

The Hon. DANIEL MOOKHEY: Yes, and the point of consumption tax you introduced. It is not a new tax. I'd also make the point—

The Hon. CHRIS RATH: Are you going to increase it?

The Hon. DAMIEN TUDEHOPE: Or an increase in it?

The Hon. DANIEL MOOKHEY: But I also make the point that when it comes to the point of consumption tax, the Government is looking at its appropriate design and, equally, its interactions with the racing distribution agreements for the purposes of determining whether or not the racing industry can continue to fund its operations. Given how important the racing industry is to lots of people, particularly those who work within it, I think it is fair and reasonable that we undertake that process in good faith.

The Hon. DAMIEN TUDEHOPE: In view of the commitment which you gave—and this is your opportunity, Treasurer. This is your opportunity to ensure that when you made that commitment, you were telling the truth. You will not increase the point of consumption tax and you won't impose a short-term rental tax?

The Hon. DANIEL MOOKHEY: I will just make the point that I just did, which is that I'll refer you to my previous answers.

The Hon. DAMIEN TUDEHOPE: So you won't give the commitment?

The Hon. DANIEL MOOKHEY: Mr Tudehope, I think I've answered your question four times—five times now.

The Hon. DAMIEN TUDEHOPE: No, you haven't answered. I've asked you for the commitment.

The CHAIR: What was the commitment again, for us?

The Hon. DAMIEN TUDEHOPE: That he will not be introducing a short-term rental charge.

The Hon. DANIEL MOOKHEY: As you can see in the budget papers, we did not introduce a short-term rental charge.

The Hon. DAMIEN TUDEHOPE: You haven't; I'm asking "will".

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The Hon. DANIEL MOOKHEY: And I'm saying to you—

The Hon. DAMIEN TUDEHOPE: You still commit to your pre-election promise?

The Hon. DANIEL MOOKHEY: Yes. I'm making the point to you, Mr Tudehope, that the pre-election commitment didn't preclude us from engaging in reform conversations, and therefore we will continue to do so in good faith. But when we have a change to announce, I'm sure you'll be the first to know.

The Hon. DAMIEN TUDEHOPE: Premier—

The Hon. DANIEL MOOKHEY: Not Premier; I'm the Treasurer. You're using yesterday's questions, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: Do you have designs on—

The Hon. CHRIS RATH: What's your definition of "tax", Treasurer?

The Hon. DANIEL MOOKHEY: My definition of tax? I knew you'd ask! I rely on the definition that was given by Chief Justice Latham back in 1936, I think.

The Hon. CHRIS RATH: So up to date, then.

The Hon. DANIEL MOOKHEY: It is a compulsory extraction of money by a public authority for public purposes enforceable by law and is not a payment for services rendered. All of us students of constitutional history know full well the circumstances that led to Chief Justice Latham making that finding. I think it was to do with the complex taxation of cemeteries and the contributions therefore. That's the definition that I rely upon, Mr Rath.

The Hon. DAMIEN TUDEHOPE: You will use the one that suits you best, I am sure.

The Hon. DANIEL MOOKHEY: I am using one the High Court has provided.

The Hon. CHRIS RATH: In 1936.

The Hon. DAMIEN TUDEHOPE: You will use the one that allows you to obfuscate and get around the commitments—

The Hon. DANIEL MOOKHEY: Are you suggesting—

The Hon. DAMIEN TUDEHOPE: I am suggesting.

The Hon. DANIEL MOOKHEY: —that this form of law that has been the law of the land for nearly a century is wrong?

The Hon. DAMIEN TUDEHOPE: I am suggesting, Treasurer, that you will use whatever means is necessary to, in fact, break your commitment.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: I had to write quite a few papers on the definition of a tax.

The Hon. DAMIEN TUDEHOPE: Your opportunity today was to make your commitment, and you have refused to do so.

The CHAIR: Order! Can we have a question, Mr Tudehope?

The Hon. DAMIEN TUDEHOPE: Let's move on. You are aware of the current location of Dorothy and Betty?

The Hon. DANIEL MOOKHEY: Excuse me? Oh, the boring machines?

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: I haven't tuned in this morning.

The Hon. DAMIEN TUDEHOPE: But they're moving—well, incrementally—the two tunnel digging machines.

The Hon. DANIEL MOOKHEY: They're moving!

The Hon. DAMIEN TUDEHOPE: They are!

The Hon. DANIEL MOOKHEY: Which is good to hear, I have to say. I always prefer to hear of boring machines that are—I know you've got some experience with boring machines, Mr Tudehope. We may be seeing some of it now.

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The Hon. DAMIEN TUDEHOPE: I have to say that we have one of the best tunnel boring machines—

The Hon. DANIEL MOOKHEY: You are one of the best borers I have come across.

The Hon. DAMIEN TUDEHOPE: Thanks. But on a serious note, we have a workforce second to none in the world in relation to—

The Hon. DANIEL MOOKHEY: Boring.

The Hon. DAMIEN TUDEHOPE: —the delivery of creating tunnels using boring machines. Don't deprecate that workforce, which we have delivered to you.

The CHAIR: Mr Tudehope, can we have a question rather than lengthy preambles?

The Hon. DANIEL MOOKHEY: I, too, respect the people who bore in New South Wales.

The CHAIR: And, dare I say, boring preambles?

The Hon. DAMIEN TUDEHOPE: Will they have passed the Rosehill site before any determination will have been made in relation to the unsolicited proposal which is currently with the Government, which is really a solicited proposal?

The Hon. DANIEL MOOKHEY: Mr Tudehope, I just refer you to the answers that the Premier gave you yesterday when you asked him this. I have no further information to provide you on that than the Premier provided you yesterday. I recall when you asked, I think, the exact same question yesterday.

The Hon. DAMIEN TUDEHOPE: No. I'm coming to a different—I want to know what advice—

The Hon. DANIEL MOOKHEY: No, I'm fairly positive you asked the same question less than 24 hours ago. I have no further information to provide you than what the Premier did yesterday.

The Hon. DAMIEN TUDEHOPE: I didn't ask the Premier anything about boring machines.

The Hon. DANIEL MOOKHEY: No, you asked—

The Hon. DAMIEN TUDEHOPE: If you want to check the *Hansard*, I asked him—

The Hon. DANIEL MOOKHEY: Okay, I withdraw that you asked it of the Premier; you may have asked it of Mr Draper.

The Hon. DAMIEN TUDEHOPE: What advice has Treasury provided about the potential cost of retrofitting a station after the tunnel has been constructed?

The Hon. DANIEL MOOKHEY: To be fair to Treasury, I think Treasury are awaiting to see the outcome of that particular proposal before they engage at that level. But, to be fair, such modelling would first be undertaken not by Treasury.

The Hon. DAMIEN TUDEHOPE: One of the issues which has been raised in relation to this proposal, of course, is that assessments are being done in relation to the proposal and the cost of those assessments is being borne by the people of New South Wales. Why isn't the nature of an unsolicited proposal, if that's what it truly is, such that the proponent would pick up the cost to the State of the consideration of that proposal?

The Hon. DANIEL MOOKHEY: Mr Tudehope, your Government designed the unsolicited proposals process. We haven't changed it, so it's the same process.

The Hon. DAMIEN TUDEHOPE: You could have as a condition—and in fact I think the secretary made the concession yesterday that it is something that they could consider.

The Hon. DANIEL MOOKHEY: It's the same process that your Government used to decide whether or not to build the NorthConnex. It's the same process that your Government used to decide whether or not to build a casino. I would simply say that we are following the same process that your Government designed. If your view is that your Government was deficient in that design process, then I look forward to you providing some additional reforms. Can I just make the point about Rosehill: Obviously, it's a matter for the ATC members as to whether or not they wish to pursue the proposal, but we shouldn't ignore its potential, particularly to provide housing at a time of acute housing shortage. I make the point that your former member for Parramatta—

The Hon. DAMIEN TUDEHOPE: I didn't ask that question.

The Hon. DANIEL MOOKHEY: But, Mr Tudehope, I haven't finished.

The Hon. DAMIEN TUDEHOPE: Treasurer.

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The Hon. BOB NANVA: Point of order—

The Hon. DAMIEN TUDEHOPE: This is unresponsive to the question, quite frankly.

The Hon. BOB NANVA: The procedural fairness resolution requires courtesy be extended to the witness. The Treasurer was providing important context to the answer which he was giving to Mr Tudehope's question. I just ask that he be heard in silence.

The Hon. DAMIEN TUDEHOPE: To the point of order: The Treasurer was not being relevant to the question I asked.

The Hon. BOB NANVA: Further to the point of order: There is wide latitude given with respect to relevance at budget estimates hearings, and I would suggest it was still a relevant response to a question asked.

The Hon. DAMIEN TUDEHOPE: Wide latitude doesn't allow him to answer a question which wasn't asked.

The CHAIR: I uphold the point of order. The Treasurer was providing context and wide latitude is given to members. We should treat all witnesses with courtesy at all times and desist from interjecting.

The Hon. DANIEL MOOKHEY: I was just saying, Mr Tudehope, we shouldn't ignore the potential for Rosehill to play a unique role in solving the housing shortage that is affecting lots of people, and that is not just—

The Hon. DAMIEN TUDEHOPE: Correct. We support the concept, Treasurer. However, we want the process to be right. In relation to any unsolicited proposal which was accepted by the previous Government, it didn't come from the Premier's mate. It didn't come from a mate. This is the problem we're facing here, isn't it? This is an unsolicited proposal which has come from the Premier's mate.

The Hon. DANIEL MOOKHEY: Mr Tudehope, you're inviting me to speculate on the previous Government's engagement.

The Hon. DAMIEN TUDEHOPE: Did the two which you identified—the casino and the NorthConnex—come from mates?

The Hon. DANIEL MOOKHEY: Your use of the USP process was a lot broader than that, and you know that.

The Hon. DAMIEN TUDEHOPE: I do.

The Hon. DANIEL MOOKHEY: Equally, I just make the point that I take you at your word when you say you support Rosehill.

The Hon. DAMIEN TUDEHOPE: Absolutely.

The Hon. DANIEL MOOKHEY: You support Rosehill?

The Hon. DAMIEN TUDEHOPE: We support the whole principle of additional housing being supplied.

The Hon. DANIEL MOOKHEY: At Rosehill?

The Hon. DAMIEN TUDEHOPE: If in fact the members are properly consulted in relation to it and there is a proper process which has been gone through, absolutely—and that the infrastructure is available, all those things which need to be considered.

The Hon. DANIEL MOOKHEY: But see, that's fascinating, Mr Tudehope, because, to be fair, the former member for Parramatta texted this in to a radio show—this is Geoff Lee. He said, "I always wanted an extra station at Rosehill but couldn't convince my own side. Minns has made a bold move and he's done the right thing here." That's what you agree with?

The Hon. DAMIEN TUDEHOPE: If there is to be a railway station to support 25,000 new—

The Hon. DANIEL MOOKHEY: You're happy for it to be at Rosehill?

The Hon. CHRIS RATH: Can we ask the question, Treasurer, rather than—as fun as it is, I think the shadow Treasurer can ask you a question.

The Hon. DANIEL MOOKHEY: I'm just trying to properly appreciate your position on this.

The Hon. DAMIEN TUDEHOPE: I can tell you, though, that if I was sitting there, I would be very concerned about a process where we're accepting unsolicited proposals from mates.

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The Hon. DANIEL MOOKHEY: But Geoff Lee has made the point that it's "a bold move and he's done the right thing here". I just make the point—I agree with Geoff Lee on that. I thought he was an energetic member for Parramatta.

The Hon. DAMIEN TUDEHOPE: There is a legitimate argument, isn't there, Treasurer, to have an additional station to support housing—

The Hon. DANIEL MOOKHEY: Then why didn't you put one in?

The Hon. DAMIEN TUDEHOPE: —at Camellia—

The Hon. DANIEL MOOKHEY: Camellia?

The Hon. DAMIEN TUDEHOPE: —and the surrounds of Rosehill in any event.

The Hon. DANIEL MOOKHEY: Let's talk about Camellia, then, because you're talking about cost. You're talking about the costs incurred in the Government considering a proposal at Rosehill which, as I understand from the evidence that was given by Mr Draper yesterday, is circa \$1 million. Your Government paid out \$101 million extra on buying a highly polluted site for the Parramatta light rail stage two project, which I haven't forgotten. So when you're asking me am I concerned about the cost—

The Hon. DAMIEN TUDEHOPE: I'm concerned about delivering housing.

The CHAIR: Order! Mr Tudehope—

The Hon. DAMIEN TUDEHOPE: Have you done the contamination on this site?

The CHAIR: Order! Mr Tudehope—

The Hon. DAMIEN TUDEHOPE: Have you done it?

The CHAIR: Order! Mr Tudehope, you've asked a question. You might not like the answer.

The Hon. DAMIEN TUDEHOPE: No, he asked the question. He's asking the questions!

The CHAIR: No, he's giving an answer.

The Hon. DAMIEN TUDEHOPE: He spends his time asking questions.

The CHAIR: Order, Mr Tudehope. I call you to order for the second time—

The Hon. DAMIEN TUDEHOPE: He spends his life asking me questions.

The CHAIR: —and remind you that, if you're called to order for the third time, we will close the meeting and have to consider further action. The Treasurer has the call.

The Hon. DAMIEN TUDEHOPE: This is just a—you should call him to order.

The CHAIR: I might, if he misbehaves.

The Hon. DAMIEN TUDEHOPE: He keeps asking me questions.

The CHAIR: Order! The Treasurer has the call.

The Hon. DANIEL MOOKHEY: Mr Tudehope, you asked me in your soliloquy just then, is Rosehill contaminated? Rosehill is the part of the peninsula that's not contaminated because it hasn't been used, for example, as an oil refinery or an asbestos factory—which is very different to the land parcel your Government bought, which was now housing the stabling yards for the Parramatta light rail stage two, which was meant to cost us \$15 million, then rose to \$50 million and then ended up being \$100 million on the acquisition cost, let alone the additional \$150 million paid on remediation. So if you're asking me what is a better use of public funds—

The Hon. DAMIEN TUDEHOPE: Have you done any modelling in relation to actually retrofitting a station?

The Hon. DANIEL MOOKHEY: I haven't finished.

The Hon. DAMIEN TUDEHOPE: No, I've finished.

The Hon. DANIEL MOOKHEY: All of which is why I'm saying if you're complaining about the costs incurred by the Government in contemplating a proposition that would see us add a station to Rosehill that could facilitate 25,000 additional homes—

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The Hon. DAMIEN TUDEHOPE: You're not serious about delivering housing, are you? You're not serious. It's evident that you're not serious.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: —the costs pale in comparison to the benchmark your Government set when it purchased the site in Camellia.

The Hon. DAMIEN TUDEHOPE: Show us that you're serious about delivering housing by giving us some modelling on the retrofitting of the station.

The Hon. DANIEL MOOKHEY: Again, should we find ourselves in a situation where the proposal proceeds, then I look forward to providing you with an update on that.

The Hon. DAMIEN TUDEHOPE: I would be delighted to receive it.

The Hon. DANIEL MOOKHEY: —but also the additional 25,000 homes—

The Hon. DAMIEN TUDEHOPE: How did you get to that number?

The Hon. DANIEL MOOKHEY: I think we make the point—

The Hon. DAMIEN TUDEHOPE: Who told you 25,000? How did you get to that number?

The Hon. DANIEL MOOKHEY: Sorry, Mr Tudehope, can—

The Hon. DAMIEN TUDEHOPE: Did you get to that number? Is that your number or someone else's number? Answer?

The Hon. Dr SARAH KAINE: If you give him a chance.

The Hon. DANIEL MOOKHEY: Is now the appropriate time for me to give you an answer?

The Hon. DAMIEN TUDEHOPE: Yes, I'm waiting.

The Hon. DANIEL MOOKHEY: I simply make the point—

The Hon. DAMIEN TUDEHOPE: Where's the number from?

The CHAIR: Order! Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: He's got no idea.

The Hon. DANIEL MOOKHEY: Maybe if we can compose ourselves, Mr Tudehope, and I can answer your question.

The Hon. DAMIEN TUDEHOPE: No, you compose yourself. Think about it a bit longer.

The CHAIR: Order! I remind all members that all witnesses have to be treated with courtesy at all times. It's discourteous to badger them with the same question repeatedly. The Treasurer is about to answer. Please begin with your answer. That would assist us.

The Hon. DAMIEN TUDEHOPE: Don't make it up, Treasurer, because we know you're making it up.

The Hon. DANIEL MOOKHEY: I would just make the point that additional housing at Rosehill compared to now, under any scenario, is a lot more than what your Government was prepared to put in at Sydney Metro.

The Hon. DAMIEN TUDEHOPE: Do you know the number or not?

The Hon. DANIEL MOOKHEY: I make the point that preliminary estimates were estimated at that number.

The Hon. DAMIEN TUDEHOPE: Where did it come from?

The Hon. DANIEL MOOKHEY: I would simply make the point that that scenario will be tested, as will the rest of it, should the proposal proceed.

The Hon. DAMIEN TUDEHOPE: So it might be a made-up number?

The Hon. DANIEL MOOKHEY: Mr Tudehope, all I can say is that there's one side of politics that is serious about engaging with the housing crisis and there's another that wishes to play politics with it.

The Hon. DAMIEN TUDEHOPE: On that note, I'll pass to Mr Rath.

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The Hon. DANIEL MOOKHEY: The much more serious questioner. Here we go.

The Hon. CHRIS RATH: Different question: In 2021 you said TAHE was a honey pot for consultants. Now that you are the Treasurer, is it still a honey pot?

The Hon. DANIEL MOOKHEY: No, because I got rid of TAHE. TAHE's gone.

The Hon. CHRIS RATH: The new entity.

The Hon. DANIEL MOOKHEY: The Transport Asset Manager is in the midst of being stood up. I can assure you that—

The Hon. CHRIS RATH: It's not yet rolled out.

The Hon. DANIEL MOOKHEY: It's in its transition stage, but you're quite right to say TAHE was a honey pot for consultants.

The Hon. CHRIS RATH: And you've made cuts to the consultant budget?

The Hon. DANIEL MOOKHEY: I have.

The Hon. CHRIS RATH: At the new entity/TAHE?

The Hon. DANIEL MOOKHEY: At the whole government level, for what it's worth—why stop at TAHE? The other point I would simply make is if you were to—I point you to the Auditor-General's report on the use of consulting.

The Hon. DAMIEN TUDEHOPE: By the way, the bill hasn't passed yet in relation to the setting up of the new entity.

The Hon. CHRIS RATH: Exactly, the bill hasn't passed.

The Hon. DANIEL MOOKHEY: In fact, I can provide you with some additional information on your point, Mr Rath.

The Hon. DAMIEN TUDEHOPE: The bill hasn't even passed.

The Hon. CHRIS RATH: You haven't got rid of TAHE.

The Hon. DANIEL MOOKHEY: Let me provide you some additional information, because I think that Ms Boyd might be interested in this as well. You'll be pleased to know, our spending with the big four consultancy firms—that is, Deloitte, EY, KPMG and PwC—peaked in 2022-23, which is your last year in Government, at \$352 million, and already the preliminary advice we have received from financial year 2023-24 shows that that number with the big four firms has come down to \$199 million; so, it has nearly halved. Equally, I can inform you that from the years 2018-19 to 2022-23, your Government spent about \$1.3 billion with those four firms.

The Hon. CHRIS RATH: But I asked about TAHE specifically.

The Hon. DANIEL MOOKHEY: Under TAHE, your Government spent—do you want me to list what your Government spent?

The Hon. CHRIS RATH: What are you spending now on consultants at TAHE?

The Hon. DANIEL MOOKHEY: TAHE has been abolished.

The Hon. CHRIS RATH: It hasn't been abolished.

The Hon. DAMIEN TUDEHOPE: It hasn't been, because the bill hasn't passed.

The Hon. CHRIS RATH: The bill hasn't even gone through Parliament.

The Hon. DANIEL MOOKHEY: No, it's been de-SOCed.

The Hon. CHRIS RATH: In this budget, what is the spend on consultants for TAHE/the rebranded entity?

The Hon. DANIEL MOOKHEY: Well, TAHE is currently—

The Hon. CHRIS RATH: And what was it in—

The Hon. DANIEL MOOKHEY: The previous years? For the previous years it was very high. Can I also just make the point, TAHE's spending was one component of consultant spending. The other parts of the consultant spending in respect of TAHE were incurred by the Transport department and incurred by the Treasury.

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In fact, they were the three principal entities that were engaged in the issues to do with TAHE. I am sure we will happily provide you with what was spent by TAHE in the past few years of that period of time. But obviously, if you're asking me what's being spent now, we're currently in the audit phase in the preparation of annual reports, so I would allow that process to take place. When it comes to that specific entity, all government agencies have to account for their consultant spending in their annual reports. They are all required to list their aggregate spend—I think it is over \$150,000. Secretary?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DANIEL MOOKHEY: And then, equally, the number of contracts that fall below that number, between \$50,000 to \$150,000 have to be described in count terms in the annual report. So I'm sure that the TAHE successor body will, in its annual report, provide you that information. It's actually a bit too premature, because it is still currently going through audit. But the broader point is that our spending with the big four firms in this particular year has come down by about \$160 million. I should make the point that that is a good thing and reflective of the fact that the Government is working in partnership with the public sector to build up public sector capabilities. Also, I want to pay tribute to the departments who have acted on that election commitment. Equally, I want to particularly acknowledge the role of the finance Minister in enforcing that requirement across the agencies and working in partnership with them to bring that spend down.

The CHAIR: Treasurer, despite the Premier publicly saying the Government has a disinclination to decriminalise cannabis, are you aware that there is an area within New South Wales that has allowed people to grow cannabis, to possess cannabis, and is doing so very successfully?

The Hon. Dr SARAH KAINE: The ACT.

The CHAIR: Don't give it away, Dr Kaine.

The Hon. Dr SARAH KAINE: You asked it last time.

The Hon. EMILY SUVAAL: It was somewhat predictable.

The CHAIR: That wasn't to him.

The Hon. Dr SARAH KAINE: Sorry, Chair.

The Hon. ROBERT BORSAK: He was watching. He knows. It's the ACT, just to be clear.

The Hon. DANIEL MOOKHEY: Yes, I'm aware. Is it the ACT?

The CHAIR: Yes, it is. Correct.

The Hon. ROBERT BORSAK: It was a trick question. That's a Dorothy Dixier.

The CHAIR: Are you aware of that?

The Hon. DANIEL MOOKHEY: I am.

The CHAIR: And are you aware that it has been, according to reviews, a spectacular success, that it's led to a huge reduction in the number of interactions between individuals, young people, First Nations people and police, and at considerable benefit to their budget in terms of the cost of the criminal justice system?

The Hon. DANIEL MOOKHEY: I'm certainly aware that that is the view of the ACT Government.

The CHAIR: And what's your view of that?

The Hon. DANIEL MOOKHEY: I'm in no position to provide any insight as to whether or not that position is correct or not.

The CHAIR: But do you think that is something that Treasury should be looking at, the benefit to the taxpayers of New South Wales of moving at least to a decriminalisation model in terms of the cost of policing, reprioritising and refocusing policing, and the cost of the criminal justice system?

The Hon. DANIEL MOOKHEY: I'd make the point that I always expect Treasury to keep abreast of policy developments that are taking place in like jurisdictions that have lessons for New South Wales. So I have no issue if Treasury is abreast of those matters. I believe that in the advice that we periodically get from Treasury about criminal justice interventions, it generally demonstrates that Treasury is keeping itself abreast of these issues.

The CHAIR: What do you mean by "keeping abreast"? Does that mean doing modelling or just reading an article in the paper?

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The Hon. DANIEL MOOKHEY: Maybe the secretary might want to talk about that. But in broad terms, when we do have to contemplate interventions in the criminal justice area, Treasury, as do others, provides a justice impact statement, and that's predominantly the way in which Treasury can give guidance. But the secretary is much more experienced—

MICHAEL COUTTS-TROTTER: To your specific question, Mr Buckingham, about whether we have recently had a look at the ACT's experience, I'll take that on notice. I know from colleagues that there was work done a number of years ago, but in recent days? I would need to check for you.

The CHAIR: The parliamentary inquiry into the regulatory framework for cannabis is on foot. It is receiving submissions and evidence and conducting hearings. Some of the evidence we've heard is that one of the leading causes of young Aboriginal people, and especially young Aboriginal women, having interactions with police is for minor cannabis possession or the suspicion of minor cannabis possession. That then leads to other potential offences, fines, bonds, and potentially incarceration, at considerable cost. When we note the failures of successive governments, State and Federal, to close the gap and reduce the number of Aboriginal people ending up in incarceration, is that something that the Treasury should look at, in terms of both Closing the Gap and reducing the cost of incarceration in this State?

The Hon. DANIEL MOOKHEY: I would be very comfortable if Treasury were to look at that. I have no issues with Treasury looking at that. I'd encourage Treasury to look at any measures that would help us close the gap.

Ms ABIGAIL BOYD: Treasurer, I'm glad you talked about consultants. As you know, in the consulting inquiry we also discovered that there was a bit of a poor definition between consultants and contractors and that a lot of government spend that otherwise might be with consultants looked like it was contractor spend. We did a bit of work in trying to identify how many contractors there were in different departments and why they were there. I asked you in supplementary questions: How many contractors currently work within the Treasury? The answer I got back was: "Contractor costs form part of the audited financial statements within the department's annual report." Do you think that's a sufficient answer for a question that asked specifically how many contractors currently work in Treasury?

The Hon. DANIEL MOOKHEY: Well, it's a good question.

Ms ABIGAIL BOYD: And a bad answer.

The Hon. DANIEL MOOKHEY: On this one, I would simply make the point that you're quite right to say that there is quite a bit of confusion about contractor spend. Contractor spend, from my own studious reading of audited financial statements of many government agencies for many years, is confusing. If I recall, Treasury does break out contractors separate from consultants in note No. 3.

Ms ABIGAIL BOYD: In the total cost. But that wasn't the question. The question was how many are there?

The Hon. DANIEL MOOKHEY: Again, I promise to see if perhaps we can do a better job of providing you that specific information on your supplementary question. But while we're here, I'm sure that if we are in a position either now or this afternoon to provide you more detailed information, we will.

MICHAEL COUTTS-TROTTER: The specific number, I don't have in my notes. It would be a lower number than when you asked the question. We've reduced contractor expenditure by at least 25 per cent during the course of 2023-24.

Ms ABIGAIL BOYD: Which is good to know, because the question then goes on to ask "How many contractors have been on contracts longer than...", and then there is "one year", "two years", "three years" et cetera. This is a question that other departments did come back to me with answers on, so it is very disappointing to then get, again, the same answer that "contractor costs form part of the audited financial statements".

The Hon. DANIEL MOOKHEY: I do have some additional information for you. I'm advised that Treasury has spent \$8.331 million on contractor fees for the period 1 July 2023 to 30 June 2024. Of the \$8.331 million, \$6.399 million is for contingent labour through Contractor Central, which is a whole-of-government management system to hire contractors.

Ms ABIGAIL BOYD: That doesn't answer the questions, though.

The Hon. DANIEL MOOKHEY: But it's more information than you had before.

Ms ABIGAIL BOYD: Not really, because I could read that for myself, and I have.

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The Hon. DANIEL MOOKHEY: You could, but not for a couple months, Ms Boyd, so consider it the Netflix teaser.

Ms ABIGAIL BOYD: There were three questions around how many that I asked last time, and I got back the same silly answer. I would hope that doesn't happen again and perhaps we can get some proper information.

The Hon. DANIEL MOOKHEY: I can give you more information about trend analysis.

Ms ABIGAIL BOYD: Is it about how many?

The Hon. DANIEL MOOKHEY: Yes, I can give you trend numbers. I'm giving you the information I have, Ms Boyd, but I can give you trend numbers on the contractor spend. In 2021-22 it was—

Ms ABIGAIL BOYD: I don't want spend; I want numbers of people and how long they've been there.

The Hon. DANIEL MOOKHEY: Can I give you the information that I have, and then you can ask me what more you want?

Ms ABIGAIL BOYD: Is it new information, or is it information in the audited financial reports?

The Hon. DANIEL MOOKHEY: But it's consolidated in a central location for you to access equally.

Ms ABIGAIL BOYD: Go ahead.

The Hon. DANIEL MOOKHEY: It's \$12.28 million in 2021-22, \$10,516,000 in 2022-23, and the preliminary numbers are \$8.3 million in 2023-24, which is a 32 per cent decline since 2021-22. Equally, just bear in mind that Treasury in that period of time, obviously, has been affected by MOG changes, or machinery of government changes, including the formation of the department of energy as well. Also, I just want to take the opportunity to acknowledge the fact that the Treasury secretary is leading on this matter, as is his senior leadership team. I pay due regard to their attainment of a 32 per cent cost saving over two years, which is always good to hear from Treasury.

Ms ABIGAIL BOYD: One of the other questions I asked you about last time was in relation to how much money the Government is spending on subsidies for weapons manufacturers. You said you'd come back to me on notice but then, on notice, you came back saying that's a question more appropriately directed towards the Minister for Industry and Trade, who also can't answer my question. I also asked a bunch of questions of TCorp as to how much they were investing in weapons. I couldn't get any answers back. Does the Treasury know how much money the New South Wales Government is spending on weapons manufacturers?

The Hon. DANIEL MOOKHEY: The predominant form of weapons procurement by the New South Wales Government is to purchase weapons for the NSW Police Force.

Ms ABIGAIL BOYD: No, I'm talking about the—

The Hon. DANIEL MOOKHEY: You asked me about weapons manufacturing.

Ms ABIGAIL BOYD: Yes, which is what's happening around—for example, we've just found out there is now a missiles manufacturing facility in—

The Hon. DANIEL MOOKHEY: I don't believe the New South Wales Government is buying missiles.

Ms ABIGAIL BOYD: No, that's not what I'm asking you.

The Hon. DANIEL MOOKHEY: But you're asking me how much we're spending on weapons manufacturing.

Ms ABIGAIL BOYD: I'm talking about how much you're spending on those weapons manufacturers in subsidies.

The Hon. DANIEL MOOKHEY: Sorry, I didn't hear the "subsidies" part of the question. I don't know.

Ms ABIGAIL BOYD: I'm not expecting you to be buying missiles.

The Hon. DANIEL MOOKHEY: Yes, I thought it was a bit surprising.

Ms ABIGAIL BOYD: I'm talking about the amount of New South Wales money that's directly going into weapons manufacturing.

The Hon. DANIEL MOOKHEY: Sorry, I didn't hear the term "subsidies," Ms Boyd. I don't know what we're providing in direct subsidies to weapon manufacturers or indirect subsidies to weapon manufacturers. I just don't know.

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Ms ABIGAIL BOYD: That's not something that the Treasury has—

The Hon. DANIEL MOOKHEY: To the best of my regard, the quantum is either not known because we're not doing it or, if we are doing it, it's incidental to other programs that may be undertaken by the same company. I think part of the reason why you're struggling to get access to information is because, I think it is fair to say, the New South Wales Government's role here is pretty limited.

Ms ABIGAIL BOYD: Yes. In the past there have been a couple of weapons subsidy schemes. There's also been—

The Hon. DANIEL MOOKHEY: Do you have the name of the scheme?

Ms ABIGAIL BOYD: I don't have it on me. I gave it to you last time in the last estimates.

The Hon. DANIEL MOOKHEY: We will look at the transcript from the last time. We'll see if we can find the name again and see if we can provide you with any further information.

Ms ABIGAIL BOYD: If you could give me any information on notice, that would be great.

The CHAIR: Thank you, Ms Boyd. Mr Tudehope.

Ms ABIGAIL BOYD: Do I get another 10 minutes?

The CHAIR: No.

Ms ABIGAIL BOYD: Have you given the time?

The CHAIR: I've had some advice from the clerks in terms of adhering to the resolution of the House and equal time between crossbench and Opposition.

Ms ABIGAIL BOYD: They have had 40 minutes after morning tea; we've had 30. We get another 10 for crossbench questions. It's 20-20.

The CHAIR: Mr Borsak's inclination is to give his questions to the Opposition, so that's how I'm going to proceed.

Ms ABIGAIL BOYD: That's not in accordance with the resolution, which is that we get 20 minutes of crossbench time.

The CHAIR: That's the advice I've had from the clerk.

Ms ABIGAIL BOYD: Can you recheck that, because that's never happened at any other estimates ever.

The Hon. ROBERT BORSAK: I've often said that I won't give my time to The Greens. If advice says that that is valid, then that's what I want to have happen. I can't remember the last time The Greens ever gave me any time.

Ms ABIGAIL BOYD: We give Mr Banasiak time all the time.

The Hon. ROBERT BORSAK: I don't care about Mr Banasiak; I'm talking about me.

The CHAIR: Order! Let me talk to the clerks about this. We will proceed. I've had some advice from the clerks and we will proceed as I said.

Ms ABIGAIL BOYD: You did say earlier that I would get 10 minutes and I've only had five. Can I at least have the rest of that time?

The CHAIR: The advice I've had is that Mr Borsak's inclination is to provide that to the Opposition.

Ms ABIGAIL BOYD: He's given it to you, though; he's not giving it to me. He gave you your time, and now I'm asking for the 10 minutes that was allocated for The Greens.

The Hon. ROBERT BORSAK: I've never seen a situation where a participating member comes in here demanding time from substantive members and debating it.

The CHAIR: I've had some advice. There are two different trains of thought on this, so I'm going to proceed as I suggested, allocating the time to the Opposition.

The Hon. DAMIEN TUDEHOPE: Treasurer, can I just take you to the risks in the budget? Why wasn't the Vanderstock decision included as a risk?

The Hon. DANIEL MOOKHEY: Whether it qualifies as a particular risk for the purposes of a disclosure in a budget statement turns on whether or not there is any litigation against the New South Wales Government

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that arises from the Vanderstock decision. To the best of my knowledge, the New South Wales Government is yet to face any challenges that arise from the Vanderstock decision but, ultimately, risks are a matter of judgement.

MICHAEL COUTTS-TROTTER: We had input from our Solicitor General, and I suppose, in plain language, the Vanderstock decision is a decision in respect of a Victorian tax and we cannot know the implications for the New South Wales tax base unless and until a specific action is brought. So, on balance, we thought it didn't justify being reported as a separate risk.

The Hon. DAMIEN TUDEHOPE: I suppose, at the end of the day, it's a prudential judgement. But on the face of it, there was a discussion earlier about excise duty and, in fact, Vanderstock does give rise, potentially, to challenges on a whole range of State taxes. Would you agree with that as a proposition?

The Hon. DANIEL MOOKHEY: I would agree that Vanderstock certainly has disturbed the 50-year understanding of what is an excise. Therefore, as a result, it's called into question whether or not other charges could be characterised in that way. The final point I make, Mr Tudehope—as you're quite right to say—is that there is tremendous uncertainty in the area because the judgement is hard to decipher.

The Hon. DAMIEN TUDEHOPE: I'm not surprised that you have that view, Treasurer, because the other risks in the budget also include insurance risks, do they not?

The Hon. DANIEL MOOKHEY: Which page of the budget are you referring to, just to be clear? Because there are different categories of risk.

The Hon. DAMIEN TUDEHOPE: Just let me ask the questions. I think you've given me an adequate answer.

The Hon. DANIEL MOOKHEY: Are you referring to the contingent risks or contingent liabilities?

The Hon. DAMIEN TUDEHOPE: Contingent risks. They're towards the end of the budget.

The Hon. DANIEL MOOKHEY: Yes, there are two of them, though; there's fiscal risk, and contingent assets and liabilities.

The Hon. DAMIEN TUDEHOPE: General expense risks. Where am I?

The Hon. DANIEL MOOKHEY: Sure. That's the fiscal risk section, which is B-1.

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: Which part of B-1? Are you worried about insurance risk?

The Hon. DAMIEN TUDEHOPE: I'll just take you to the proposition:

Insurance risks are managed through the State's self-insurance schemes, with the largest being the TMF, and commercial reinsurance. There are increasing pressures on the State's insurance liabilities—

This is quoting from *Budget Paper No. 01* at page 8.

The Hon. DANIEL MOOKHEY: Sorry, *Budget Paper No. 01* at page 8?

The Hon. DAMIEN TUDEHOPE: Page B-8:

There are increasing pressures on the State's insurance liabilities, driven by rising costs and claims relating to psychological injury, medical discharge, historic sexual abuse, cyber, climate risk, contractual liability risks, and other emerging risks.

Do you agree? It goes on:

There is a significant risk that these pressures will result in higher than currently estimated costs.

What do you say, Treasurer? Is there potential risk to the budget in relation to historic sex claims?

The Hon. DANIEL MOOKHEY: The historical sex claims risk—my understanding is the component of both the TMF and the PMF—the PMF has a bit of it as well, doesn't it?

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DANIEL MOOKHEY: So, it's in the TMF and the PMF. It does arise as a result of, effectively, the claim numbers that arise from people's previous interactions with the child protection system, the criminal justice system and the school system. They're the three predominant sources of claims.

The Hon. DAMIEN TUDEHOPE: Have you done any work to identify what the scope of that risk is likely to be?

The Hon. DANIEL MOOKHEY: Yes.

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The Hon. DAMIEN TUDEHOPE: And what do you say that is?

The Hon. DANIEL MOOKHEY: It turns on claim numbers.

The Hon. DAMIEN TUDEHOPE: What are they currently?

The Hon. DANIEL MOOKHEY: The trend is that they're rising, and there are multiple reasons as to why. I make the point, particularly when it comes to historical sexual abuse, we obviously have an obligation to ensure that victim-survivors of historical sexual abuse are properly cared for and treated.

The CHAIR: Correct.

The Hon. DAMIEN TUDEHOPE: Treasurer, you've already introduced a number of bills into the Parliament relating to ESL reform. Where in the budget is the funding set aside for the land classification by councils?

The Hon. DANIEL MOOKHEY: It's in the Treasury appropriation.

The Hon. DAMIEN TUDEHOPE: When do you expect to replace the ESL on insurance with your new forever tax—the one you're going to place on the family home? Do you remember that forever tax?

The Hon. DANIEL MOOKHEY: Just to be clear—

The Hon. DAMIEN TUDEHOPE: No, we are being clear. The forever tax on the family home.

The Hon. DANIEL MOOKHEY: There are two questions that you asked: when is it going to be applied, and then your characterisation. Let me deal with the first component of the question, and I'll leave you to do the characterisation.

The Hon. DAMIEN TUDEHOPE: No. I think the characterisation is mine, and I will continue to adhere to it. Give me your answer to the first question.

The Hon. DANIEL MOOKHEY: It turns on whether or not Parliament consents to the law.

The Hon. DAMIEN TUDEHOPE: Well, it does. When do you expect to bring a bill—

The Hon. DANIEL MOOKHEY: Sorry, Parliament has not consented to the change, but are you suggesting that you will support it?

The Hon. DAMIEN TUDEHOPE: When do you expect to bring a bill to the Parliament so we can consider it?

The Hon. DANIEL MOOKHEY: It's a very good question, Mr Tudehope, because it is quite a complicated reform. We are very minded to do so in a manner which is as open and transparent as possible. Where we're up to in the process—you're quite right to say that there are, sort of, four streams of work that are going ahead. The first are the two that you mentioned, which is the enactment of the legislation that therefore facilitates the land classification task which is taking place. The second, of course, is—

The Hon. DAMIEN TUDEHOPE: Is that, in fact, occurring at the moment, as we speak? Is the land classification process occurring?

The Hon. DANIEL MOOKHEY: Given that your time is limited, maybe you might wish to pick this up particularly with the officials this afternoon as to where that is?

The Hon. DAMIEN TUDEHOPE: I will.

The Hon. DANIEL MOOKHEY: The second point is the broader point, which is when should such changes be proposed? We want to get the detail right. We are very mindful of the fact that the previous Government did attempt reform in this area. I don't want to repeat history—I know it's triggering for a few of us.

The Hon. DAMIEN TUDEHOPE: Considering your opposition to the previous—

The Hon. DANIEL MOOKHEY: I make the point that the lessons that we learnt out of that is to hasten cautiously in order to get it right. I look forward to potentially working with you in a bipartisan manner to see whether or not we can get these changes through. You're quite right to say that it is important change.

The Hon. DAMIEN TUDEHOPE: By the end of the year?

The Hon. DANIEL MOOKHEY: I point out two factors here. The first is that rising insurance premiums is a major reason why CPI is high. Apart from rent, it's the third biggest category of expense increase. That's the first point. The second point is, right now, it's basically people with mortgages who carry the disproportionate

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burden of funding our emergency services. The third point I make is that the intensity of use of our emergency services is going up.

The Hon. DAMIEN TUDEHOPE: I accept all that.

The Hon. DANIEL MOOKHEY: I do think that it would be ideal for the Parliament to work in a constructive and bipartisan manner. I am prepared to commit to you that we will deal with the Opposition in good faith.

The Hon. CHRIS RATH: Why did you oppose it in 2017?

The Hon. DAMIEN TUDEHOPE: Mistake.

The Hon. CHRIS RATH: Bad memories.

The Hon. DANIEL MOOKHEY: Mr Rath, I just make the point that, ultimately, as I said before, I'm not going to traverse too much what went wrong with FESL, and why, therefore, your Government repealed it.

The Hon. CHRIS RATH: No bipartisan support.

The Hon. DANIEL MOOKHEY: Your Government introduced it and then repealed it before it operated. I think there's lessons there to be learned from both sides about how to proceed further with reform.

The Hon. DAMIEN TUDEHOPE: Can I just raise another issue with you? There's a proposal, of course, to carry out a land audit. Is that off the cards?

The Hon. DANIEL MOOKHEY: Excuse me? A land audit where?

The Hon. DAMIEN TUDEHOPE: A land audit in New South Wales of land held by various agencies.

The Hon. DANIEL MOOKHEY: That is not a proposal; we have undertaken the first part.

The Hon. DAMIEN TUDEHOPE: You have done that. And there is a proposal to transfer various landholdings to a new department, Homes NSW. Are you aware of that?

The Hon. DANIEL MOOKHEY: It's not necessarily to transfer. I saw this line of questioning yesterday.

The Hon. DAMIEN TUDEHOPE: Mr Kamper gave you responsibility.

The Hon. DANIEL MOOKHEY: Yes, I'm aware of that. It's not necessarily a case of transference in all circumstances in respect of land that's been identified as surplus and capable of being used as housing. I think you'll find that Homes NSW has the first right to buy it.

MICHAEL COUTTS-TROTTER: And Landcom.

The Hon. DANIEL MOOKHEY: And Landcom too. It's not transferred.

The Hon. DAMIEN TUDEHOPE: Has Treasury raised any concerns in relation to the potential budgetary impact of that transfer?

The Hon. DANIEL MOOKHEY: Budgetary impact?

The Hon. DAMIEN TUDEHOPE: Yes.

The Hon. DANIEL MOOKHEY: No. We've budgeted for it. I don't believe so. Treasury?

MICHAEL COUTTS-TROTTER: No.

The Hon. DANIEL MOOKHEY: No.

The Hon. DAMIEN TUDEHOPE: Have valuations been carried out in relation to each of the lots?

The Hon. DANIEL MOOKHEY: That's where we're up to. That's what happens now. I just make the point that we had to put money aside to find surplus land because no-one knew. That was disappointing. I would have much preferred us to inherit a central register of some form that would have described land as being surplus. Instead, what we inherited was targets on each department to sell land and assumptions in the budget as to how much value would be realised. That was, effectively, placed department by department into the broader budget system. What we had to do is therefore backwards-engineer what land could be surplus, and then decide whether or not it could be used for housing.

The Hon. DAMIEN TUDEHOPE: You haven't identified a lot, have you?

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The Hon. DANIEL MOOKHEY: That's not true. We did that much more than you have, and we're not just simply selling.

The Hon. DAMIEN TUDEHOPE: I'm not sure about that.

The Hon. DANIEL MOOKHEY: The other point I'd make on that particular task is that, in terms of the valuation of the land going forward, of course it now has to be valued on a different basis because, obviously, its use has been changed. I'm going to allow that work to take place. Chair, I've got a bit of additional information. I'm going to bring it to provide just quickly in terms of some of the issues that were raised, if you wish to hear it?

The CHAIR: Yes, please.

The Hon. DAMIEN TUDEHOPE: In respect of which issue?

The Hon. DANIEL MOOKHEY: In response to three issues, I want to provide some additional detail. In response to Ms Boyd's questions around exposure—sorry, funding for weapons manufacturers was the way in which it was put. The first point I can say is, in respect to TCorp investments, TCorp's exposures to specific companies or industries is via listed assets and are typically as a result of TCorp investment in index funds. Those index funds, or the aggregate, works out to be—as a percentage of the broader portfolio, the exposure to aerospace and defence is 0.49 per cent. To be very specific here, that it could incorporate credit exposure to aerospace and defence of 0.49 per cent is based on the relevant global industry classification standard.

Just so we can be very specific, that means we have exposure to Boeing, Airbus and Rolls-Royce. It's fair to say that the predominant form of activity undertaken by those companies is airline manufacturing. Whilst I am the first to accept that Boeing, Airbus and Rolls-Royce provide engines and components that are therefore used in aero equipment that is for defence purposes, most of what Airbus, Boeing and Rolls-Royce do is provide engines and build aeroplanes for commercial and other forms of use—fair enough. That's information that I've been given about TCorp exposure. The second question is that I did provide some earlier information about the spending and big four consulting firms. I just want to reiterate that the numbers I provided for the 2023-24 year are preliminary.

Finally, Mr Tudehope did ask me about cashless gaming at The Star as it relates to the jobs agreement. I can confirm that The Star has delivered on its commitment within the jobs agreement to introduce 51 cashless gaming machines, and eight cashless gaming tables, within the Sovereign Room at The Star Sydney casino. The trial is a precursor to reforms to the New South Wales regulatory framework which will see requirements for cashless gaming and card play introduced into New South Wales. I want to be very clear here that the advice that I've received is that The Star has satisfied its requirements to participate in the cashless gaming trials as a condition of the jobs agreement.

The CHAIR: Thank you very much for that information, Treasurer. In the absence of questions from the Government, thank you, Treasurer, for your attendance and answers to questions today.

(The Minister withdrew.)

(Luncheon adjournment)

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

Mr TOM GELLIBRAND, Chief Executive, Infrastructure NSW, sworn and examined

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

Ms MARINA van der WALT, Deputy Secretary, Financial Management and Services, NSW Treasury, sworn and examined

Ms LIZ LIVINGSTONE, Deputy Secretary, Policy and Budget, NSW Treasury, sworn and examined

Ms JOANN WILKIE, Deputy Secretary, Economic Strategy and Productivity, NSW Treasury, affirmed and examined

Ms DONNA AWAD, Executive Director, Tolling Reform, NSW Treasury, sworn and examined

The CHAIR: We will begin with questions from the Opposition.

The Hon. DAMIEN TUDEHOPE: It's a bit hard to know, but I think potentially to you, Ms Livingstone, these are questions relating to the Housing and Productivity Contributions.

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MICHAEL COUTTS-TROTTER: I might take them in the first instance, Mr Tudehope.

The Hon. DAMIEN TUDEHOPE: Thanks, Secretary. On the introduction and passage of the Environmental Planning and Assessment Amendment (Housing and Productivity Contributions) Bill, the Minister for Planning and Public Spaces outlined that the Housing and Productivity Contribution would secure \$1 billion over the forward estimates and \$700 million per year after that. Is that correct?

MICHAEL COUTTS-TROTTER: I can't independently confirm that, but I take it at face value that you've accurately represented his statement.

The Hon. DAMIEN TUDEHOPE: In the 2023-24 budget it was then revised by half a billion dollars to \$1.5 billion.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: From the Housing and Productivity Contribution. Why is that the case?

MICHAEL COUTTS-TROTTER: You may recall that there was a decision taken that the new regime would apply to development applications lodged after October 2023, and that wasn't the assumption when the first set of revenue forecasts were made, so I think that's the major change. From memory, budget and forward estimates are estimating about a billion dollars from the housing—from the HAPC, yes.

The Hon. DAMIEN TUDEHOPE: And the fund is intended to fund critical infrastructure. Is that not right?

MICHAEL COUTTS-TROTTER: It is, yes.

The Hon. DAMIEN TUDEHOPE: Is there an impact on critical infrastructure projects and which, if any, of those projects are impacted by this reduction in revenue?

MICHAEL COUTTS-TROTTER: I did check this with relevant Treasury colleagues yesterday. The profile we have for the revenue coming into the fund, if our estimates are correct, would more than meet the commitment—the likely commitments—from the fund over that period.

The Hon. DAMIEN TUDEHOPE: The connection, of course, is that really the anticipated revenue is because there's been an 18 per cent reduction in building approvals. Is that not—

MICHAEL COUTTS-TROTTER: That would be a factor but the major factor was the change, as I described, to introduce the regime in respect of developments that were lodged after October 2023.

The Hon. DAMIEN TUDEHOPE: But there is a downturn in the lodgement of building—

MICHAEL COUTTS-TROTTER: That would be a factor.

The Hon. DAMIEN TUDEHOPE: And that certainly does impact on that revenue.

MICHAEL COUTTS-TROTTER: That would be a factor but not the primary factor, as I understand it.

The Hon. DAMIEN TUDEHOPE: Would you agree, though, with a proposal that one of the impediments to those applications is the number of taxes and charges which are impeding the lodgement of development applications? There's some tension whether you should back-end some of these charges.

MICHAEL COUTTS-TROTTER: That view is represented by a number of people in the industry. We've had some work done for the NSW Productivity and Equality Commissioner that looks at the cost build-up to deliver a typical dwelling in a mid-rise development—so four to seven storeys—and the cost change between 2018 and the current market. The major increase in costs are construction costs, up about 30 per cent, financing up about 142 per cent and land up about 50 per cent. When you look at the cost to deliver a dwelling, including an appropriate return to the developer, the share of that total cost accounted for by State Government taxes and charges is 2.54 per cent. So it's a factor but it's not the major factor.

The Hon. DAMIEN TUDEHOPE: Have you got a projection for what the return will be in 2024-25?

MICHAEL COUTTS-TROTTER: From the HAPC?

The Hon. DAMIEN TUDEHOPE: Yes.

MICHAEL COUTTS-TROTTER: I can take that on notice.

The Hon. DAMIEN TUDEHOPE: From the introduction of the HAPC on 1 October you would have accurate figures now as to how much has already been collected.

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MICHAEL COUTTS-TROTTER: We will be publishing the first report from the fund by October. There's a statutory requirement to produce details of money into the fund, money out of the fund, within four months of the end of the financial year and we'll be doing that.

The Hon. DAMIEN TUDEHOPE: So it's not in the budget papers but it will be—

MICHAEL COUTTS-TROTTER: No, but there'll be a separate publication as required by the enabling legislation.

The Hon. DAMIEN TUDEHOPE: I might move on from that. I just need someone to take me through the manner in which we're going to replace the Net Asset Level Holding Policy.

MICHAEL COUTTS-TROTTER: My colleague Marina van der Walt leads the team that will be doing some work on that. The Net Asset Level Holding Policy saw the Government make a \$934 million contribution into SICorp in May.

The Hon. DAMIEN TUDEHOPE: You called it a contribution. It was a bailout I think when we were in government and generally it created a headline that it needed to be bailed out. But, in any event, we will call it a contribution.

MICHAEL COUTTS-TROTTER: Linguistic niceties aside, there was a payment made under the policy in May, which my colleague tells me is \$925 million, and we've just begun work on thinking through what an alternative framework to NAHLP would be. I don't know whether you can provide any further—

The Hon. DAMIEN TUDEHOPE: That's what I'm interested in—what the alternative framework looks like. It looks like we're moving away from a 105 per cent model to projected liabilities, which will be then met by—it appears to me that the proposal is almost like an offset account which TCorp will run, will it?

MARINA van der WALT: At the time of the budget release, we were still working on the implementation of OneFund. That is very close to launch. At the time of the budget, and because OneFund was still being implemented, there was a decision made by Government to make one final contribution under the NAHLP, which was the \$925 million. The budget papers also refer to the work that we will be doing and are doing.

The Hon. DAMIEN TUDEHOPE: What does that new model look like?

MARINA van der WALT: We are working on that. That's under development, and we have some time because the next assessment for the NAHLP would be in December, which is normally processed shortly after year end. We've also flagged in the budget papers that that work has commenced and is ongoing.

The Hon. DAMIEN TUDEHOPE: You have. In fact, in the budget papers it says this:

A new contribution and transfers framework based on OneFund, which will replace the NAHLP, will now apply to most of the IfNSW funds. Key principles of the framework include:

- where possible, reallocating money between investment funds in OneFund to meet short-term funding adequacy needs
- contributing if the ratio of OneFund assets to liabilities backed by these assets falls below a certain threshold
- the DRF remaining ring-fenced, to be used for debt retirement only.

MARINA van der WALT: That's right. They're the principles.

MICHAEL COUTTS-TROTTER: They're the principles we're working within. Operationalising that is now the challenge.

The Hon. DAMIEN TUDEHOPE: Is there a timeline on that?

MARINA van der WALT: The legislation was also passed after the budget was handed down to provide the Treasurer with those powers to transfer money.

The Hon. DAMIEN TUDEHOPE: Funds, yes.

MARINA van der WALT: That's right. All of the little building blocks that we've put in place are being delivered, and the timeline would have to be before the end of the year.

MICHAEL COUTTS-TROTTER: End of the financial or the calendar year?

MARINA van der WALT: The calendar year.

The Hon. DAMIEN TUDEHOPE: So the timeline will be to have that in place.

MARINA van der WALT: Yes. In the meantime, the decisions will be guided by those principles.

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The Hon. DAMIEN TUDEHOPE: Is there some work being done between you and the manager of TCorp in relation to how that will operate?

MARINA van der WALT: Yes. We are working very closely with Mr Deverall and his team at TCorp, and the assets and liabilities committee is overseeing this work.

The Hon. DAMIEN TUDEHOPE: Just so I can be clear, will there still be that same sort of ratio principle? Will the 105 per cent principle still apply in the budget?

MARINA van der WALT: Those decisions are yet to be made.

The Hon. DAMIEN TUDEHOPE: Can I go to the new OneFund proposal with you, Mr Deverall? OneFund has been represented as offering opportunities for an investment strategy involving potentially higher risk investments.

DAVID DEVERALL: The way I'd characterise it is that with a series of underlying funds, each with their own specific risk appetites and risk constraints, by having it in one fund, you're not constrained by all those underlying constraints at the fund level. That allows you to manage the money from a top-down, whole-of-State perspective. The net result of that is taking a little more risk for a greater return.

The Hon. DAMIEN TUDEHOPE: What does that look like in terms of taking greater risk?

DAVID DEVERALL: I think the allocation in terms of equity—the biggest risk is equity risk. The portfolio currently is around about 40 per cent, if you looked at the sum of the parts. That will be moving to just above 50 per cent in the portfolio. That's designed to achieve a CPI plus 4½ per cent outcome, probably with about a 60-odd per cent probability.

The Hon. DAMIEN TUDEHOPE: Is that the goal that will apply to OneFund—CPI plus 4½ per cent?

DAVID DEVERALL: That's correct, yes.

The Hon. DAMIEN TUDEHOPE: Are you currently achieving that level?

DAVID DEVERALL: Very similar to that. In the world in which we operate, it's all about estimates and probabilities. The way we're characterising it, this is moving from a situation of getting CPI plus 4½ per cent, perhaps with a 50 per cent probability, to now being able to deliver CPI plus 4½ per cent with a 64 per cent probability. That gives us the comfort to invest the money in the way in which we are. To the extent to which the fund delivers CPI plus 4½ per cent plus a bit extra, that's a benefit to the State.

MICHAEL COUTTS-TROTTER: It depends on CPI as well.

The Hon. DAMIEN TUDEHOPE: Certainly it does depend on CPI.

DAVID DEVERALL: It's heading in the right direction, but it's not quite back to the target band of 2 to 3 per cent.

The Hon. DAMIEN TUDEHOPE: I think the legislation has passed for the establishment of OneFund?

MICHAEL COUTTS-TROTTER: Yes. Implementation begins after the US markets close on Friday, so I think Saturday is the start of formal implementation. The prices at the close of the US markets on Friday are the prices ascribed to the assets that are put into the fund, and that process will take place over a number of days. Then, over a longer period, there's a process of changing the mix of assets away from cash and paper, more towards equities and real assets.

DAVID DEVERALL: That's right. That's a good answer.

The Hon. DAMIEN TUDEHOPE: It's a very good answer. There has been some controversy in the media relating to the investment strategies of the four major banks and the extent to which they will invest in resource assets, whether it's coal or gas. Do you have a similar ESG?

DAVID DEVERALL: From an ESG perspective, the first issue is that we believe that by taking ESG factors into account, you should be able to produce better risk-adjusted returns. Seeking better risk-adjusted returns is our North Star, so to speak. What we have found is that we can use things, particularly indices in things like developed market equities. By using a low-carbon index, without compromising the level of return profile, we can end up with lower ESG emissions in the overall portfolio. What we're trying to do is deliver these good investment returns, while also driving down towards a net zero strategy with certain milestones by 2030 and then, ultimately, with an ambition to get to net zero by 2050.

The Hon. DAMIEN TUDEHOPE: Is there a component of your investment strategy, though, which does, in fact, invest in coal and gas?

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DAVID DEVERALL: Yes, absolutely. The index that we're using, particularly for developed market equities, is a low-carbon index. But it's not a zero-carbon index, because the challenge of that—if you go back to that fundamental principle, which is we seek to maximise returns while optimising ESG factors—is that if you moved immediately to a zero weighting, you'd compromise the return profile of the fund.

MICHAEL COUTTS-TROTTER: I might just add in a couple of quantifications to that. I'm speaking from David's own notes, so thank you, David. The exposure of all of the funds under management—that's about \$109,000 million—is 0.18 per cent coal and 2.54 per cent oil and gas. So there are investments in those sectors, but it's a fraction of the overall—

The Hon. DAMIEN TUDEHOPE: Is there a guideline that actually specifies the limit on investment in coal and gas?

DAVID DEVERALL: No, there isn't. But what we do, as I said, is we use the low-carbon index, which you can get through the various index providers, and that determines the weighting to those. Again, we're trying to get that balance between getting to net zero, but we can't get there immediately because we might compromise investment returns. But working and engaging with the companies in which we invest, and working with governments that are driving towards net zero policies, that's the ambition to get there, with milestones for 2030 and, ultimately, the big goal by 2050.

The Hon. DAMIEN TUDEHOPE: Mr Coutts-Trotter, you no doubt participated in the working-from-home release and consultation.

MICHAEL COUTTS-TROTTER: Personally or organisationally?

The Hon. DAMIEN TUDEHOPE: I am very confident that in terms of the consultation you would have been part of the consultation group.

MICHAEL COUTTS-TROTTER: The matter was discussed. We meet as a group of secretaries, chaired by my colleague Simon Draper. On a number of occasions from December last year there were discussions about this or related issues.

The Hon. DAMIEN TUDEHOPE: I think it was before that. I recall being very concerned personally in relation to that. However, in terms of the baseline that you are operating on and gauging compliance with the circular that has now been issued requiring return to work, what do you say is the number of people who are currently working from home to whom that circular would apply?

MICHAEL COUTTS-TROTTER: Within Treasury?

The Hon. DAMIEN TUDEHOPE: Yes, within Treasury.

MICHAEL COUTTS-TROTTER: I'd need to take that on notice. Maybe I will just explain the context within Treasury. We approach this by going, we have a responsibility to the people we serve, we've got a responsibility to the organisation and teams, and then we consider people's individual needs. We're prepared to allow degrees of flexibility, provided we meet the needs of the people we serve and the needs of the organisation as a whole are met. With that in mind, we are amending our flexible work policy. In essence, it was pretty close to satisfying the requirements of Mr Draper's circular, but we are emphasising the significant change, which is that you are to be working principally from a public sector workplace, which for Treasury, by and large, is 52 Martin Place—not exclusively. What does that mean in practice? We think in practice it means an average of at least three days a week in the office over the course of a month.

The Hon. DAMIEN TUDEHOPE: I think that's what the circular says.

MICHAEL COUTTS-TROTTER: No, the circular doesn't actually specify that, but it does say work is to be done principally from a public sector workplace. For an average five-day working week, it is going to be something more than 2.5 days. It is not some sort of mechanical manifestation that we are driving for. People do extraordinary work outside our workplace.

The Hon. DAMIEN TUDEHOPE: I agree.

MICHAEL COUTTS-TROTTER: You've seen it; I've seen it. People are working all hours, getting the work done. We know from the output that people are getting the work done. This is not a concern about people not getting the work done. This is a concern about the sense of shared endeavour and, particularly, the type of learning that only comes from face-to-face contact for all of us, but particularly for younger people, who begin to understand something more about the needs of the organisation, the mission of the organisation as a whole and, without being too grand about it, their role as stewards of public sector institutions. You only get that by bringing people together and developing closer and more trusting relationships with one another, and giving more senior

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people the chance to mentor and develop younger colleagues. For us, it is an evolution, not a revolution. It will mean that we, on average, will see people present in the office a bit more than they are now, but not by much.

The Hon. DAMIEN TUDEHOPE: I suppose there is a reporting requirement. Do you want to add something?

MICHAEL COUTTS-TROTTER: There is. I am happy to. At present, for anyone who wants an ongoing pattern of work that means that they are not in the workplace five days a week, they need to have a discussion with their manager and reach a flexible working agreement, which is formalised. A record is kept of why the flexible work arrangements are being put in place and the nature and reason for the arrangements. We are going to continue to do that. We're going to make it easier for people by embedding it in the HR system that we use. We will make sure that those flexible work agreements are reviewed as the circular requires, at least every six months. We will be able to have good reporting for the proponents of Standing Order 52 motions on how many people are the subject of formal flexible working arrangements in Treasury.

The Hon. DAMIEN TUDEHOPE: I can give some real examples of this. There were some people who, after the announcement was made, rang into media outlets, talking about their own personal circumstances. Some of them had made lifestyle changes, including moving to a new location, childcare arrangements and travel expenses. What you are telling us is that that person's particular circumstances would be taken into account for flexible working arrangements, but they may not comply, necessarily, with the strict—

MICHAEL COUTTS-TROTTER: For all sorts of reasons, including for enlightened self-interest, we're in the market for the best and brightest. We need to offer a workplace environment that gives them a reason to come and work for us and not XYZ corporation. We are really sensitive to people's needs, but they don't trump the needs of the organisation and they don't trump the needs of the people we serve. So there is, inevitably, a compromise. But there is absolutely room for flexibility and good discussions about how we make this work as best we can for the needs of the individual while satisfying the needs of the organisation and the needs of the community we serve.

The Hon. DAMIEN TUDEHOPE: So that potentially would have to take into account childcare arrangements?

MICHAEL COUTTS-TROTTER: To some degree, but everybody in the workplace has childcare commitments and we will be as flexible as we can around that. But there may be occasions where people's desired childcare arrangements don't work for the organisation. I hope that's not the case. But we won't know until we have those individual discussions.

The Hon. DAMIEN TUDEHOPE: Just to tie this off, is there a point where secretaries will report back on the arrangements that have been put in place, potentially with the numbers of people who have improved their attendance at identified workplaces?

MICHAEL COUTTS-TROTTER: That is really a matter for my colleague Simon Draper about what reporting he wants through from us to him. Within Treasury, yes, we will be able to draw that comparison over time, because we've got pretty good data about existing flexible work arrangements and increasingly good data about attendance.

The Hon. DAMIEN TUDEHOPE: One final thing, in terms of space, did you, during the course of COVID and thereabouts, give up any office space, and may we have to find additional space for people to actually return to work?

MICHAEL COUTTS-TROTTER: When we look at our footprint, we have shrunk it. But we definitely have enough space on any given day to have three-fifths of our workforce in the office. We are able to support at least three days a week consistently over the course of the week.

The Hon. DAMIEN TUDEHOPE: But if everyone decided to turn up?

MICHAEL COUTTS-TROTTER: If everybody came on a Thursday that could become a problem on some floors in some locations.

The Hon. DAMIEN TUDEHOPE: Is that all hot-desking, is it?

MICHAEL COUTTS-TROTTER: It's all hot-desking, yes. I think I'm the only person with an enclosed office.

DAVID DEVERALL: Yes, we've noticed.

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The Hon. DAMIEN TUDEHOPE: Mr Deverall, you would have seen that AustralianSuper reported a \$1.1 billion loss from its investments in unlisted assets. Do you have a similar strategy in relation to investment in unlisted assets and are you reviewing that?

MICHAEL COUTTS-TROTTER: Are you planning to lose \$1 billion?

DAVID DEVERALL: Unlisted assets are essentially assets that aren't traded frequently on exchanges. They come in all sorts of different shapes and sizes—everything from predictable cashflow-strong assets such as infrastructure and airport, all the way through to the other end of the spectrum, which would be things like venture capital. I think the issue that was being referred to with AustralianSuper was more at the venture capital end. We have no exposure at the venture capital end in our funds. We have our fill of unlisted in infrastructure—mostly infrastructure and property, both domestically and globally.

The Hon. DAMIEN TUDEHOPE: So when one fund is considering its investment strategy, it would not be looking at venture capital type investments?

DAVID DEVERALL: Precisely.

The Hon. DAMIEN TUDEHOPE: Going back to the previous questions I was asking in relation to the Net Asset Level Holding Policy, and it potentially being abolished, how will you know how to hold assets relative to the liabilities of a particular organisation?

DAVID DEVERALL: Well, that's the work that we're doing with Treasury at the moment, so we'll be able to answer that question—

The Hon. DAMIEN TUDEHOPE: Will that be measurable and reportable in the budget?

DAVID DEVERALL: I can't answer for the budget, but we'll be coming back. In future budget estimates, we'll have more information.

The Hon. DAMIEN TUDEHOPE: You do an annual report, I take it.

MARINA van der WALT: Yes. We would be reporting that in our financial statements. There have been no changes to those special deposit accounts in the way that they've been established, and they're required to produce financial reports.

The Hon. DAMIEN TUDEHOPE: To the extent that we are now replacing the net asset holding entity, that, or whatever name the new entity takes, there will be a reporting—

MARINA van der WALT: That was a policy that was approved by the former Government. It's just a change in policy and direction.

The Hon. DAMIEN TUDEHOPE: I now turn to Rosehill. Who should I talk to?

MICHAEL COUTTS-TROTTER: You can start with me.

The Hon. DAMIEN TUDEHOPE: There is currently the consideration of the Rosehill—it is called by some an unsolicited proposal. I would prefer to call it a solicited unsolicited proposal, but let's not play politics here. In relation to the consideration of that proposal, to what extent is Treasury involved in assessing the application as it currently stands?

MICHAEL COUTTS-TROTTER: We're involved at a working group level and also on the steering committee that oversees the assessment process. I'm a participant, together with colleagues, on the steering committee, and Treasury colleagues in the commercial team—

DONNA AWAD: The evaluation panel.

MICHAEL COUTTS-TROTTER: —yes, will be on the evaluation panel.

The Hon. DAMIEN TUDEHOPE: You possibly heard me ask the Treasurer a question in relation to a figure being used: "This is a site which will support 25,000 new homes." Does Treasury have any role in assessing the validity or otherwise, or the deliverability of the housing strategy for that site?

MICHAEL COUTTS-TROTTER: The evaluation committee certainly will, and the steering committee oversighting the process certainly will. Obviously, the overriding potential public interest here is to accelerate the supply of housing in the centre of Sydney and in a remarkably well-located precinct. Having a view about the reasonableness and deliverability of a number of houses in what sequence is going to be a key part of the assessment.

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The Hon. DAMIEN TUDEHOPE: The figure being bandied around, of course, is that this going to support up to 25,000—I should qualify it. There is no way of currently verifying that figure or—

MICHAEL COUTTS-TROTTER: Obviously, we are—

The Hon. DAMIEN TUDEHOPE: Is that part of the process?

MICHAEL COUTTS-TROTTER: It is. We're in the second stage of the process, and collectively that has to be explored in real detail. I understand that at the level of a sense check, perhaps—perhaps to describe it that way—20,000 to 25,000 dwellings doesn't seem unreasonable. But that's a long way from level of confidence.

The Hon. DAMIEN TUDEHOPE: Assuming that that is right, part of the assessment process would include an assessment in relation to the ability to deliver infrastructure. I don't necessarily mean the railway station, but I potentially mean roads and sewerage and all those.

MICHAEL COUTTS-TROTTER: Schools and everything else.

The Hon. DAMIEN TUDEHOPE: Schools and everything else to the site. The 25,000 potential—and I am not binding you to how this process works, but they would all have to be considered as part of—

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: That's a significant body of work, is it not?

MICHAEL COUTTS-TROTTER: Yes, it is, but we are deep in a housing crisis and there are a lot of people and time and attention and resources across government being directed to any and all feasible solutions—short-, medium- and long-term solutions—to the undersupply of housing. It's important work. Yes, it will consume resources, absolutely, but for the potential gain of up to 25,000 well-located dwellings, it seems worth it.

The Hon. DAMIEN TUDEHOPE: On the basis of what you've seen to date, when would the first dwellings actually be delivered?

MICHAEL COUTTS-TROTTER: Well, that's the subject of the discussions and negotiations that are underway.

The Hon. DAMIEN TUDEHOPE: Because we've got a crisis here and now. Whilst I understand the rhetoric surrounding the need for the delivery of housing, in some ways that can't mask the fact that this is a very complicated site to deliver and the housing attached to this site will be a very complicated process, including the sale to potential developers and the like who would have an interest in developing the site. It is not really a short-term proposal, is it?

MICHAEL COUTTS-TROTTER: No doubt, but we are where we are because over 20 years we've been building about six houses for every 1,000 residents. Victoria has been delivering nine, Queensland eight—or the other way around. But we have significantly lagged in housing supply. You can't turn it around at scale quickly, and so tackling short-term opportunities is really important. But doing the work now on medium- and long-term delivery is equally important to prevent—hopefully we can come out of this problem and put ourselves in a position where we don't fall back into it.

The Hon. DAMIEN TUDEHOPE: Did Treasury give any advice about whether the ATC should seek the approval of its members before it proceeds any further?

MICHAEL COUTTS-TROTTER: No, we didn't give advice on that question.

The Hon. DAMIEN TUDEHOPE: The Premier has told us that for this proposal to proceed at all, it will require the approval of the membership of the ATC, so the significant body of work which has been done could be being done against a background where the membership does not approve of the sale.

MICHAEL COUTTS-TROTTER: That's a possibility.

The Hon. DAMIEN TUDEHOPE: Wouldn't it be prudent to, in fact, be saying to the proponent, "We would at least like to know that this has a real chance of approval by the members," and the actual proposal be put to the members before proceeding with that significant body of work?

MICHAEL COUTTS-TROTTER: It's something of a chicken and an egg problem, though, because there needs to be a refinement and negotiation, a conclusion of the details of the proposal that is then in turn put to members. I think there's quite a bit of work that has to happen before the fine detail of the proposal and, I guess, from the ATC's perspective, what's in it for them is worked out.

The Hon. DAMIEN TUDEHOPE: Is there a timeline on this process?

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MICHAEL COUTTS-TROTTER: There is. I'd need to take that on notice unless colleagues have got a sense. I'm happy to take that on notice. I don't want to misadvise you.

The Hon. DAMIEN TUDEHOPE: There are a number of processes in the unsolicited proposal process.

MICHAEL COUTTS-TROTTER: Yes, exactly. Stage two has a time frame. I can't recall what it is. We'll check and respond on notice.

The Hon. DAMIEN TUDEHOPE: Was any consideration given to asking the ATC itself to contribute to the costs or the consideration of the proposal?

MICHAEL COUTTS-TROTTER: I think under the USP framework there are circumstances in which proponents might be asked to meet some of the Government's costs, and I think that would be true in this case, too. Again, I'm happy to take that on notice. I'm unaware myself of whether there was a positive consideration of that question.

The Hon. DAMIEN TUDEHOPE: Sorry, I was just distracted.

MICHAEL COUTTS-TROTTER: I'm just saying that there are circumstances within the process that would see on occasions proponents at some point in the process potentially being asked to meet some of the Government's costs, and that there may be options of that nature in this process, but I take it on notice.

The Hon. CHRIS RATH: I want to talk a bit about *Budget Paper No. 02*, and it was raised in this morning's session. I should say, not the current *Budget Paper No. 02*.

MICHAEL COUTTS-TROTTER: The Performance and Wellbeing Framework?

The Hon. CHRIS RATH: Yes. I wanted to see where that was at in terms of a replacement for the measures. The Treasurer said, I think, in the previous estimates that you were going to have a look at it and look at what other jurisdictions were doing and see what best practice might be.

MICHAEL COUTTS-TROTTER: Yes, indeed.

The Hon. CHRIS RATH: Where are things at?

MICHAEL COUTTS-TROTTER: I'm going to pass to my colleague Joann Wilkie for whom this is her special subject.

JOANN WILKIE: As you may recall, there was a separate consultation paper that was issued with the budget for the Performance and Wellbeing Framework. At that time, we also opened up a public consultation through the Have Your Say website. That consultation is ongoing and will be ongoing for the next couple of months. The finance Minister will be hosting a round table in Parliament House on the framework in—I think October or November. Basically we're currently in consultation with the general public, with the aim of bringing that all together for the final framework to be presented in next year's budget.

The Hon. CHRIS RATH: So we expect something for next year's?

JOANN WILKIE: That's right, yes.

The Hon. CHRIS RATH: Is Treasury also looking at those other jurisdictions—other States, the Commonwealth, maybe even international jurisdictions—about what they do and some of the budgeting processes and presentation of papers that we might learn from them?

JOANN WILKIE: Yes, we have done a lot of work on that. Primarily that interjurisdictional research and comparison was done last year. The framework itself draws very heavily on the Commonwealth's framework, but also draws a lot on the OECD's expression of what wellbeing is and the elements that you would include in a wellbeing framework. We've also looked at what other jurisdictions have done in Australia—the ACT—but also had a look at what Wales and New Zealand and others have done.

The Hon. CHRIS RATH: It will be an outcomes-based budgeting budget paper?

JOANN WILKIE: The Performance and Wellbeing Framework will address two issues. One, the Government's requirement and obligation to report on performance of government and delivery of services and that sort of thing, and providing those performance indicators within that broader wellbeing framework. The extent to which the framework will—outcomes budgeting, one of the purposes of that was to try to get that bottom-up look at expenditure across the whole gamut of government expenditure. We are still working through—that's one of the consultation pieces on how we're going to use this framework, or how this framework will be presented, to interrogate into that broader government expenditure in that sense.

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The Hon. CHRIS RATH: Thanks for that. I turn to a couple of questions on TAHE. I don't know if you can help me with that, Mr Coutts-Trotter.

MICHAEL COUTTS-TROTTER: I'll do my best, Mr Rath.

The Hon. DAMIEN TUDEHOPE: Someone has got to know something about it.

The Hon. CHRIS RATH: Not many people know much about it. It follows on from my questions this morning. I was wondering, in terms of the consultants that TAHE or the soon-to-be new entity are using, what does CIVAS professional services—do you know what they advise on?

MICHAEL COUTTS-TROTTER: No, I don't. How is it spelt? Is there an "E"?

The Hon. CHRIS RATH: No, it's C-I-V-A-S.

MICHAEL COUTTS-TROTTER: No, I don't, but we'll take that on notice and get a response from TAHE.

The Hon. CHRIS RATH: And also E3 Advisory. There are two consultants that are listed on the eTendering website; what they're advising on—

MICHAEL COUTTS-TROTTER: No, I'm sorry that doesn't ring a bell, but we'll see if we can find out.

The Hon. CHRIS RATH: I was wondering if you could provide an update on the budget savings that have been achieved through the freezing of executive pay. What's the total savings from that?

MICHAEL COUTTS-TROTTER: And parliamentary pay. It's a happy discussion for all of us.

The Hon. CHRIS RATH: We're in the same boat as you, Mr Coutts-Trotter.

MICHAEL COUTTS-TROTTER: Suffice to say they are on track. I'm just looking for their contribution to the savings target. I think it was about \$240-something million—\$285 million over two years is their contribution to the overall savings target from pay freeze for the SES and parliamentarians. The SES reduction—the 15 per cent reduction—is a further \$460 million over four years.

The Hon. CHRIS RATH: Ms Livingstone, were you going to say something?

LIZ LIVINGSTONE: I was going to say that that money was taken out of the budget last year, so the saving, in essence, has been achieved—

The Hon. CHRIS RATH: In last year's budget papers.

LIZ LIVINGSTONE: —in that sense, and the actual reductions in senior executives achieved in line with agency budgets.

The Hon. CHRIS RATH: That's pretty much through natural attrition, isn't it? Senior executives are part of it?

MICHAEL COUTTS-TROTTER: Where possible, but a 15 per cent reduction, I think—as has been conceded by me and by colleagues—will, from time to time, involve a termination and therefore compensation. But we're trying to keep that to a minimum, obviously.

The Hon. CHRIS RATH: How much has been saved through your budget savings to labour hire?

MICHAEL COUTTS-TROTTER: Again, I will anticipate a comment from my colleague, Ms Livingstone. It's been taken out of the budget—\$410 million over four years. Together with the other savings, we are waiting for the audited 2023-24 results, and therefore the final numbers. But, taken as a whole, we're definitely on track. The savings have actually been removed from agency budgets, but we are tracking various categories of expenditure: travel, advertising, legal, consultancy and contractors. They all appear to be well and truly on track for the four-year savings target, but the 2023-24 numbers are yet to be finalised.

The Hon. CHRIS RATH: Is there any breakdown by type of work or industry or profession in terms of what—

MICHAEL COUTTS-TROTTER: In the contractor savings?

The Hon. CHRIS RATH: Yes. When we talk about labour hire, what are the main savings that are being made?

MICHAEL COUTTS-TROTTER: I think I have to take that on notice, unless my colleagues can help.

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LIZ LIVINGSTONE: The election commitment didn't require us to look at that breakdown. We do track reductions by agency. A lot of labour hire expenditure tends to be in the ICT space where it's harder to attract permanent staff or it's less necessary because a lot of the work is project-based. But we don't track breakdown by profession across the whole sector.

The Hon. CHRIS RATH: Just by department, for instance, or agency.

LIZ LIVINGSTONE: That's right.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. CHRIS RATH: But you think mainly savings in ICT, in terms of the nature of it, or a large proportion?

LIZ LIVINGSTONE: A proportion would be in ICT, but it's across the board. Agencies have been converting roles into permanent ongoing roles rather than using labour hire, but there's a whole mix of professions that are impacted. There is a large proportion of labour hire that is ICT, so that proportionately is higher.

The Hon. CHRIS RATH: In terms of the short-term rental accommodation that was touched on earlier this morning, is the Treasury currently undertaking any work in terms of a potential short-term rental accommodation tax or charge, like other jurisdictions have?

MICHAEL COUTTS-TROTTER: Currently, no. We did do some modelling on a range of options, but not at the moment, no.

The Hon. DAMIEN TUDEHOPE: I think the Treasurer identified three options.

MICHAEL COUTTS-TROTTER: From memory, there were, yes, and we did work on those. As I understand it, Minister Jackson, as the housing Minister, has led on the response to the consultation process.

The Hon. CHRIS RATH: It might be more a question for when we have the finance Minister appear, but are you able to provide an update on the debt that other States owe us? Or is that more of an OSR—

MICHAEL COUTTS-TROTTER: This is largely those—

The Hon. DAMIEN TUDEHOPE: I think Mr Coutts-Trotter straddles both.

MICHAEL COUTTS-TROTTER: We're talking about the people in Queensland and the money they owe us.

The Hon. CHRIS RATH: Yes, and anything else. I don't know if there are any other items in terms of the debts that other States owe to New South Wales. I'm just wondering what still sits on our balance sheet, so to speak.

MICHAEL COUTTS-TROTTER: Perhaps we can be aware that you will definitely ask that in the Finance section and we'll make sure we're prepared for it.

The Hon. CHRIS RATH: Great. Thank you. And if there is anything—I'm not even sure; it's more just an inquisitive mind—outside of our COVID-related debt that other States owe us as well? I'm not sure if there would be anything, but just to prepare you for that estimates in terms of what other States owe us and what is COVID-related and what is non-COVID-related, if I can put it that way?

MICHAEL COUTTS-TROTTER: Sure. You could say of the Commonwealth Grants Commission process that pretty much every State owes us.

The Hon. CHRIS RATH: That's true. Excluding horizontal fiscal equalisation, what do other States owe New South Wales?

MICHAEL COUTTS-TROTTER: Okay—an important constraint, yes.

The Hon. DAMIEN TUDEHOPE: There has been a clean-up at the Rozelle interchange. What does that currently cost us, to do that clean-up? Are the people of New South Wales paying for that clean-up or are there others who are responsible for the asbestos contamination who should be responsible for that clean-up?

MICHAEL COUTTS-TROTTER: That's a good question. I don't know. I'll look to my colleague Tom Gellibrand in case he's got that information.

TOM GELLIBRAND: No.

MICHAEL COUTTS-TROTTER: That will be known. Obviously, Transport had the lead on that. I'll take that on notice. I'll give my colleagues in Transport a heads-up as well.

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The Hon. DAMIEN TUDEHOPE: Given that the contractor who did the work relating to the asbestos has been cleared of any liability, is there any other avenue—again, perhaps I'm jumping the gun on that.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: Has any work been done in relation to measuring the impact of current industrial activity by the ETU on government projects?

MICHAEL COUTTS-TROTTER: I might turn to Tom on that. He might have information of use to the Committee.

TOM GELLIBRAND: Your question goes to the measurement of the impact, which we haven't done. But what we have done is liaised with contractors over the past month or so just to give them an opportunity to share with government what disruptions may be occurring on sites. Our particular interest at the time was in relation to the CFMEU, just to give them a forum to provide feedback on if there were disruptions and what were the nature of the disruptions. As part of that engagement, the responses were quite muted. We didn't actually get a lot of information. But, along the way, a number of contractors and, indeed, government agencies indicated that the activities of the ETU were impacting on the completion of certain projects, as well as the ongoing commissioning of elements of projects, and that goes to—my recollection is—work associated with the M7-M12 roadworks, as well as one of the buildings in and around the aerotropolis.

The Hon. DAMIEN TUDEHOPE: And potentially Royal Prince Alfred Hospital. I think there is some major construction work currently happening.

TOM GELLIBRAND: Yes. The nature of disruption is when a project is nearing completion and needs to be commissioned—quite often, when you're in the build phase, you're using alternative power. Sometimes there are generators or temporary power arrangements. But to bring the asset to life you need to formally commission it and, effectively, you need to plug it in. That's when the ETU, or workers that are working under the banner of the ETU, come on and do that final work. In many cases, the reports that we received indicated that arrangements were made for the connection to be undertaken, and then it was cancelled.

That activity relates to the ETU, who are seeking to get their own award changed and reviewed, which is an industrial relations matter. INSW doesn't have a role in industrial relations. But to your point, which is about the calculation of the impact, the responsibilities associated with industrial relations largely rest with the contractor. When the contractors are undertaking their work, if they experience delays or costs associated with some industrial dispute it actually sits essentially on their side of the contract rather than the Government's side. So it does have an impact, but it doesn't necessarily flow that that impact comes directly to government.

The Hon. DAMIEN TUDEHOPE: Currently, the ETU are engaging in protected industrial action. There is a mechanism to make an application to the Fair Work Commission in respect of that protected industrial action, for the purposes of removing the protection. I think it's called a 424 application. That application would need to be accompanied by some sort of statement of economic impact. For the purposes of establishing the economic impact, would Treasury be in a position to calculate the economic impact of that industrial action?

TOM GELLIBRAND: As at today, the short answer would be no. That would rest much more closely with the agencies involved, because they've got the contract or they're principal to the contract with the contractor. I know Endeavour Energy is much more closely involved—

The Hon. DAMIEN TUDEHOPE: And Transgrid. They're certainly very impacted.

TOM GELLIBRAND: Yes.

The Hon. DAMIEN TUDEHOPE: I have some recollection, probably more a nightmare, associated with action being taken by the RTBU where we brought a 424 and the Chief Economist had to—I don't know if the chief economist is a role currently in Treasury?

TOM GELLIBRAND: No. No longer.

The Hon. DAMIEN TUDEHOPE: At the time, the Chief Economist provided evidence in respect of the economic impact of the industrial action which was being taken. Who would it fall to if, in fact, that evidence was required for the purposes of bringing an application under section 424?

MICHAEL COUTTS-TROTTER: In that case, of course, Treasury provided evidence because we were the counterparty to the industrial dispute. I would imagine in the situations that Mr Gellibrand is describing, the relevant employer would need to seek economic advice to bring that evidence before the commission.

SAID HIRSH: It is possible for the Government to support it, though. However, I think the challenge at the moment is, as Mr Gellibrand said, the risk effectively lies with the contractor, and estimating the damage will

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depend on how many claims we get as the Government. Currently, we don't have an estimate of that to estimate the economic loss due to that action. So until claims start coming through and we have an understanding of what claims have validity or don't have validity, that is still to be determined. So we don't really have an economic cost of that.

The Hon. DAMIEN TUDEHOPE: The nature of section 424 is the State makes the application because of the impact on a State economy.

MICHAEL COUTTS-TROTTER: I see.

SAID HIRSH: Yes, that's right.

The Hon. DAMIEN TUDEHOPE: So it would require, I suppose, the collating of that material for the purposes of the impact on the State of the continued industrial activity. There are a significant number of government projects currently impacted. It's probably not within the remit of anyone at this table but, at some stage, someone's got to turn their mind to making such an application. Has anyone canvassed with Treasury the potential to make such an application?

SAID HIRSH: Obviously, ourselves, with the delivery agencies, are looking at that very closely.

The Hon. DAMIEN TUDEHOPE: Sorry?

SAID HIRSH: Infrastructure NSW, with delivery agencies, are definitely looking into this very closely because, ultimately, a lot of it will be impacts on infrastructure projects, with their budgets and when they finish.

The Hon. DAMIEN TUDEHOPE: Are there potential blowouts in those budgets?

SAID HIRSH: Potentially. But the problem, as I said, is that, contractually, the risk is still, for industrial relations, with the contractor. It would be when claims come to understand what can be actually compensated or which contractor can be compensated or not. This is still very early stages to know what that number is or how much that will impact budgets, whether they can be managed through existing contingencies or whether it be ask on additional funds from the budget. So there is definitely disruption and there will definitely be claims, but we just don't know how much these are. We are working with the delivery agencies closely to understand what that impact might be to be able to inform our colleagues in Treasury as to what that damage might be. That will be the basis of any, as you mentioned, economic impact or economic loss that can inform any application to the Fair Work Commission under protected industrial action.

The Hon. DAMIEN TUDEHOPE: Perhaps I will take this up with the industrial relations Minister. I have to ask you a question on tolling. There was some reporting in relation to tolling that there are a significant number of people who are entitled to claim rebates in relation to the \$60-per-week cap who are not making those applications. Do we know currently what the level of unclaimed cap money is?

MICHAEL COUTTS-TROTTER: No, but I know that I was one of them. I read that and I went to Service NSW and discovered I actually had a toll rebate.

The Hon. DAMIEN TUDEHOPE: And did you make the claim?

MICHAEL COUTTS-TROTTER: I'm not sure about the distributional fairness of that, but anyway. Donna, do you have a—

DONNA AWAD: No, I think it's information that Transport would be keeping and holding. It's not something that Treasury itself is administering or anything.

The Hon. DAMIEN TUDEHOPE: Mr Coutts-Trotter, you must have made the application. Did you find the application process a complicated process?

MICHAEL COUTTS-TROTTER: No, I didn't. I found it remarkably straightforward.

The Hon. DAMIEN TUDEHOPE: Did you? Because Linkt accounts and all of those sorts of things—did you have to go through that process first for the purpose of—Mr Deverall is shaking his head. He obviously is ahead of me!

MICHAEL COUTTS-TROTTER: No, I found that my identity was already authenticated within the system. It was just a matter of press claim and then plug in bank account details.

The Hon. DAMIEN TUDEHOPE: Don't you also have to certify various things about the trips that you're taking?

MICHAEL COUTTS-TROTTER: No, I didn't.

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The Hon. CHRIS RATH: It might be user error, Damien.

The Hon. DAMIEN TUDEHOPE: No, I think they're onto me! Might I suggest then—why isn't it a simpler system? If people have a Linkt account, you must know whether they have reached the cap, and there's an automatic opportunity. If you've gone over your \$60 a week, then, if Service NSW have access to your bank account details, they can just automatically make the payment to your account.

MICHAEL COUTTS-TROTTER: Perhaps. I will draw that to the attention of my colleague Graeme Head, who has departmental responsibility for Service NSW.

The Hon. DAMIEN TUDEHOPE: When someone like you—and, to a degree, I have been through the same process that you did. I read the article and went and actually did the process. I thought, if they know that I have gone over the \$60, why don't they just pay me the money into my account? I asked some questions this morning about the negotiations with the concessionaires in relation to reaching some agreement. Are there various models that Treasury is currently considering which would be acceptable to the concessionaires and to Treasury going forward where, I suppose, there is a "no worse off" provision contained in the agreement which has been reached?

MICHAEL COUTTS-TROTTER: I think we should be a little bit cautious about being too descriptive of our preparation to engage in a negotiation on behalf of the taxpayer.

The Hon. DAMIEN TUDEHOPE: I understand that.

MICHAEL COUTTS-TROTTER: The Government, of course, is yet to respond formally to the Fels-Cousins report, and that will come in due course. Together with Transport, we are engaged in two broad streams of work. Some of that work involves modelling a range of network and price changes to help inform the Government's negotiating position—preferred position—and, as you saw from our procurement processes, we are putting together what we hope will be an A-grade team to engage in discussions and negotiations with the concession holders.

The Hon. DAMIEN TUDEHOPE: I take it there are all sorts of models which could be looked at. Is one of the guiding factors that Treasury is taking in respect of this process that they want a consistent tolling method across Sydney or wherever tolling is in place?

MICHAEL COUTTS-TROTTER: The report recommended one particular model. There are alternatives and there are permutations within that model. Some of those are being further modelled for government consideration, but the Government is yet to receive that work and make a decision, so I'm not really in a position to describe it.

The Hon. CHRIS RATH: The modelling is being done in case the Government wanted to go down the path of, say, a two-way toll on the Harbour Bridge or Eastern Distributor.

MICHAEL COUTTS-TROTTER: That will be modelled.

DONNA AWAD: That modelling was done as part of the Independent Toll Review. The Independent Toll Review modelling was done on the basis of two-way tolling on the harbour crossings and the Eastern Distributor, and we're now doing further modelling on different options, some of which includes two-way tolling and some of which doesn't. So it's still open for consideration by government.

The Hon. CHRIS RATH: Is distance-based tolling being looked at as a potential option?

DONNA AWAD: That was what the concessionaires or the toll road partners suggested in their letter to the Independent Toll Review. They suggested a distance-based but not a declining-distance model. They also suggested that it was corridor-based so they still had control over the revenue on particular roads, rather than it being one network with a declining distance where revenue would be mixed across the network.

The Hon. CHRIS RATH: In terms of wages and productivity, has the NSW Productivity Commissioner been involved at all, or have you sought his advice or the commission's advice on productivity improvements in the public sector?

MICHAEL COUTTS-TROTTER: Yes, the Productivity and Equality Commissioner—new title, new focus—has been involved, as have other areas of Treasury. The Industrial Relations Commission has sought submissions from the Government and other parties on the existing set of wage-fixing principles and, as part of that, we have contributed some work on conceptual approaches to assessing productivity in public services. That will be part of the Government's submission. I think there is a two-step process where initial submissions are received and then participants can make further submissions in relation to the first round of submissions. We put

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some work into it. We'll probably put more work into it once we see what other parties make by way of submission to the commission.

The Hon. CHRIS RATH: Is that something the Productivity and Equality Commissioner will release publicly, or is it advice to Treasury and the Treasurer?

MICHAEL COUTTS-TROTTER: The product of it is a submission to the Industrial Relations Commission, which will be public. It goes in under the signature of the Secretary of the Premier's Department—that is definitely public—plus, potentially, a second iteration of our submissions.

The Hon. DAMIEN TUDEHOPE: You would have observed that the Treasurer and I had some discussion this morning about wages. The budget provides for the forwards based on 10.5 per cent wage increases.

MICHAEL COUTTS-TROTTER: Yes, it does.

The Hon. DAMIEN TUDEHOPE: There is no provision in the budget, is there, for wage increases over and above that amount?

MICHAEL COUTTS-TROTTER: Unless to the extent that they are paid for by offsets within an agency, or there may be a situation where what comes out of a process of mutual gains bargaining is a significant improvement in, perhaps, the quality of a service that Government is prepared to pay a bit for.

The Hon. DAMIEN TUDEHOPE: How would you assess that?

MICHAEL COUTTS-TROTTER: On a case-by-case basis.

The Hon. DAMIEN TUDEHOPE: But if in fact, for example, the Fire Brigade Employees' Union are successful in their arbitration claim and the Industrial Relations Commission awards them a 15 per cent pay increase, that 15 per cent—absent internal savings, potentially, which wouldn't form part of the decision, would it?

MICHAEL COUTTS-TROTTER: Of the commission?

The Hon. DAMIEN TUDEHOPE: The commission.

MICHAEL COUTTS-TROTTER: No.

The Hon. DAMIEN TUDEHOPE: So a 15 per cent finding by the commission—

MICHAEL COUTTS-TROTTER: Sorry—it wouldn't, except to the extent that perhaps the proposal involves some workplace change that's contained within a new award.

The Hon. DAMIEN TUDEHOPE: If, in fact, that 4.5 per cent additional over and above the 10.5 per cent is awarded by the commission, that's not budgeted for, is it?

MICHAEL COUTTS-TROTTER: No. As you would know from your experience in government, things happen all the time.

The Hon. DAMIEN TUDEHOPE: Indeed, they do happen.

MICHAEL COUTTS-TROTTER: I've discovered in this job that bad things happen—almost no good things happen. For the Treasurer, and for other senior Ministers, you have to deal with the developments as they happen. If there was a significant additional arbitrated decision from the commission, obviously government has a range of choices available to it on how it funds that increase, either by savings within the relevant agency or savings elsewhere in the public sector. It wouldn't necessarily mean a dollar-for-dollar increase in public sector expenditure. They could be offsets.

The Hon. DAMIEN TUDEHOPE: Clearly they're decisions for government.

MICHAEL COUTTS-TROTTER: Yes, they're decisions for government.

The Hon. DAMIEN TUDEHOPE: The budget papers, in fact, identify that there is risk in findings by the Industrial Relations Commission over and above the 10.5 per cent.

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: So until such time as there is a finding by the Industrial Relations Commission, the Government's position is that it has no more money other than the 10.5 per cent which is included in the budget.

MICHAEL COUTTS-TROTTER: The base offer is 10.5 per cent, but there are processes of either mutual gains bargaining—if the industrial counterparty wants to engage in that process—conciliation by the

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commission and ultimately arbitration. Obviously, if you approach those things in good faith, you retain an open mind to consider and potentially accept proposals that are of value to public service delivery, of value from the employer's perspective as well as something that shares benefits with public sector workers.

The Hon. DAMIEN TUDEHOPE: If I take the specific example of the Fire Brigade Employees' Union, have any such negotiated positions been on the table and sought to be negotiated?

MICHAEL COUTTS-TROTTER: I don't have close enough knowledge of that negotiation to know.

The Hon. DAMIEN TUDEHOPE: Doesn't Treasury have some oversight of the bargaining principles which are adopted by the agency?

MICHAEL COUTTS-TROTTER: Yes, we do. Obviously, in this process agencies engage in discussions that may identify initiatives that they then want to bring back through a formal process for consideration by the Expenditure Review Committee.

The Hon. DAMIEN TUDEHOPE: Has that occurred in relation to the Fire Brigade Employees' Union—where proposals have been brought back for consideration?

MICHAEL COUTTS-TROTTER: I don't think so, but I'll just check with Liz.

LIZ LIVINGSTONE: There have been various iterations of proposals that have gone to the Expenditure Review Committee, but obviously I can't comment on the Cabinet-in-confidence nature of them.

MICHAEL COUTTS-TROTTER: But how they relate to the time frame of the negotiation, I can't recall, to be honest.

The Hon. DAMIEN TUDEHOPE: Notwithstanding potentially that the bargaining parameters are there, has the Government changed its bargaining parameters to try and resolve the issue with the Fire Brigade Employees' Union?

MICHAEL COUTTS-TROTTER: I'll have to take that on notice unless Liz has clear recollection.

LIZ LIVINGSTONE: The Government has considered options put forward by the agency.

The Hon. DAMIEN TUDEHOPE: Is there a similar process and bargaining principles which have applied to the nurses and midwives' union and the negotiations with that body? They say they've had 10 meetings with the agency. Has there been any variation in the bargaining principles adopted by the agency?

LIZ LIVINGSTONE: The bargaining parameters encompass more than a wages offer. There are often things that come forward for ERC to consider that might cover other aspects of mutual gains bargaining.

MICHAEL COUTTS-TROTTER: There have been various iterations and considerations of issues that have come out of that process. It's not set and forget. It is a genuine process of trying to reach a negotiated result, if possible.

The Hon. DAMIEN TUDEHOPE: Certainly none of those iterations have included an increase, have they, over and above the 10.5 per cent for either union? I can see their website, so I know that the—

MICHAEL COUTTS-TROTTER: I refer you to the Treasurer's comments this morning.

The Hon. DAMIEN TUDEHOPE: So, currently, the position is 10.5 per cent is all that the Government has on the table for wage negotiations. There was some discussion on the proposals relating to point of consumption tax. Is there active consideration in respect of a new tax or an increase in tax for the point of consumption tax?

MICHAEL COUTTS-TROTTER: There is a process to engage in discussions with Tabcorp, racing codes and entities and others in response to the proposal put to government by Tabcorp, which encompasses a range of things. But, as was clear in the discussion this morning with the Treasurer, you're aware that part of that proposal is a proposal to change the rate of the point of consumption tax. In essence, of course, the Racing Distribution Agreement—legislation requires that there be one. The nature of it is a commercial agreement between Tabcorp and the racing codes. It's quite complex.

The Hon. DAMIEN TUDEHOPE: The education Minister gave evidence in respect of current and ongoing negotiations in respect of the Commonwealth-State funding agreement. Prior to the election, the now Government made a commitment that if the Commonwealth didn't meet the gap then "we would". Is there any provision in the budget for any contribution to meet any gap which has not been met by the Commonwealth?

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MICHAEL COUTTS-TROTTER: The Government's position, stated many times by the Deputy Premier and others, is that the 2023-24 budget accelerated the path to the State reaching 75 per cent of SRS—at some cost. The Government's position is that they are seeking the Commonwealth to close the gap.

The Hon. DAMIEN TUDEHOPE: The Commonwealth is currently stuck at 20 per cent. Is that not the case?

MICHAEL COUTTS-TROTTER: Yes, I think that's the case.

LIZ LIVINGSTONE: They've offered 22.5 per cent.

MICHAEL COUTTS-TROTTER: But they currently fund 20 per cent.

LIZ LIVINGSTONE: Yes.

The Hon. DAMIEN TUDEHOPE: If an agreement cannot be reached in respect of the 5 per cent, will that additional 5 per cent be met by—

MICHAEL COUTTS-TROTTER: That's a hypothetical and a matter for government consideration if and when that scenario becomes real.

The Hon. DAMIEN TUDEHOPE: Well, it was a commitment by the Government prior to the election that it would fund it. There's currently no funding.

MICHAEL COUTTS-TROTTER: Look, you're putting that to me. I don't dispute it but, really, that's more appropriately put to a Minister.

The Hon. DAMIEN TUDEHOPE: In relation to infrastructure funding, there has been a reduction in infrastructure—this might be too broad a question. But if you accept the position that there are percentage increases in funding year on year—

MICHAEL COUTTS-TROTTER: Yes.

The Hon. DAMIEN TUDEHOPE: —has there been a reduction in infrastructure funding year on year for health and education?

MICHAEL COUTTS-TROTTER: If you accept the proposition—sorry, is it a question directed at what is a real increase?

The Hon. DAMIEN TUDEHOPE: Correct.

MICHAEL COUTTS-TROTTER: I suppose that's arithmetical, to a degree. But this is a \$119 billion four-year infrastructure program. In the vernacular, it's enormous.

The Hon. DAMIEN TUDEHOPE: I know, I agree with that.

MICHAEL COUTTS-TROTTER: And it is 71 per cent debt funded. The Government has tried to balance a set of priorities between health, education and public transport, particularly, while having a program that is at a scale where it can be delivered with reasonable value for money, can be delivered in a reasonable time frame and doesn't generate a growth in debt that is unmanageable within our budget. So these are trade-offs.

The Hon. CHRIS RATH: Just while we're on this, with the metro, I wanted to get an understanding. The first stage is to Chatswood, then the second stage is from Chatswood to Sydenham. How was the first stage funded and how was the second stage funded, just ignoring the next bit to Bankstown and the proposal out to Parramatta?

MICHAEL COUTTS-TROTTER: Meaning source of funds?

The Hon. CHRIS RATH: Yes.

MICHAEL COUTTS-TROTTER: Some of it would have come from the proceeds of asset sales cycled through Restart, I would imagine. The exact proportions I don't know. Perhaps my colleagues? We don't have that.

The Hon. CHRIS RATH: I'm just curious of the percentage that was asset recycling versus what was the rest of it—debt or consolidated revenue or whatever the other part was.

MICHAEL COUTTS-TROTTER: Okay, we'll do our best with that. I mean, this year's infrastructure program is 71 per cent debt, 8 per cent Restart and the balance is funded by the cash surplus.

The Hon. CHRIS RATH: Earlier infrastructure, though, years ago, would have probably had a higher Restart proportion and probably less—

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MICHAEL COUTTS-TROTTER: No, that's right. The mix would have been a bit different. That's true, yes.

DAVID DEVERALL: When I've been to Japan and explaining the budget to Japanese investors, we have it on a time-based approach over the last six or seven years.

MICHAEL COUTTS-TROTTER: Very helpfully, my colleague David Deverall has some slides that were pitched for Japanese investors.

DAVID DEVERALL: When I go to Japan, they want to know where the money's going. I've been going to Japan for the last number of years and those slides have changed from a Restart contribution being dominant to debt being dominant, which is where we are today. We've got the information, so we can help with that answer.

The Hon. DAMIEN TUDEHOPE: That would be helpful.

The Hon. CHRIS RATH: Maybe the first stage, the second stage to Sydenham and the third stage to Bankstown.

DAVID DEVERALL: It won't be specific to a particular project; it'll be at the whole level.

The Hon. CHRIS RATH: But just the infrastructure pipeline generally.

DAVID DEVERALL: Money is fungible, as you know, but at the macro level we can get that.

MICHAEL COUTTS-TROTTER: It took me a while to work out money's fungible.

The Hon. CHRIS RATH: That would be interesting. On the tax on foreign investors in the property industry, how much revenue is that raising at the moment? And—

MICHAEL COUTTS-TROTTER: What will the increases raise?

The Hon. CHRIS RATH: Yes.

MICHAEL COUTTS-TROTTER: Joann, do you have that to hand?

JOANN WILKIE: I've got it; I just need to find the right—

MICHAEL COUTTS-TROTTER: This is the impost on stamp duty and the impost on land tax for foreign investors. Do you have any follow-on questions while my colleague has a look for that?

The Hon. CHRIS RATH: I suppose, curiously, the number of properties that it would impact as well.

MICHAEL COUTTS-TROTTER: I can give you the two in aggregate. The increase in foreign investor surcharges across both stamp duty and land tax is \$188 million over four years. The number of properties we'd take on notice, unless you've got that to hand.

JOANN WILKIE: I don't have the number of properties. But for the foreign investor surcharge on transfer duty, that will raise \$187.5 million over the four years to 2027-28. Sorry, I just need to find—

MICHAEL COUTTS-TROTTER: So the land tax is additional.

The Hon. CHRIS RATH: While you're finding that, the previous Government increased the tax on foreign investors at one point. You've also modelled future increases on the number of properties potentially going down as a result of the tax going up. Does increasing the tax on foreign investors lead to lower transactions? Is it an effective measure if the aim would be to reduce? Is it having that impact?

MICHAEL COUTTS-TROTTER: No, we're happy to give you a response on notice. But just looking at the profile of the anticipated increase in stamp duty, it falls over time, which suggests it will trigger a behavioural response.

The Hon. CHRIS RATH: Like most taxes.

The CHAIR: Could I just jump in there, Mr Rath?

The Hon. CHRIS RATH: Yes, sure.

The CHAIR: Secretary, in terms of the review of the point of consumption tax, the press release says that the Government will enter into a formal process for the review.

MICHAEL COUTTS-TROTTER: Yes.

The CHAIR: Could you tell us what that process is?

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MICHAEL COUTTS-TROTTER: It's a formal process to deal with the proposal from Tabcorp, which contained many elements, one of which touched on tax. But I think, as the Treasurer made clear, the Government has a prerogative on tax decisions anyway. However, of course, there is a complex interaction between the agreements between Tab and the racing industry and the taxation of both on-course, off-course and online gambling and its distribution back to the racing code. It's kind of intermingled; you can't deal with Tabcorp's proposal without thinking about the tax settings as well.

The CHAIR: But it's Treasury that's overseeing that process?

MICHAEL COUTTS-TROTTER: Yes.

The CHAIR: They're the lead agency in that.

MICHAEL COUTTS-TROTTER: Yes.

The CHAIR: What capacity, if any, do other agencies or bodies have to be involved in that process? Is the Government considering hearing from other departments? Not NGOs?

MICHAEL COUTTS-TROTTER: Well, within government, obviously there's some key government partners, including Liquor and Gaming and Racing, that we would involve in this. But I might take that on notice if that's okay.

The CHAIR: The release doesn't mention any review. I did raise it with the Treasurer this morning and I can't quite recall exactly what he said; I'll have to wait for the transcript. But it doesn't mention that the threshold at which the pot kicks in, in New South Wales, is \$1 million. Is that something that is being—

MICHAEL COUTTS-TROTTER: I see, the tax-free threshold.

The CHAIR: Yes, the tax-free threshold. Is that being reviewed as part of the process?

MICHAEL COUTTS-TROTTER: I, in truth, don't know. Perhaps I can take that on notice, unless one of my colleagues do. I don't think that is part of Tabcorp's proposal, but that doesn't preclude government from considering it as part of considering Tabcorp's proposal.

JOANN WILKIE: I can answer those questions now. The \$187.5 million is foreign investor surcharge for transfer and land tax. It breaks down into \$125 million from foreign investor surcharge related to transfer duty and about \$62 million related to land tax. I don't have the property numbers in terms of additional and that sort of thing, but there are around 2,000 properties purchased by foreign investors each year. So it's less than 1 per cent of all property transactions.

The Hon. CHRIS RATH: I think you said you were going to take on notice, when it was increased in 2020-something, what was the behavioural change. Was there a reduction in the number of foreign investors as a result of the increase? How sticky was—

JOANN WILKIE: We can.

The Hon. CHRIS RATH: That would be great.

The Hon. DAMIEN TUDEHOPE: I was going to ask about GST but I won't.

MICHAEL COUTTS-TROTTER: I want to dispute some of the assumptions in your earlier questions.

The Hon. DAMIEN TUDEHOPE: In the half-yearly statement when the Treasurer makes his assessment in relation to GST grants from the Commonwealth Grants Commission, that figure was in error, was it not?

MICHAEL COUTTS-TROTTER: Yes. From basics, you've got the GST pool, you've got the State's population share of that pool, and then you've got the black box process or the very complicated process applied by the Commonwealth Grants Commission to determine your relative fiscal strength and to equalise accordingly. We had assumed at the time of the half-yearly that our share would go from 0.92—in other words, 92 per cent of our population share of whatever the pool was—down to 0.88 of our population share of the pool. So we were forecasting a fall in our relativities anyway. The Commonwealth Grants Commission ingested a whole lot of data from the 2021 census, as well as data from other States, and knocked our share down immediately to 0.87. So it went from 0.92 to 0.87, which is the single largest one-year drop in relativities ever.

The Hon. DAMIEN TUDEHOPE: You should have been able to calculate that.

MICHAEL COUTTS-TROTTER: Let me dispute that a little bit. A lot of this is driven by the Commonwealth Grants Commission analysis of census data we didn't have. It's informed by data submissions from States that are not shared between States on every occasion. To the extent anybody else forecasts our relativity—and Western Australia does—they were more wrong than we were. The Commonwealth doesn't

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provide any forecasts of State relativities. The Commonwealth Grants Commission won't do it. It is an inherently difficult thing to do. We look back over our tax forecasting accuracy and, in 10 out of 13 years, we have been more accurate in our forecasts than the average of all the other States.

The one thing you know about revenue forecasts is they will be wrong. The question is in what direction and by how much? It was a 6 per cent miss which, for us, is a bad result. We've got some independent help to review the way we do it. We've spoken to Queensland and Victoria, and we will do whatever we can to improve the model we use for forecasting. But I think there is a somewhat unreasonable expectation of how accurate people can be. I heard it expressed by the former Treasurer, Mr Perrottet, in his valedictory, and I understand it but—

The Hon. DAMIEN TUDEHOPE: He also had some very harsh words to say about predictions in relation to stamp duty revenue, which were very understated prior to the last election and which created—

MICHAEL COUTTS-TROTTER: Absolutely. People make honest—it's forecasting. People do their very best.

The CHAIR: Thank you, Mr Coutts-Trotter. Thank you all. That concludes the questions for today. We very much appreciate you taking the time to come and give evidence. The secretariat will be in contact in due course with any matters that were taken on notice. Again, thank you very much and good afternoon.

(The witnesses withdrew.)

The Committee proceeded to deliberate.