

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

**Thursday 15 August 2013**

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

## **TREASURY**

## **INDUSTRIAL RELATIONS**

**The Committee met at 9.00 a.m.**

### **MEMBERS**

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

The Hon. C. Cusack  
The Hon. G. J. Donnelly  
Dr J. Kaye  
The Hon. M. R. Mason-Cox

The Hon. M. J. Pavey  
The Hon. A. Searle  
The Hon. W. Secord  
Mr D. Shoebridge

---

### **PRESENT**

**The Hon. Mike Baird**, *Treasurer, and Minister for Industrial Relations*

---

## **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**

**CHAIR:** I declare this hearing for the inquiry into budget estimates 2013-2014 open to the public. Before I commence I would like to acknowledge the Gadigal clan of the Eora nation, who are the traditional custodians of this land. I would also like to pay respect to the elders, past and present, of the Eora nation and extend that respect to other Aboriginal people present.

I welcome Treasurer Baird and accompanying officials to this hearing. Today the Committee will examine the proposed expenditure for the portfolio of Treasury and Industrial Relations. In accordance with the Legislative Council's guidelines for the broadcast of proceedings, only Committee members and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photographs. In reporting the proceedings of this Committee you must take responsibility for what you publish and what interpretation you place on anything that is said before the Committee. The guidelines for the broadcast of proceedings are available on the table by the door. I note that today's hearing is open to the public and is being webcast live through the Parliament's website.

Before we commence I will make some comments about procedural matters. Any messages from advisers or members' staff seated in the public gallery should be delivered through the Chamber and support staff or the Committee clerks. Treasurer, I remind you and the officers accompanying you that you are free to pass notes and refer directly to your advisers seated at the table behind you. Transcripts of the hearing will be available on the web from tomorrow morning. Treasurer, the House has resolved that answers to questions on notice must be provided within 21 days. I remind everyone to turn off their mobile phones. All witnesses from departments, statutory bodies or corporations will be sworn prior to giving evidence. Treasurer, I remind you that do not need to be sworn, as you have already sworn an oath to your office as a member of Parliament. I ask all other witnesses to in turn state their full name, job title and agency, and swear either an oath or an affirmation.

**KEVIN COSGRIFF**, Associate Secretary, NSW Treasury, and

**MARYANNE MRAKOVIC**, Associate Secretary, NSW Treasury, and

**MATTHEW JOHN ROBERTS**, Deputy Secretary, NSW Treasury, sworn and examined:

**PHILIP GREGORY GAETJENS**, Treasury Secretary, NSW Treasury, and

**MARK RONISVALLE**, Deputy Secretary, NSW Treasury, and

**TIMOTHY JOHN SPENCER**, Deputy Secretary, NSW Treasury, affirmed and examined:

**CHAIR:** I declare the proposed expenditure for the portfolio of Treasury and Industrial Relations open for examination. Treasurer, as the Committee has previously agreed to no Government questions, the questioning of the portfolio of Treasury will run from 9.00 a.m. until 11.00 a.m. The questioning of the portfolio of Industrial Relations will run from 11.15 a.m. to 11.55 a.m. As there is no provision for the Treasurer to make an opening statement before the Committee commences questioning, we will begin with questions from the Opposition.

**The Hon. GREG DONNELLY:** Thank you, Treasurer and officers of the Treasury for coming along today to be available to give evidence at this budget estimates hearing. Treasurer, over the last 12 months in particular you have been very open and public about your views about changes to both the rate and the base of the goods and services tax and have canvassed various proposals in the media. Could you tell the Committee where your position is at the moment on the matter of the GST in respect of its base and its rate, and how that should be changed in the future?

**Mr MIKE BAIRD:** There is a very simple response to that, Greg. I have said that I am open to a mature debate on tax reform and that is entirely what I think the State and the country should do. Certainly that is what the Federal Opposition has said—that there should be a mature debate on taxation—and I support that. I intend to play an active role in that.

**The Hon. GREG DONNELLY:** I gather, Treasurer, that the tax reform covers all matters of tax that falls within the powers of the Commonwealth?

**Mr MIKE BAIRD:** I imagine it does, Greg, yes.

**The Hon. GREG DONNELLY:** Treasurer, in terms of the work that is being done in your thinking about this, has the Treasury been commissioned to do any work on proposed models or potential positions that the New South Wales Government might take?

**Mr MIKE BAIRD:** I hope it means you have been doing your homework, Greg, and you would have seen the Grants Commission's report.

**The Hon. GREG DONNELLY:** Yes.

**Mr MIKE BAIRD:** And obviously the report into the distribution review.

**The Hon. GREG DONNELLY:** Yes.

**Mr MIKE BAIRD:** Obviously the State has a very clear position on this and the Opposition was silent. I would welcome your endorsement today that there should be an earnings per capita approach, which we think is a much better way of the distribution. We think that New South Wales is penalised while that is not in place and that is something that we have argued quite vigorously.

**The Hon. WALT SECORD:** Chair, through the Treasurer to Mr Gaetjens: Mr Gaetjens, could you detail the work that the Treasury has completed or undertaken in recent months on the GST?

**Mr GAETJENS:** Chair, we have done some work that relates to the distribution of the GST. As the Treasurer said, last year there was a review of the distribution of GST with Mr Brumby, Mr Greiner and

Mr Carter appointed to look at the distribution mechanism. New South Wales put in a submission, which Treasury had a large part in preparing, that argued for an equal per capita distribution in the long run and perhaps some transitional mechanisms to get that under way. We have also done some work that the Treasurer also has referred to, I think—Treasurer, I will be corrected by you, if necessary—to adjust the base of the GST for online sales, which is a measure of a threshold that now exists of a thousand dollars below which GST is not charged. There is some work around that says that the base of GST could lift from a change to that measure, and NSW Treasury is involved with other States in a discussion being hosted, I think, by Customs in Canberra.

**The Hon. WALT SECORD:** Okay. As part of your work, I understand that you guys want to drop the threshold involved in online sales. But what other work have you done involving the GST? Have you done work involving changing the 10 per cent?

**Mr GAETJENS:** No.

**The Hon. WALT SECORD:** No.

**Mr MIKE BAIRD:** I think it is worth—

**The Hon. WALT SECORD:** No, no. He did not finish his question, I am sorry. Have you done any work on altering the 10 per cent—any modelling?

**Mr GAETJENS:** I have just answered that.

**The Hon. WALT SECORD:** I am sorry, I did not hear your answer.

**Mr MIKE BAIRD:** He said no.

**The Hon. MELINDA PAVEY:** He said no.

**The Hon. WALT SECORD:** He said no?

**Mr MIKE BAIRD:** He said no.

**The Hon. WALT SECORD:** Have you done any work on extending it to other areas?

**Mr GAETJENS:** Yes, online: greater elements of online sales. In other areas, no.

**The Hon. WALT SECORD:** You can give an absolute guarantee to this Committee that no-one in Treasury has done the work on expanding the base of the GST to areas or the percentage?

**Mr GAETJENS:** Apart from the questions I have already answered, I am not aware of any other work that has been done.

**Mr MIKE BAIRD:** That is an important point. I would welcome your support for the online approach. I have publicly attested to that. I mean, there is no surprise in that. I think it is important that these sorts of things are done on a bipartisan basis. I was asked by the former Federal Treasurer to coordinate States in relation to State tax reform more broadly. I have put forward a range of options. One of which I was able to get all the agreement of all the State Treasurers was that we need to progress this online GST. Certainly I said at the time—and I say again—that I appreciated the former Treasurer, Wayne Swan, agreeing with the analysis. He also agreed that there should be an engagement of States in that process.

Previously it was done separately; it is now done on the basis that the States are fully engaged. There are two sides to that argument. The important part of the argument is that, yes, there is additional revenue that comes to the State. When the GST was first implemented there was very little understanding on how successful internet sales would be. So it is a matter of moving it into the modern age. Internet sales are growing at about 15 per cent per year; retail sales are flat. We need to make that move—I understand that it is not popular. The second part is—

**The Hon. WALT SECORD:** I think you have answered the question. Can we move on to the next one? You are eating into our time.

**Mr MIKE BAIRD:** It is also fair for our retailers because why should our retailers be paying that GST, and the impost of GST, rather than the foreign retailers?

**The Hon. WALT SECORD:** I will ask another question about the GST. Have you discussed your views on the GST with Tony Abbott?

**Mr MIKE BAIRD:** I am not going to provide you commentary on discussions I have had with the Federal Leader of the Opposition or anyone else, whether it be the shadow Treasurer—

**The Hon. WALT SECORD:** But this is an important public policy position—

**Mr MIKE BAIRD:** I will tell you the discussion I had. I congratulated them on having the courage to say we need a mature debate.

**The Hon. WALT SECORD:** Okay, but you are dodging my question on the GST.

**Mr MIKE BAIRD:** No, I am not.

**The Hon. WALT SECORD:** I am just asking you a simple question.

**The Hon. CATHERINE CUSACK:** It is a 1991 car-supermarket tax being required.

**The Hon. WALT SECORD:** Sorry, may I ask the Treasurer the question?

**The Hon. CATHERINE CUSACK:** This is new Labor—a 1991 scare campaign.

**CHAIR:** Members will allow the member to ask his questions.

**The Hon. CATHERINE CUSACK:** New Labor.

**The Hon. WALT SECORD:** This is a very serious public policy question.

**Dr JOHN KAYE:** Point of order: The purpose is to ask questions. It is not a debate.

**The Hon. WALT SECORD:** Everyone is eating into my time. I will be seeking an extension.

**Mr MIKE BAIRD:** Did Bruce Hawker ask you to ask this question?

**The Hon. CATHERINE CUSACK:** A 1991 scare campaign.

**The Hon. WALT SECORD:** Treasurer, we ask the questions; you should try to answer them.

**Mr MIKE BAIRD:** No, no. He is a bit sensitive obviously.

**The Hon. WALT SECORD:** Mr Treasurer, you claim that you go surfing all the time with Tony Abbott—I have read the coloured pieces about you.

**The Hon. MATTHEW MASON-COX:** You just wish you could surf, don't you, Walt?

**Mr MIKE BAIRD:** If you want to go surfing, just come down to Manly.

**The Hon. WALT SECORD:** Just answer the simple question. Have you had discussions with Tony Abbott about the GST?

**Mr MIKE BAIRD:** I am not going to go into any discussions I may have had with Tony Abbott or Joe Hockey or anyone else.

**The Hon. CATHERINE CUSACK:** Ask about the State budget for goodness sake.

**Mr MIKE BAIRD:** But as I have told you, I did congratulate Tony and Joe on saying that we need to have a mature debate about tax reform.

**The Hon. WALT SECORD:** You raised it with shadow Treasurer Joe Hockey. Have you had discussions involving the GST with Joe Hockey?

**Mr MIKE BAIRD:** I just told you what I said. I am not going to go into discussions I had with them. I am happy to say again that I congratulated them, Walt, because you know what? The country and the State needs to move beyond the silly political scare campaigns that is self-interest about seeking re-election. We need to have mature debates. The Opposition has put a framework where you can have the mature debates. There will be no changes that are going to go in without that mature debate without putting to the people any changes that may or may not come out of that. That is exactly what leadership is about, Walt. I totally support their position saying, "Yes, I think, as a country" imagine an incoming Prime Minister said, "We should be dealing with in a mature way the policy decisions that will impact the people we are supposed to be representing."

**The Hon. WALT SECORD:** Mr Treasurer, may I ask a question? My question is simple: Have you had discussions with Tony Abbott or Joe Hockey about the GST?

**Mr MIKE BAIRD:** How many times do you want me to answer this?

**The Hon. WALT SECORD:** I would just like you to simply answer the question.

**Mr MIKE BAIRD:** I have told you I am not going to go into discussions I may or may not have had. Again, I have congratulated them for being willing to have a mature debate.

**The Hon. GREG DONNELLY:** The difficulty that people are having is that the Premier himself has been very clear about this issue in what we understand from—

**Mr MIKE BAIRD:** The Premier said we should have a mature debate about it.

**The Hon. GREG DONNELLY:** No, about the issue of increasing the rate and the base and that should be put on the table and talked about. The Premier has said and it is has sort of been said time and time again. That does not seem to square with what you are saying.

**Mr MIKE BAIRD:** Of course it does.

**The Hon. GREG DONNELLY:** It does not seem to square at all.

**Mr MIKE BAIRD:** I will run it again so we get it. I am absolutely endorsing a mature debate on tax reform which means—

**The Hon. WALT SECORD:** But you just will not tell us what discussions with the Federal Opposition?

**Mr MIKE BAIRD:** Why would I, Walt?

**The Hon. WALT SECORD:** Because you are the Treasurer of New South Wales.

**The Hon. MATTHEW MASON-COX:** Point of order—

**The Hon. WALT SECORD:** And it is in the community interest to know what discussions you have had with the Federal Opposition.

**Mr MIKE BAIRD:** There is nothing to hide Walt.

**The Hon. WALT SECORD:** There is nothing to hide? You will not answer our questions.

**The Hon. MATTHEW MASON-COX:** My point of order is that the Treasurer has answered the question three times. We are talking about the State budget. I ask you to instruct the Hon. Walt Secord to move on to productive territory about the budget we are here to discuss.

**The Hon. WALT SECORD:** This is central to the budget.

**CHAIR:** It is up to the Hon. Walt Secord if he wishes to waste his time repeating a question.

**The Hon. MATTHEW MASON-COX:** It is a Federal scare campaign obviously he has got his writing instructions about. We are here about the State budget, for Heaven's sake.

**The Hon. GREG DONNELLY:** I am trying to get a clear understanding. Is there an agreed position between the Premier and the Treasurer about discussions about the base and the rate whether or not there should be discussions about that?

**Mr MIKE BAIRD:** No.

**The Hon. GREG DONNELLY:** I understand from what the Premier has said that you put it on the table and discussed it. I am trying to get a clear understanding from yourself that that is your position as well?

**Mr MIKE BAIRD:** It is very simple, Greg. I am not, nor am I obliged, nor would I want to, disclose to you discussions I might have had with the Federal Leader of the Opposition or the shadow Treasurer. In relation to this matter I have had a discussion, and the discussion is that I congratulated them for being willing to put on the table a significant national issue that we can have a mature debate about tax reform.

**The Hon. GREG DONNELLY:** Treasurer, you know my question is about the position of the New South Wales Premier and what he has said. You know precisely what I am saying. The New South Wales Premier has been very clear on the record about what he said about this issue of discussing increasing the base and the rate. Is that your position or not?

**Mr MIKE BAIRD:** The fact that you are in here today asking this question on the back of what Bruce Hawker said "Make sure we try to get today's campaign issue up at a Federal level".

**The Hon. GREG DONNELLY:** You seem to be ignoring the question.

**Mr MIKE BAIRD:** It just shows that this country needs to get on with and expects much more maturity from its political leaders. Do you want to talk about the issues that matter from a public policy point of view?

**The Hon. WALT SECORD:** Your plans on the GST are very important.

**Mr MIKE BAIRD:** Yes, I know.

**The Hon. WALT SECORD:** Tell us what discussions you have had with the Federal Opposition. As you have heard from the secretary the only work that we have done—

**The Hon. WALT SECORD:** Why are you ducking and weaving on this question?

**The Hon. MATTHEW MASON-COX:** Oh, turn it up Walt.

**Mr MIKE BAIRD:** The only work that we have done is actually determining the impact and benefit online. So from a policy point of view that is where we are going. In terms of the Federal Opposition, you can run your conspiracy theories and you can put out whatever you want. The only think that it has committed to is to have a mature debate on tax reform. That is the sort of leadership this country needs because it is beyond political point scoring, it is to the issues that matter.

**The Hon. WALT SECORD:** I put to you that you have a deal with the Federal Opposition—

**The Hon. MELINDA PAVEY:** You are only here to ask questions, not put things to the Treasurer.



**The Hon. WALT SECORD:** I put it to you have been asked to go quiet, to be silent on the GST until after the Federal election.

**Mr MIKE BAIRD:** I put it to you that that is complete nonsense. How is that?

**The Hon. WALT SECORD:** Just simply answer the question.

**Mr MIKE BAIRD:** I just did. I just told you. It is nonsense, Walt.

**The Hon. WALT SECORD:** Answer my question: What discussions have you had with Tony Abbott or Joe Hockey about the GST?

**The Hon. MATTHEW MASON-COX:** This is getting embarrassing.

**The Hon. MELINDA PAVEY:** You have done your best, Walt.

**Mr MIKE BAIRD:** Come on, Walt, you tried. Just tell Bruce you could not get anywhere.

**The Hon. MATTHEW MASON-COX:** Send Bruce an email now, "Sorry".

**Mr MIKE BAIRD:** "Sorry mate, we tried."

**The Hon. MATTHEW MASON-COX:** "Sorry, I did my best."

**Mr MIKE BAIRD:** But it is important. At least it is half-connected to the budget.

**The Hon. GREG DONNELLY:** I do not think you really answered the question particularly clearly but we will move on. Treasurer, in terms of the numbers of staff who have been seconded or placed within the Treasury office from the Auditor-General's office to assist in the development of this year's budget, how many of those staff were appointed?

**Mr MIKE BAIRD:** Staff seconded into what office?

**The Hon. GREG DONNELLY:** Into Treasury to assist with the development of this year's budget.

**Mr MIKE BAIRD:** I am not aware. I will respond to that in a second. If Mark knows the answer he can respond.

**The Hon. GREG DONNELLY:** In light of the issues in the Auditor-General's report late last year, in terms of the involvement in the Auditor-General's office and any of his officers in the development and oversight of this year's budget, I am trying to understand how many people were appointed.

**Mr RONISVALLE:** No people were appointed to Treasury. What happens in that the Audit Office has come in and assisted in the assurance of budget numbers as part of a normal engagement that we have got with them.

**The Hon. GREG DONNELLY:** Is that a different procedure from last year's preparation of the budget?

**Mr RONISVALLE:** Last year they were not involved.

**The Hon. GREG DONNELLY:** This year they have been. In terms of the numbers of people involved in that assistance and support, what numbers are we talking about approximately?

**Mr RONISVALLE:** I suppose you draw a distinction between the role of the audit office within Treasury and the role of the audit office in each of the agencies.

**The Hon. GREG DONNELLY:** Yes.

**Mr RONSISVALLE:** The audit teams in each of the agencies were involved with each of the major agencies in the assurance of budget numbers. The staff actually in Treasury, I am not sure of the exact number, but there is usually about four or five of the audit team in an office down on one of our levels.

**Mr MIKE BAIRD:** I am happy to put some comments on this. What we have done is said we need to improve the financial management reporting and Maryanne has come on board to oversee that process and it is important. The Auditor-General for the past 10 years identified that we needed to improve the financial management reporting. That is acknowledged. So we have taken steps to do that. I think it has worked. It is worth outlining because you are obviously going down this path, that we have improved the process; we have got new resources—

**The Hon. GREG DONNELLY:** I am just trying to get an assessment of the numbers—

**Mr MIKE BAIRD:** —and we have asked the Auditor-General to pay an assurance role—

**The Hon. GREG DONNELLY:** I am trying to get an understanding about the level of support provided by the Auditor-General to the Treasury office in terms of the preparation of the budget this year and what work they did.

**Mr MIKE BAIRD:** He has provided an assurance statement, so you can see the work that is done. It is a model that is used in Victoria and I have adopted that model because I want to improve the financial management reporting.

**The Hon. GREG DONNELLY:** But I am just trying to get a sense of the difference between last year's preparation and this year's preparation, the work actually done and the number of people involved.

**Mr MIKE BAIRD:** The difference is the Auditor-General under the previous year did not provide an assurance and this year he did. He did it the half year and the full year.

**The Hon. GREG DONNELLY:** Mr Gaetjens, how many staff are employed in the Treasury office roughly?

**Mr GAETJENS:** In the Treasury office it is around about—we have just had IR added to us as well—I think we are up above 400.

**The Hon. WALT SECORD:** Four hundred?

**Mr MIKE BAIRD:** It is IR.

**The Hon. WALT SECORD:** I understand that.

**Mr GAETJENS:** IR plus Treasury. Just to give some sense to the previous question, I think it is important from our point and the Auditor-General's point as well, that the Auditor-General does not support us, he is reviewing. So he is not helping management. He is doing an independent review.

**The Hon. WALT SECORD:** So he is looking over your shoulder?

**Mr MIKE BAIRD:** Just providing an assurance.

**Mr GAETJENS:** Yes, it is assurance.

**The Hon. WALT SECORD:** He is cleaning up your mistakes.

**Mr MIKE BAIRD:** No, no, he is not; he is providing an assurance around the numbers and the assumptions that are put together into the budget.

**The Hon. WALT SECORD:** Your mistakes.

**The Hon. GREG DONNELLY:** Is he producing a report at the end of this year as he did last year in terms of a review of the budget, in the same way?

**Mr MIKE BAIRD:** We look forward to that, we do.

**The Hon. GREG DONNELLY:** But is there any additional reporting coming from the Auditor-General in terms of the work he is now doing with Treasury in addition to what he normally does?

**Mr MIKE BAIRD:** No, the only report, as you have seen in the budget papers and Phil can find the page, there is an assurance statement that is provided as part of that.

**The Hon. GREG DONNELLY:** No, I have seen that.

**Mr MIKE BAIRD:** The important point on this is yes, last year we were very clear that the level of errors that were put together in the State accounts and, yes, you tried to confuse that.

**The Hon. GREG DONNELLY:** The Auditor-General was the one who revealed them and was very scathing about what he found.

**Mr MIKE BAIRD:** Yes, and he had been for 10 years.

**The Hon. GREG DONNELLY:** Hang on, hang on.

**Mr MIKE BAIRD:** And the point on that—

**The Hon. WALT SECORD:** You are not getting away with a comment like that.

**The Hon. GREG DONNELLY:** The size of your errors last year on your watch.

**Mr MIKE BAIRD:** For 10 years—

**The Hon. GREG DONNELLY:** The size of the ones last year on your watch was very significant.

**Mr MIKE BAIRD:** We have gone through this. I am just saying that what you saw for 10 years, the Auditor-General is saying you needed to fix this, the financial management reporting system—

**The Hon. WALT SECORD:** I am mindful of time.

**The Hon. MATTHEW MASON-COX:** Let him finish answering the question.

**Mr MIKE BAIRD:** —when there was as similar variance back when Eric Roozendaal was Treasurer and Walt Secord was chief of staff, the words were we are very happy with what is going on effectively. You said our reporting is the envy of the world, whereas in opposition it was identified we need to improve it—

**The Hon. GREG DONNELLY:** Treasurer, that was not said at all and he was quite scathing about the dimensions—

**CHAIR:** Can the Treasurer answer the question?

**The Hon. MELINDA PAVEY:** Keep going Greg. You are doing a good job Greg.

**Mr MIKE BAIRD:** The difference between you and us is we have actually taken action and you will see the efforts that we have undertaken this year, every single cluster has been involved and I have to say—

**The Hon. WALT SECORD:** Saved by the bell.

**The Hon. MELINDA PAVEY:** You have another 20 minutes, Walt.

**Mr MIKE BAIRD:** I want to put on the record and pay tribute—

**The Hon. WALT SECORD:** So we cannot ask more questions, but you can go beyond time.

**The Hon. MELINDA PAVEY:** Oh please, Walt.

**Mr MIKE BAIRD:** I just want to pay tribute to the public servants who have been involved in the compilation of the financial reports this year. I could not ask for more. The effort that they have put in to improve on the basis of the work before them and on the basis of the report last year—which is unacceptable—has been nothing short of—

**The Hon. WALT SECORD:** Unacceptable?

**Mr MIKE BAIRD:** Has been nothing short of exceptional.

**The Hon. WALT SECORD:** What is a couple of billion between friends?

**The Hon. MELINDA PAVEY:** That is how you operated, Walt.

**Mr MIKE BAIRD:** Their work and efforts to address this and improve this should be noted at this Committee, that I am incredibly thankful for the effort they have put in. We still have a long way to go to get to the position. It takes a few years to get in a complete modern financial reporting system that should have been 15 years ago, but obviously you did not prioritise it. We are doing that. We are doing everything possible and I thank the public servants for the work they have done in improving it.

**CHAIR:** That concludes the Opposition's segment for this particular hearing at this stage. Moving on to questions from the cross bench, I will commence and then Dr Kaye will take over. I have a general question. We are all aware that the Independent Commission Against Corruption has had to conduct extensive hearings because of the allegations made against Mr Obeid, Mr Macdonald and so on. That has involved lengthy investigations and hearings. How has that affected the Independent Commission Against Corruption budget and what adjustments are you making to provide additional funds where required?

**Mr MIKE BAIRD:** Mr Chair, thank you for the question. There is obviously an impact on the Independent Commission Against Corruption budget and we have increased the funding for it. Clearly it has undertaken important work and it has also had an impact across the broad budget. I think that this is an important point to make, because what we saw that Independent Commission Against Corruption has confirmed, that senior figures in the former Labor Government had acted corruptly in relation to the allocation of coal exploration licences.

The commission found that Ian Macdonald and Eddie Obeid had acted corruptly in relation to Mt Penny in the Bylong Valley. It also found Ian Macdonald had bypassed a competitive tender and gifted a licence for a so-called training mine to his union mates. As revelations mounted, as I am sure it did with you Chair, the anger within me was palpable and as was seen across the community, how this has happened. Our resources, the State's resources, were effectively given away.

Noting that the Independent Commission Against Corruption was not an economic body but was an investigative body, I did ask that Treasury and the Department of Minerals Resources and Energy have a look at what the costs were for those actions that were taken. I think, Mr Chair, what you will be appalled at are the numbers that have come out of that report. I sit here and just shake my head. The licences, when they were first allocated were done so without the information or size of potential value of those resources in Doyles Creek and Mt Penny. What this report has found is that if the licences were not issued corruptly or negligently, this State would be \$90 million better off. They were the upfront fees that should have been paid in relation to those two licences and as we know, what was the value that was extracted from the mates in this for this State—absolutely nothing.

You also need to bear in mind that that is at today's value. When these licences were first issued it was in boom times, so that is a very conservative figure. It also does not take into account the impact of the revenues. There are long delays that are going to follow. There is \$50 million in ongoing royalties on an annual basis that would come to the State on the back of these resources that have been delayed. So whether it be seven new schools or 900 teachers as an example, the State has been short-changed.

I cannot believe the size. I cannot believe the culture that allowed that to happen and ultimately I guess my deep disappointment in this is that the Opposition, who were obviously there and part of the culture that they oversaw, gave away \$90 million of the State's resources for nothing. I am yet to hear an apology and ultimately

that is what I would like to hear. I would like to hear an apology for what went on and for the loss of those resources to the State.

**CHAIR:** To summarise that, that is \$90 million we have lost in income?

**Mr MIKE BAIRD:** Yes, that is the upfront from those exploration licences.

**CHAIR:** And on top of that there is a number of millions of dollars that have now been added to the Independent Commission Against Corruption budget. What is that amount of money in round terms, for the extra hearings and so on?

**Mr MIKE BAIRD:** I think it is about a couple of million dollars. We can get the exact figure.

**CHAIR:** It is about \$2 million, is it??

**Mr MIKE BAIRD:** Yes, we will get the exact figure for you.

**CHAIR:** You will take that on notice?

**Mr MIKE BAIRD:** Yes.

**CHAIR:** You may remember the controversy over the gentrading sale in the upper House recently. Mr Roozendaal strongly defended his role in that and the financial situation. Have you any further information that would change the original opinion of that decision that it was a bad decision? Could you comment that the original decision was a bad decision for this State?

**Mr MIKE BAIRD:** I can, Mr Chair. We have seen the events down in the Independent Commission Against Corruption, so \$90 million given away by the former Labor Government to their mates. What we have seen in relation to that gentrader deal is unbelievable, because not only did the Auditor-General find that effectively those assets were given away for less than half their worth, what the former Government did not tell us about was that there was a coalmine deal off the back of it, and tribute to Dr John Kaye and I who were the voices who nominated this at that point in time—what was the cost? They were dismissed and rebuffed and I think the former Treasurer said there was no subsidy in any way, shape or form, or words to that effect. When we got through the numbers, we got to a position that that deal, which they did not tell us about, involved building a coalmine—constructing a coalmine—and there was not a dollar towards that capital cost. So the contracts they put in place did not put a dollar towards that. The cost, about \$1.6 billion, the State had to pick up. That is \$1.6 billion that we did not have the capacity to put into our schools, our roads, our hospitals, and that was going into a mine to support a deal that gave assets away for less than half what they were worth.

In terms of public policy it is beyond words that we got to that position. We said that we would clean up the mess that was left behind and try to extract some value for the taxpayers in this State. As part of the overall process when we were in opposition we said we would have an inquiry and the Tamberlin inquiry had a look at that. It recommended that we got out of the gentraders, the generation sector and the coalmine if we could. What worked in our favour was falling commodity prices globally. So, the coal price fell from when that deal was first struck which meant from an economic point of view we could get close to that level in terms of removing the contract, and the slowing in economic growth did provide some excess coal supplies in the Hunter. So, the two worked together.

I should pay tribute to the transaction team that worked under Tim Spencer. It was an amazing job because not only did we remove the liability of Cobbara but, as Dr Kaye would know, the gentrader contract had certain performance obligations that the State must meet in terms of the generation and they were at such a level that it was going to create difficulty to hit them, which means that liquidated damages were paid. A conservative estimate on those liquidated damages over the term of the contract was 400; it could have been up to 800, just under 800, but 400 was the conservative assessment in relation to that. What we were able to do in the negotiations with EnergyAustralia and Origin was remove that entire liability so \$2 billion sat there, and we ended up with a net cash positive on it. I think on a net basis, about \$85 million was the net.

In terms of the transaction I am very pleased to say that that sorry saga is over. The State effectively has moved \$2 billion liability, which gives us some balance sheet flexibility to get on and build some of the infrastructure and provide the services that are required. Ultimately, without the transaction team and without

the global experiences that have led to the opportunity to get out of it, this State would have paid for decades to come on the back of that deal. I think an incredibly positive position has been achieved.

**CHAIR:** In summing that up, would you say that there has been no impact on our triple-A rating as a result of those events? Is the triple-A rating safe?

**Mr MIKE BAIRD:** The rating agencies were very interested because obviously you are exposed. If there were cost overruns on the mine, if the liquidated damages were high, that impacts your bottom line. The debt that effectively was part of that was pushing up against the debt metrics that we inherited so from a credit rating point of view we inherited a position that the triple-A was on the road to being lost and the debt level was right up against the metrics of the rating agencies concerned. The removal of, in essence, that \$2 billion worth of liability has been a positive in terms of the rating story. We are still in a tough position. Revenues remain sort of soft, pressure is on expenses and infrastructure backlogs but I strongly believe we have done all we can to retain the rating, and removing ourselves from those liabilities was an important part of it.

**Dr JOHN KAYE:** When you came to office you had significant concerns about the process of appointments to State boards, to State-owned corporations, the history thereof and the process, is that correct?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** Did you cause there to be a review of State-owned corporation appointment processes some time in 2011?

**Mr MIKE BAIRD:** Yes, the Government has done that.

**Dr JOHN KAYE:** So there was a review. As a result of that review do you recall telling the Australian Institute of Company Directors some time before September 2011:

... an independent panel will determine board appointments for the 14 largest state-owned corporations. The panel includes Peter Shergold ... a former Secretary of the Department of Prime Minister and Cabinet .... Chris Eccles, the director-general of the NSW Department of Premier and Cabinet; the chair of the board of the government enterprise seeking a new director; and another external appointment to ensure the process remains independent ...

We are determined to make the appointment process much more rigorous, transparent and merit-based.

Do you recall that?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** You do. You would be aware no doubt of a minute from your then Acting Director General, Mr Lambert, where he outlines processes somewhat congruent with that proposal?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** Is that the process that is currently being followed?

**Mr MIKE BAIRD:** It is interesting that those opposite have decided not to ask at this time—

**The Hon. WALT SECORD:** We have two more blocks.

**Mr MIKE BAIRD:** I look forward to that.

**Dr JOHN KAYE:** I am profoundly not interested. I just want to know is that the process you are still following? It is either a yes or a no but not both.

**Mr MIKE BAIRD:** What we have done is we have ensured that every appointment is done rigorously. Every appointment must be based on merit and every appointment must be appointed by the full Cabinet. What I have said is I am not going to provide a running commentary on individual processes for individual candidates but you can rest assured that every appointment is done rigorously, every appointment is done on the basis of merit and every appointment is done on the basis of full Cabinet approval, something that was sadly missing by those opposite.

**Dr JOHN KAYE:** You will no doubt forgive me, Treasurer, if I do not rest assured, having been in this job now for seven years, four of which was under your predecessors who often told me to rest assured about things and it turned out later they were not true.

**The Hon. MATTHEW MASON-COX:** Don't judge us by their standards.

**Dr JOHN KAYE:** Let me just ask you, Treasurer, one more time the following question: Is that the process? Does that panel still exist and does that panel make determination of State-owned corporation board appointments? I really would like a yes or no answer.

**Mr MIKE BAIRD:** I have just told you that I am not going to provide a running commentary on individual appointments. Every appointment is done rigorously, is done on the basis of merit and is done on full Cabinet approval.

**Dr JOHN KAYE:** Perhaps I was not clear, Treasurer, and I will try one more time. Does that panel still exist? This is a dichotomous situation.

**Mr MIKE BAIRD:** I am not going to provide, as I have said, a running commentary on individual appointments.

**Dr JOHN KAYE:** But I am not asking that.

**Mr MIKE BAIRD:** Every appointment is done rigorously, every appointment is done on the basis of merit and every appointment is done with full Cabinet approval. As you know, that was sadly missing from those opposite.

**Dr JOHN KAYE:** Treasurer, I will do you the honour of accepting you on faith on everything you have said there except for one thing: you have not answered my question and it is a really simple matter. Does this panel exist or does it not exist?

**Mr MIKE BAIRD:** I have just answered the question.

**Dr JOHN KAYE:** Sorry, Treasurer, with due respect, you have not answered the question. You have given me an answer to another question. That question would be: Are you doing a good job in your appointments? That is fine. But the question I am asking you is: Does that panel, about which you spoke publicly to the Institute of Company Directors in September 2011, still exist? Yes or no?

**Mr MIKE BAIRD:** I have told you. I have told you. I am not—

**Dr JOHN KAYE:** No, you have not told me.

**Mr MIKE BAIRD:** No, no. I told you. I am not going to provide a running commentary on individual appointments.

**Dr JOHN KAYE:** But this is not about individual appointments.

**Mr MIKE BAIRD:** No, it is.

**Dr JOHN KAYE:** It is not about—

**Mr MIKE BAIRD:** What I am saying is that appointments are done rigorously, they are done on the basis of merit and they are done on the basis of full Cabinet approval.

**Dr JOHN KAYE:** All right, let me ask you another question.

**Mr MIKE BAIRD:** If there are individual appointments you are unhappy with, well, let us run through them.

**Dr JOHN KAYE:** No, no. Sorry? You have just contradicted yourself. On the one hand you say, with due respect, "I'm not going to talk on individual ones but let's talk about individual ones."

**Mr MIKE BAIRD:** No, no.

**Dr JOHN KAYE:** I am not addressing individual appointments.

**Mr MIKE BAIRD:** The actual appointments; the people.

**Dr JOHN KAYE:** Let us go back to the minute that you accepted existed, of which I have a copy here, which outlines this process, Michael Lambert, Acting Secretary. Has that minute been withdrawn or superseded? Yes or no?

**Mr MIKE BAIRD:** I have told you very clearly in relation to this—

**Dr JOHN KAYE:** No, you have not.

**Mr MIKE BAIRD:** No, no, I have. I am not going to provide you or members of the Committee an override of the individual appointment process. Every single appointment is done rigorously. Every single appointment is done on the basis of merit and every single appointment is done with full Cabinet approval.

**Dr JOHN KAYE:** Treasurer, you would understand my frustration with this matter. I am not talking about individual appointments. I am asking you: Has that Treasury minute from Mr Gaetjens' predecessor been repealed or has it been superseded by another minute or another statement or another policy? I am not asking you about any of your individual appointments—we will get to that later on. I am just simply asking you about this. I cannot believe you would try to answer this question by saying it is about individuals. It is not about individuals; it is about a process. Can you answer the question: Does this policy, does this minute still have currency? Yes or no?

**Mr MIKE BAIRD:** The currency is the Government makes rigorous appointments that are based on merit that are approved by the full Cabinet. That is the position, Dr Kaye.

**Dr JOHN KAYE:** Fair enough, we will accept that, but is that not different to the position you outlined to the Institute of Company Directors in September 2011—

**Mr MIKE BAIRD:** No it is not.

**Dr JOHN KAYE:** —where you said that the process would be made; there would be this independent panel? You said there would be an independent panel.

**Mr MIKE BAIRD:** Yes. It is not inconsistent. I told you. I am very clear on this. The whole appointment process, they are done rigorously, they are done on the basis of merit and they are approved by the full Cabinet. That is the process.

**Dr JOHN KAYE:** So you would accept the position you have left the people of New South Wales in is the following. There are two possibilities. One is you have withdrawn that panel; it no longer exists. The second is that there is a panel but it is an entirely secretive matter that that panel exists. Is it true that it is a secretive matter?

**Mr MIKE BAIRD:** It is not at all.

**Dr JOHN KAYE:** Therefore the panel does not exist?

**Mr MIKE BAIRD:** No, no, it is not, because all the appointments are public. I think that we are very proud of the appointments we have made. Ultimately, that is the issue.

**Dr JOHN KAYE:** Why will you not answer my question, Treasurer?

**Mr MIKE BAIRD:** Look—

**Dr JOHN KAYE:** Why will you not answer my question? What are you hiding?



**Mr MIKE BAIRD:** There is nothing to answer.

**Dr JOHN KAYE:** Treasurer, I could sit a year 11 student in here and they would understand that there is a logical inconsistency with what is going on here. They would understand it. I put a very simple question to you: Does this panel exist or does it not? You are giving me an answer to a question I have not asked you about the probity of your appointments. I am asking you does a panel exist or not, has a policy been removed or not, and you are refusing to answer that question.

**Mr MIKE BAIRD:** No, I am not. I am not refusing at all. I am saying that every appointment is done rigorously. Every appointment is done on the basis of merit and every appointment is done with the approval of the full Cabinet. That was very different—

**Dr JOHN KAYE:** Treasurer—

**Mr MIKE BAIRD:** No, it is very different to what we inherited from those opposite. I could run through many appointments that were made by those opposite. Ultimately, what we will be judged by on this is the people we are appointing. I think it is worth looking at some of their skills and experiences. We have appointed a mining engineer from Rio Tinto, chief executive officer of Deutsche Bank, the chair of the Australian Securities Exchange, partners of Allans, chief executive officer of Macquarie Bank, chief executive officer of BlueScope, chief executive officer of Ernst and Young. It goes on and on.

**Dr JOHN KAYE:** All right Treasurer, let us talk about some of the people you have appointed.

**Mr MIKE BAIRD:** Why do we need people with those sorts of skills? Because we need to get the most efficiency we possibly can. We need the businesses to be run as best they can to improve services to taxpayers and to provide value to taxpayers. That is the critical issue.

**Dr JOHN KAYE:** Again with respect, Treasurer, if this were four years ago and you were watching your predecessor giving an answer like that, you would rush off to the media and say "Roozendaal squibs it again. He's hiding something"?

**Mr MIKE BAIRD:** There is nothing to hide.

**Dr JOHN KAYE:** You are hiding something, Treasurer, because you are not telling us whether that panel exists. Why will you not tell us whether the panel exists?

**Mr MIKE BAIRD:** Tell me, who are you unhappy with?

**Dr JOHN KAYE:** I am asking a process question; you want to refer to individuals. I am asking you a process question. I am asking you about the process of appointment.

**Mr MIKE BAIRD:** And I told you.

**Dr JOHN KAYE:** And you are refusing to answer whether it is done through a panel.

**Mr MIKE BAIRD:** I told you. We are not going to provide a running commentary on that. It is on the basis of merit, and full Cabinet. That never happened before. Ministers could go off and appoint whoever they liked. That cannot happen.

**Dr JOHN KAYE:** That is terrific.

**Mr MIKE BAIRD:** It now must be done on the basis of full Cabinet approval.

**Dr JOHN KAYE:** Did the appointments of Mr Massey-Greene, Mr Darvall and Mr Newman go through Cabinet?

**Mr MIKE BAIRD:** Yes, they did.

**Dr JOHN KAYE:** They went through Cabinet?

**Mr MIKE BAIRD:** Every single appointment did.

**Dr JOHN KAYE:** Were they in any way vetted—

**The Hon. CATHERINE CUSACK:** We did all of this last year.

**Mr MIKE BAIRD:** This is a rerun.

**Dr JOHN KAYE:** At any stage were they assessed by a panel that included Dr Shergold and Mr Eccles?

**Mr MIKE BAIRD:** So you are questioning a mining engineer from Rio Tinto—

**Dr JOHN KAYE:** No I am not.

**Mr MIKE BAIRD:** —the chief executive officer of Deutsche Bank, the chair of the Australian Securities Exchange—

**Dr JOHN KAYE:** No I am not. I am asking you a question.

**Mr MIKE BAIRD:** Really, what is your question?

**Dr JOHN KAYE:** I am asking you were they assessed by a panel that contained those two gentlemen, Dr Shergold and Mr Eccles?

**Mr MIKE BAIRD:** They have shown—argue with me if you want—they have got significant merits—

**Dr JOHN KAYE:** I am not arguing with you.

**Mr MIKE BAIRD:** —and they were all approved by full Cabinet.

**Dr JOHN KAYE:** You are talking about their merits.

**Mr MIKE BAIRD:** They were all approved by full Cabinet.

**Dr JOHN KAYE:** I want to know the process.

**The Hon. MELINDA PAVEY:** Point of order: The time for questioning by the member has expired. Could we move on to the next round of questions?

**CHAIR:** I am just allowing him to finish that question. That is all.

**The Hon. MELINDA PAVEY:** It was going on for a while.

**CHAIR:** We will have to move on to the next bracket of questions from the Opposition.

**The Hon. WALT SECORD:** It is a bit like groundhog day. We are back to groundhog day: the last estimates.

**Mr MIKE BAIRD:** It is. It feels the same. You are not going to ask about Waratah Bonds, are you?

**The Hon. WALT SECORD:** Roger Massey-Greene.

**Mr MIKE BAIRD:** Here we go.

**The Hon. WALT SECORD:** It is very simple. Following up Dr Kaye's questions, yes or no, did Roger Massey-Greene go through the independent review panel? Yes or no? It is a very simple question.

**Mr MIKE BAIRD:** Okay. I have just answered Dr Kaye, okay?

**The Hon. WALT SECORD:** No, you did not at all.

**Mr MIKE BAIRD:** I said to him.

**The Hon. WALT SECORD:** I cannot speak on behalf of him, but you did not.

**Mr MIKE BAIRD:** I said every appointment is rigorously done. It is done on the basis of merit and it goes to Cabinet. How did it go under you? Mr Chair, that is our process. It is only fair that I contrast it to their process. Let me do that with the indulgence of the Committee. Having noted some of the allegations that have come out of ICAC in relation to Mr Obeid, it is particularly interesting and the Committee should note, that he was only going to leave Parliament, as reported at the time, on the basis that you replaced him.

**The Hon. WALT SECORD:** Treasurer, we ask the questions.

**Mr MIKE BAIRD:** As Eddie's avatar you should sit back and listen to this.

**The Hon. GREG DONNELLY:** Point of order—

**Mr MIKE BAIRD:** Let me tell you this.

**The Hon. GREG DONNELLY:** This is the opportunity for us to ask you questions.

**Mr MIKE BAIRD:** No. And I am enjoying it.

**The Hon. GREG DONNELLY:** No, no, no.

**Mr MIKE BAIRD:** So let me keep going.

**The Hon. GREG DONNELLY:** We are entitled—

**The Hon. MATTHEW MASON-COX:** Let him finish his answer. You keep interrupting.

**The Hon. GREG DONNELLY:** We are entitled to ask our questions.

**Mr MIKE BAIRD:** Of course you are.

**The Hon. MATTHEW MASON-COX:** And he is entitled to give his answer.

**Mr MIKE BAIRD:** And I am going to answer this one.

**The Hon. ADAM SEARLE:** Point of order: it is relevance.

**Mr MIKE BAIRD:** It is totally relevant.

**The Hon. ADAM SEARLE:** The Minister's response is not relevant.

**The Hon. WALT SECORD:** I asked a simple question and he has launched an attack.

**Mr MIKE BAIRD:** No, no. It is totally relevant because I have responded.

**The Hon. GREG DONNELLY:** You have answered in regard to the first person.

**Mr MIKE BAIRD:** No, no, no.

**The Hon. GREG DONNELLY:** We are moving from Mr Massey-Greene to others.

**The Hon. MATTHEW MASON-COX:** Let him finish his answer.

**Mr MIKE BAIRD:** No, no, no. You have come in here—

**The Hon. GREG DONNELLY:** No, no, no.

**Mr MIKE BAIRD:** You have parked your moral high horse out in the foyer—

**The Hon. WALT SECORD:** Point of order—

**The Hon. MATTHEW MASON-COX:** Point of order—

**Mr MIKE BAIRD:** And you have come in here to ask a question. So let me respond.

**CHAIR:** If it is not relevant, take a point of order on relevance.

**Mr MIKE BAIRD:** It is relevant.

**The Hon. ADAM SEARLE:** The Hon. Walt Secord was endeavouring to raise a point of order. When a point of order is raised by a member, the Minister should cease speaking. The point of order is that the Minister is not being responsive—

**The Hon. WALT SECORD:** Or relevant.

**The Hon. ADAM SEARLE:** —or relevant—

**Mr MIKE BAIRD:** Totally relevant.

**The Hon. ADAM SEARLE:** —to the questions that have been posed. That is the point of order. It is a matter for you to rule on.

**The Hon. MATTHEW MASON-COX:** To the point of order: The Minister was trying to respond and was being interrupted continually by those members opposite. He should be allowed to respond to the question as he sees fit.

**The Hon. ADAM SEARLE:** Further to the point of order—

**Mr MIKE BAIRD:** No, no, no. It is now over to me.

**The Hon. ADAM SEARLE:** Minister, you do not get to respond.

**Mr MIKE BAIRD:** I do not get to speak? Do you want me to go?

**The Hon. ADAM SEARLE:** You do not get to speak.

**CHAIR:** We will return to a relevant question from Mr Secord.

**The Hon. WALT SECORD:** To assist the Treasurer, I will restate my question. Did your appointment of Roger Massey-Greene go through the independent review process?

**Mr MIKE BAIRD:** I have answered that, Mr Secord.

**The Hon. GREG DONNELLY:** So the answer is no. You have refused to acknowledge there was a panel review.

**Mr MIKE BAIRD:** We have answered that, merit and cabinet.

**The Hon. MATTHEW MASON-COX:** Point of order: The Minister is trying to answer the question and members opposite are badgering him.

**The Hon. WALT SECORD:** No, we are not.

**The Hon. GREG DONNELLY:** No, he refuses to answer the question.

**The Hon. ADAM SEARLE:** This is not badgering.

**The Hon. MATTHEW MASON-COX:** Can the Minister be given the opportunity, some clean air and quietness to answer the question?

**Mr MIKE BAIRD:** It is important because our process is merit and full Cabinet approval, which needs to be compared with those asking the questions. I want to outline that to the Committee.

**The Hon. GREG DONNELLY:** The question is about a review.

**Mr MIKE BAIRD:** In relation to the gentrader transaction, eight State-owned Corporation [SOC] directors resigned. Mr Secord was the chief of staff and was involved up to his eyeballs.

**The Hon. WALT SECORD:** Point of order—

**The Hon. GREG DONNELLY:** Point of order—

**The Hon. WALT SECORD:** Relevance, Mr Chair.

**The Hon. GREG DONNELLY:** Point of order—

**Mr MIKE BAIRD:** Eight directors resigned and who did the former Government appoint? To get the gentrader transaction through they appointed Col Gellatly, Kim Yeadon, John Dermody and Jan McClelland.

**The Hon. WALT SECORD:** Point of order—

**The Hon. GREG DONNELLY:** Point of order—

**Mr MIKE BAIRD:** What is the important thing about that? Did they go to Cabinet, Mr Secord? I will tell you that they did not.

**The Hon. GREG DONNELLY:** Point of order—

**Mr MIKE BAIRD:** What is interesting to the people of New South Wales is that those appointees were working on the transaction.

**The Hon. GREG DONNELLY:** Why are you not independently reviewing appointments?

**The Hon. MATTHEW MASON-COX:** They were working on the transaction.

**Dr JOHN KAYE:** Point of order, Mr Chair—

**Mr MIKE BAIRD:** They were earning fees on the transaction and then they are appointed as directors to get it through. Despite the fact that eight directors resigned and it did not go to Cabinet—

**The Hon. GREG DONNELLY:** You are refusing to properly review candidates.

**CHAIR:** We will return to the question.

**The Hon. GREG DONNELLY:** You are refusing to review people properly.

**Mr MIKE BAIRD:** —and you have the hide to come in here to question an appointment. You are kidding.

**CHAIR:** We will return to questions.

**Mr MIKE BAIRD:** How do you explain Col Gellatly, Kim Yeadon, John Dermody and Jan McClelland? What about those midnight appointments to get a transaction through that lost the State billions of dollars, how do you explain that?

**CHAIR:** Mr Treasurer, we are returning to question from Mr Secord.

**The Hon. WALT SECORD:** Mr Chair, can you please bring the Treasurer back to the question.

**CHAIR:** Yes, I did.

**The Hon. WALT SECORD:** Are you okay now, Treasurer?

**Mr MIKE BAIRD:** I am fine, Mr Secord. It is amazing that you would ask questions on this.

**The Hon. WALT SECORD:** Are you done?

**Mr MIKE BAIRD:** Did those appointments go through Cabinet?

**The Hon. WALT SECORD:** Did you rehearse this? It sounds like a monologue.

**Mr MIKE BAIRD:** The thing about Mr Secord—

**The Hon. GREG DONNELLY:** Point of order: You do not have to get personal. The question is what you are doing as a Treasurer or what you are not doing.

**The Hon. MATTHEW MASON-COX:** Stop pointing at the Treasurer, Mr Donnelly, put that finger away.

**CHAIR:** Mr Secord is asking a question.

**Mr MIKE BAIRD:** Mr Secord is asking questions about appointment yet he oversaw the Gentrader appointments.

**CHAIR:** Mr Donnelly, stop interrupting Mr Secord's questions.

**The Hon. CATHERINE CUSACK:** Point of order: If Mr Secord is asking questions and if they are questions and not statements, can you ask that the Hon. Greg Donnelly to stop talking over the top of him.

**CHAIR:** I just did.

**The Hon. WALT SECORD:** My question is about the probity of the Treasurer's appointments. Did you, in fact, put the Roger Massy-Greene, Chum Darvall and Maurice Newman appointments before the independent process as spelt out by the Premier and you to the company directors?

**Mr MIKE BAIRD:** They were done rigorously on the basis of merit and put through Cabinet.

**The Hon. WALT SECORD:** So the answer is you did not?

**Mr MIKE BAIRD:** The question is, do you think Roger Massy-Greene, a mining engineer at Rio Tinto, Chum Darvall, a chief executive officer of Deutsche Bank and Maurice Newman, chair of the Australian Stock Exchange, the chair of the ABC and the chancellor of Macquarie University are inappropriate appointments? Those are the Government appointments. What did the former Government do at midnight prior to the gentrader sale? It appointed Col Gellatly, Kim Yeadon, John Dermody and Jan McClelland. Col Gellatly was paid \$400,000 for that Gentrader transaction, Kim Yeadon was paid \$400,000 and John Dermody was paid \$600,000. They are receiving money for that electricity transaction that lost the State billions.

**The Hon. WALT SECORD:** Treasurer—

**The Hon. MELINDA PAVEY:** Let the Treasurer answer.

**The Hon. WALT SECORD:** The Treasurer is not answering the question. He is engaging in a rant.

**Mr MIKE BAIRD:** You appointed your mates. You had directors stand up and say this should not be done. Opposition members know that. Who was the chief of staff to the Premier at the time?

**The Hon. WALT SECORD:** Have you finished your rant?

**Mr MIKE BAIRD:** Who was the chief of staff to the former Treasurer? All roads lead back to the avatar.

**The Hon. WALT SECORD:** I take it as a no. I take it that you are refusing to answer the question.

**The Hon. GREG DONNELLY:** Take it as a no and move on.

**Mr MIKE BAIRD:** How can you question the appointment of Roger Massy-Greene with his credentials and experience with your little record? You have some hide.

**The Hon. WALT SECORD:** Are you finished?

**Mr MIKE BAIRD:** How can you ask those sort of questions when the Opposition's record is so appalling and has potentially cost the State billions of dollars.

**The Hon. GREG DONNELLY:** You are sensitive about this, aren't you?

**The Hon. MATTHEW MASON-COX:** Why wouldn't you be, Mr Donnelly?

**Mr MIKE BAIRD:** You have left your high horse out there in the foyer. You are kidding. You have some hide, Mr Secord.

**The Hon. WALT SECORD:** Mr Baird, I put it to you—

**Mr MIKE BAIRD:** Any time you want to talk about the budget we are open to it. I have the whole team here and they love talking about the budget: Expenses are down—

**CHAIR:** Members will return to questions on the budget.

**The Hon. WALT SECORD:** You have an opportunity to clear the air. Just give us a yes or no answer. Did those three appointments go through the independent selection review process, yes or no? Do not launch an attack.

**Mr MIKE BAIRD:** This is old news.

**The Hon. WALT SECORD:** Then answer the question.

**Mr MIKE BAIRD:** They were based on merit and went through Cabinet. Did Col Gellatly's appointment go through Cabinet? Did Kim Yeadon's appointment go through Cabinet?

**The Hon. WALT SECORD:** I take it your answer is no.

**Mr MIKE BAIRD:** Did they go through Cabinet?

**The Hon. MELINDA PAVEY:** Point of order—

**Mr MIKE BAIRD:** You are telling me, no, they did not go through, Mr Secord?

**The Hon. MELINDA PAVEY:** The Treasurer has answered the question. Just because the Opposition does not like the way in which the Treasurer has answered the question does not give them the right to continue to badger and harass the Minister. I ask the Chair to direct them to move on to another question because the Treasurer has answered the question.

**Mr MIKE BAIRD:** Potentially the budget, Mr Secord.

**The Hon. GREG DONNELLY:** Treasurer, the document titled, "Guidelines for NSW Board and Committee Members: Appointments and Remuneration" dated July 2013, are you familiar with that?

**Mr MIKE BAIRD:** Yes.

**The Hon. GREG DONNELLY:** Were you involved in the development of this document in terms of input?

**Mr MIKE BAIRD:** I do not know how many times I have to answer and we can spend the next two hours on the subject if you want.

**The Hon. GREG DONNELLY:** It is a simple question about this particular document.

**Mr MIKE BAIRD:** We will get to the budget eventually.

**Dr JOHN KAYE:** You are so highly strung, Mr Baird.

**The Hon. GREG DONNELLY:** You are very smug.

**Dr JOHN KAYE:** I said "strung", not "smug".

**Mr MIKE BAIRD:** I am not smug at all. The Government will be judged on the quality of its appointments.

**The Hon. GREG DONNELLY:** It is a question about whether or not you were involved in the development of this document.

**Mr MIKE BAIRD:** The Government will be judged on the quality of its appointments. I cannot be clearer.

**The Hon. GREG DONNELLY:** Are you familiar with the contents of the document, Treasurer?

**Mr MIKE BAIRD:** Yes

**The Hon. GREG DONNELLY:** Have you read the document, Treasurer?

**Mr MIKE BAIRD:** Mr Donnelly—

**The Hon. MELINDA PAVEY:** Stop badgering, Mr Donnelly.

**Mr MIKE BAIRD:** What is your question?

**The Hon. GREG DONNELLY:** I am trying to have you provide me with an answer to the question: Were you involved in the development of the document?

**Mr MIKE BAIRD:** I am aware of the document.

**The Hon. GREG DONNELLY:** Have you read the document?

**Mr MIKE BAIRD:** I am aware of the document.

**The Hon. ADAM SEARLE:** Treasurer, the labour expenses cap: The Treasury circular dated 14 March this year states, "The Government has decided not to mandate exactly how employee savings will be achieved." You are leaving that to directors general and agency chief executive officers, which is reflective of what you said in your budget speech?

**Mr MIKE BAIRD:** Yes.



**The Hon. ADAM SEARLE:** Exactly how much autonomy do directors general and agency chief executive officers have? Do they have to get ministerial or Cabinet approval for their employee savings plans or are they allowed to do it within the overall funding cap for their agency for the year?

**Mr MIKE BAIRD:** That is a question for the individual Ministers. My expectation would be that directors general would discuss decisions with their Ministers. That would be a natural expectation. The reason we have done this, and I have had this discussion regularly with the Public Service Association, is that it is the best way to provide flexibility to the agency. In that context we have said the biggest expense we have is labour, which is close to 50 per cent of the budget, and obviously we have requirements, as revenue has fallen significantly.

**The Hon. ADAM SEARLE:** In fact your revenue is going up each year.

**Mr MIKE BAIRD:** Budgets are set on a trajectory.

**The Hon. ADAM SEARLE:** Yes, four year.

**Mr MIKE BAIRD:** On the basis of that, in terms of the deficit number, we cannot be in the position of paying money we do not have. So one of the things the Government has introduced is the labour expenses cap. There is flexibility for directors general. Previously they said we can use attrition, retirement, part-time positions and reduce contractors but it was not taken-up and the results under the former Government are plain. Using this process there is more rigor and scrutiny on all of those expenses. Jobs have gone as part of it. The Government said up front if every single dollar in that labour expenses cap initiative was taken through jobs it would amount to about 10,000 jobs.

**The Hon. ADAM SEARLE:** Or 15,000 as the case may be.

**Mr MIKE BAIRD:** Ultimately they have used attrition and retirements and have at the same time put people on the front line.

**The Hon. ADAM SEARLE:** To put your mind at rest, I am not arguing about the policy, I am asking about how much autonomy agency heads have. From a whole-of-government perspective there is no requirement for agency heads to get Cabinet approval for their plans as long as they liaise with their Ministers, is that what you are saying?

**Mr MIKE BAIRD:** That is right. Each director general is given a budget.

**The Hon. ADAM SEARLE:** And within that budget they can develop their savings plans as best suits that agency?

**Mr MIKE BAIRD:** There is an overarching process in broad savings plans. There are a range of initiatives that are overseen but ultimately, in relation to the labour expenses cap [LEC], that is right.

**The Hon. ADAM SEARLE:** Apart from keeping the Minister informed they do not require Cabinet approval to implement a particular savings plan, is that correct?

**Mr MIKE BAIRD:** We have a process within budget, as I assume occurred with the previous Government, including ongoing discussions with agencies in relation to savings targets. In relation to the LEC they are given discretion to achieve that in a way that they think maintains services, and my expectation would be that it would be done in consultation with the Minister.

**The Hon. ADAM SEARLE:** Thank you, Treasurer. You have said it is for next year's budget, but you are considering selling the taxation stream of revenue from Lotteries.

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** I think the State receives about \$350 million a year from that?

**Mr MIKE BAIRD:** That is the current licence.

**The Hon. ADAM SEARLE:** You have said you are not considering selling the whole of that stream, just part of it?

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** Part of that reason, you say, is because the State has a risk due to online gambling, so you are considering getting out of that line of business by selling the revenue stream. If there is a risk, would not the market write down any sale price to offset that risk, so you would not achieve anything by selling this revenue stream, would you?

**Mr MIKE BAIRD:** No, no, listen, that is—

**The Hon. ADAM SEARLE:** I am listening.

**Mr MIKE BAIRD:** Obviously people who would invest are the ones who would have expertise in the sector, or certainly have availability of expertise in the sector and, yes, people would have to take a view in relation to the industry and where it was going, and what risks were coming, and how they were going to be managed by the owners of that revenue stream.

**The Hon. ADAM SEARLE:** The risk would be factored into the price they would be willing pay, so the State could not end up ahead in this process, could it?

**Mr MIKE BAIRD:** We have done a lot of work to determine that. The work we have done would suggest there would be competitive tension, that we would get fair value. As I have said, I have parked that because the people who would be interested in pursuing that would also be interested in the long-term pension funds in the port. I do not want to muddy the waters in respect of putting additional transactions in. We have not made a final decision in relation to the Lotteries. We have proven it up. It works, but it would depend on market conditions at the time, it would depend on discussions with rating agencies, and it would depend, obviously, if we could achieve fair value, and that is the point, so we are considering that after the upcoming budget.

**The Hon. ADAM SEARLE:** Treasurer, you say it works, but it has never been done in New South Wales and it has not been done in Australia before, has it? So what expertise, apart from theoretical expertise, are you drawing on?

**Mr MIKE BAIRD:** We have obviously discussed it with market and with general experts in the field.

**The Hon. ADAM SEARLE:** At a high level of abstraction then?

**Mr MIKE BAIRD:** Well, yes.

**The Hon. GREG DONNELLY:** Treasurer, regarding the question of debt and asset sales in New South Wales, can you provide an update to the Committee of further considerations that the Treasury has been looking at in respect of potential asset sales?

**Mr MIKE BAIRD:** The only transactions that are underway, you can see, so that is the position, Greg.

**The Hon. GREG DONNELLY:** They are the ones that are underway. What other ones are being considered, that are being looked at?

**Mr MIKE BAIRD:** There are no other ones being looked at.

**The Hon. GREG DONNELLY:** None at all?

**The Hon. ADAM SEARLE:** You have to verbalise your response, Treasurer. *Hansard* does not have a visual representation.

**The Hon. GREG DONNELLY:** There have not been any discussions in respect of Treasury being commissioned to do some work on other assets that may be considered for sale or lease in New South Wales?

**Mr MIKE BAIRD:** No, let us be clear on this, Greg. Treasury will look at balance sheets, it will look at potential opportunities.

**The Hon. GREG DONNELLY:** My question was very specific.

**The Hon. MATTHEW MASON-COX:** Let him answer it, Greg.

**The Hon. GREG DONNELLY:** It was in terms of work being done by Treasury of other possible matters for consideration for lease or sale. We know what is in the public domain in terms of what is out there, but what other matters are being considered—are being scoped or looked at? The Lotteries was one that we have just discussed, but what other ones are being considered?

**Mr MIKE BAIRD:** There is none being considered by the Government at this stage, Greg. That is the position.

**The Hon. GREG DONNELLY:** In respect of work asked of the Treasury officers by yourself, have you asked—

**Mr MIKE BAIRD:** We have been pretty up-front on this. We were pretty explicit in relation to the generators; we were explicit in relation to ports.

**The Hon. GREG DONNELLY:** You are saying there are no further ones that are being looked at?

**Mr MIKE BAIRD:** The Government is considering no further asset sales at this time.

**The Hon. GREG DONNELLY:** At this time.

**The Hon. ADAM SEARLE:** Today.

**The Hon. GREG DONNELLY:** In respect of asking Treasury, you are saying—

**Mr MIKE BAIRD:** If you want me to rule it out forever, I will not rule it out forever. So there is your grab. I am not going to rule it out forever.

**The Hon. GREG DONNELLY:** No, I am not after a grab. This is an area of great interest, because obviously the issue of the debt level in New South Wales—

**Mr MIKE BAIRD:** And you saw we have reduced it.

**The Hon. GREG DONNELLY:** We will come to that in a moment.

**Mr MIKE BAIRD:** You are not sure?

**The Hon. MELINDA PAVEY:** We assured all the things would be in the best interest for all the people of New South Wales.

**Mr MIKE BAIRD:** You are going to come to that, are you?

**The Hon. GREG DONNELLY:** Mr Gaetjens, in respect of requests made of the Treasurer to look at possible asset leases or sales, have you received any requests from the Treasurer to look at any particular matters, or to provide advice to him of potential assets that should be looked at?

**Mr GAETJENS:** Is that requests of the Treasurer or from the Treasurer?

**The Hon. GREG DONNELLY:** From the Treasurer to yourself, yes.

**Mr GAETJENS:** I will take that on notice to check, but I am pretty sure we have not. What we do have, however, as a result of the Schott review, we have established a strategic balance sheet unit, which is looking at the balance sheet of the State to do things, not only looking at asset transactions like the ports, the generators, but to look at the balance sheet and how that can best be utilised for the State. But that is not under

instruction from the Government. It is the review that we do in the nature of our work to look at how we can best suit the finances of the State, how it can best match the triple-A rating, but that is a different exercise from being asked to do anything in particular.

**The Hon. GREG DONNELLY:** With respect to the general government sector and with respect to net debt, the increase up to the forward estimates of \$20 billion plus, that is a figure that is concerning quite a few people in respect of looking at the size of that growth over that period of time.

**The Hon. MELINDA PAVEY:** You were not worried before.

**Mr MIKE BAIRD:** It is about \$8 billion below your forecast, just so you know.

**The Hon. GREG DONNELLY:** You can throw numbers around but, at the end of the day, this is your budget that you handed down only a few months ago.

**The Hon. MATTHEW MASON-COX:** I think you have been saved by the bell, Greg.

**The Hon. GREG DONNELLY:** It is a three-fold increase from the figure in 2010-11. That is a significant increase and people are wondering, "Well, is this Treasurer pursuing a very aggressive approach when it comes to debt?"

**The Hon. CATHERINE CUSACK:** You are blowing him out of the water with that one, Greg.

**Mr MIKE BAIRD:** Do I come back to that, Mr Chair?

**The Hon. MELINDA PAVEY:** Do it now.

**Mr MIKE BAIRD:** Is the time out?

**Reverend the Hon. FRED NILE:** How quickly can you answer the question?

**Mr MIKE BAIRD:** It will take a bit of time. I am happy to take up the position of debt. What we have done in the current budget, as you have seen, is we have reduced expenditure growth, we have increased infrastructure spend and we have reduced net debt.

**The Hon. GREG DONNELLY:** I am talking about the debt over the forward estimates.

**Mr MIKE BAIRD:** We have actually reduced it. The general government debt has gone from \$21 billion down to \$15 billion in the 2013-14 year. We have done that, which provides flexibility to the budget over the forward estimates.

**The Hon. MELINDA PAVEY:** Discipline.

**Mr MIKE BAIRD:** The overall position—and I think that is the number—is that we are about \$8 billion below your forecast on the net debt. Yes, we are focused on the debt because, as you know, when we opened our Treasury brief, they said, "Congratulations, Treasurer. Commiserations you have inherited this because, by the way, you are about to lose the triple-A rating."

**The Hon. GREG DONNELLY:** Well, the whole black hole issue was dealt with some time ago, Treasurer—

**Mr MIKE BAIRD:** We have had to take action on that.

**The Hon. GREG DONNELLY:** —so it is the hoary chestnut that you are bringing out again.

**Mr MIKE BAIRD:** I think the strategy we are employing has been successful.

**CHAIR:** That is the end of this session for the Opposition. I have some general questions on behalf of the crossbench. There has been a lot of discussion over the years about the GST allocations to each State and

how unfair it is for New South Wales. Are there any plans to renegotiate that with the Federal Government after the election and, hopefully, if it is a coalition Government, to have a review of that system?

**Mr MIKE BAIRD:** What was the first bit?

**CHAIR:** The whole point is the unfairness of the current distribution of the GST and how it affects New South Wales in a negative way.

**Mr MIKE BAIRD:** As I have answered previously on this, Fred, I welcome what the Federal Opposition has done. They have done what anyone who is interested in the long-term welfare of the States and country will do, and they are some of the big challenges we have, and the inefficiency of the State tax system competing with the massive infrastructure challenges we have and the huge demand on services, the increase in health costs and disability costs and the ageing costs. It is the biggest issue the country and the States are facing, so the Opposition has said that they want to have a mature debate about that. We welcome that. We strongly believe that the capital distribution model is the right one. We have agreed that with the central States.

**CHAIR:** Based on the population?

**Mr MIKE BAIRD:** Yes, based on the population. That gives much more surety. At the moment I think it is about 10 per cent—is it 10 per cent that is redistributed each year of the total pool?

**Mr GAETJENS:** A little bit less.

**Mr MIKE BAIRD:** Up to 10 per cent is sort of redistributed on the back on the model that the Grants Commission comes up with, which creates uncertainty in terms of budgeting. It creates some unfairness. Ultimately, to give an example, we are going with the States in the broad pool, which means that South Australia as another Labor State would receive the benefit despite the fact that it made the decision that it did not want to keep its triple-A rating. That is fine if that is the decision it wants to make, but there is a significant cost to its budget on the basis of making that decision in terms of interest costs and borrowing costs going up. From my point of view I do not think it is fair that we take measures to try to control our rating, responsible decisions to maintain the lowest possible cost of funds, and another State gives it up yet in this distribution process we then have to hand it across. There is a lack of fairness in that.

Surety and stability—making sure it is less volatile in terms of your revenue—makes it much easier to budget and obviously that would provide more GST to the State for services. That is why we think that equal per capita is the fairest way to do it. I understand the argument as to the horizontal fiscal equalisation [HFE] but I think it has been confused. I think the issues and challenges in places like the Northern Territory and Tasmania should be dealt with at a Federal level. They can still run a process of equalisation and work out what is required in view of their remoteness and the Indigenous population, particularly in the Northern Territory, but mixing that into the tax system creates perverse outcomes and I do not think it is fair. I believe that equal per capita is the best way forward. Certainly we have the support of Queensland, Victoria and Western Australia on that. Importantly, Western Australia would be a bigger beneficiary as part of that approach. Indeed, Phil, Maryanne and I were at the Grants Commission on Monday—was it Monday?

**Mr GAETJENS:** Yes.

**Mr MIKE BAIRD:** My argument was that New South Wales would not benefit as much as a number of other States on equal per capita but our position is to argue the policy point, not the pure self-interest point. I think it is the fairest and best thing and we will continue to argue it. It is a long process but obviously with a new Federal Government hope abounds aplenty.

**CHAIR:** The Federal Labor Government's budget has been blown out of the water because of a loss of revenue. In your budget statement you made the same point—namely, the budget has again been drawn up in the context of weaker revenue growth than forecast. According to the graph at page 1-5 in Budget Paper No. 2 there is almost a 50 per cent per annum drop in revenue from six down to almost four. In what areas are you anticipating a loss of revenue and what can be done about that?

**Mr MIKE BAIRD:** That is an important point. Those opposite who criticise the Government do talk about rising revenue. The revenue over the forward estimates is expected to rise about 4.5 per cent and that is well below the decade average of 5.6 per cent. We do have this shift down, this structural reduction. GST was

well articulated in the previous budget in terms of the impact that has had. At the same time we have the royalty revenues and whilst we were hit this year the volume is there—obviously the reduction in price has meant that the value of the royalties has fallen. The GST remains probably the biggest challenge; royalties to a lesser degree. Ultimately the lack of confidence in households is what we see and there is no doubt that events in Canberra are impacting upon that. The changing policy decisions, the lack of control of budget, the impost on households and businesses is not engendering confidence and that directly runs into the GST receipts of the State.

I am very hopeful that we will get some stability back post the September election. That will return a bit of confidence and might get consumers feeling—particularly with lower interest rates; in a normal sort of economy where the lower interest rates sit consumers would be charging away, and we have not really seen that. The most recent retail numbers were a little bit weaker. It is better this year than it was but that lack of confidence remains. So a boost in confidence will improve GST and obviously global growth will help our royalties. It is interesting with our State taxes that in the previous budget we targeted the housing sector in particular. We introduced a range of measures targeted at all parts of the housing sector—the incentives we moved to new homes; we also looked at infrastructure between State Government, councils and developers on who would finalise roads, sewerage and water and we put some of that key infrastructure in place.

More than 120,000 homes are expected to come on the back of those initiatives. We have also provided incentives for councils to improve their development application times. So that has started to have an impact on the housing sector and we are seeing growth. Approvals are up significant percentages, finance is up—indeed, last quarter they were up about 25 per cent. We are really starting to see some movement in housing. That will flow onto conveyancing and we saw that last year—it was up about 18 per cent. We expect even a greater level this year on the back of that and the lower interest rates but obviously that comes back to a more normalised position over time.

State taxes are actually moving relatively well, which is interesting to see. We are seeing good jobs growth as well. Despite the challenges we inherited and where the State was with its jobs growth we are now actually leading on our jobs growth, which is obviously helping the payroll tax revenue. Payroll tax is reasonable. In conveyancing the stamp duty is going according to the market. State taxes I think are about 6.6 per cent, or that sort of number, over the four years but we still think that is a conservative position. So the overall revenue is 4.5 per cent over the estimates, but the biggest impact is GST. We think we have taken all the actions to address that weakness. I would say I am reasonably bullish on how the economy looks in New South Wales over the next couple of years.

**CHAIR:** Are there any other revenue areas of concern—for example, gambling taxes, poker machine taxes, casinos?

**Mr MIKE BAIRD:** That is historically, and remains, a pretty stable number. I do not think there has been any major variance in that—has there?

**Mr RONISVALLE:** No.

**CHAIR:** In your budget speech you made reference to the plan to lease the Port of Newcastle. You said if it did go through then a number of things would happen. You said if it was successful \$340 million would go towards the revitalisation of Newcastle, changes to the railway line to light rail and so on. Are those plans progressing? Can you give the Committee an update on the revitalisation of Newcastle?

**Mr MIKE BAIRD:** I think the model has been embraced by Newcastle. I think what the community appreciates is that we have honestly said, "These are the finances. The finances we have are pretty tough and there is a huge infrastructure backlog. We need to get on with it." When revenue is falling and debt levels are right up against the triple-A, you really have no option but to look at your balance sheet. So we have outlined our asset transactions. We have said to Newcastle, "We have made a decision to revitalise the centre and we are putting the funds in." In discussion with the transport Minister the work is ongoing. We are working in parallel to the transaction but clearly we still need to get a good result on the transaction to proceed.

As I have said in all transactions, if we do not receive the right competitive tension and the right results—fair value to the State—we will not proceed, but we are doing all the preparation work up in Newcastle. The expectation is that by the end of this year the transport Minister will provide a construction schedule that will highlight the progress and the timing in relation to the project—removal of the heavy rail line and putting in

light rail. The community is excited about it and so are we. You just have to stand in the city and look at the rail line to understand the connection from the beaches to the harbour and how important that is and what a wonderful city it will be. We think that it is going to be fantastic.

**Dr JOHN KAYE:** I have an administrative question for Mr Gaetjens. What is the status of the memo or order which came from your predecessor Michael Lambert about the board director appointments process? Is that memo still in force or have you replaced it with another one?

**Mr GAETJENS:** I think I will take that on notice just to make sure that I actually give you the correct answer.

**Dr JOHN KAYE:** You are not aware of whether that memo, which is clearly an important memo—

**The Hon. MELINDA PAVEY:** Mr Gaetjens has answered the question.

**Dr JOHN KAYE:** I am asking another question now. Are you not aware of whether that memo is still in force or not?

**The Hon. CATHERINE CUSACK:** He has just taken that on notice.

**Dr JOHN KAYE:** No, I asked him what the status was—

**The Hon. CATHERINE CUSACK:** That is exactly the question you asked him.

**Dr JOHN KAYE:** Are you not aware or do you need political instruction on this?

**The Hon. MELINDA PAVEY:** He answered the question.

**The Hon. CATHERINE CUSACK:** That is a disgraceful thing to say.

**Dr JOHN KAYE:** I am sorry, you might find it disgraceful but I find it quite remarkable that I cannot get to the bottom of a policy announcement that the Treasurer made shortly after he became Treasurer. Nobody can tell me what happened. I am not asking—

**The Hon. CATHERINE CUSACK:** He said he would take it on notice and give you the answer, John.

**Dr JOHN KAYE:** I am just asking about the process.

**Mr MIKE BAIRD:** We have gone through this.

**Dr JOHN KAYE:** Clearly, you are not going to tell us that.

**CHAIR:** Order! He has taken that question on notice.

**Dr JOHN KAYE:** Let us go to the next issue: the appointment of Nick Di Girolamo to the board of the State Water Corporation on 1 July 2012. That appointment went through Cabinet, did it not?

**Mr MIKE BAIRD:** As I have told you, the appointment was made on the basis of merit and went through the full Cabinet approval process. He has been a partner in a law firm. He has water experience and is going onto a water board.

**Dr JOHN KAYE:** Yes, he has a lot of water experience. Treasurer, did you have any discussions with Mr Di Girolamo prior to his appointment?

**Mr MIKE BAIRD:** I have had discussions with Nick. I have had a couple of meetings with him.

**Dr JOHN KAYE:** Was that prior to 1 July 2012?

**Mr MIKE BAIRD:** No, not in relation to that.

**Dr JOHN KAYE:** Not in relation to what?

**Mr MIKE BAIRD:** His board appointment.

**Dr JOHN KAYE:** You are talking about his appointment to the State Water Corporation?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** Did any of those discussions deal with the issue of the Rouse Hill Wastewater Treatment Plant?

**Mr MIKE BAIRD:** No, I have had a couple of meetings with Mr Di Girolamo. One was when he first came in to discuss his business. He wanted to talk about his business.

**Dr JOHN KAYE:** What business was that?

**Mr MIKE BAIRD:** It was Australian Water Holdings. There was a general discussion about that and then I had a second meeting where he wanted to introduce his chairman, who happened to be Michael Costa.

**Dr JOHN KAYE:** Let us go to the details of that first meeting. Can you give us roughly the date of that meeting?

**Mr MIKE BAIRD:** I am not sure of the exact date but I can get that for you.

**Dr JOHN KAYE:** Was it in 2011?

**Mr MIKE BAIRD:** I can tell you that it was a general discussion about his business—that is it—and an introduction to his new chairman.

**Dr JOHN KAYE:** I presume that both of these discussions occurred prior to the decision by the O'Farrell Government to allow the board of the Sydney Water Corporation to resolve the issue of the Rouse Hill Wastewater Treatment Plant and the involvement of Australian Water Holdings in it?

**Mr MIKE BAIRD:** It is totally—

**Dr JOHN KAYE:** Is that a yes or a no?

**Mr MIKE BAIRD:** Yes, but it is totally—

**Dr JOHN KAYE:** So that is a yes, okay.

**Mr MIKE BAIRD:**—but it is totally appropriate that Sydney Water make decisions of a commercial nature. Day-to-day, that is the job. That is the setup.

**Dr JOHN KAYE:** So those two discussions occurred before 1 July 2012?

**Mr MIKE BAIRD:** The two meetings I had, yes. But I have told you what they were about.

**Dr JOHN KAYE:** When did the Government decide to refer the matter of the Rouse Hill Wastewater Treatment Plant and the involvement of Australian Water Holdings back to the Sydney Water Board?

**Mr MIKE BAIRD:** In relation to that decision, you are best to talk to Sydney Water.

**Dr JOHN KAYE:** That may be so, but Mr Di Girolamo felt it was best to talk to you about it, clearly, because he spoke to you about it.

**Mr MIKE BAIRD:** No, as I told you, there was a general discussion, an introductory discussion, about Australian Water Holdings. That is it.



**Dr JOHN KAYE:** So the Rouse Hill project was never mentioned?

**Mr MIKE BAIRD:** It was a general, introductory meeting about Australian Water Holdings. It in no way involved me going forward. Ultimately, as I said, I am not going to come in here and provide the details of having meetings or not having meetings. I am giving you a broad context of what we said. That is it, Dr Kaye. In relation to those commercial decisions, it is entirely appropriate that Sydney Water make decisions for any commercial contracts they may have, and that is exactly what has happened here.

**Dr JOHN KAYE:** We will change topics, because we have not actually been very successful on that one. Let us see if we can be more successful on the issue of the long-term leasing of the Port of Newcastle. Mr Baird, I think it would be fair to say that you and I have had a stoush in the media—

**Mr MIKE BAIRD:** You just needed to give me a call, Dr Kaye, and we could have resolved it. We could have fixed that.

**Dr JOHN KAYE:** Let us do it now. Let us have a chat now. There is a \$5.6 million shortfall in the post-employment benefits as revealed on note 12 of page 46 of the Newcastle Port Corporation [NPC] Annual Report. How is that \$5.6 million shortfall going to be covered? Is that going to be paid out of the lease proceeds? Is it going to remain with the public sector and be paid out of the proceeds of the lease or is it to be transferred to the successful lessee?

**Mr MIKE BAIRD:** We have discussed this—or rather I have responded to you in comments. On an annual basis, the actuaries make assessments on whether or not additional contributions are required in relation to the scheme. Whether they are in deficit or in surplus, there is an annual discussion. That is done consistently across government and the private sector as well. You need to get an actual assessment of where the super funds sit relative to your obligations. If the lease proceeds then we would ensure that there was no funding gap. So at the point of the lease—

**Dr JOHN KAYE:** But there are two ways you can do that: you can require the successful lessee to fund it or you can fund it out of the proceeds of the lease.

**Mr MIKE BAIRD:** The expectation would be that you would not hand across a liability. You would hand it across fully funded, which is exactly what we would do.

**Dr JOHN KAYE:** So that \$5.6 million will effectively come off the income from the lease?

**Mr MIKE BAIRD:** No, that is not right—because ultimately we do not know the position. We could be in a position, should we execute that lease, that it actually is fully funded at that point in time. If it is fully funded at that point in time then we are obviously in a position that we could hand it across fully funded.

**Dr JOHN KAYE:** Well, that is the question, because we have now completed 2012-13. Was there any funding paid in 2012-13? Was there any provision put into the post-employment benefits in 2012-13 or did they have another holiday on it? I am not using "holiday" pejoratively there but was there another year where NPC was not required to pay into post-employment benefits?

**Mr MIKE BAIRD:** I would have to take that question on notice. I am not sure of the actuarial advice. They are obviously finalising their accounts now so that advice would normally be part of that.

**Dr JOHN KAYE:** So you have not seen that yet?

**Mr MIKE BAIRD:** No.

**Dr JOHN KAYE:** So you do not know what their current underfunding or over-funding position would be?

**Mr MIKE BAIRD:** No, but I would say to you again in relation to that that there is no manipulation in any way, shape or form. It has no impact. The obligation is determined by the actuary. The State, should we decide to execute the lease, makes it true at that point in time. I am not sure of your argument.

**Dr JOHN KAYE:** Treasurer, let me ask you this. There was an amount of \$5.6 million that ought to have been paid in that was not paid in. What happened to that \$5.6 million? Did it go into capital works? Was it paid to the Government? What happened to it? Can you tell us where that \$5.6 million went?

**Mr MIKE BAIRD:** Are you talking about the deficit?

**Dr JOHN KAYE:** We will go through it again. Newcastle Port Corporation had a \$5.6 million shortfall in the post-employment benefits. Where has that money gone? There should have been funds. In normal years there is a transfer of money from the Newcastle Port Corporation into their post-employment benefits fund—to fund post-employment benefits. This year there was not. This year you tell us that you were advised, "You do not need to do it this year," so you did not do it.

**Mr MIKE BAIRD:** They do not discuss that with me. The State-owned corporations make their own decisions on day-to-day commercial matters.

**Dr JOHN KAYE:** So what happened to the money that would otherwise have gone in there? Where did it go?

**Mr MIKE BAIRD:** We would have to ask the port. You need a cash flow statement to run through how they allocated cash across the entire business.

**Dr JOHN KAYE:** You did not check that?

**Mr MIKE BAIRD:** Why would you, John?

**Dr JOHN KAYE:** Because it was a controversial matter on the eve of privatisation.

**Mr MIKE BAIRD:** It is not a controversial matter. They make an allocation to the superannuation funds on the basis of an actuary assessment that tells them: Here are the obligations you need to make; you need to top it up or you do not. If you do not need to top it up obviously the actuarial advice is that they have enough to meet their ongoing obligations, so the rest of the funds became available for day-to-day activities at the port. We can discuss that offline, John. I am happy to go through it in detail if you would like.

**The Hon. WALT SECORD:** Your former colleague Minister Pearce struggled with his ability to manage his conflicts of interest. Since his sacking have you, your department or the Department of Premier and Cabinet reviewed all of the joint appointments that you made with him to State Owned Corporations [SOCs] and other boards?

**Mr MIKE BAIRD:** I think what the—

**The Hon. WALT SECORD:** It is a simple question, Treasurer.

**The Hon. MATTHEW MASON-COX:** Let him answer.

**The Hon. WALT SECORD:** I am waiting for the attack.

**Mr MIKE BAIRD:** There is no attack, Walt.

**The Hon. WALT SECORD:** Just answer the question.

**Mr MIKE BAIRD:** The Premier showed that he expects the highest standards. He has put that line in the sand and I totally support him in that.

**The Hon. WALT SECORD:** I will ask you the question again. Have you or your department, or the Department of Premier and Cabinet reviewed all of the joint appointments where you and Greg Pearce signed on the bottom line? Have you reviewed all those appointments to SOC's since the Minister's removal?

**Mr MIKE BAIRD:** There are two issues here. There are the appointments and the issues that you are speaking to. The Premier has made his stand in relation to that. We support that standard and we support the merit-based appointments that we have made.

**The Hon. WALT SECORD:** Mr Chair, may I ask the same question of Mr Gaetjens. Have you reviewed all of the joint appointments that came through?

**The Hon. MATTHEW MASON-COX:** The Treasurer has just answered on his behalf.

**The Hon. WALT SECORD:** No, he did not answer.

**Mr MIKE BAIRD:** Yes, I did

**The Hon. MATTHEW MASON-COX:** Point of order: The Treasurer has answered the question. The Hon. Walt Secord is not allowed to ask everybody at the table.

**The Hon. WALT SECORD:** I felt that the Treasurer did not answer my question after being asked twice.

**The Hon. MATTHEW MASON-COX:** As the Treasurer he answers on behalf of the department. The member needs to be called into line in this regard.

**Mr MIKE BAIRD:** Come on, Walt, let us talk about the budget. Do you want to talk about the budget? I would love it if you talked about the budget. We can talk about your port speech; that is spectacular. Do you want to go through that? Why do you not ask me about that? It is worth pulling out, Walt. It is a little cracker. Do you want to do that?

**The Hon. WALT SECORD:** What discussions did you have with Minister Pearce on the appointments of Chum Darvall, Maurice Newman and Roger Massey-Greene?

**Mr MIKE BAIRD:** I have your port speech ready to go, Walt. Why do we not we do this? It is more fun.

**The Hon. WALT SECORD:** Treasurer, we ask the questions and you should occasionally try to answer them rather than launching attacks on us. The way estimates committees work is that we ask the questions and you should occasionally answer them. I have asked a simple question. What discussions have you had with Minister Pearce about the joint appointments?

**Mr MIKE BAIRD:** I am not going to provide a running commentary to you on discussions I may or may not have had.

**The Hon. WALT SECORD:** This is budget estimates.

**Mr MIKE BAIRD:** So show where discussions with Greg Pearce are in the budget papers. Show me where that is.

**The Hon. WALT SECORD:** Then how about we go to individual appointments that you made. Are you familiar with Mr Chum Darvall?

**Mr MIKE BAIRD:** Yes.

**The Hon. WALT SECORD:** Tell me a bit about his appointment.

**Mr MIKE BAIRD:** Honestly, I would have thought that for this year's estimates you might have a bit of new material.

**The Hon. WALT SECORD:** Tell me about his appointment. How about I give you a bit of a chronology?

**Mr MIKE BAIRD:** The problem is, Walt, that you are like the Wizard of Oz. When you pull back the curtain all you see is a smoke machine.

**The Hon. WALT SECORD:** Did you work together? Answer the question.

**Mr MIKE BAIRD:** You can have all the conspiracies you like and you can try to create this sense—

**The Hon. ADAM SEARLE:** Point of order—

**The Hon. WALT SECORD:** You worked with this man at Deutsche Bank.

**Mr MIKE BAIRD:** Oh my gosh. You've got me, Walt.

**The Hon. CATHERINE CUSACK:** Is that the bombshell?

**Mr MIKE BAIRD:** Yes, 16 years or 17 years ago.

**The Hon. WALT SECORD:** I had to drag that out of you.

**Mr MIKE BAIRD:** Deutsche Bank is made up of about a thousand people. It is unbelievable, Walt. Honestly, are you going to mention everyone that I may have ever spoken to or ever worked with? I worked in the finance sector. I worked across many industries, many companies and many boards.

**The Hon. WALT SECORD:** And quite a few of your mates have turned up on boards.

**Mr MIKE BAIRD:** No, I will tell you who has turned up. People have turned up who have incredible skills and expertise for the job. Yes, I think the CEO of Deutsche Bank might be able to contribute something to a board.

**The Hon. WALT SECORD:** You worked for him. You worked with him.

**Mr MIKE BAIRD:** The chair of the Australian Stock Exchange, a partner of Allens, the CEO of BlueScope Steel, the CEO of Ernst and Young, the CEO of the Hunter Medical Research Institute, a non-executive director of Boral, the Spark Infrastructure chief financial officer, 12 years on the Commonwealth Bank board, a senior finance auditor, a non-executive director of SBS and the CEO of Barclays. The thing that is consistent with all of them is that they bring merit and skills and experience to the boards. I do not know where Michael Williamson fits into that.

**The Hon. WALT SECORD:** It is obvious that we are not going to get anywhere probing you on your dodgy appointments.

**Mr MIKE BAIRD:** You have not apologised for the Gentrader transactions. I cannot believe that you can come in here and ask those questions when at midnight—

**The Hon. WALT SECORD:** You do not like scrutiny, do you, Treasurer?

**The Hon. CATHERINE CUSACK:** Point of order—

**Mr MIKE BAIRD:** When was the last time that SOC directors resigned and you put in people working on a transaction to be directors to get it through? And who was the chief of staff to the Premier who oversaw that?

**CHAIR:** We will return back to questions.

**The Hon. CATHERINE CUSACK:** I am taking a point of order, Mr Chair. My point of order is that—

**The Hon. WALT SECORD:** Mr Donnelly would like to resume questioning.

**The Hon. CATHERINE CUSACK:** But, as was succinctly explained earlier by Mr Adam Searle, when a member takes a point of order they are entitled to be heard.

**The Hon. WALT SECORD:** This is a tactic to use up our time. Mr Donnelly would like to ask questions.

**CHAIR:** What is the member's point of order?

**The Hon. CATHERINE CUSACK:** My point of order is that, because this is a smear campaign, I ask that Labor Party members move on from that line of questioning unless they have something new to add.

**CHAIR:** Mr Donnelly wishes to ask a question.

**The Hon. GREG DONNELLY:** I address this question to each witness and I would like you to take it on notice. This question is addressed to Mr Rogers, Mr Spencer—

**The Hon. CATHERINE CUSACK:** Point of order: Questions to be taken on notice need to be submitted in writing; not asked during the inquiry. Greg, you are a very experienced member and you know exactly the procedures of this Committee.

**The Hon. GREG DONNELLY:** To the witnesses here, over the past 12 months have you had any meetings, telephone calls or emails from Mr Dominic Kelly, Mr David Begg, Mr Chris Stone, Ms Natalie Christiansen or Mr Michael Photios or any other representatives from Premier State Consulting Pty Limited to discuss any matters relating to the sale or the lease of any State assets?

**The Hon. CATHERINE CUSACK:** Point of order—

**CHAIR:** The member will finish the question.

**The Hon. CATHERINE CUSACK:** The member has indicated that is the question he wants on notice.

**CHAIR:** It is not on notice; he is asking the question.

**The Hon. CATHERINE CUSACK:** He said, "I ask that it be taken on notice." Those were his exact words.

**Mr MIKE BAIRD:** We can answer the question. Everyone is happy to say no. Do you want to just end it now, Greg?

**The Hon. GREG DONNELLY:** I would like it if they could take that away and check the records.

**Mr MIKE BAIRD:** Greg, do you want to hear the answer now?

**The Hon. CATHERINE CUSACK:** This is outrageous. He is using this Committee to make a smear and saying from the outset that he does not even want an answer. He has just said he wants it on notice so he can say anything he likes. It is an improper use of this Committee.

**The Hon. GREG DONNELLY:** It is not.

**The Hon. ADAM SEARLE:** To the point of order—

**The Hon. CATHERINE CUSACK:** It is, Greg. It is a deliberate smear against people and then you are saying, "I don't even want an answer. Just let me make this smear and let me move on." That is exactly what you are doing. It is old Labor smear tactics.

**The Hon. ADAM SEARLE:** Point of order: Mr Chair, will you ask the excitable member to cease speaking while I make my point of order?

**CHAIR:** We are proceeding to get an answer to the question.

**The Hon. CATHERINE CUSACK:** But he said he does not want one. He said, "Just take it away and do what you like with it."

**The Hon. ADAM SEARLE:** I have two points of order. First of all, members of the Committee must speak through the Chair and not across the room to each other. Being a very experienced member of the upper House, the Hon. Catherine Cusack would know this. Secondly, the Hon. Greg Donnelly asked the question and I believe it was answered. All the time the member kept talking was a transparent effort to chew up the Opposition's time. Mr Chair, when she does that again I ask you to overrule her. I raised a point of order and she kept babbling. We need to move on.

**CHAIR:** We will move back to Mr Donnelly's question and whether there is an answer to the question from the Treasurer.

**Mr MIKE BAIRD:** The answer is no. We can provide it, but everyone just said no.

**The Hon. GREG DONNELLY:** If there is any doubt at all, Treasurer—

**Mr MIKE BAIRD:** No, they will double and triple check, Greg, but just letting you know.

**The Hon. MATTHEW MASON-COX:** There is no doubt. No—N-O.

**The Hon. GREG DONNELLY:** On the question of consultants employed by departments, Treasurer—

**The Hon. CATHERINE CUSACK:** Oh, more smear.

**The Hon. GREG DONNELLY:** —in terms of any direction to them or any guidance to them beyond the Treasury circulars, is that provided by any of the officers within Treasury? In terms of departments seeking guidance about expenditure on consultants, is that given by anyone particularly within Treasury?

**Mr MIKE BAIRD:** I think if it is a broad procurement issue, that is finance. I am not quite sure on what your specific question is, Greg.

**The Hon. CATHERINE CUSACK:** It is just a smear.

**The Hon. GREG DONNELLY:** In terms of the actual expenditure on consultants, it does appear that it is a figure that sort of continues to rise, particularly with respect to some departments more than others. I am just wondering in terms of guidance given to departments about limits that they should place or consider placing on expenditure on consultants, does that come from Treasury in any way at all? Or is it left to them to make a call about that expenditure?

**Mr MIKE BAIRD:** Ultimately what we have seen is a culture of expenditure control. We allocate money across a range of parameters to departments. It is up to them, in terms of general purpose funds that are allocated, how they use it but they must come within budget. Let us be clear on this, Greg: During the previous 16 years of your government, on average every expense target that was put up was blown or exceeded by \$1.3 billion.

**The Hon. GREG DONNELLY:** We are talking about consultants here, specifically.

**Mr MIKE BAIRD:** No, but I am just saying it was blown by \$1.3 billion.

**The Hon. GREG DONNELLY:** I am talking about consultants.

**Mr MIKE BAIRD:** We have come in under our expense budget for three budgets in a row. You had 16 years where you did not. You were \$1.3 billion over every expense target.

**The Hon. GREG DONNELLY:** Just to be clear—

**Mr MIKE BAIRD:** We, on average, are just below a billion dollars under the target.

**The Hon. GREG DONNELLY:** Just to be clear there is no restriction then—

**Mr MIKE BAIRD:** No, the restriction is—

**The Hon. GREG DONNELLY:** In terms of what a department may wish to place—

**Mr MIKE BAIRD:** No. The restriction is to meet your budget.

**The Hon. GREG DONNELLY:** But in terms of how they expend it and the amount they expend on consultants, that is not limited in any way.

**The Hon. CATHERINE CUSACK:** It is the wrong Minister, Greg. It is the finance Minister.

**Mr MIKE BAIRD:** Obviously money has been allocated and a target has been set in relation to general parameters. Yes, for consultants there would be a general parameter. If they decide in their business to take decisions and move some of their expenditure from one side to the other, from a broad Treasury point of view provided you are hitting your budget, that is the focus. What you have seen for three years under us is actually coming in below budget. That is a marked change. That is a marked change.

**The Hon. GREG DONNELLY:** What about within Treasury itself—the expenditure that Treasury has on consultants?

**Mr MIKE BAIRD:** You are scaring me.

**The Hon. WALT SECORD:** Now we are scaring you?

**The Hon. GREG DONNELLY:** I am not scaring you. I am trying to just gather an understanding—

**The Hon. CATHERINE CUSACK:** Greg, it is the finance Minister.

**The Hon. GREG DONNELLY:** —about whether or not—

**Mr MIKE BAIRD:** Obviously consultant spends will be up.

**The Hon. WALT SECORD:** Yes.

**Mr MIKE BAIRD:** They will be up, and why will they be up? Well, let us go through it: Maybe because we did the long-term lease of Port Botany and Port Kembla; maybe because we are trying to clean up that gentrader mess that you left behind. Walt still has not answered the question about all those appointments made at midnight in relation to that.

**The Hon. MATTHEW MASON-COX:** Nor apologised.

**Mr MIKE BAIRD:** Yes, you would see consultants spend up, but you need to look at the consultants spend in the light of the results achieved.

**The Hon. WALT SECORD:** You are addicted to consultants.

**The Hon. MATTHEW MASON-COX:** You should just apologise, Walt.

**Mr MIKE BAIRD:** No, we are in the midst of trying to extract value. I make this point—

**The Hon. GREG DONNELLY:** In relation to this issue of consultants, there is expenditure in your own department with respect to wages.

**Mr MIKE BAIRD:** Wages?

**The Hon. GREG DONNELLY:** During the last financial year, have you overspent in regard to wages in your department in terms of the cap?

**Mr MIKE BAIRD:** No, we have hit that. We have hit the labour expense cap. If Mr Gaetjens can—

**Mr GAETJENS:** We have met the labour expense cap. The only issue I would mention is that we have had, as a result of the Commonwealth not continuing the Fair Work Ombudsman contract with New South Wales Industrial Relations, we did accrue for—I think there were 47 redundancies around the close of the financial year. I think that was accrued for 2012-13.

**Mr MIKE BAIRD:** Ms Telfer can confirm that when we come back on Industrial Relations.

**Mr GAETJENS:** I can take that on notice, but in terms of the labour expense cap and in terms of wages expenses during the year, the labour expense cap was complied with. I think at the end of the year, we had to make an adjustment for this voluntary redundancy [VR] payment coming in, which would come in as revenue but then go out. I am sorry: It came in. It was accrued. But I will take that on notice, the process of that transaction.

**Mr MIKE BAIRD:** And that decision was a Federal decision, as Adam knows.

**The Hon. ADAM SEARLE:** Chair, I want to ask the Treasurer a question about the debt, which was discussed a little while ago.

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** I am looking at Budget Paper No. 2 page 1-31, the net debt figure. When the previous Government left office, which is the 2010-11 financial year, the net State debt was \$7.9 billion. In the first budget year of your Government, debt increased to \$14.1 billion. The actual estimate for the 2012-13 year was \$13 billion and the estimate for this current year is actually nearly \$16 billion. Those are the real figures, are they not? It is under net debt on page 1-31. Those figures you were giving us before about the debt situation were not correct.

**Mr MIKE BAIRD:** Well, no. I said \$15.7 billion for 2013-14. I said \$15 billion for 2013-14, which is right.

**The Hon. ADAM SEARLE:** But when the previous Government left office, its debt was \$7.9 billion, under \$8 billion. Now, under you, it has rocketed to nearly \$16 billion. That is correct, is it not?

**Mr MIKE BAIRD:** No, no, no. Adam, the challenge is here—

**The Hon. ADAM SEARLE:** The challenge is getting you to give a straight answer, Treasurer, which you seem to be incapable of.

**Mr MIKE BAIRD:** No, no, I understand, Adam. I understand. But the challenge here is that the debt profile that you inherit goes through an estimates period, so decisions and infrastructure commitments are made that lock you into a debt trajectory. The challenge we have, notwithstanding the structural deficit we face—obviously if you are in deficit, you have to borrow—is while we are trying to balance and live within our means in terms of the overall expenditure. But the overall debt position on the back of the port transaction, as the prime driver of that, has reduced our net debt in relation to the general government sector, and the number we get to at the end of the next estimates is a very conservative figure relative to where we were. If you go through the rating agency concerns, the rating agencies were focused on the debt metrics and they have been for every day I have been in the Treasurer's chair. We have focused on that.

**The Hon. ADAM SEARLE:** But the debt under your Government is higher than under the previous Government.

**Mr MIKE BAIRD:** No. On your forecast—

**The Hon. ADAM SEARLE:** That is the fact under your own budget papers.

**Mr MIKE BAIRD:** No, you need to take your forecasts through.

**The Hon. ADAM SEARLE:** No, I am talking about actuals here, Treasurer. Your Government's debt is significantly higher than the previous Government's.



**Mr MIKE BAIRD:** As I said, the forecasts—

**The Hon. ADAM SEARLE:** Just give a straight answer.

**The Hon. GREG DONNELLY:** It is a threefold increase, Treasurer.

**Mr MIKE BAIRD:** No, it is not. It is not. It is not because the numbers that you have put forward have to be considered over the estimates period because of infrastructure commitments.

**The Hon. ADAM SEARLE:** In your budget papers.

**The Hon. WALT SECORD:** In your budget papers.

**The Hon. ADAM SEARLE:** In this year's budget papers.

**Mr MIKE BAIRD:** I think your whole argument—I am not sure of the point of your whole argument.

**The Hon. WALT SECORD:** Table 1.7.

**Mr MIKE BAIRD:** Our net debt position in 2013-14 has come down from over \$20 billion to \$15.7 billion.

**The Hon. WALT SECORD:** Maybe Mr Gaetjens would like to correct him.

**Mr MIKE BAIRD:** You should be saying, "Well done." That is what you should be saying.

**The Hon. WALT SECORD:** I would like to refer you to table 1.7 of the Budget Paper.

**The Hon. MATTHEW MASON-COX:** Congratulations, Treasurer. I think your time has ended. Is that right, Mr Chairman?

**CHAIR:** No.

**Mr MIKE BAIRD:** The point is that we are getting on with the infrastructure backlog that was left behind. Infrastructure NSW determined that at \$30 billion. The long-term lease of the port has enabled us—and I am happy to talk about the WestConnex model; I know Dr Kaye wants to talk about the WestConnex model—to have an overall fiscal strategy that takes an asset, turns it into an asset, and minimises debt reduction while we get the budget position under control. I think that we are being responsible. In opposition, I did say that sensible borrowing made sense. Obviously we are happy to do sensible borrowing.

**The Hon. GREG DONNELLY:** That is huge borrowing, Treasurer.

**The Hon. MELINDA PAVEY:** Your time has expired.

**Dr JOHN KAYE:** This is our time.

**The Hon. MELINDA PAVEY:** It is Reverend the Hon. Fred Nile's time.

**CHAIR:** Yes.

**Mr MIKE BAIRD:** Greg, what are you saying? Tell me two things: What is your strategy to reduce it? You have opposed every single saving measure that we have put out. There is \$19 billion in savings. Indeed, if you want to know, there is a table in here that shows your strategy.

**The Hon. GREG DONNELLY:** You are increasing debt and you are selling assets.

**CHAIR:** We will move on to Dr Kaye's questions.

**Mr MIKE BAIRD:** We are getting on and delivering the infrastructure backlog.

**The Hon. GREG DONNELLY:** You are increasing the debt and selling assets.

**Mr MIKE BAIRD:** We are reducing net debt while we get the budget into line.

**The Hon. CATHERINE CUSACK:** That is the best that Labor could do in the Treasury estimates this year. Well done, boys.

**CHAIR:** We will move on to questions from the crossbench. Treasurer, I wish to ask you a question in regard to the payroll tax rebates and what the current situation is. You were hoping through those rebates to create new jobs and you said you had a target of \$100,000 and that they have been met within two years. What is the forecast of the increase in jobs in New South Wales?

**Mr MIKE BAIRD:** The forecast is still reasonably positive. I mean, I would not want to put a number or figure on it. But we expect unemployment within our budgets to rise slightly. You just saw the Federal Government come out with a national figure that went above 6 per cent. There is some softness that remains across the economy and there are obviously challenges. I think that the heartening thing we can take is that New South Wales is incredibly well positioned for the end of the mining boom—or the mining investment boom is a more correct way of actually putting it. As you saw the reports that have come out, they are not my reports. The ANZ has brought out a report and BIS Shrapnel has brought out reports showing that New South Wales, with the strategies and policies we are pursuing, is actually very well positioned to take up the slack in the national economy as the transition off the mining boom comes.

Infrastructure spend is a key part of that. I think it was BIS Shrapnel was suggesting that infrastructure was \$80 million over the next five years. That is the perfect pick-me-up relative to the mining boom. A lot of the projects being run by the transport Minister, the roads Minister, North West Rail Link, the WestConnex project, the hospitals across the State, provide a fantastic opportunity for this economy to go forward on the back of infrastructure. To be honest, I think that is exactly what State governments should be doing at the moment with the fragile economy. The best way you can drive investment, confidence and jobs growth is actually putting all of your focus into the infrastructure strategy, which is exactly what we have done.

At the same time they have spoken about the housing sector. The housing sector, as I have said, is definitely moving forward. It is too early to claim a victory on it, but the trends look very positive and where they are turning around is on both approvals, on finance and actual completions. It used to represent more than 7 per cent of the economy. It is now just under 4 per cent but it is moving upwards. That also provides a significant opportunity for us.

In terms of the jobs that come from the housing sector, from that construction, I think that is going to be the real field for the growth. At the same time, the falling Australian dollar also provides some capacity to the State. If you think of tourism, there is a real expectation that tourism over the next couple of years is going to be very strong. Our education services, which are exported, there are going to be benefits there. Manufacturing in some way, shape or form obviously will benefit. The power of the overall New South Wales economy is its diversification. We have a huge capacity across many industries to absorb. So if one part of the economy or one industry is struggling, we can pick it up in another. Financial services, which is 16 per cent of our overall economy, is expected to be quite strong.

I thought what was really interesting in the ANZ report was they did a correlation on the New South Wales economy and the United States economy, and a lot of that is a connection on the financial services. The United States economy is expected to be particularly strong over the next three or four years as well. Our connection into that group, particularly through the financial services, will put us in good stead. We are also seeing from Japan in particular, but also Korea and China, some expansion of their financial services in this country while they look for capacity both in terms of capital projects, infrastructure projects, but lending for their companies. We are seeing that growth here. So as a package I think New South Wales is pretty well positioned.

**CHAIR:** That Commonwealth forecast that you mentioned, the 6 per cent, you think New South Wales will avoid that and it may have a bigger impact on other States but not on New South Wales?

**Mr MIKE BAIRD:** We are 5.75 per cent in the budget and that remains the view. Obviously we will have to reassess over the next few months in the lead-up to the budget. There is an expectation and it is an important point. For 18 months we have been at or below the national average unemployment rate. For the

previous 10 years of the former Government, it was well above. We are in a position that we are below in terms of the unemployment rate. Obviously the hope would be that New South Wales would be below the forecast of the Commonwealth in terms of the unemployment rate.

**CHAIR:** A key aspect of your budget was to try to reduce the expenditure in the public sector and as you know, you set the 2.5 per cent level. In your speech you said 240,000 employees agreed to the increase of 2.5 per cent. I am not sure whether they agreed; I think they had no choice.

**Mr MIKE BAIRD:** Everyone would love to pay as much as we possibly can. I think that what we have tried to do in the wages policy, and obviously that is something we might talk about in the next session—

**The Hon. ADAM SEARLE:** You bet.

**Mr MIKE BAIRD:**— we have just tried to be fair and affordable; two principles. That is what we have tried to provide. The 2.5 per cent is chosen because it is the target rate for inflation from the Reserve Bank. That is the simple position. We are trying to maintain real wages while we are dealing with the significant structural challenges we have in the budget. Yes there was strong resistance early on, but I think there is a general acceptance that it is a fair rate and that is certainly something that we want to continue. Obviously as the economy moves, if there is more revenue pouring into the State, there is obviously a chance or a potential to consider that wages position. I will note that Queensland has actually struck its wages lower in its most recent budget. We are trying to be fair and affordable in relation to the overall policy.

**CHAIR:** You also were trying to develop voluntary redundancies. What is the outcome of that? I think you were forecasting 5,000 positions in the 2011-12 budget. Have you reached that target?

**Mr MIKE BAIRD:** I can get the exact numbers to you, but we have gone past that target. It is just over 5,000, being the most recent numbers that I can recall. We are happy to provide it. So yes, we have got to that target.

**Dr JOHN KAYE:** Just briefly to go back to the issue of board appointments. We have talked about Mr Di Girolamo before. Did he ever actually physically attend a fundraising event organised by you or organised for you?

**Mr MIKE BAIRD:** I am not aware of any functions—he may well have. Obviously, part of my role as a member of the party is to be involved in events and raise funds for elections.

**Dr JOHN KAYE:** But you do not specifically recall him having been at a fundraising event or even just a Liberal Party fundraising event that you were there with him?

**Mr MIKE BAIRD:** He could well have been, but I am not going to provide commentary on ins and outs of potential meetings or whatever you want to—

**Dr JOHN KAYE:** The Independent Commission Against Corruption thinks you should, but that is another matter. We will talk about that later on.

**Mr MIKE BAIRD:** But on this point—

**Dr JOHN KAYE:** The Independent Commission Against Corruption made a finding in 2010 that you should.

**Mr MIKE BAIRD:** You raised donations. I am still trying to understand why the Greens did not support us in our reforms. That is an incredible position.

**Dr JOHN KAYE:** I am sorry Treasurer, you are factually incorrect, as the Labor Party is about to yell at you. We did.

**The Hon. ADAM SEARLE:** They did.

**Mr MIKE BAIRD:** No, eventually—

**Dr JOHN KAYE:** But leaving that aside—

**Mr MIKE BAIRD:** I am saying you eventually got there, but you resisted.

**Dr JOHN KAYE:** Treasurer, I ask the questions. Let me remind you how—

**The Hon. CATHERINE CUSACK:** With respect, you just told him he was factually incorrect. He has a right to respond.

**Dr JOHN KAYE:** Let me remind you how budget estimates work. I ask questions, you do not answer them. It is not the other way around. So let me get on with this.

**Mr MIKE BAIRD:** But the point is we actually undertook donation reform.

**Dr JOHN KAYE:** We did, that is true.

**Mr MIKE BAIRD:** I know, eventually you came on board and I was pleased to see that.

**Dr JOHN KAYE:** Treasurer, I have very limited time and I have two other questions I want to ask you. The first one is: With respect to the 15,000 jobs or jobs equivalent, or equivalent spending thereof that was your target, can you give us an update on how many jobs have gone from the public service in the pursuit of that target?

**Mr MIKE BAIRD:** It is published in the budget.

**Dr JOHN KAYE:** Perhaps you can get back to us on notice on that.

**Mr MIKE BAIRD:** We can take it. But as I said, the public sector has reduced.

**Dr JOHN KAYE:** Can you give us a breakdown by department where there have been reductions?

**Mr MIKE BAIRD:** We will provide the information that we can provide. The Public Service Commissioner is the one that has carriage of that. So it is the Public Service Commission that provides that.

**Dr JOHN KAYE:** In the little time remaining to me can I go to the issue of the sale of the remaining power station assets?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** Are you aware of a statement by the Managing Director of AGL, Michael Fraser, who at the opening of the 155 megawatt solar power station in western New South Wales revealed that his company felt there was about 10,000 megawatts of oversupply in the base load market on the national electricity market.

**Mr MIKE BAIRD:** Is that a comment or a question?

**Dr JOHN KAYE:** It is a question. Are you aware of that statement?

**Mr MIKE BAIRD:** I am aware that demand is soft, yes, which is general.

**Dr JOHN KAYE:** Specifically base load—if we are going to play the game of base loads—specifically the base load issue. You are aware of that?

**Mr MIKE BAIRD:** Yes, I am aware that—

**Dr JOHN KAYE:** You are currently in the process of trying to sell base load assets into a market where demand is soft?

**Mr MIKE BAIRD:** Yes it is soft at the moment.

**Dr JOHN KAYE:** So you are trying to sell assets which—

**The Hon. MELINDA PAVEY:** Let him answer the question.

**Mr MIKE BAIRD:** Let me answer it. You have raised it. I am happy to give you a response on it. Yes, it is a fair question to ask actually. If you think about an investment in capital, you do not just make a decision over the next two or three years; you take it for the long life. There is a long-term view taken by anyone making an investment, yes, at the moment. I think that the price signals that have come through the electricity obviously have significantly dampened the demand for electricity, coupled with a softening in the broad economy. You are seeing that. If you look at the national electricity market [NEM] forecast, the crossover in new generation need has shifted beyond 2020. Yes, that has been shifting up and I acknowledge that, but we are going to reach a point that the new generation is required. If new generation is required then a significant asset within that mix that is a key contributor to base load becomes very important. So investors are going to take long-term views.

**Dr JOHN KAYE:** You made a statement, which the previous Government made a statement on and which every previous Government has made a statement on. Since the disastrous decision to build the first two units of Mount Piper—in fact, the decision was to build four units—early in the 1990s every Government advised by Treasury has relied on the same statement: "There will be a time when new base load is needed." How do you know that is true? That is a statement of faith, is it not, not a statement of science?

**Mr MIKE BAIRD:** They are not my forecasts. Those putting forward the national demand forecasts have done that. Yes, and I agree with you, that they have got it wrong.

**Dr JOHN KAYE:** There is nothing in the Australian Energy Market Operator [AEMO] forecast—

**Mr MIKE BAIRD:** But it is moot, a matter of a few years as opposed to decades.

**Dr JOHN KAYE:** No. The AEMO forecast says it is to the horizon. On the AEMO forecast, you cannot extrapolate beyond the horizon.

**Mr MIKE BAIRD:** But nationally, if you follow your conclusion, population growth is growing at greater than 1 per cent. The existing base load is not going to cater for that unless you argue that you are going to have negative population, and that is not the case.

**Dr JOHN KAYE:** But you are presuming two things. The first thing you are presuming is that population growth means growth in demand. The second thing you are presuming—

**Mr MIKE BAIRD:** Do you not think that is a fair assumption?

**Dr JOHN KAYE:** No, it is not. It is actually untrue. It is actually historically incorrect. We have had population growth over the past four years and a decline in demand. That is the first assumption I will ask you to justify.

**Mr MIKE BAIRD:** But I have explained the factors that I think have suppressed that in the past few years.

**Dr JOHN KAYE:** Which goes to my second issue: changes in technology. Every Government that forecasts a future the same as the past ends up embarrassed by changes in technology, particularly in the energy area. Is that not true?

**Mr MIKE BAIRD:** I mean, of course. That is what is done.

**Dr JOHN KAYE:** Would it not be going through the minds of potential investors in these assets that maybe something has substantially changed in the electricity industry—rooftop solar panels?

**Mr MIKE BAIRD:** Yes.

**Dr JOHN KAYE:** And the extraordinary cost of transmission and distribution, which, in market terms means there is a barrier for your product to get to market. Are you not concerned now we are trying to sell off an

asset at a time of huge uncertainty created by all these factors about the long-term future of the value of the asset?

**Mr MIKE BAIRD:** No. The points you have raised are valid concerns and, obviously, the industry has to grapple with that. Any bidder in any process is going to be far more attuned to the expertise around all of those issues you sort of argued than I am or necessarily the Government is. But the market is very clear that there is a long-term requirement and will be a long-term requirement for base load generation. There is a simple proposition provided that we can receive fair value for those. I assure you that if we do not get fair value, I will have no problem coming back here or going publicly and saying, "Listen, we did not get fair value for these assets in terms of the process we ran. We are not proceeding with it." I will make sure that is the case.

Ultimately, if you had the capacity to withdraw yourself from these assets, I have the capacity, we as a Government have the capacity, to get on and deal and deliver the infrastructure that is desperately needed across the State. I notice ALP's interest in debt reduction all of a sudden. We can have a reduction in debt at the same time. So you have two fiscally positive outcomes and, ultimately, an overall budget flexibility and less requirement on the demand. A huge part of the figure they are talking about, net debt, relates to the State-owned corporation capital spend that needs to be undertaken. That removes our capacity to actually put the funds into the infrastructure, whether it be roads, public transport or hospitals. As an overall budget package, it is pretty simple. Ultimately, we went to an independent inquiry. They gave their results and we have acted accordingly.

**CHAIR:** That brings us to the conclusion of the estimates inquiry into Treasury. We will move to Industrial Relations at 11.15 a.m. after a brief morning tea.

**(The witnesses withdrew)**

**(Short adjournment)**

**CHAIR:** I declare the estimates hearing into the Industrial Relations portfolio open. I shall not repeat my opening statement.

**VICKI TELFER**, Executive Director, NSW Industrial Relations, Treasury, affirmed and examined

**PHILIP GAETJENS**, Treasury Secretary, NSW Treasury, on former oath:

**CHAIR:** Any questions on notice must be provided within 21 days.

**The Hon. ADAM SEARLE:** Minister, on 12 February this year, you issued a press release welcoming the Public Service Association's acceptance of what you call "A wage increase of 2.5 per cent" under the Government's wages policy. You understand the concept that wages do not include superannuation, do you not?

**Mr MIKE BAIRD:** No, not correct. The wages policy, which is—

**The Hon. ADAM SEARLE:** No, the concept of wages. You understand that wages do not include superannuation?

**Mr MIKE BAIRD:** The wages policy, which was articulated under your document—I can pull it out—in 2007, defines wages as wages plus entitlements and superannuation.

**The Hon. ADAM SEARLE:** No, that is not correct.

**Mr MIKE BAIRD:** That is the position.

**The Hon. ADAM SEARLE:** That is not correct.

**Mr MIKE BAIRD:** I can pull out the document.

**Mr DAVID SHOEBRIDGE:** You cannot define something by its own term plus another thing.

**The Hon. ADAM SEARLE:** You understand that the term "wages" means—

**Mr MIKE BAIRD:** Here it is.

**The Hon. ADAM SEARLE:** —what is paid to an employee, and you know that it does not include superannuation, do you not?

**Mr MIKE BAIRD:** I quote, "The net 2.5 per cent limit covers all employee related expenses—including wages, allowances, superannuation and other conditions." That is the NSW Public Sector Wages Policy - 2007, so that was under your Government.

**The Hon. ADAM SEARLE:** You wrote to the Public Service Association, welcoming its acceptance of a salary increase.

**Mr MIKE BAIRD:** We have just employed that—adopted it.

**The Hon. ADAM SEARLE:** You wrote to the Public Service Association in January and again in February, welcoming a salary increase for public sector workers of 2.5 per cent. You know that salary does not include superannuation, do you not?

**Mr MIKE BAIRD:** I am not going to get into the nuance of—

**The Hon. ADAM SEARLE:** No, no, it is a very simple concept.

**Mr MIKE BAIRD:** —words of the wages policy.

**The Hon. ADAM SEARLE:** You know that wages and salaries do not include superannuation, do you not, sir?

**The Hon. MATTHEW MASON-COX:** Salary is a package.

**The Hon. ADAM SEARLE:** No, total remuneration is a package.

**The Hon. WALT SECORD:** Matthew, do not help. Sit there and do you what you do best: be quiet.

**The Hon. ADAM SEARLE:** I will just refresh your memory, Treasurer.

**Mr MIKE BAIRD:** Why do I not just use your words, not mine. In *Workforce NSW*—independent news and analysis since 1989—it was stated, "Shadow IR Minister Adam Searle said, 'Counting super towards the cap absolutely complies with the policy.'"

**The Hon. ADAM SEARLE:** That is not what I said. I think that is a misquote.

**Mr MIKE BAIRD:** Well, that is what it says.

**The Hon. MELINDA PAVEY:** That is what it says.

**The Hon. ADAM SEARLE:** It is quite clear in your original regulation that the cap—

**Mr MIKE BAIRD:** But, Adam, that is what you said.

**The Hon. ADAM SEARLE:** That is not what I said.

**Mr MIKE BAIRD:** I did not see a release rebutting that. That is a public document.

**The Hon. ADAM SEARLE:** I have not seen that document.

**Mr MIKE BAIRD:** I will give it to you afterwards.

**The Hon. ADAM SEARLE:** In Parliament, on 15 June—

**The Hon. MELINDA PAVEY:** Give it to him now. Help him out.

**The Hon. ADAM SEARLE:** —you said that your policy would ensure wage increases of 2.5 per cent. You repeated that a number of times during the parliamentary debate. What you are now doing is you have gone back on your commitment to the public sector workers by saying, "Well, no, that includes superannuation." You knew in January or February this year that federally mandated super was going to increase, did you not?

**Mr MIKE BAIRD:** We have not—

**The Hon. ADAM SEARLE:** Yes or no, Treasurer? You understood that, did you not?

**Mr MIKE BAIRD:** We have not gone back in any way, Adam.

**The Hon. ADAM SEARLE:** You know the concept of salary and the concept of wages—

**Mr MIKE BAIRD:** You know the wages policy.

**The Hon. ADAM SEARLE:** —does not include superannuation?

**Mr MIKE BAIRD:** You know the wages policy—

**The Hon. ADAM SEARLE:** In ordinary English language—

**Mr MIKE BAIRD:** —better than most.

**The Hon. ADAM SEARLE:** —it does not include that term.



**Mr MIKE BAIRD:** You know the wages policy better than most. I have quoted not from our document, from your document, which confirms wages, allowances, superannuation and under conditions—I have quoted your words, "Counting super towards the cap absolutely complies with the policy."

**The Hon. ADAM SEARLE:** Does not comply.

**Mr MIKE BAIRD:** I am using your words.

**The Hon. ADAM SEARLE:** Go back to your regulation.

**Mr MIKE BAIRD:** Labor's policy and your words, it makes it difficult.

**The Hon. ADAM SEARLE:** Clause 5 of your regulation says that the 2.5 per cent cap is subject to the guaranteed minima in clause 7, which included federally mandated super. It was quite clear your regulation did not count Federal super towards the 2.5 per cent cap. Now, you lost in the Commission on that and then you have just moved the goalposts. Why do you not be up-front with the community and say, "We changed our position from earlier this year"?

**Mr MIKE BAIRD:** We did not.

**The Hon. ADAM SEARLE:** You did. You promised a wage or salary increase of 2.5 per cent, and now you are in the Commission, even as recently as last Friday, arguing over exactly how much you are going to pay. In fact your own lawyers cannot give a straight answer as to how much money the 0.23 per cent represents. Your lawyers said it would take thousands of hours or tens of thousands of hours to work out the figures, so you do not even know how much money you are trying to save by stiffing public sector workers with the Federal increase in super.

**Mr MIKE BAIRD:** We are not. We are not doing anything like it, you know that.

**The Hon. ADAM SEARLE:** I know that you have gone back on your commitment to the Public Service Association and to the public sector workforce.

**Mr MIKE BAIRD:** We have not, in any way, shape or form.

**The Hon. ADAM SEARLE:** You have.

**Mr MIKE BAIRD:** This is not new. This is not our policy. We have adopted your policy. This is your policy.

**The Hon. ADAM SEARLE:** Treasurer, you gave a clear commitment to the Parliament and the community that your policy would guarantee wage increases.

**Mr MIKE BAIRD:** Okay, so what—

**The Hon. ADAM SEARLE:** Everyone understands that wages and salaries do not include superannuation.

**The Hon. MATTHEW MASON-COX:** Give him a chance, Adam.

**The Hon. ADAM SEARLE:** They are other conditions of an employee.

**Mr MIKE BAIRD:** Okay, so you have not accepted your words. Obviously you can have a look at your words, as publically reported. You have not accepted your wages policy, so what about Bill Shorten? In an extensive interview with Neil Mitchell Bill Shorten said:

... superannuation, the increases to superannuation, will be absorbed as part of people's pay rises.

Okay, so that is the Federal Minister. I really do not—I am using—

**The Hon. ADAM SEARLE:** I am interested in what you said.

**Mr MIKE BAIRD:** I am using Bill Shorten, the Federal Minister—

**The Hon. ADAM SEARLE:** No, I am interested in what you said—

**Mr MIKE BAIRD:** I am using your wages policy.

**The Hon. ADAM SEARLE:** —to the community. You have gone back on your commitment.

**Mr MIKE BAIRD:** And I am using your words. That is a trifecta.

**The Hon. ADAM SEARLE:** You reached a pay deal with the public sector workforce earlier this year, and you have gone back on it, have you not? You have deliberately misled them.

**Mr MIKE BAIRD:** Well then what—

**CHAIR:** Can we have questions rather than commentary, Mr Searle.

**The Hon. ADAM SEARLE:** It was a question. You have deliberately misled them?

**Mr MIKE BAIRD:** Was your wages policy wrong? Is Bill Shorten wrong? You have already said that your words are wrong. We will take it your words are wrong.

**The Hon. ADAM SEARLE:** No, that quotation is not correct.

**Mr MIKE BAIRD:** We will take it that is wrong. Is Bill Shorten wrong?

**The Hon. ADAM SEARLE:** I do not know what he was referring to in that interview.

**Mr MIKE BAIRD:** He said, "... the increases to superannuation"—he was asked a specific question—"will be absorbed as part of people's pay rises."

**The Hon. ADAM SEARLE:** That would depend on the particular employment relationships. The simple point is that you committed to the Parliament that your policy would guarantee wage raises of 2.5 per cent.

**Mr MIKE BAIRD:** Our wages policy is delivering 2.5 per cent to employees. Exactly right.

**The Hon. ADAM SEARLE:** No, no, your policy talks about wages and other conditions of employment. I accept that superannuation is another condition of employment, but it is not part of people's wages and it is not part of people's salaries. It is extra. It is a different thing.

**Mr MIKE BAIRD:** Adam, it would have credibility—

**The Hon. ADAM SEARLE:** So when you wrote your letter you were misleading the Public Service Association, were you not?

**Mr MIKE BAIRD:** No, I was not. It would have credibility if you are telling me that your wages policy was wrong. You have not told me that. Are you just counting the policy that you had in 2007—

**The Hon. ADAM SEARLE:** The previous Government's wages policy was a starting point for negotiation, and ultimately there was access to arbitration. That was the previous Government's policy. Your policy prevents arbitration, because there is a limit. Your policy is not the previous Government's policy, Minister, and you know that. You well know that.

**Mr MIKE BAIRD:** It is exactly the same.

**The Hon. ADAM SEARLE:** No, it is not. You have gone back on your commitment to the Parliament.

**Mr MIKE BAIRD:** Yeah.

**The Hon. ADAM SEARLE:** You said it was about wage and salary rises and it is not. You have gone back on your word, have you not?

**Mr MIKE BAIRD:** Okay, so what have I got? I have got your wages policy. I have got Bill Shorten. What about Paul Keating? What if I use what he said? He is a relative authority. He is the father—

**The Hon. ADAM SEARLE:** With all due respect to Mr Keating, I do not believe he is current.

**The Hon. MATTHEW MASON-COX:** He is the father of superannuation.

**Mr MIKE BAIRD:** Hang on, he is pretty current, because he was the architect of superannuation and he gave a speech back in 2007 on the story of modern superannuation, and on this very issue he said:

This meant that the cost of superannuation was never borne by employers. It was absorbed into the overall wage cost.

I am counting—

**The Hon. ADAM SEARLE:** Originally superannuation was part of an overall wage settlement, but we are talking about something different now.

**Mr MIKE BAIRD:** We now have Paul Keating.

**The Hon. ADAM SEARLE:** No, no, we are talking about something very different now.

**Mr MIKE BAIRD:** We have got Bill Shorten. We have got your wages policy. I am running out of options.

**The Hon. ADAM SEARLE:** No, the previous government's wages policy—

**Mr MIKE BAIRD:** I have not quoted a business group.

**The Hon. ADAM SEARLE:** —did not prevent access to arbitration.

**Mr MIKE BAIRD:** I have not quoted a market analyst. I have quoted—

**The Hon. ADAM SEARLE:** No.

**Mr MIKE BAIRD:** —the architects of the scheme, the icons within your party.

**The Hon. ADAM SEARLE:** Minister, your own letter talks about salary increases, not salaries and other conditions of employment. It talks about a salary increase. I can table the letter if you want. It is your language.

**Mr MIKE BAIRD:** I have just gone through it, Adam.

**The Hon. ADAM SEARLE:** It talks about salaries and other conditions of employment.

**Mr MIKE BAIRD:** We are being entirely consistent.

**The Hon. ADAM SEARLE:** You have just gone back on your word. Why do you not just be up-front and say you have changed your mind—

**Mr MIKE BAIRD:** Well I have not changed my mind.

**The Hon. ADAM SEARLE:** —or you have changed your position?

**Mr MIKE BAIRD:** What, so is Paul Keating wrong? Is Bill Shorten wrong?

**The Hon. ADAM SEARLE:** No, Mr Keating was talking about a different point when he said it was part of a wages trade-off.

**Mr MIKE BAIRD:** I did not always agree with him, but Paul Keating did some good things.

**The Hon. ADAM SEARLE:** We will have to agree to disagree on that subject. In last year's budget, Budget Paper No. 3 at page 5-3 when Industrial Relations was part of Finance, there was a price tag of \$16 million about the activities of the agency.

**Mr MIKE BAIRD:** Sorry, what was that? I missed that, Adam, sorry.

**The Hon. ADAM SEARLE:** The activities of the Industrial Relations agency was about \$16 million.

**Mr MIKE BAIRD:** Yes.

**The Hon. ADAM SEARLE:** In this year's budget, Budget Paper No. 3, page 10-1, there is a narrative about the kind of activities that will be undertaken by your agency in Industrial Relations, which includes a range of things, such as delivering Industrial Relations information, assistance, education programs and enabling employers to understand and comply with their obligations. There is no price tag there. There is no line item. How much will be expended on Industrial Relations activities by your office of Industrial Relations?

**Mr MIKE BAIRD:** I can take that on notice.

**The Hon. ADAM SEARLE:** Perhaps Ms Telfer can tell us.

**Ms TELFER:** Unfortunately, because of the decision by the Fair Work Ombudsman to cancel our contract, we are finalising the staffing numbers in the budget for New South Wales Industrial Relations.

**The Hon. ADAM SEARLE:** How many staff will be made redundant?

**Ms TELFER:** Unfortunately, the end of the contract meant that we had to reduce something like 60 positions from New South Wales Industrial Relations, 47 of those were people who actually lost their jobs—we had been carrying some vacancies—and some other people were absorbed into other parts of New South Wales Industrial Relations. That means that our full-time equivalent number will be something like 68 to 70 staff. It was quite, I have to say, a gut-wrenching decision that was made by the Fair Work Ombudsman. We are finalising the budget figures now, following that momentous change, including the amount of money that will be spent on what I call proactive compliance services—that is, helping vulnerable workers, including workers and employers in the Indigenous community, and helping employers understand their obligations as to what they need to do.

**The Hon. ADAM SEARLE:** What will be the budget in this financial year for those activities?

**Ms TELFER:** I can take that on notice. We are finalising that at the moment because it was such a significant and unexpected change to New South Wales Industrial Relations.

**Mr MIKE BAIRD:** I will just add to that. As you know it was a Federal Government decision. We were only asking to be refunded or funded for the actual costs of that service—

**The Hon. ADAM SEARLE:** Some \$3 million of that service was State money and these are State employees working out of State Government offices.

**Mr MIKE BAIRD:** No—

**The Hon. ADAM SEARLE:** You are still continuing that \$3 million of State money in that program.

**Mr MIKE BAIRD:** There is no State money. As I understand it, and I can be—

**The Hon. ADAM SEARLE:** Your press release said that the program cost \$7.8 million. There was some Federal money, about \$4 million, so that means there was over \$3 million of State money invested in that program.

**Mr MIKE BAIRD:** No, no—

**The Hon. ADAM SEARLE:** Are you going to commit to continuing the State funding for that program?

**Mr MIKE BAIRD:** No, you are—

**The Hon. ADAM SEARLE:** No, you are not going to make that commitment?

**Mr MIKE BAIRD:** You are right to highlight that because the point was that they were asking the State to subsidise a Commonwealth service. I do not think that is anything we should be doing—

**The Hon. ADAM SEARLE:** These were State Government employees providing services in regional and rural New South Wales to the broader community.

**Mr MIKE BAIRD:** But they have done it on the basis of a contract. I did what I could. We were happy to maintain it; all we wanted was to be funded. To be honest we are incredibly disappointed and Ms Telfer will attest—

**The Hon. ADAM SEARLE:** But the fact is that \$3 million of State Government money supported that program—

**Mr MIKE BAIRD:** I will finish my answer. Ms Telfer will attest—

**The Hon. ADAM SEARLE:** —will you commit to continuing the \$3 million worth of State funding for that program?

**Mr MIKE BAIRD:** —to how disappointed she was. We tried to give as much notice as we could to staff. We said we would try and negotiate. All signs were that it was going well and then right at the end they pulled it.

**The Hon. ADAM SEARLE:** You had plenty of notice about the contract coming to an end.

**Mr MIKE BAIRD:** No, incorrect.

**The Hon. ADAM SEARLE:** It defies belief that you do not know what the budget, the State Government's own expenditure level for this portfolio, will be?

**Mr MIKE BAIRD:** Ms Telfer can respond to that.

**The Hon. ADAM SEARLE:** You cannot tell us with a straight face that you do not know—

**Ms TELFER:** I can tell you—

**The Hon. ADAM SEARLE:** —what the budget for this year is?

**Ms TELFER:** I can let you know exactly when I got notice, almost to the minute, because I know where I was and what I was doing. On the morning of 24 April I got a message to call the Fair Work Ombudsman's office and I did. I was told that despite everything that we had been told, and understood until that point, the contract was being cancelled effective 30 June.

**Mr DAVID SHOEBRIDGE:** Cancelled or not renewed?

**Ms TELFER:** Not renewed but cancelled.

**The Hon. CATHERINE CUSACK:** Five weeks' notice.

**Ms TELFER:** A little bit more notice than that but that meant that we had to completely change the business that New South Wales Industrial Relations is in. One of the things that people may not understand—

and I think it is an important point to make—is that the staff who were working on the contract for the Fair Work Ombudsman were in fact working on behalf of the Federal Government, so the authorities they had were in fact Federal authorities. Those authorities were withdrawn by the Fair Work Ombudsman as at close of business on 29 June—that was the Friday. That means that unless you have got an authority you cannot enter workplaces to investigate complaints and follow-up. There is no option about keeping people on and doing those activities because they are not legally authorised to do so.

**The Hon. ADAM SEARLE:** Individuals still have rights. They can still pursue those rights and your agency can still provide information and advice to those individuals.

**Ms TELFER:** Mr Searle, if I could finish.

**The Hon. ADAM SEARLE:** Will you continue to do that?

**Ms TELFER:** One of the things that we have decided to do is to keep our proactive compliance team on board even though we are not the regulator. The reason that we can do that is because we do not need an authority to provide information and advice—

**The Hon. ADAM SEARLE:** Or enforcement.

**Ms TELFER:** —and that is what we are doing. No, we cannot enforce. We are not legally authorised to enforce. In fact, I would draw your attention to the Fair Work Act—

**The Hon. ADAM SEARLE:** You can bring proceedings on behalf of individuals though.

**Ms TELFER:** —which provides for people to be authorised to enter into workplaces. My staff—

**The Hon. ADAM SEARLE:** Leaving aside entering into workplaces you can still assist—

**Ms TELFER:** —cannot enforce, they cannot take legal action.

**The Hon. ADAM SEARLE:** —individuals to bring and enforce their legal rights, can you not?

**CHAIR:** Please allow the witness to answer the question.

**Ms TELFER:** They are not legally authorised to take enforcement action. They cannot enter into workplaces. What we can do, and what we are continuing to do, and it is something that we are very proud about doing, is provide information and advice to employers so that they know what they need to do so they have a better than even chance of being able to comply. We know that that is good for business because it means that we reduce the risk of there being complaints and then being tied up in managing those complaints. It means that people can get on with their business in a smooth way and we think that it helps the community in New South Wales. So that is what we are doing. We have also kept on our small but very effective unit that works with Aboriginal and Torres Strait Islanders. They work with both employees and employers in the Indigenous community in New South Wales and they do some terrific work. That is the commitment we can do. We can do that because those people do not need to be legally authorised to enter workplaces but we cannot do enforcement action under the Fair Work Act.

**The Hon. ADAM SEARLE:** You cannot enter into workplaces without an authority but there is nothing stopping your agency from assisting an individual to recover non-payment of wages under the Fair Work Act, is there?

**Ms TELFER:** If we cannot obtain evidence then—

**The Hon. ADAM SEARLE:** Many employees keep their payslips.

**Ms TELFER:** —we have no right to call for that.

**The Hon. ADAM SEARLE:** No, but they can provide you with information. The budget came down in May, the contract with the Fair Work Ombudsman ended 30 June, we are sitting here now in mid-August, are

you telling us, on your oath, that you cannot tell us what the budget for your agency is for this financial year, even though your Minister, the Treasurer, delivered the budget on 18 May?

**Ms TELFER:** I am giving you an honest answer—that is, we are still working through the final numbers.

**The Hon. ADAM SEARLE:** What is the ballpark then?

**Ms TELFER:** It will be sufficient to cover the 68 to 70 full-time equivalent staff. It will also be sufficient to run our proactive compliance campaign. I expect the budget will be somewhere around about \$8.5 million. I am happy to take it on notice and when the figures are finalised I am happy to make sure this Committee is apprised of those.

**The Hon. ADAM SEARLE:** Thank you, I would be grateful for that.

**Mr MIKE BAIRD:** It is obviously within the overall appropriation of Treasury—

**The Hon. ADAM SEARLE:** That goes without saying.

**Mr MIKE BAIRD:** —and we will meet that target.

**The Hon. ADAM SEARLE:** Which offices have you closed or will you close? Originally it was said to be Lismore, Dubbo, Newcastle and one other.

**Mr MIKE BAIRD:** The Federal Government closed.

**The Hon. ADAM SEARLE:** No, these were your offices. They were New South Wales Government offices. Which locations—

**Mr MIKE BAIRD:** On the back of the closure of the contract.

**The Hon. ADAM SEARLE:** —have you ceased trading in.

**Mr MIKE BAIRD:** Talk to Bill Shorten.

**The Hon. ADAM SEARLE:** Which locations have you closed?

**Ms TELFER:** Unfortunately, we had to close all of the locations outside our head office. It was not a decision that we took lightly. But with revenue severely curtailed and with a much smaller workforce, it made much more sense to have everyone located in the one spot. It does not mean to say that people are not going out and visiting workplaces in regional locations throughout New South Wales, because we are continuing to do that. So it is merely a location issue. I was very disappointed with the decision that was made by the Fair Work Ombudsman.

**Mr MIKE BAIRD:** We were all disappointed in that decision.

**Mr DAVID SHOEBRIDGE:** Ms Telfer, how much Federal funding was lost with the loss of that contract?

**Ms TELFER:** It was \$4.6 million per annum.

**Mr DAVID SHOEBRIDGE:** So as a proportion of your budget at the time, that was approximately one-third of your budget?

**Ms TELFER:** It would have been close to that. That is not exact, but it would have been close to that.

**Mr DAVID SHOEBRIDGE:** Given the loss of that \$4.6 million, you have a budget of about \$8.5 million now; is that right?

**Ms TELFER:** It is not yet finalised.

**Mr DAVID SHOEBRIDGE:** But that is what you are expecting?

**Ms TELFER:** Yes, somewhere in that ballpark figure.

**Mr DAVID SHOEBRIDGE:** I assume that is all coming from State resources. Is any of that coming from Federal funding?

**Ms TELFER:** No, there is no Federal funding.

**Mr DAVID SHOEBRIDGE:** That will mean a substantial reduction in State funding to your budget in this coming financial year, will it not?

**Ms TELFER:** The cost of running the Fair Work Ombudsman contract was about \$7.8 million per annum so the State Government was subsidising the running of that contract to the tune of about \$3.2 million per year.

**Mr MIKE BAIRD:** That is true, and I think that is what the Deputy Leader of the Opposition was saying.

**Mr DAVID SHOEBRIDGE:** So has that \$3.2 million been pulled out of NSW Industrial Relations? That is what I am asking.

**Mr MIKE BAIRD:** Yes, that State Government subsidy for the Federal Government responsibility or activity has been removed. That is all we were asking for. We said to them, "We just want to be funded for the service we are providing for you." You know the budget position. We are not in a position where we can just hand across a subsidy to the Commonwealth Government.

**Mr DAVID SHOEBRIDGE:** But you would agree that they were providing a necessary service—a service that, even with limited funds available, you were willing to chip in \$3.2 million to make happen?

**Mr MIKE BAIRD:** This is really an issue to be directed to the Federal Government. We were subsidising them.

**Mr DAVID SHOEBRIDGE:** Let me assure you, Treasurer, that I am deeply critical of what the Federal Government has done in pulling these resources. I understand the situation it left you in, take that as a given. But I am asking about that \$3.2 million of State funding that is no longer going into the enforcement of industrial rights or the protection of industrial rights, particularly in rural and regional New South Wales. I suppose I am asking you why you did not redirect that \$3.2 million into that more proactive role that you say is so valuable in the department. Treasurer, I am happy for either you to answer that or for Ms Telfer to answer.

**Mr MIKE BAIRD:** I will answer it. Ultimately the discussions and negotiations with the Federal Government were across the range of services provided. The question of how we got to the previous arrangement I cannot answer. I do not know how we agreed to undertake that contract. Obviously there would have been some negotiations, with the Federal Government saying, "Okay, can you undertake this activity for us as part of this transition to Fair Work." The State Government said yes. How they came to the funding arrangement where the State was subsidising \$3.2 million of that activity I do not know.

Ultimately the discussions that Ms Telfer was having with them were about the exact service—the existing service and how to get to a position where we could provide this service, obviously with a smaller budget. We said that if the Commonwealth wanted to provide the \$7.2 million then that would be fine. Those were the discussions.

**Mr DAVID SHOEBRIDGE:** Did you put the \$3.2 million on the table and say, "We are happy to provide this again to continue the service"?

**Mr MIKE BAIRD:** If we got funded—

**Mr DAVID SHOEBRIDGE:** Did you say, "We will put in the \$3.2 million if you chip in like you did last time"? Did you put that offer on the table?



**Mr MIKE BAIRD:** No, the offer was: we want to be funded for your service.

**Mr DAVID SHOEBRIDGE:** So you took the \$3.2 million off the table, is that right?

**Mr MIKE BAIRD:** No, I did not take any money off the table. I said, "We are not going to subsidise you for your service and we want to be funded." Then it is up to them. If they wanted to spend \$10 million or \$12 million then we could have done that.

**Mr DAVID SHOEBRIDGE:** But the subsidy you are talking about is the \$3.2 million that had previously been provided by the State Government?

**Mr MIKE BAIRD:** Yes.

**Mr DAVID SHOEBRIDGE:** And you said you were sick of subsidising it because it was a Federal service? Is that correct?

**Mr MIKE BAIRD:** Correct.

**Mr DAVID SHOEBRIDGE:** And you said the Federal Government has to provide it all?

**Mr MIKE BAIRD:** Yes.

**Mr DAVID SHOEBRIDGE:** The Federal Government said they were not in a position to do that and cancelled the contract. Is that basically what happened? Or rather they did not renew the contract?

**Mr MIKE BAIRD:** No. Ms Telfer can run through that.

**Ms TELFER:** No, if what you are suggesting is that that was because New South Wales said, "If we are delivering the service then we insist that we are fairly funded for that from the Federal Government," then they would not have also cancelled or not renewed the contract with our colleagues in South Australia. So this was not something that was New South Wales specific.

**Mr DAVID SHOEBRIDGE:** Ms Telfer, you are speculating now, are you not?

**Ms TELFER:** What the staff at the office of the Fair Work Ombudsman told me was that they had decided that, due to their own budget constraints, they would not have services delivered by anyone other than their own office. So they also cancelled the contract in South Australia.

**Mr DAVID SHOEBRIDGE:** I will move back to the issue of public sector wages. Treasurer, the reason the Government puts forward for setting the 2.5 per cent cap is that 2.5 per cent is the expected inflation over the next 12 months and has been the average inflation over the last 16 years, is that correct?

**Mr MIKE BAIRD:** That is the target of the Reserve Bank of Australia [RBA]. Sometimes it goes above and sometimes it goes below but the average over the past 16 years has been 2.5 per cent.

**Mr DAVID SHOEBRIDGE:** So, assuming that is the Reserve Bank target, you would expect on average that that would be the cost of living increase that public sector workers would have to deal with, is that correct?

**Mr MIKE BAIRD:** Actually inflation is running below 2.5 per cent at the moment. As I said, it goes up and down. But, yes that is right.

**Mr DAVID SHOEBRIDGE:** But, over time, you would expect it to be 2.5 per cent? That is the average over the last 16 years, is it not?

**Mr MIKE BAIRD:** Yes.

**Mr DAVID SHOEBRIDGE:** And you know that you cannot buy food and pay for your groceries and power bills with your superannuation?

**Mr MIKE BAIRD:** Yes, you can when you get to retirement, obviously.

**Mr DAVID SHOEBRIDGE:** But public sector workers, who are working for you and your Government, cannot buy food and pay for power and groceries with their superannuation, can they?

**Mr MIKE BAIRD:** I refer back to my previous answer. They can when they retire.

**Mr DAVID SHOEBRIDGE:** But I am talking about people who are currently working. I am talking about the people who are working for this Government now, the public sector workers. Do not be trite here, Treasurer. The people working now cannot buy their food and groceries with their superannuation. You know that. You are being deliberately obtuse.

**Mr MIKE BAIRD:** I understand the point you are making. I did not make the decision to raise the compulsory superannuation amount. That is being done by Canberra, and you could take that up with your colleagues down in Canberra. The architects of the scheme have all said that it should be absorbed within the wages. We are in a position where we are obviously still in deficit. We cannot spend money that we do not have. The wages policy is pretty clear. So there is a policy decision that has happened in Canberra. Yes, we are still going to give 2.5 per cent to our employees but we are going to pay a portion into their super—on the back of the policy decision made in Canberra. I am happy not to provide that, but that is a decision Canberra made—

**Mr DAVID SHOEBRIDGE:** Of course you are happy not to pay superannuation to public servants. We know that.

**Mr MIKE BAIRD:** The Federal Opposition have said they are going to defer it, so maybe you should be backing them.

**Mr DAVID SHOEBRIDGE:** The rationale of the 2.5 per cent—and I think it is a flawed rationale, but nevertheless it is your Government's rationale—is that the 2.5 per cent will meet the average over time inflation and cost of living costs. When you sat down with the Public Service Association of NSW [PSA] and struck a deal about the 2.5 per cent, it was in the context of your repeated statements about this meeting the expected cost of living increases. That is true, is it not?

**Mr MIKE BAIRD:** The agreement was around the wages policy, which I have run through with the Deputy Leader of the Opposition.

**Mr DAVID SHOEBRIDGE:** But you respect the Industrial Relations Commission [IRC]—you respect its decision and its interpretation, do you not?

**Mr MIKE BAIRD:** The IRC said that we needed to clarify the regulation in relation to that.

**Mr DAVID SHOEBRIDGE:** No, they were very clear about the current regulation. Do you respect the decision of the Industrial Relations Commission? Yes or no?

**Mr MIKE BAIRD:** We accepted their advice that in order to make the wages—

**Mr DAVID SHOEBRIDGE:** Advice? It is called a binding declaration.

**Mr MIKE BAIRD:** Sorry, I have gone into the realm of lawyer land. I mean the decision—

**Mr DAVID SHOEBRIDGE:** So you respect their decision, and their decision was—

**Mr MIKE BAIRD:**—and within that context they made recommendations that we could make it explicitly clear in terms of the intent of the wages policy.

**Mr DAVID SHOEBRIDGE:** Their decision was that at the time you sat down and cut the deal with the Public Service Association [PSA] your 2.5 per cent deal did not include the superannuation. That was their decision, was it not?

**Mr MIKE BAIRD:** No. In terms of the agreement with the PSA, I have met with the PSA regularly and my door continues to be open to them. We are not always going to agree, but I can tell you—

**Mr DAVID SHOEBRIDGE:** They are concerned that when they cut a deal with you, you will go and change it by regulation six months later.

**Mr MIKE BAIRD:** I have not changed it. The wages policy is consistent. It is consistent with the former Labor Government's wages policy. It is consistent with the current Federal Government's view on exactly what should happen. It is consistent with the view of the architect of superannuation. When these increases are put to employers, be they government or businesses, the expectation is it comes as part of the wages growth. I am happy not to provide it if there is a change at a Federal level that says that we are not going to put in this increased superannuation contribution. Great. No problem.

**CHAIR:** I will move on to some general questions. Would you comment on the graph in Budget Paper No. 2 on page 5-9 showing the comparison of pay increases in the public and private sectors? The graph shows that pay increases for the public and private sectors are running parallel.

**Mr MIKE BAIRD:** The important point about that graph is if you go from 2007-08 through to 2011, the growth in the New South Wales public sector versus the private sector had a huge disparity. Ultimately, the question with all of this comes back to the two principles of what is fair and what is affordable. When you are in a position where close to 50 per cent of your budget is wages you need to take into account what is a relative position in terms of how our wages sit. Whether people agree or disagree, the disparity was too large. As you can see in the graph, that has narrowed considerably.

**CHAIR:** You are saying that the public sector was most out of line with the private sector during the period 2003 through to 2007?

**Mr MIKE BAIRD:** Yes. If you go all the way from 2003 to almost 2011, for a considerable period wage increases are sitting there above 6 per cent. That is just not affordable for the State. This is not a merit argument. I would love to give our public servants as much as I possibly can, but if you have been dealt a revenue base then you can only pay across the money you have. Ultimately, that is what we are providing. If we were paying wages at 6 per cent I would be massively increasing our deficit, massively increasing our lending and taking out the triple-A rating, which, from a cost point of view, adds billions for the bottom line in terms of the cost of funding over a period. I would hand across to whoever is the next Treasurer or the next Government a massive problem to work out. There would be a complete dislocation in services and the overall functioning of State government. That is just not the responsible thing to do. It is always a balance. I think the balance that we have struck is exactly right. It is fair and, in the context of the environment we are operating in, it is affordable.

**CHAIR:** Was that high 6 per cent increase based on decisions of the Labor Government or the Industrial Relations Commission?

**Mr MIKE BAIRD:** I think Michael Costa would have blamed the Industrial Relations Commission, but I am not sure. It is a collection. Ultimately, the State Government is responsible for the decisions it makes.

**Mr DAVID SHOEBRIDGE:** They were almost all consent awards.

**CHAIR:** The Labor Government would have had to agree to it.

**Mr MIKE BAIRD:** That is a challenge, because, as you can imagine, it is half the budget. The budget is more than \$60 billion, so 1 to 3 per cent above our current wages policy on that sort of number is huge.

**CHAIR:** I note at page 5-8 the budget paper says that the Government has reduced wages growth from an annual average of around 4 per cent to less than 3 per cent in the four quarters to March 2013. It is still not down to 2.5 per cent. In other words, you are still working to bring that figure down?

**Mr MIKE BAIRD:** Yes. I think we now have about 13,000 employees above the 2.5 per cent because there have been agreed offsets, so we are paying it. There are other awards running off as well. Those are previous awards above the 2.5 per cent. At the moment the police have an agreement that is above the 2.5 per cent. There is a transition.

**CHAIR:** That keeps the average at 3 per cent?

**Mr MIKE BAIRD:** Over time it comes down, and it obviously comes down closer towards the 2.5 per cent.

**CHAIR:** You have been endeavouring to reduce the number of excess employees and you reported that you have facilitated 4,608 redundancies. What effect is that having on the public sector service provision? I assume those redundancies were from all areas.

**Mr MIKE BAIRD:** They are all areas, and we can get the details from the Public Service Commissioner as part of the estimates. We will bring that response. There are a couple of points on this. There were some comments earlier about the unattached list and the voluntary redundancies. When I was in Opposition, I had a number of people contact me who were sitting on that list who said they wanted to get on with their life and look for other opportunities. Providing people with a capacity to sit on the list while we look for another job for them when we do not know how long it is going to take is not good for the individual, it is not good for the public sector and it is not good in terms of the overall budget.

If there is no job where they are and we cannot find a job across the public service it is in their best interest that we provide an opportunity to go elsewhere. The unattached list is down over 90 per cent, but it is done on the basis of generally trying to find people a spot over the three months. If there are no positions we give people an opportunity to go and do something else.

**Mr DAVID SHOEBRIDGE:** "Opportunity" is an interesting word for being made redundant.

**Mr MIKE BAIRD:** A number of people contacted me when I was in Opposition who were very keen for that.

**CHAIR:** What was the form of assistance you gave them?

**Mr MIKE BAIRD:** There is an opportunity to look for alternate jobs across the public sector. At the same time, assistance is provided as part of any redundancy program.

**CHAIR:** They would basically be paid out a lump sum?

**Mr MIKE BAIRD:** Yes. Payment is provided. I can get the full schedule of services provided from the public sector.

**CHAIR:** You will take that on notice?

**Mr MIKE BAIRD:** Yes.

**Mr DAVID SHOEBRIDGE:** One of those services is stopping of their wage.

**Mr MIKE BAIRD:** For a job that does not exist, yes.

**CHAIR:** You have confirmed that there were 390 excess employees in May 2011 and you said that has now reduced to 90?

**Mr MIKE BAIRD:** No, the time spent on the list is down by 90 per cent. The average duration on the list used to be a couple of years, so it has come back down within the confines of the three months

**Mr DAVID SHOEBRIDGE:** The 90 per cent is the time spent on the list; not the numbers on the unattached list?

**Mr MIKE BAIRD:** Yes.

**Mr DAVID SHOEBRIDGE:** Would you provide us with the numbers?

**Mr MIKE BAIRD:** We can get the numbers. That is fine.

**CHAIR:** The budget papers state that the number of excess employees went from 390 to 100.

**Mr MIKE BAIRD:** I think it is less than that now. I have just explained that the 90 per cent was the time, and I think the number has come down to less than 100. We can get the actual figures.

**CHAIR:** The budget papers state that the labour expense cap adjustment avoids additional costs of \$3.3 billion. Is that the labour expense cost adjustment back to the 2.5 per cent?

**Mr MIKE BAIRD:** That includes the 2.5 per cent in terms of the wages policy. But, as I said, the labour expense cap provides an opportunity for directors general to reduce the cost or the expense through a whole range of measures, including attrition and retirement. The part-time contractors are part of that line as well. I mean, with the directors general, obviously their job is tough on a number of levels, and this is not an easy thing for them, but I think they have done it very well.

**CHAIR:** You have also been reducing employees' annual leave balances. They were equivalent to 40 days in June 2013 and you are aiming to get 35 days by June 2014, and 30 days by June 2015. That will be annual leave for all public servants.

**Mr MIKE BAIRD:** Yes. I mean, these are big costs, in terms of the way the accounts work, on an accrual basis. As the leave balances go up—and I mean, Phil, you could potentially add to this—there is an accrued cost. Basically we are trying to minimise that cost from a budget context and provide, obviously, an opportunity, or encourage the public servants to take the leave. We would all like to do that at times.

**Mr GAETJENS:** It actually builds up a liability. If you do not use your leave every year, it builds up the liability of your balance sheet. Again, for a situation in which we are slowly increasing budget surpluses over the end of the forward estimates—

**CHAIR:** You want them to take their annual leave in the current year and not defer it, or parts of it.

**Mr GAETJENS:** When they take it in the current year, it is expensed out.

**Mr MIKE BAIRD:** Yes.

**Mr GAETJENS:** But when they defer it—some people have leave balances of four or five months—what that does is just increase the liabilities on the balance sheet, which has to be funded.

**The Hon. MELINDA PAVEY:** And they should go to the North Coast.

**Mr MIKE BAIRD:** Sure, of course.

**CHAIR:** That brings questions to an end. I cannot give you another go.

**Mr DAVID SHOEBRIDGE:** By consent, we could have another 10 minutes. You would like to answer more questions, would you not, Treasurer?

**Mr MIKE BAIRD:** Sure.

**CHAIR:** Thank you very much, Treasurer, Ms Telford and Mr Gaetjens, for attending the hearing.

**Ms TELFER:** Thank you.

**Mr MIKE BAIRD:** Thank you, Chair.

**CHAIR:** I declare the budget estimates inquiry into Industrial Relations closed.

**(The witnesses withdrew)**

**The Committee proceeded to deliberate.**

---