

# GENERAL PURPOSE STANDING COMMITTEE No. 1

20 June 2002

Examination of proposed expenditure for the portfolio areas

## TREASURY, STATE DEVELOPMENT

The Committee met at 8.00 p.m.

### MEMBERS

Reverend the Hon. Fred Nile (Chair)

The Hon. Duncan Gay  
The Hon. Tony Kelly  
The Hon. Peter Primrose

The Hon. John Ryan  
The Hon. Henry Tsang  
The Hon. Dr Peter Wong

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### PRESENT

**The Hon. M. R. Egan**, *Treasurer, Minister for State Development, and Vice-President of the Executive Council*

**Treasury**  
**Mr J. Pierce**, *Secretary*

**Department of State and Regional Development**  
**Mr L. Harris**, *Director*

**Sydney Olympic Park Authority**  
**Mr B. Newman**, *Chief Executive Officer*

**Office of State Revenue**  
**Mr P. Achterstraat**, *Director*

**State Debt Recovery Office**  
**Mr B. Robertson**, *Director*

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**CHAIR:** I welcome you to this public hearing of General Purpose Standing Committee No. 1. At this meeting the Committee will examine the proposed expenditure from the Consolidated Fund for the portfolio areas of Treasury and State Development. Before question commence, we must deal with some procedural matters. Paragraph 4 of the resolution referring the budget estimates to the Committee requires the Committee to hear evidence in public. The Committee previously resolved to authorise the media to broadcast sound and video excerpts of its public proceedings. A copy of the broadcasting guidelines are available from the attendants on duty. In accordance with the Legislative Council guidelines for the broadcasting of proceedings, only members of the Committee 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, the media must take responsibility for what they publish or for the interpretations they place on anything that is said before the Committee.

There is no provision for members to refer directly to their own staff while they are at the table. Witnesses, members and their staff are advised that any messages should be delivered through the attendant on duty or through the Committee clerks. For the benefit of Committee members and Hansard, I ask departmental officers to identify themselves by name, position and department or agency before answering any question referred to them by the Treasurer. When a member is seeking information in relation to a particular aspect of a program or subprogram it would be helpful if the program or subprogram was identified. We have allocated 20 minutes to the Opposition for questions, 10 minutes to Hon. Dr Peter Wong and 10 minutes to the Chairman. Questioners will rotate until the hearing concludes. The Government reserves the option of asking a question when necessary. I declare the proposed expenditure open for examination.

**The Hon. MICHAEL EGAN:** Before we take questions, I indicate that I have senior officers present from Treasury; the Department of State and Regional Development; the Office of State Revenue, which is part of Treasury; from the State Debt Recovery Office, which recently came across to my portfolio and is part of the Office of State Revenue; and from the Sydney Olympic Park Authority, which is a statutory authority responsible for the development and management of Sydney Olympic Park, for which I am the portfolio Minister.

**CHAIR:** We thank each of those officers for their attendance tonight.

**The Hon. JOHN RYAN:** Page 5-17 of Budget Paper No. 2 refers to capital works. It says that forward estimates:

... contain an allowance for new projects yet to be identified or approved.

Treasurer, can you give the Committee some information as to how much has been set aside in the forward estimates for new projects "yet to be identified or approved" in the general government sector for 2003-04, 2004-05 and 2005-06?

**The Hon. MICHAEL EGAN:** I am not sure that we have those figures, but we can certainly obtain them. Perhaps Mr Pierce has them; I have seen them.

**Mr PIERCE:** I do not have them here. The value for 2002-03 would be zero. There would then be a small amount in the following year and it would increase over the forward estimates period.

**The Hon. JOHN RYAN:** Can you give us any information of a similar nature about the public trading enterprise [PTE] sector for the same years?

**Mr PIERCE:** The PTE sector does not have an allowance for allocated new works because they are not funded out of the budget. The forward estimates of its capital program would include specific projects that that organisation intends to undertake in, say, years two, three and four. Because its capital planning does not depend upon the annual budget cycle, it manages its capital program quite differently. It would not have an allocated amount; it would plan to spend the amounts within those forward estimates. There would be specific projects against them.

**The Hon. JOHN RYAN:** I ask my annual question about the Treasurer's Advance.

**The Hon. MICHAEL EGAN:** It is in the budget papers: it is \$250 million for expenses—in other words, for recurrent operating expenditures—and I think the figure for capital is about \$40 million.

**The Hon. JOHN RYAN:** Is there any amount assumed for the forward estimates for 2003-04, 2004-05 or 2004-06?

**The Hon. MICHAEL EGAN:** I think it would be the same. Is that the case?

**Mr PIERCE:** Yes, I think it is.

**The Hon. JOHN RYAN:** Is it a formula amount? How is it calculated?

**The Hon. MICHAEL EGAN:** It is really just an estimation of what you need up your sleeve to cover contingencies that might arise during the year in addition to those contingencies that can be funded from underspending in other areas. It is an amount that is slightly less than 1 per cent of our total budget. In the current financial year—2001-02—you recall from the additional appropriation bill that was passed by Parliament a little while ago that we replenished the Treasurer's Advance by \$250 million.

**Mr PIERCE:** I think I would be correct in saying that it would not increase in the forward estimates.

**The Hon. JOHN RYAN:** On page 5-16 of Budget Paper No. 2, under the heading "Wages and Employment" it says:

Consistent with government wages policy, agency budgets have been adjusted to reflect the need to achieve productivity targets.

Could you give the Committee some idea of what productivity savings have been reflected across the whole government sector in the budget estimates for 2002-03, 2003-04, 2004-05 and 2005-06.

**The Hon. MICHAEL EGAN:** I think Mr Pierce is probably better equipped to help you.

**Mr PIERCE:** There is no explicit allowance for productivity improvements in that sense. It is referring to the fact that under most of the awards that cover public sector employment there is a five-year agreement.

**The Hon. MICHAEL EGAN:** It is 4½ years, actually.

**Mr PIERCE:** In broad terms, it was 2, 3, 4 and 5 per cent increases.

**The Hon. MICHAEL EGAN:** I think it was 2, 2, 3, 4 and 5 per cent, with the 4 per cent and the 5 per cent at six-monthly intervals.

**Mr PIERCE:** At the end of the period. The budget funding policy is that 2 per cent of those increases will be funded out of the budget, and that is reflected in these numbers. The difference in the back end—between the 2 per cent and the 3, 4, and 5 per cent—is to be obtained from productivity improvements within the agencies, some of which will be managed through some whole-of-government initiatives in relation to corporate services and the use of information technology and procurement, but part of it will be from what agencies do themselves.

Turning to the way in which those productivity savings will be achieved, that is the purpose behind the establishment of the Christie task force, which is currently working with agencies to plan how those savings will be achieved. I expect that task force to report towards the end of this calendar year—in September or October—as to what plans agencies have and whether they will be sufficient to cover those productivity improvements.

**The Hon. JOHN RYAN:** Do we have any idea how much of the Christie task force target of productivity savings of about 6 per cent had been realised as of 30 June 2002?

**The Hon. MICHAEL EGAN:** I think it is roughly about a third, is it not?

**Mr PIERCE:** That is right; that is the amount that has been identified as being able to be achieved as of now. But the work of the task force with agencies over the rest of this calendar year is designed to see how the rest can be achieved.

**The Hon. DUNCAN GAY:** Treasurer, it is my understanding—correct me if I am wrong—that you write your own Budget Speech and do your own research.

**The Hon. MICHAEL EGAN:** Yes, lovingly and painstakingly.

**The Hon. DUNCAN GAY:** Apart from the appalling politicisation of this year's speech—which is unusual in a Budget Speech—I take you to page 19—

**The Hon. MICHAEL EGAN:** Which part of it was appallingly politicised?

**The Hon. DUNCAN GAY:** I direct you to the last paragraph. Page 19 reads:

According to the most recent data from the Australian Bureau of Statistics, our revenue per person in New South Wales is the third lowest of all eight States and Territories.

What Australian Bureau of Statistics [ABS] publications did you use to arrive at that assertion and what are their catalogue numbers?

**The Hon. MICHAEL EGAN:** I will certainly provide that information. By the way, while I certainly wrote every word in the sentence, that information was provided to me by Treasury at my request. I asked the officers to ascertain our position in the pecking order. I think last year we had the second lowest revenue per person in Australia; this year we have the third lowest.

**The Hon. DUNCAN GAY:** Substantiation would be excellent.

**The Hon. MICHAEL EGAN:** As I said, that statement was made on the basis of the expert advice that I received from Treasury.

**The Hon. JOHN RYAN:** When you say "revenue", Treasurer, do you mean all budget?

**The Hon. MICHAEL EGAN:** All revenues.

**The Hon. JOHN RYAN:** So that includes dividend from government trading enterprises or operating—

**The Hon. MICHAEL EGAN:** It includes all of the State Government's revenues—in other words, all of our tax revenues, our other operating revenues, our dividends and tax equivalents and all of our grants from the Commonwealth. In fact, it is every cent of revenue we get from whatever source.

**The Hon. DUNCAN GAY:** Speaking of statistics, why did the Australian Bureau of Statistics confirm in April that New South Wales has been the highest taxing State in Australia since 1996-97?

**The Hon. MICHAEL EGAN:** There are three reasons. First, we have a higher level of service provision than the other States. Secondly, we have a higher gross domestic product [GDP] per person than the other States. For example, the average weekly income I think for all wage and salary earners in New South Wales is about \$50 a week higher than the next closest State and it is in excess of \$100 a week more than some of the lower income earning States. We have a higher GDP per person—in other words, a higher level of economic activity overall per person. As I have said, we have a higher level of service provision than the other States. Thirdly, we are in the position of subsidising the majority of the other States. New South Wales and Victoria are in the same boat: We subsidise Queensland, South Australia, Tasmania, the Australian Capital Territory and the Northern Territory.

As I have pointed out on a number of occasions, as a social democrat and as one who believes in giving a helping hand to those less fortunate than ourselves, I believe strongly that we should support South Australia and Tasmania to some extent. But I find it abhorrent that we are required by the Commonwealth Grants Commission and the Commonwealth Government to heavily subsidise the State of Queensland, which has a negative net debt. They get net interest payments per year while all the other States have a net interest bill each year. Queensland is of course in that very favourable position of not having any net debt because of the subsidies from New South Wales and Victoria. Queensland has the lowest rate of taxes in the Commonwealth. So we are really subsidising those but whilst our tax revenue—

**The Hon. DUNCAN GAY:** What about the \$3 billion that you have stolen out of the hollow logs?

**The Hon. MICHAEL EGAN:** Can I finish the question?

**CHAIR:** Allow the Treasurer to finish the answer.

**The Hon. MICHAEL EGAN:** I will come back to that but let me point out that whilst our tax revenue per person is the highest of the States, our total revenue per person is the third lowest.

**The Hon. DUNCAN GAY:** Yes but you have taken \$3 billion out of hollow logs.

**The Hon. MICHAEL EGAN:** And our tax rates generally I think are very very competitive with most of the States. For example—

**The Hon. DUNCAN GAY:** We are the highest.

**The Hon. MICHAEL EGAN:** No, not our tax rates. We are the only State in the Commonwealth not to tax banking or credit card transactions. We now have by far the lowest stamp duty rates. Our land tax rates, particularly at the higher levels, are about a third of what they are in Victoria.

**The Hon. DUNCAN GAY:** So the Australian Bureau of Statistics [ABS] is wrong, you are not the highest taxing State?

**The Hon. MICHAEL EGAN:** No, I have told you we are the State with the third lowest revenue per capita.

**The Hon. DUNCAN GAY:** The question was about taxing.

**The Hon. MICHAEL EGAN:** I refer you to my answer.

**The Hon. DUNCAN GAY:** I refer you to my question.

**The Hon. MICHAEL EGAN:** And I answered your question.

**The Hon. DUNCAN GAY:** No, you did not. You say that you are not the highest taxing State. You are.

**The Hon. MICHAEL EGAN:** In terms of rates, no.

**The Hon. DUNCAN GAY:** You are. The ABS is wrong? Are you saying the ABS is wrong?

**The Hon. MICHAEL EGAN:** The ABS has never claimed that our tax rates on average are higher than the other States. I would challenge you to find anything to the contrary.

**The Hon. JOHN RYAN:** Once upon a time there used to be something in the budget papers, I think it was called an index of taxation severity, and it compared the actual tax rates on a variety of things across the States. That does not appear in the budget papers anymore. I was just wondering why it is not there.

**The Hon. MICHAEL EGAN:** Because it appears in the Commonwealth Grants Commission's documents. My recollection is that on that measure we are well down in the middle of the pack. Is that the case, from memory, Mr Pierce?

**Mr PIERCE:** We are certainly not the highest, as the Treasurer said, published by the Commonwealth Grants Commission. I think, from memory, on their latest data South Australia was the highest. In about 1997 or 1998 the measure the Grants Commission used had New South Wales at the top. It has been reducing.

**The Hon. MICHAEL EGAN:** Would that have been during the Greiner/Fahey Government?

**Mr PIERCE:** In 1997, 1998.

**The Hon. DUNCAN GAY:** That was your government, Treasurer.

**The Hon. MICHAEL EGAN:** They have been coming down.

**Mr PIERCE:** Ever since then it has been reducing.

**The Hon. MICHAEL EGAN:** And, by the way, the Commonwealth Grants Commission argues in its reports that we should be making a bigger tax effort in New South Wales. That is endorsed by the Commonwealth Government, which endorses the Commonwealth Grants Commission's recommendations for payments to the State. So, implicitly, Mr Howard and Mr Costello are saying to the New South Wales Government and the New South Wales Parliament, "You should be putting taxes up." Well, I just want to tell Mr Howard and Mr Costello that for as long as I am the Treasurer of New South Wales my aim is to keep the tax rate reductions coming as often as I can. We have had five successive years of tax rate reductions.

**The Hon. HENRY TSANG:** Why are you so compassionate?

**The Hon. MICHAEL EGAN:** They amount to some \$1400 million a year, which is cumulatively, and is approximately 11 percent of our revenues. I defy anyone on this Committee to find another government in Australia, either in the last five years or at any stage during the reported financial history of the Commonwealth, that can match that record. I challenge you to go further than that and see if you can find any government around the world that has reduced their tax rates by the equivalent of 11 per cent of their total revenue.

**The Hon. DUNCAN GAY:** You have overspent every year. You have blown the budget every year.

**The Hon. MICHAEL EGAN:** It is an amazing achievement. One that I must say I did not commit myself to prior to the last State election. I made a commitment prior to the last State election that I would make no commitments on tax changes. I indicated that I thought that the direction of taxes would be down, and that has been borne out. It was a very responsible promise by a very responsible Treasurer in a very responsible government and I can sit here and say "Mission accomplished".

**The Hon. DUNCAN GAY:** Thank you, Treasurer, for the answer to a question that was not asked.

**The Hon. MICHAEL EGAN:** No, Mr Tsang asked.

**The Hon. HENRY TSANG:** I asked the question, "Why are you so compassionate?" Why are you so good to the taxpayers?

**CHAIR:** We are having Opposition questions at the moment.

**The Hon. MICHAEL EGAN:** I will come back to that, Mr Tsang.

**The Hon. DUNCAN GAY:** My question is to Mr Pierce. I refer to a letter from you to the *Financial Review* on 29 May this year under your signature in your role as Secretary of the Office of Financial Management, and I quote the penultimate and last paragraphs:

The New South Wales Government has pointed to a lack of clarity over issues such as the institutional arrangements that support the regulation and operation of the NEM, and the role of transmission in the market. Leadership by NEM jurisdictions can resolve these outstanding issues.

The reform of the socially critical energy sector over the past decade needs to continue. Debate in the light of worldwide experience can be beneficial in drawing attention to the unfinished business without a panicked retrograde step towards a command-and-control industry model. When we step back and look at what we have, let us focus on the things that matter to Australia.

Mr Pierce, there are several statements in that letter that frankly could be construed as statements of government policy. I would have thought that such a letter would have been more appropriate under the signature of the Treasurer rather than yours.

**The Hon. MICHAEL EGAN:** Why?

**The Hon. DUNCAN GAY:** The question was to Mr Pierce.

**The Hon. MICHAEL EGAN:** It was not a question. It was an assertion. It was a statement. You are not asking Mr Pierce a question, you are making a political statement. Mr Pierce is not here to answer political statements. If you have a question to him, ask the question. Do not put a political statement to him. He is not here to engage in a political battle with you.

**The Hon. DUNCAN GAY:** Well, with respect, Treasurer, Mr Pierce has signed a letter which could be construed as political.

**The Hon. MICHAEL EGAN:** I would have thought it was technical.

**The Hon. DUNCAN GAY:** Frankly, I am asking if he believes that that is an appropriate thing—

**The Hon. MICHAEL EGAN:** I think your problem is that as a politician you can't understand the letter, it is too technical for you.

**The Hon. DUNCAN GAY:** Mr Chairman, the question was to Mr Pierce, not to the Treasurer.

**The Hon. MICHAEL EGAN:** Mr Chairman, on a point of order, could I ask what the question is. There was no question. It was an assertion.

**The Hon. DUNCAN GAY:** There was a question: Did he believe it was appropriate to write such a letter?

**The Hon. MICHAEL EGAN:** It was, I thought, on the verge of being a disgraceful attack on a public servant. Mr Pierce is not a politician. He is a civil servant, a professional civil servant. He should not be embroiled in some sort of political argument. If there is a question of fact or of a technical matter to put to Mr Pierce as a senior civil servant, the question should be clearly outlined, and not some political assertion put to him.

**The Hon. DUNCAN GAY:** Mr Chairman, the question stands but can I also—

**The Hon. MICHAEL EGAN:** What was the question?

**The Hon. DUNCAN GAY:** Whether he was directed to sign the letter or was it a letter of his own initiative?

**CHAIR:** The Treasurer can answer that question.

**The Hon. DUNCAN GAY:** The question was to Mr Pierce.

**The Hon. MICHAEL EGAN:** I am happy to let Mr Pierce answer that question.

**Mr PIERCE:** No, I was not directed to write the letter. I wrote the letter in response to an article, an opinion piece, that had previously appeared in the *Financial Review*. The debate about the future reform of the national electricity market could be helped by the letter that I wrote. I believe that any statements I made in it were either statements of fact about what has actually occurred in the past or a statement of what existing New South Wales Government policy is, not an expression of opinion about the policy or about alternate policies.

**The Hon. MICHAEL EGAN:** I might just point out, Mr Chairman, that I do not direct my public servants to write to any newspapers. I find that quite offensive. I am quite capable of writing my own letters to newspapers. I do it often.

**The Hon. DUNCAN GAY:** We could have found out about this a lot sooner if you were not running interference.

**The Hon. JOHN RYAN:** Referring to Budget Paper No 2, page 3—

**The Hon. MICHAEL EGAN:** Is this to me?

**The Hon. JOHN RYAN:** Yes it is, Mr Treasurer. It is a statement that appears at page 3-23 of Budget Paper No. 2. It says:

Commonwealth grants for general purposes are estimated to be \$231 million or 2.4 per cent higher overall in 2001-2002 than estimated in the 2001-2002 Budget.

Since the Commonwealth revenues appear to be larger than you had originally anticipated, why were you telling everybody that you needed to delay the budget by a week to accommodate reduced Commonwealth revenues?

**The Hon. MICHAEL EGAN:** Who wrote that question? That was a really silly question. If you went on to read the next sentence you would see:

This increase primarily reflects higher payments from the Commonwealth to offset higher than expected costs for the First Home Owners Scheme (FHOS). It therefore does not add to the State's untied revenue.

The money under the first home owners grant system is a pass-through. Until the States reach the point under the GST agreement where they are net beneficiaries they will be reimbursed whatever first home owners grants are received by first home buyers. As everybody knows, those grants have exceeded anyone's expectation. Under the agreement the Commonwealth reimburses us for them. So—not the extra \$231 million—but whatever the additional first home owner grant expenditure was, the Commonwealth provides for us.

The delay in the budget was due mainly to the decision by the Federal Treasurer at the Treasurer's conference—I forget what month it was but it was approximately six weeks before our budget in April and it was after our allocation letters had gone out to agencies. The impact of that decision by the Commonwealth Treasurer was to cost New South Wales, from memory, some \$50 million in 2002-2003 rising to \$100 million, I think, in 2005-2006 or 2004-2005, and that impacted upon the amount of enhancements we could provide to agencies. So there were some hundreds of millions of dollars over this year and the forward estimates of the budget that we had to find in some way.

**The Hon. JOHN RYAN:** But surely that decision from the Commonwealth Government largely related to the decision to no longer index petrol prices? I presume that you agree with the policy decision by the Federal Government, do you?

**The Hon. MICHAEL EGAN:** No, I have no view on the policy. It is entirely a matter for them. But when the Commonwealth Government changes their policy and in that way affects their revenues, there is absolutely no reason why that loss of revenue should be passed on to the States,



especially when the GST agreement was very specific about how the guaranteed minimum amount was to be arrived at.

There was considerable argument before the GST agreement was signed and to avoid future arguments the officials of all of the jurisdictions agreed on a very detailed methodology which became part of the GST agreement. Now that methodology was not something that Peter Costello and I, or the other State Treasurers, argued out amongst ourselves; it was argued out amongst the officials but it was finally incorporated as part of the GST agreement. All of the States, and indeed I think all of the State officials, were aghast that a signed and sealed document could be just torn up at the whim of the Federal Treasurer.

**The Hon. JOHN RYAN:** I am somewhat surprised that you would not be reducing petrol prices.

**The Hon. MICHAEL EGAN:** We are not opposed to the reduction in petrol prices but if the Commonwealth Government makes a commitment, they wear that on their own budget bottom line. They should not be passing it on to State taxpayers.

**The Hon. Dr PETER WONG:** Treasurer, given that the Government's estimated taxation revenue from hotel gambling devices will rise from \$321 million in 2001-02 to \$460 million in 2005-06, how does the Government explain this sudden 30 per cent increase in hotel gambling revenue with a cap on poker machine numbers in New South Wales?

**The Hon. MICHAEL EGAN:** I think that is just a reflection of what we anticipate will be growth in GSP and disposable income. That is just a projection of those things.

**The Hon. Dr PETER WONG:** Given that the budget for gambling and betting revenue for 2002-03 is over 1.273 billion or 10 per cent of projected total New South Wales tax revenue of 12 billion or so, is the Government concerned that such a large proportion of revenue is provided by problem gamblers and gambling addicts?

**The Hon. MICHAEL EGAN:** Total gambling and betting revenue this year is \$1,270 million. The budget is about \$30 billion in round terms. So it equates to about 4 per cent of our total revenues. That is a big whack of money and is a big slice of our total revenue, but it is in fact, from my recollection, a much smaller proportion of our total revenue than is raised from that source in most of the other States. I exclude Western Australia because it does not have poker machines. But it is certainly a much lower proportion of our total revenue than is the case in Victoria. Victoria and most of the other States, while they have a smaller number of poker machines, have a much higher poker machine tax. I think that in some States it is up to about 60 per cent of poker machine profits. In New South Wales, from memory, the poker machine tax in hotels is at a top marginal rate of 40 per cent. For clubs it is much lower than that. But because the other States have a much higher tax rate their proportion of total revenue coming from gaming is much larger than ours. So our revenue reliance on gambling and betting is actually lower than the average for the other States. Mind you, as I pointed out before, as one who was educated by the Christian Brothers, who relied on illegal gambling for their sources of revenue, I do not quite have the moral objections to gambling that most other people have.

**CHAIR:** That was only bingo, though.

**The Hon. MICHAEL EGAN:** No, it was not. My father actually died in the auditorium of St Patrick's College, Sutherland, at an illegal gambling night running the baccarat table.

**The Hon. DUNCAN GAY:** That is appalling.

**The Hon. MICHAEL EGAN:** It is a matter of pride for me. He had about 40 priests and about 60 religious brothers and nuns around him when he dropped dead. They were saying novenas for the next month.

**The Hon. DUNCAN GAY:** A true Labor Treasurer.

**The Hon. MICHAEL EGAN:** A bog Irish mould.

**The Hon. Dr PETER WONG:** The recent collapse of UMP was mostly due to the marked increase in claims, settlements and increases in liabilities for incurred but not yet reported incidents. As the Treasury Managed Fund is responsible for the liability of doctors working at public hospitals with public patients, has there been a similar marked increase in the settlement of claims and a similar marked increase in liability for those incurred but not yet reported incidents?

**The Hon. MICHAEL EGAN:** Dr Wong, I thank you for the support you are providing to the Government's efforts to overcome and fix the enormous problems in insurance generally.

**The Hon. JOHN RYAN:** I think that the Opposition was not exactly unhelpful.

**The Hon. MICHAEL EGAN:** I thought you were completely hypocritical, frankly. But that is a debate for another day.

**The Hon. JOHN RYAN:** Well, we voted for your legislation.

**The Hon. MICHAEL EGAN:** You did not seem to know what you wanted to do. You were voting against major sections of it. But it seems to me that you ensured that on the final vote you lost it. I think that was because you realised that you had put yourselves in an impossible position. But we do not want to re-debate those issues. The first major impact on the New South Wales budget was the collapse of HIH. We picked up about \$600 million of responsibility in the previous year. In the current financial year, 2001-02, it was quite apparent what was happening in UMP. Late last year the Government decided that not only would we take over the future insurance obligations of doctors, VMOs, private doctors treating public patients in public hospitals, but we would also pick up the tail, the incurred but not yet reported claims. Obviously, because they are incurred but not yet reported we do not know precisely what the value of those claims will be. So we have had to make an actuarial assessment of what they will be. It is an estimation anyway but we are a long way off being certain within a reasonable band what they will be.

**The Hon. Dr PETER WONG:** Do you expect it to be a lot worse than last year?

**The Hon. MICHAEL EGAN:** The ongoing provision we have made is \$30 million a year. That is probably an adequate provision. The major cost to us is the tail. We can only make guesses about what that is. That is one of the reasons we have put \$800 million in this financial year into the Treasury Managed Fund. We think that the Treasury Managed Fund probably is now close to being fully funded.

**Mr PIERCE:** The Treasury Managed Fund will be fully funded.

**The Hon. MICHAEL EGAN:** It has cost us \$800 million. That is one of the reasons it is so good to have a healthy budget surplus. For two years in a row now we have been hit by unexpected circumstances. The year before it was the HIH collapse; this year UMP and the bushfires.

**The Hon. DUNCAN GAY:** Six years in a row you have overspent.

**The Hon. MICHAEL EGAN:** We have spent within our means.

**The Hon. DUNCAN GAY:** You have overspent the budget estimates.

**The Hon. MICHAEL EGAN:** Of course.

**The Hon. DUNCAN GAY:** Every year.

**The Hon. MICHAEL EGAN:** You are assuming that there are no unmet community needs. Obviously, if we have more money than we anticipated, then we will use some of that revenue to pay down debt. But we will also use some of it—and we make no apology for this—to meet community needs. We will never get to the stage where all community needs are met. It is the basic economic problem. I learnt about it in my first economics lesson in 1963. I remember Mr Kevin Davis, my economics teacher, who was the State President of the Democratic Labor Party—but other than that he

was a very good man. The first lesson was about the economic problem. It was about unlimited demands and limited resources. Because it was presented to us as the economic problem I got very keen because I thought the next lessons would be about the economic solution. But I subsequently discovered that the economic problem was a chronic problem and it required people such as me, committed and painstaking, to make the most of it.

**CHAIR:** Treasurer, New South Wales police gained a 16 per cent pay rise. I understand 10 per cent was from the Government and 6 per cent was to be found from productivity gains. How will the Police Service and other agencies pay for the built-in productivity gains in order to meet their obligations for the additional 6 per cent pay rise?

**The Hon. MICHAEL EGAN:** I have in mind that the police pay rise might have been a little more than 16 per cent. I think it is really the answer that Mr Pierce gave before.

**Mr PIERCE:** That is right. The timing of the police rise is a bit different from the others. But the source of that funding is one of the tasks of the Christie task force.

**CHAIR:** What is the answer to the question? How do they achieve productivity gains in the Police Service?

**Mr PIERCE:** I do not have a set out plan of how they will achieve that at this stage.

**CHAIR:** Usually it is by reduction in staff, people leaving, attrition.

**The Hon. MICHAEL EGAN:** No, it will not be, let me assure you.

**CHAIR:** It will not be in this case because numbers are increasing.

**The Hon. MICHAEL EGAN:** Yes. The total budget of the police force will be increasing substantially. It will need to because we have a commitment. I think the number is 14,400 police by December 2003. I think the current record numbers are 13,800 or 13,700. Obviously, as we get closer to that 14,400 figure the total police budget will continue to increase.

**CHAIR:** It really means that the Government has to find the money for that 16 per cent.

**The Hon. MICHAEL EGAN:** For the wages component we have already allocated over that period 10 per cent and we are looking at other savings—they could be IT, they could be procurement—to try to fund that additional amount.

**CHAIR:** As you know from what has been happening in the upper House, there has been media controversy about allegations that the Government is forcing agencies—particularly in your case, the Treasury—to borrow so they can pay higher State dividends. If it is not correct, are there increased borrowings? If so, why?

**The Hon. MICHAEL EGAN:** Certainly, in the government business enterprise sector there will be increased borrowings over the next four years. The reason for that is that those businesses over the next four years will be investing some \$13 billion—over \$3.3 billion each and every year for four years—in new income-earning investments. Some of that will be borrowed. I think the example you are referring to is Sydney Water. In the coming year Sydney Water will be investing \$520 million in new income-earning public works. Of that \$520 million, \$200 million will be funded from new borrowings.

**The Hon. DUNCAN GAY:** At a higher interest rate because you have loaded them up with more debt.

**The Hon. MICHAEL EGAN:** No, the interest rate is not affected.

**The Hon. DUNCAN GAY:** Oh yes, you read Standard and Poor's.

**The Hon. MICHAEL EGAN:** I am sorry: the total interest they pay might increase but not their interest rate. We do not control the interest rate.

**The Hon. DUNCAN GAY:** You might not, but because you have loaded them up with extra debt their credit rating has come down so they are now on a higher interest rate.

**The Hon. MICHAEL EGAN:** No, that is not true, because the interest rate that they borrow at is determined by the Government's triple-A credit rating. Is that true, Mr Pierce?

**The Hon. DUNCAN GAY:** No, it is not.

**CHAIR:** We will let Mr Pierce answer the question.

**Mr PIERCE:** The cost to the State of their borrowings is determined by the State's credit rating, triple-A. The cost that appears in Sydney Water's accounts reflects its credit rating on a stand-alone basis. The difference is the fee that it pays us.

**The Hon. MICHAEL EGAN:** It is not a cost to the taxpayer.

**The Hon. DUNCAN GAY:** It is a cost to Sydney Water that comes back. You make money because it has a lower credit rating.

**The Hon. MICHAEL EGAN:** It comes out of its profit. It is one part of its expenses.

**CHAIR:** Do you have any control over the borrowings? It seems that borrowings are increasing dramatically. Do you have any final control over the borrowings? Can the borrowings of each of those agencies be unlimited?

**The Hon. MICHAEL EGAN:** We control them but their borrowings are limited. They do not borrow for recurrent expenses; they borrow only for investment. Let us say you are David Jones, Channel 9 or BHP. You might be embarking on a major new capital investment. Unless you are swimming in cash and you have a balance sheet that is horribly out of kilter, you will borrow some of that new investment. You might use some of your existing cash assets to fund it, but you will borrow some. That does not mean that that year you are not making a profit and that you are not returning a dividend to your shareholders?

**CHAIR:** So all the borrowings in your opinion are against capital investment and not for any other purpose?

**The Hon. MICHAEL EGAN:** Not for any other purpose. If you look at the borrowings over the next few years by the business enterprises, you will see that they will be a lot, lot, lot less than \$13 billion. In fact, I think they will be well less than a third of that.

**CHAIR:** Budget Paper No. 3, Volume 2, page 20-9, "Sydney Olympic Park Authority" [SOPA], refers to orderly economic development, and development strategy for the site. Could you outline plans for the site? Is there any joint public-private development envisaged in the plans announced in the media?

**The Hon. MICHAEL EGAN:** The master plan was signed off only yesterday or the day before by the Minister for Planning. The Government anticipates that there will be some equity participation in one form or another by SOPA in some of those developments. That will give SOPA an income-earning base over time and, hopefully, it will not need any injection of cash each year from the taxpayer.

**CHAIR:** Where does SOPA get its money to invest in development?

**The Hon. MICHAEL EGAN:** From you and I, the taxpayers. SOPA owns the land so it could well be that SOPA's participation in a development will consist of the land component, which it already owns.

**CHAIR:** It will not sell to the investor, it will rent?

**The Hon. MICHAEL EGAN:** It could do either. It could either rent the site on a long-term leasehold or the site could be sold as freehold with the value of the land being SOPA's equity in that investment. Mr Newman could add to that.

**Mr NEWMAN:** In some cases the authority may wish to consider situations in which the land is used as an equity in a project. So we maintain a long-term investment position and generate rental income from that equity holding.

**CHAIR:** Do you have any idea of the percentage involved? Could SOPA's percentage be 30 per cent or 50 per cent, or would it be similar to the Darling Harbour development?

**The Hon. MICHAEL EGAN:** I am not very familiar with the arrangement at Darling Harbour, but it would be on a case-by-case basis. SOPA, which has a first-class board, would make an individual assessment. If it needed any cash from the Government, it would need my approval. In any event, the budget committee of Cabinet would have to sign off on any investment that SOPA was involved in.

**CHAIR:** What is the potential gross amount of the blueprint you announced yesterday?

**The Hon. MICHAEL EGAN:** I will ask Mr Newman if he has any idea what size the total development at SOPA is likely to be.

**Mr NEWMAN:** We estimate that the total value of investments over the next 10 years will be in excess of three-quarters of a billion dollars. That would represent the sum investment total of all the buildings that are developed under the master plan that was announced yesterday.

**CHAIR:** Is that SOPA's percentage?

**The Hon. MICHAEL EGAN:** No.

**CHAIR:** Is that the total? Three-quarters of a billion?

**The Hon. MICHAEL EGAN:** It is virtually all private sector; \$750 million.

**Mr NEWMAN:** We would estimate it to be in excess of that. That would be the investment value of all the developments developed by the private sector under the current master plan.

**The Hon. MICHAEL EGAN:** We are talking about 10,000 people working there and 3,000 people living there.

**The Hon. DUNCAN GAY:** Treasurer and/or Mr Harris: In a general sense what is the starting point for any negotiations with possible investors with regard to incentives that may be offered by the State Government? How do general investment incentives compare with those offered by other States, for example Queensland and Victoria?

**The Hon. MICHAEL EGAN:** My impression—and it is only an impression because the States generally do not provide details of assistance they give to firms whose investment they are trying to attract—is that Queensland provides much more attractive incentives than New South Wales or Victoria. South Australia used to be in that position but it now has an economically responsible Government and many investors who have knocked on the door of the South Australian Treasurer, and Minister for State Development, since the change of government were surprised to have been thrown out on their ear.

**The Hon. DUNCAN GAY:** Do you want to add to that Mr Harris?

**Mr HARRIS:** The question related to the starting point and the way we handle these things. The department has built up an enviable reputation for meanness amongst the business community.

**The Hon. DUNCAN GAY:** That is what everyone tells me.

**The Hon. MICHAEL EGAN:** What do they tell you?

**The Hon. DUNCAN GAY:** That the department is very mean.

**The Hon. MICHAEL EGAN:** It is not a matter of being mean, it is a matter of being sensible with taxpayers money. I did note, Mr Gay, that your leader in the other place was urging a repeat of the Luna Park fiasco. He was urging that the State Government should underwrite a private loan for a company for \$15 million with a commercial bank. I would have thought, given the Luna Park fiasco, that any dope would have learnt a lesson. Apparently your leader in the other place has not.

**The Hon. DUNCAN GAY:** That is an inappropriate answer to a question that was not asked. You should not lecture me on what I should ask. Your answers are pretty ordinary as well.

**The Hon. MICHAEL EGAN:** I am used to you lecturing me. I do not often get the chance to do that and that is why I look forward to these estimates committees, and that is why I always want them to go longer than two hours.

**The Hon. DUNCAN GAY:** So do I.

**The Hon. MICHAEL EGAN:** That is why I urge my Labor Party colleagues to not ask any questions.

**CHAIR:** Mr Gay, it was your interjection that the Treasurer responded to. Let Mr Harris answer.

**The Hon. DUNCAN GAY:** With great respect, Mr Chairman, that was not the case.

**CHAIR:** Yes, you said that the department is very mean, and he responded to that interjection.

**The Hon. MICHAEL EGAN:** I was offended. I am the custodian of the taxpayers purse, an obligation I take very seriously.

**The Hon. DUNCAN GAY:** Mr Harris, are you satisfied that the department has done everything possible in an attempt to gain business to this State? For instance, the Airbus contract was lost to Queensland.

**Mr HARRIS:** I think the efforts that have been put into New South Wales have been exceptionally successful, to be honest. The general measure that is accepted among the States, and agreed amongst various jurisdictions and, indeed, the Commonwealth, is that it generally relates to regional headquarters and regional operating centres. The share of the market that is held by New South Wales is about 65 per cent. In recent years the amount that has been won generally exceeds 65 per cent, and runs towards 70 per cent. The results have been extremely pleasing.

**The Hon. DUNCAN GAY:** Do you have details?

**The Hon. MICHAEL EGAN:** That is a phenomenal achievement, 60 to 70 per cent, given that some States threw huge amounts of taxpayers money at companies.

**The Hon. DUNCAN GAY:** Mr Harris, do you have details of how many companies that negotiated with both the Queensland and New South Wales governments decided to locate in Queensland rather than in New South Wales?

**Mr HARRIS:** Not figures that I could be certain would be absolutely accurate. The variation between the States often occurs because companies do not necessarily reveal that they are dealing with one State or another. In some instances the companies may well indicate to one State that they are dealing with another State when, in fact, they are not.

**The Hon. DUNCAN GAY:** Would you undertake to provide the Committee with a list of the ones you know, the ones who told you that they were negotiating with other States and New South Wales lost?

**The Hon. MICHAEL EGAN:** Hang on, I would expect that a private company would expect that the New South Wales Government would conduct discussions and negotiations in confidence. Otherwise you will not get any firm dealing with a government.

**The Hon. DUNCAN GAY:** That means no? Or is it a cover-up?

**The Hon. MICHAEL EGAN:** If they think that some self-seeking political operative is going to require the Government to blurt out their confidence—

**CHAIR:** Order! It is difficult for Hansard to record two people speaking at once. Treasurer, you may finish your answer.

**The Hon. MICHAEL EGAN:** Companies are not going to deal with you if they think that you are going to blurt out the confidential information they provide to you.

**The Hon. DUNCAN GAY:** Is that a no?

**The Hon. MICHAEL EGAN:** It is the answer I gave.

**The Hon. DUNCAN GAY:** Is it a no? You will not supply that information?

**The Hon. MICHAEL EGAN:** The answer stands for itself.

**The Hon. DUNCAN GAY:** You will not supply that information to the taxpayers in New South Wales?

**The Hon. MICHAEL EGAN:** The answer stands for itself.

**The Hon. DUNCAN GAY:** Mr Harris, do you have at hand the total estimated value for the businesses lost to Queensland, including Airbus, Boeing, Australian Airlines and Virgin Blue?

**Mr HARRIS:** No, I do not have a list at hand, Mr Gay.

**The Hon. DUNCAN GAY:** Could you provide it for the Committee?

**Mr HARRIS:** I could certainly provide the Committee with the names of companies that have appeared in public documentation when there was some speculation that they had dealt with both States. I could provide that. Companies such as Virgin Blue have spoken to all Australian States. Whether the business was lost in the sense that you are suggesting, I am not too sure. We could look at publicly available information and see what we could provide.

**The Hon. MICHAEL EGAN:** From your knowledge, Mr Harris, Virgin's investment in New South Wales is actually—

**The Hon. DUNCAN GAY:** Point of order: Mr Chairman, the Treasurer cannot ask questions of Mr Harris. That is completely outside the rules.

**CHAIR:** He can assist Mr Harris to answer a question. We will address questions to Mr Harris for a few minutes, to give the Treasurer an opportunity to leave the Chamber.

**The Hon. MICHAEL EGAN:** I had better stay around, because Mr Gay might cheat.

**The Hon. DUNCAN GAY:** Mr Harris is an experienced man, he can handle the questions. Mr Harris, there are five separate divisions within the Department of State and Regional Development. Can you explain how those divisions work together? Is there any problem with

competition between the divisions that may lead to a diminution in the effectiveness of the department to fulfil its aims?

**Mr HARRIS:** There are indeed five divisions, one of which is the industry division, which looks at broader, long-term investment projects. Many of those are large mineral processing operations, aluminium smelters, opportunities that may exist for expansion of generally manufacturing activities that stretch often into the future. Also there is an area within the division that deals with innovation matters and provides a range of services to a number of companies within the State.

The policy and resources division undertakes most of the policy examination work of the department, which is fairly standard work for a line agency such as ours. It also contains a unit that undertakes our economic evaluation work. The regional development division undertakes pretty much as its name suggests: the work that is handled in the 19 regional offices throughout New South Wales. That work entails, in some instances, investment development, the organisation of regionally based export trade missions and the provision of small business services to companies in regional New South Wales.

The investment division looks broadly at the range of potential inbound investment. Its main responsibility is to deal with international companies, some of whom find us and some of whom we find—companies that look at developing opportunities for their companies. Increasingly, that has moved towards the service-based industries. We have found them dealing increasingly with the financial services sector and those back office operations that provide support throughout the region. The small business division is the fifth of the divisions and deals, not particularly remarkably, with the interests of small business. It also covers a number of our export activities. So far as the sense of competition between the divisions is concerned, any competition that exists is probably quite healthy. We are a performance-based organisation. I do not think that in any way this competition provides anything other than an atmosphere of enthusiasm for the people who work in the organisation. I believe there is a strong cross-pollination between the divisions. In the broader sense, I think that it works quite well.

**The Hon. DUNCAN GAY:** I have a few detailed questions on staff numbers. I will understand if you are not able to answer some of them, in which cases I will ask you to take the questions on notice. But I would expect that you should be able to answer some of them. How many staff are currently employed by the department on a temporary, contract or casual basis?

**Mr HARRIS:** The figure is relatively small. It is smaller than it has been because under the Oz Industry programs, which the department delivered jointly with the Federal Government, most of the Oz Industry business development managers were employed under contract. At the moment, out of approximately 262 staff in the department I would think that the number is relatively small.

**The Hon. DUNCAN GAY:** Can we find out the exact number?

**Mr HARRIS:** Yes, of course.

**The Hon. DUNCAN GAY:** Of those staff, how many have been employed by the department for a period exceeding six months?

**Mr HARRIS:** That I would have to take on notice.

**The Hon. DUNCAN GAY:** Of that staff how many are not permanent Australian citizens?

**The Hon. MICHAEL EGAN:** Good heavens, what is the purpose of that question?

**The Hon. DUNCAN GAY:** It is a straight forward question.

**The Hon. MICHAEL EGAN:** Is this a bit of xenophobia on a part of the National Party?

**Mr HARRIS:** I am unaware if there are any such officers.

**The Hon. MICHAEL EGAN:** I find that question almost offensive.



**The Hon. DUNCAN GAY:** What checks are made on temporary, contract or casual staff prior to their being granted access to departmental files and computer systems? It has been suggested to me that there is a policy of hiring casuals, many of whom are backpackers. Given the sensitivity of the situation in your department I believe that the questions are valid. I request answers to my questions, for obvious reasons.

**The Hon. MICHAEL EGAN:** Backpackers? Does that mean people who carry their personal belongings from home to work in a backpack? Is that what you mean?

**The Hon. DUNCAN GAY:** Point of order: The Treasurer is not asking the questions.

**The Hon. MICHAEL EGAN:** Can we clarify the question? The idea that the Department of State and Regional Development is chock-full of people who are over here on two-month holiday and who spend most of their time getting sunburnt at Bondi Beach before turning up to the Department of State and Regional Development is ludicrous!

**The Hon. DUNCAN GAY:** That is the reason the question was asked.

**The Hon. MICHAEL EGAN:** You should check some of your sources.

**The Hon. DUNCAN GAY:** When the answers come back we will find out how accurate the question was. The reason we have budget estimates is to find out information from the departments, not to be harangued by the Treasurer.

**The Hon. MICHAEL EGAN:** Do you know any backpackers in the Department of State and Regional Development?

**Mr HARRIS:** No.

**CHAIR:** We will let Mr Harris give a yes or no answer.

**Mr HARRIS:** I am not aware of any backpackers in the Department of State and Regional Development.

**The Hon. DUNCAN GAY:** How many permanent vacancies currently exist in the department?

**Mr HARRIS:** Again, that is a question of detail that I could not give an accurate answer to. It would be a very small number.

**The Hon. DUNCAN GAY:** Are there any staff at the department currently classified as unattached? If so, how many and on what salary levels are those staff?

**Mr HARRIS:** We would have to take that question on notice.

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

**Mr HARRIS:** Indeed.

**The Hon. DUNCAN GAY:** How long have those staff been kept on by the department?

**Mr HARRIS:** Again, I will take that question on notice. But my assertion and my understanding at the moment is that it would be a very small number.

**The Hon. DUNCAN GAY:** Have there been any instances where a staff member of the department has taken voluntary redundancy from the department only to return as a contractor? Can you give a guarantee that no staff member of the department has been re-employed in that fashion?

**Mr HARRIS:** I am certainly not aware of that, but I will check it and give you an answer.

**CHAIR:** Will you take that question on notice?

**Mr HARRIS:** Indeed.

**The Hon. DUNCAN GAY:** You attended the Bio 2002 conference in Toronto last week.

**Mr HARRIS:** I did indeed.

**The Hon. DUNCAN GAY:** We have been watching. What was the outcome of your attendance at that conference?

**Mr HARRIS:** In what sense sense, if I might ask?

**The Hon. DUNCAN GAY:** Was it worthwhile? Did you achieve anything?

**Mr HARRIS:** I believe yes, I did. The conference was worthwhile. There were, I think, 51 New South Wales participants. We participated with 11 companies—

**The Hon. MICHAEL EGAN:** These are companies we took?

**Mr HARRIS:** We took 11 companies that were on the stands, and there were a total of 51 participants from New South Wales. Four members of the New South Wales public service attended that conference and the trade show in Toronto. It is interesting to compare those numbers with the number of participants from other States. I believe that Victoria, for example, had in excess of 13 public servants.

**The Hon. MICHAEL EGAN:** Good heavens!

**Mr HARRIS:** I am not too sure what the numbers were for the other States.

**The Hon. MICHAEL EGAN:** What did they all do?

**Mr HARRIS:** Our participants—

**The Hon. MICHAEL EGAN:** I am not talking about our very slim, very lean and very efficient contingent, I am talking about the 13 from Victoria.

**Mr HARRIS:** I am not terribly sure what they did.

**The Hon. MICHAEL EGAN:** Could we take that on notice?

**Mr HARRIS:** I doubt whether we would be told.

**The Hon. MICHAEL EGAN:** We will try, any way.

**The Hon. DUNCAN GAY:** Considering that both Steve Bracks and Peter Beattie attended from their respective States—and very successful States in this area—why did the State Government not think it important enough to send our Premier?

**The Hon. MICHAEL EGAN:** Because the Premier of New South Wales and the Treasurer of New South Wales have a responsibility to this Parliament, and this Parliament was sitting.

**The Hon. DUNCAN GAY:** The lower House was not sitting.

**The Hon. MICHAEL EGAN:** Which week was that?

**The Hon. DUNCAN GAY:** Last week.

**The Hon. MICHAEL EGAN:** The Premier has many other responsibilities. Perhaps you should ask Mr Bracks and Mr Beattie why they went. Mr Chairman, we just cannot win. If we go overseas, we get bashed around the head by this bunch of bogans. If we don't go overseas, they attack us.

**The Hon. DUNCAN GAY:** I know that the Australian Technology Showcase is something that is dear to your heart.

**The Hon. MICHAEL EGAN:** It is.

**The Hon. DUNCAN GAY:** Questions on this subject are usually asked of you in the form of a dorothy dixer, as we know. How many projects to date have been assisted by the department's funding contribution to the showcase?

**The Hon. MICHAEL EGAN:** In the case of New South Wales, the latest figure is 313.

**The Hon. DUNCAN GAY:** How many of those projects have been new ones and how many existing projects have received funding?

**The Hon. MICHAEL EGAN:** The 313 projects in the Australian Technology Showcase have received some assistance, in some cases direct financial assistance of a small amount and in other cases they have received assistance in kind. Sometimes they receive assistance by inclusion in trade missions overseas. For example, I was in London last July, I think it was, leading an Australian Technology Showcase contingent to London. We had a function, and I am very grateful to the Commonwealth Government for providing Australia House for the function, and I thank the Commonwealth officials at Australia House for assisting with the function. There are 313 companies in New South Wales that are members of the showcase, and they get assistance in a variety of ways.

**The Hon. DUNCAN GAY:** What percentage of Australian Technology Showcase projects have gone on to substantial commercialisation as a direct result of their involvement in the ATS scheme? Which ones are standing alone and operating properly now?

**The Hon. MICHAEL EGAN:** Most of them are commercial operators. There would be very few that have not yet reached the stage of commercialisation. Some of them are in the early stages.

**The Hon. DUNCAN GAY:** Could you give us a percentage?

**The Hon. MICHAEL EGAN:** Yes, we could get that. But very few of them are at the developmental level. Nearly all of them have a product on the market. One of those that I am not sure whether it yet has a product on the market is the company that is chaired by your former Federal leader, Mr Blunt. This Lismore company has developed the truck that has the braking system—Permadrive—that accumulates energy as it is going down the hill so that when it is going uphill it saves petrol. You might not be interested, but Mr Blunt is very interested. I do not know why you asked the question if you are not paying attention to the answer. I am hurt and offended.

**(Short adjournment)**

**CHAIR:** In relation to the aim of the Department of State and Regional Development to assist major investment projects across New South Wales, there has been some controversy about the charcoal plant at Mogo. Has there been any consideration by the department of the offer from the Bombala community to move to Bombala?

**The Hon. MICHAEL EGAN:** That is probably a matter more for the Department of Planning rather than for the Department of State and Regional Development. My recollection of that issue is that the company itself indicated that Bombala was not a commercial proposition. Whilst the Opposition might be playing politics on that, it is not the Opposition that makes the commercial investment decisions, it is the firm itself. The Mogo site has been through a very, very intensive environmental impact statement process and the planning approval, from my recollection, involved numerous, stringent conditions being imposed on the charcoal plant. I do not know whether Mr Harris has any further information he can supply on that. As I say, my understanding was that from the

company's point of view, if they were required to go to Bombala it would not have been a commercial proposition for them. Therefore, the project would not have proceeded. We would not only have lost the charcoal plant, but, more importantly, we would have lost the silicon smelter at Lithgow—which is a project the Government has invested a lot of time and effort in to ensure that it eventuates. Do you have anything to add, Mr Harris?

**Mr HARRIS:** No.

**CHAIR:** Do you have any more details as to why Bombala would not have been a commercial project when one would think it has a greater availability of timber?

**The Hon. MICHAEL EGAN:** My understanding is that it did not. I am relying on a document that came my way some many weeks ago now. I will certainly take up that issue and get you a response.

**CHAIR:** Based on the objective to encourage and maintain these projects, if there are ongoing protests at Mogo against the plan, the company may feel that it is not worth the trouble. My concern is that we do not want to lose it. You do not want to lose it, I do not want to lose it. That is why I raised the issue.

**The Hon. MICHAEL EGAN:** The company has indicated some concern in that regard by way of a letter, a copy of which came my way. I will fish out that letter. I believe it is another example of an opportunistic Opposition wanting to kill a major investment project in New South Wales. I can see no sense in what the Opposition has been doing on this issue. I hope that it does not deter the firm from its investment in New South Wales. Certainly when we were in Opposition, as far as we possibly could, we gave a bipartisan support to attracting investment in New South Wales. Indeed, we gave bipartisan support to the then Greiner Government when Moody's was threatening to take away the State's triple-A credit rating. I can remember the Premier and I and one of Mr Pierce's predecessors, Mr Percy Allan, meeting with Moody's. We virtually got down on our knees and pleaded with Moody's not to take the triple-A rating from the Greiner Government. I regard that as the responsible approach of a constructive Opposition. It is only constructive Oppositions that have a chance of ending up in Government. Those who take a negative, narky, destructive approach to things will stay in Opposition for as long as they do that.

**The Hon. DUNCAN GAY:** What is the total cost to date of Treasury's work in preparing Pacific Power International and Powercoal for sale?

**The Hon. MICHAEL EGAN:** I do not have that figure. I do not know whether Mr Pierce has it. They are ongoing projects. Certainly in relation to a Pacific Power international—

**The Hon. DUNCAN GAY:** Will you undertake to get that for me?

**The Hon. MICHAEL EGAN:** Certainly, I will.

**The Hon. DUNCAN GAY:** Has any work been done yet on the destination of the sale proceeds of Pacific Power International and Powercoal?

**The Hon. MICHAEL EGAN:** I am hopeful that we will get a very sizeable amount for the sale of Powercoal. Obviously, the proceeds of that are paid into the fund that provides money for all of our schools, hospitals, roads, police and community services.

**The Hon. DUNCAN GAY:** From consolidated revenue.

**The Hon. MICHAEL EGAN:** That is right, from consolidated revenue. The other thing that consolidated revenue funds is debt reduction. The proceeds that we will get from Powercoal are not factored into our budget revenues. We are not relying on any of those assets sales to fund any of this year's budget expenditure. Whilst the money will go into consolidated revenue, in fact it will end up as either debt or liability reductions. It will probably end up in the liability management fund, but we have the choice of either directly—

**The Hon. DUNCAN GAY:** Will it go back into electricity infrastructure?

**The Hon. MICHAEL EGAN:** No, the electricity infrastructure is provided by commercial businesses. We will not be subsidising that. However, in a roundabout sort of way we will use the proceeds of the FreightCorp sale, because the amount of money we will spend on country track maintenance every year has increased to \$286 million. I believe that is an increase from about \$170 million last year. The proceeds from FreightCorp, if you like, will be more than expended by our increased investment in country rail track infrastructure.

**The Hon. DUNCAN GAY:** There have been a number of recent advertisements for a range of consultants to work on the Pacific Power International sale. Why is it that work could not have been done by people currently within Treasury?

**The Hon. MICHAEL EGAN:** We do not have people sitting around in Treasury waiting for an asset sale. Assets sales come very rarely. If you have your Treasury staff fully occupied on various other tasks, you need additional people to perform those tasks. Many of the tasks that are required to be performed are of a specialist legal or financial nature. For example, with the sale of Freightcorp we engaged specialist legal and financial advisers, just as your government did with the sale of the Government Insurance Office and the State Bank. I must say that the deal that we got for the sale of FreightCorp is a much better than the deal you and your previous very expensive advisers got for the sale of the State Bank. I am still paying for that. You got proceeds of \$586 million and all of that money has almost gone, there is almost nothing left, because of the warranties and indemnities that were part of that sale. You sold the assets and left me with the liabilities. It was one of the most appalling—

**The Hon. DUNCAN GAY:** I remind you that you failed to guarantee the community service obligations [CSOs] from the Freightcorp sale. You have an entire energy reform group, including the market implementation group [MIG], to advise you on Pacific Power International. Why are you paying that lot and getting outside consultants?

**The Hon. MICHAEL EGAN:** The MIG is very heavily involved in both the Pacific Power International and Powercoal processes. That does not mean that the MIG has all of the financial and legal skills of an advisory nature that we require in these things. Mr Pierce, would you like to add to that?

**Mr PIERCE:** The way these things usually work—or at least have worked on all the privatisations I have been involved with—is that people within Treasury, and in this case they include the people in the MIG, would be involved in the early stages of the process in terms of providing policy advice to the Government as to whether the business should or should not be sold. Once that decision is made—

Once that decision is made the Treasury staff were certainly involved in the project management of the sale process and lead that project management. As the Treasurer said, the people who are brought in from outside tend to be very specialist financial advisers who, in the main, will be the ones who deal directly with the bidders during the negotiation phase and with the legal advisers drawing up contracts and provide commercial law expertise, which is not something we maintain within Treasury. The accounting advice is very heavily weighted towards Commonwealth taxation issues, which again is not something we would maintain within Treasury, and there is always a probity adviser as well.

**The Hon. JOHN RYAN:** I refer to Budget Paper No. 2, page 1-10, table 1.2, Operating Statement for the general government sector, the acquisition item. If you look at that and compare that amount to the total expenses, particularly if you go back to historic levels in previous budget papers, you will find the amount of money that is spent on infrastructure investment within the general government sector has almost halved, from around 15 per cent of total expenses in 1995-96 to around 8.8 per cent in the current budget, and 9.3 per cent in the last year's budget. It has gone up a little to 9.3 per cent in this year's budget. Why has infrastructure investment almost halved over the past five or six years within the general government sector?

**The Hon. MICHAEL EGAN:** It has not. In fact, it has gone up. The basic problem is that the Opposition does not know the difference between an apple and an orange. If you look at table 1.2 above total expenses you will see an item called Capital Grants. They were once included in the capital expenditure item; they are now part of the general government expenses. Likewise, if you go back to the 1995-96 budget papers you will see that in 1994-95, your last year in office, your capital works program at face value was underspent by, from memory, about \$1,500 million, the reason being there was some underspending but the major part of it was the reclassification of maintenance expenditure to expenses.

In other words, you included capital grants in your capital spending figure, many hundreds of millions of dollars—from memory, it was about \$800 million a year of maintenance, which is now not classed as a capital expenditure but as an expense. As well, some of the areas that are now included in the government business enterprise sector, you included in general government, such as the investment each year of many hundreds of millions of dollars on housing. You cannot make a comparison unless you get your apples and oranges right.

**The Hon. JOHN RYAN:** Speaking of apples and oranges, why is it when you talk about the budget you talk about increasing debt within the general government sector and you only talk about debt, but you do not aggregate that with all of the government sector. Yet when you talk about the capital works budget you aggregate everything to talk about a \$6.35 billion capital works budget. You are prepared to aggregate capital works across the whole government agency, yet when you talk about debt you talk about a very confined amount of general government debt, which, of course, can be moved around as you have just explained. Those figures can be moved around. Why not use the same means of comparison and use the whole government sector with regard to debt or just the general government sector when you are talking about both debt and capital works, because you do tend to move them around a bit too?

**The Hon. MICHAEL EGAN:** For two reasons. Firstly, reclassification between what you used to call the budget sector we now call the general government sector; and the government business enterprise sector is basically the same distinction as existed under your Government, so there has been no change there. But as for this nonsense that we do not talk about the total State net financial liabilities or the total State underlying net debt, that is false. It simply indicates that Opposition members are either incapable of reading the budget papers or do not read the budget papers.

**The Hon. JOHN RYAN:** I am only reading your Speech.

**The Hon. MICHAEL EGAN:** Do you want to go to the Speech first and then we will come back to Budget Paper No. 2? Let us start with Budget Paper No. 2 first. Let us have a look at the Budget Overview, page 18, table 5, where we have the figures for general government net financial liabilities, general government underlying net debt, general government net unfunded superannuation, total State net financial liabilities, underlying net debt for the total State sector and net underfunded superannuation for the total State sector. We will take the general government sector first. The net financial liabilities for the general government sector have come down from \$32.6 billion in 1995 to \$22.0 billion now, so that is a reduction of \$10.6 billion.

If you go to the total State sector, you will see that the net financial liabilities, including all the subsets of the liabilities, debt and unfunded superannuation and other liabilities, has come down from \$43.8 billion to \$37.7 billion, from 26.6 per cent of gross State product [GSP] down to about 15 per cent of GSP, notwithstanding that over that last seven years we have invested approximately \$30 billion in new public works in both the general government sector and the business enterprise sector. We have not only funded all of our recurrent activities, we have put \$30 billion approximately into new investments and we have reduced the State's total liabilities from \$43.8 billion down to \$37.7 billion.

It is true that over the next four years those total State net financial liabilities will rise and they will rise because over that period we will be spending another \$25 billion on new income earning assets. But over the period 1995-2006 we estimate that the total State net financial liabilities will come down from 26.6 per cent of GSP—and that is not an estimate, that is an actual figure—to 13.5 per cent in 2006. So, despite the massive investment of some \$55 billion over that 11-year period in new

investments, many of them new income earning investments of the commercial business enterprises, our net financial liabilities as a proportion of GSP will have halved. That is an incredible achievement. It means that our State net worth—

**CHAIR:** Treasurer, we need to move on to other questions.

**The Hon. MICHAEL EGAN:** I would be happy, perhaps during question time in the Legislative Council, to entertain more questions on that because there are many more details I would like to provide to members.

**The Hon. JOHN RYAN:** Would you give the Committee information as to what the aggregate rate of return on the assets of the public trading enterprises [PTE] sector will be over the next four years—the items that you call income earning assets?

**The Hon. MICHAEL EGAN:** It depends. For Sydney Water the rate of return which the Independent Pricing and Regulatory Tribunal [IPART] sets for new capital investments is 6 per cent. For the electricity utilities it is about 7 per cent. I do not know what it is for State Forests.

**The Hon. DUNCAN GAY:** Does that vary according to debt levels?

**The Hon. MICHAEL EGAN:** No

**The Hon. DUNCAN GAY:** Load it up and rip it out as well.

**The Hon. MICHAEL EGAN:** When IPART sets the price for Sydney Water it does not take into account what the dividends are. It sets its price quite separate and apart from any question of dividends and quite separate and apart from the source of the funding of Sydney Water's capital.

**The Hon. JOHN RYAN:** What about rail?

**The Hon. MICHAEL EGAN:** We subsidise rail heavily. The total subsidy to the State Rail Authority [SRA] this year is about \$900 million. It is in the budget papers somewhere. That is a subsidy to the operating cost of the SRA, but for the Rail Infrastructure Corporation we expect it to achieve a commercial return on its commercial investments. There are some CSOs that we provide. They are not on a commercial basis. That reflects the fact that there are some things we do for social benefit purposes and not for economic purposes.

**CHAIR:** You mentioned the subsidy to State Rail. I understand there has been a 20 per cent decrease in rail passengers.

**The Hon. MICHAEL EGAN:** I do not think it would be that high.

**CHAIR:** Has there been an increase in the subsidy?

**The Hon. MICHAEL EGAN:** No, the passenger numbers are increasing but in the last 12 months the rate of increase in passenger journeys has decreased somewhat. That is partly due to the reduction in the number of tourists visiting Sydney and also some compositional changes in the work force. One of the aspects of the recent economic slowdown is that rather than hitting traditional industries like agriculture and mining it has been in the new economy areas of information technology as a result of the collapse of the Nasdaq, the dot.coms and the general problems —

**The Hon. DUNCAN GAY:** So basically it has dropped because of Nasdaq?

**The Hon. MICHAEL EGAN:** No, it has not dropped.

**The Hon. DUNCAN GAY:** That is what you are saying.

**The Hon. MICHAEL EGAN:** No. You have no appreciation of the difference between an increase and a slower rate of growth. I could say that my rate of putting on weight has slowed down in the last 12 months but I am certainly heavier than I was 12 months ago. I am heavier and fatter but the

rate of change has slowed down. Now when I was at school if I did not understand that difference Brother O'Farrell would have bashed me over the knuckles.

**The Hon. Dr PETER WONG:** He probably did.

**The Hon. MICHAEL EGAN:** He probably did. I only made the mistake once and then I learnt.

**The Hon. JOHN RYAN:** Did you seriously send a letter to your Ministers suggesting that the budget was being delayed because New South Wales had lost \$1.1 billion in Federal grants over the next four years and that was as a result of what had then been last month's Treasurers' Conference. The only thing that had changed was the petrol indexation issue.

**The Hon. MICHAEL EGAN:** No. If only that were the case.

**The Hon. JOHN RYAN:** You certainly were not expecting a reversal of the vertical fiscal imbalance in one hit?

**The Hon. MICHAEL EGAN:** No.

**The Hon. JOHN RYAN:** So, surely, there was not \$1 billion.

**The Hon. MICHAEL EGAN:** No.

**The Hon. JOHN RYAN:** I refer you to Budget Paper No. 2, page 7-6, which indicates that the amounts involved are \$43 million, \$63 million, \$86 million and \$102 million over the next four years. That does not even add up to \$200 million. Why are you saying \$1.1 billion?

**The Hon. MICHAEL EGAN:** That is the impact of the disgraceful breach of the intergovernmental agreement.

**The Hon. JOHN RYAN:** That is the only one.

**The Hon. MICHAEL EGAN:** No, the Commonwealth Grants Commission made a recommendation which had to be agreed to or not agreed to by the Federal Treasurer at the Treasurers Conference and that saw New South Wales lose approximately \$200 million a year in Commonwealth reimbursements to New South Wales.

**The Hon. JOHN RYAN:** That has nothing to do with the GST arrangements, does it?

**The Hon. MICHAEL EGAN:** It has nothing to do with the GST arrangements but—

**The Hon. JOHN RYAN:** That is the usual vertical fiscal imbalance arrangements?

**The Hon. MICHAEL EGAN:** No, it was an additional redirection of finances from New South Wales to the other States. We went to that Treasurers' Conference hopeful; I cannot say we were confident but I was certainly hopeful that some justice would be displayed by the Commonwealth Treasurer.

**The Hon. JOHN RYAN:** I am more than sure that your budget papers would have been well and truly organised on the basis that there would have been little change?

**The Hon. MICHAEL EGAN:** You probably understand his character better than I do.

**The Hon. DUNCAN GAY:** The fact is you had your press release written before you went.

**The Hon. MICHAEL EGAN:** That is untrue. We had our budget schedules. In fact, I remember saying to Mr Pierce that day—actually I am not sure whether I said it to him or he said it to me—that we would have to delay the budget by a week. Do you recall?



**Mr PIERCE:** It might have been my suggestion.

**The Hon. DUNCAN GAY:** When will the State Debt Recovery Office [SDRO] relocate to Lithgow?

**Mr ROBERTSON:** The Premier announced in December that the SDRO would, first, transfer to the Office of State Revenue—which occurred successfully in April—and then relocate to Lithgow. It is anticipated that that will occur in March 2004.

**The Hon. MICHAEL EGAN:** By the way, you employ some backpackers, do you not?

**Mr ROBERTSON:** We do.

**The Hon. DUNCAN GAY:** Mr Robertson, are you aware of any difficulties associated with securing a suitable site in Lithgow for a new State office block, which will presumably be the home of the SDRO?

**Mr ROBERTSON:** I am a member of the project control group that comprises representatives of the Department of Public Works and Services, the SDRO and the Office of State Revenue. We have visited Lithgow and identified a number of candidate sites. That information is now with the Department of Public Works and Services, which is conducting the appropriate probity checks based on the committee's recommendations. I am not sure at this stage how far that has progressed. The group will meet next week and I will get an update at that stage.

**The Hon. MICHAEL EGAN:** The last time I visited Lithgow they had not run out of land.

**The Hon. DUNCAN GAY:** You have not secured a site?

**Mr ROBERTSON:** At this stage that process is in the hands of the Department of Public Works and Services.

**CHAIR:** By way of clarification, Budget Paper No. 3, Volume 2 at page 20-22 refers to the construction of a government office building in Lithgow at a cost of \$3.6 million. This is anticipated expenditure. Is it more economical to rent buildings—there seems to have been a downturn in the rental market—than to construct new office blocks? There is also one at Nowra for \$3.6 million.

**Mr PIERCE:** As to whether it is better to rent or buy, there is no general answer to that question.

**CHAIR:** Rent or build.

**Mr PIERCE:** If you build it generally means that you buy and own the asset. There is no general answer to that question. It must be evaluated on a case-by-case basis. One of the things that helps turn it one way or another is whether the private rental market can provide a building of the nature that is required by a government agency. Sometimes it can in some places and sometimes it cannot. There is no general policy to always lease or always purchase and build. It is a case-by-case evaluation.

**The Hon. DUNCAN GAY:** Will the whole department relocate to Lithgow.

**Mr ROBERTSON:** Yes.

**The Hon. DUNCAN GAY:** Will you keep an office in Sydney?

**Mr ROBERTSON:** No, at this stage it is not intended that the SDRO would retain an office here. The entire office would relocate to Lithgow.

**The Hon. DUNCAN GAY:** So you will be looking for a house up there?

**Mr ROBERTSON:** That is a possibility.

**The Hon. DUNCAN GAY:** Only a possibility?

**Mr ROBERTSON:** I have yet to determine my future in that regard.

**The Hon. DUNCAN GAY:** Was the announcement a tad premature, given that nothing has been purchased or built at this stage?

**Mr ROBERTSON:** I cannot comment on that.

**The Hon. MICHAEL EGAN:** That is not an issue for the officer.

**The Hon. DUNCAN GAY:** Treasurer, I refer you to page 20-68 of Volume 2 of Budget Paper No. 3. Will you detail how the development of the New South Wales Economy program has achieved balanced State economic development when the investment committed to regional projects has decreased by \$279 million and the investment committed to metropolitan projects has almost doubled?

**The Hon. MICHAEL EGAN:** Where did you get that?

**The Hon. DUNCAN GAY:** Page 20-68.

**The Hon. MICHAEL EGAN:** I see metropolitan projects for 2002-03. The results for 2001-02 are \$200 million of investment committed for the metropolitan area and \$879 million for regional areas. That is ratio of more than 4:1 in favour of regional areas. Once again, you cannot do your sums.

**The Hon. DUNCAN GAY:** Treasurer, you did not listen to the question; you are giving your own answers. The question is quite explicit. Regional projects have decreased by \$279 million yet metropolitan projects have almost doubled.

**The Hon. MICHAEL EGAN:** Hang on, I think you are misleading people. Even in 2002-03 it is projected that the regional projects facilitated or financially assisted in regional areas will total \$600 million compared with \$400 million in the metropolitan areas. That is still a ratio of 1.5:1. For 2002-03, I would anticipate that there is some notional allocation involved.

**The Hon. DUNCAN GAY:** It is quite large. The metropolitan projects have gone from \$208 million to \$400 million and the regional projects have gone from \$879 million to \$600 million. These are your figures.

**The Hon. MICHAEL EGAN:** Let us go back a year.

**The Hon. DUNCAN GAY:** No, it is this year. We could go to the dreamtime. Just answer the question.

**The Hon. MICHAEL EGAN:** Let us go back a year to 2000-01 when the figures were \$439 million for the metropolitan area and \$423 million for the regional area.

**The Hon. DUNCAN GAY:** You can go back BC, Treasurer, but my question is about this year.

**The Hon. MICHAEL EGAN:** I think you are having yourself on a bit there.

**The Hon. DUNCAN GAY:** They are your figures. You are obviously not going to answer the question because you feel embarrassed.

**The Hon. MICHAEL EGAN:** Embarrassed about our projected investment break-up between the metropolitan and regional areas being in favour of the regional areas by a ratio of 1.5:1? Go back to your term in government and see whether you can come up with that sort of ratio. We are government for country and city. That is why we spend a disproportionate amount of our public works funding in country and regional areas. We have redressed the injustice that existed for seven years

under the Greiner and Fahey governments. That is one of the reasons that we are getting more investment in regional areas than we are in metropolitan areas; it is a great achievement. It is testimony to the work of Country Labor, and I pay tribute to its convenor, the Hon. Tony Kelly, who is ably assisted by the Hon. Peter Primrose and the Hon. Henry Tsang.

**The Hon. DUNCAN GAY:** I appreciate that the great achievement of Country Labor this year is that regional projects have dropped from \$879 million to \$600 million while metropolitan projects have increased from \$208 million to \$400 million.

**The Hon. MICHAEL EGAN:** That is a notional projection for the coming year, and it is a projection of 1.5:1 in favour of regional areas.

**The Hon. DUNCAN GAY:** I refer you to page 20-68 of Volume 2 of Budget Paper No. 3. Why have the employment levels associated with the regional projects that have been facilitated or financially assisted by the development of the New South Wales Economy Program been steadily decreasing over the past two years?

**The Hon. MICHAEL EGAN:** We are projecting—and they are just projections—that in 2002-03 the employment impact of that \$600 million of investment in regional New South Wales will see some 4,000 additional jobs in regional New South Wales compared with 3,500 additional jobs in the metropolitan area. We could have projected it on the basis of the actual experience in 2001-02, when, as you pointed out, we had \$879 million of projects facilitated in regional areas compared with \$208 million in the metropolitan areas. But that was such an astonishing achievement that we do not believe it can be equalled every year.

I will certainly be quite satisfied if each and every year our assistance to regional New South Wales more than matches our assistance to metropolitan New South Wales. I think we would be the first government to achieve that not only in New South Wales but in Australia. I do not think any other State government has ever achieved it. The Commonwealth Government abandoned all its regional development programs. I went to a meeting of Commonwealth-State Regional Development Ministers a few years ago—it was the only one they ever called—and we sat there for three hours and there was no agenda.

**The Hon. DUNCAN GAY:** Treasurer, you are answering a question that was not asked.

**The Hon. MICHAEL EGAN:** It was a waste of time going.

**The Hon. DUNCAN GAY:** It is a waste of time coming here if you are not going to answer questions. I refer you to page 20-69. Why has the value of assistance paid to small and medium business clients—this is one that bewilders us—increased by \$1 million from last year when there has been an increase of only 100 in the number of clients assisted? Why has \$1 million of funding been allocated for 2002 when an increase of only \$0.06 million was allocated for 2001 for an increase of 1,141 clients?

**The Hon. MICHAEL EGAN:** I would go and get whoever wrote that question and say, "Listen here, young person, you have to do better next year." The Hon. Duncan Gay is not even looking at the page: he is reading from some cheat sheet written by a young researcher. If you go through the table on page 20-69, you will find that in 1999-2000 the department assisted some 863 small and medium business clients. In the following year the figure was ramped up to 1,059. In the next year—that is, the current financial year—it went up to 2,200. I suppose that the department is projecting, realistically and cautiously, that next year instead of there being 2,200 assisted there will be 2,300 assisted, which is an increase of almost 300 per cent in three years. Well done, Mr Loftus, I did not know that you had done so well.

**The Hon. DUNCAN GAY:** It does not make a lot of sense.

**The Hon. MICHAEL EGAN:** I hope this progress continues. You will get a gong if it keeps up!

**The Hon. DUNCAN GAY:** I refer to Budget Paper No. 3, page 20-70. Given that the small business sector employs over 8.4 million people and is one of the largest contributors to the New South Wales economy, why has the funding allocated to small business development not been—

**The Hon. MICHAEL EGAN:** The total population of New South Wales is approximately 6.5 million.

**The Hon. PETER PRIMROSE:** Not all of those are employed.

**The Hon. MICHAEL EGAN:** That's right. The participation rate I think currently is about 6.3 per cent. Can you work out what 62.3 per cent of 6.5 million is? It cannot be 8.4 million people employed people in small business.

**The Hon. DUNCAN GAY:** Treasurer, when you have finished being silly, you know quite well it is the number for Australia. Why has the funding allocated to small business development not been increased in the previous three years?

**The Hon. MICHAEL EGAN:** We assist small business in many ways other than the specific small business development program. For example, the Technology Showcase is largely a program which assists small businesses.

**The Hon. TONY KELLY:** A reduction in payroll tax.

**The Hon. DUNCAN GAY:** Treasurer, for the past financial year what was the total value of investment in New South Wales sought by the Department from international investors?

**The Hon. MICHAEL EGAN:** That question is ill-conceived. The New South Wales Government does not go to international investors and say "We would like you this year to invest \$1 billion in New South Wales." They would look at us as though we were a little bit strange. What we do is keep our ear to the ground so that we are alert to international companies that are looking for a location to invest in. Sometimes they approach us and sometimes we approach them.

We are routinely criticised by the Opposition for travelling overseas, but very often we do so to knock on the door of businesses that we think might be interested in locating in this part of the world and very often we go and knock on the doors of companies we know that have indicated an interest in investing in some part of our region. So it is not as though we seek a level of investment from them. The world does not work quite that way.

Mr Harris, next year, I want you to go and ask international investors to invest \$100 billion in New South Wales. Would you do that please?

**The Hon. DUNCAN GAY:** Treasurer, how many departmental staff are currently attached to the three ministerial officers with oversight of the department as ministerial liaison officers?

**The Hon. MICHAEL EGAN:** In my office I think I have one ministerial liaison officer in respect of the Department of State Development. I cannot speak for the Minister for Rural Affairs and Regional Development, nor can I speak for the Minister for Small Business, but I think that we have three Ministers.

**The Hon. DUNCAN GAY:** You do have three Ministers.

**The Hon. MICHAEL EGAN:** This portfolio indicates the importance that the New South Wales Government attaches to State developments and particularly to small business and regional development. It has never had so much attention from any government in the history of the State. Three Ministers focused on attracting investment and jobs for New South Wales, especially regional and country New South Wales.

**The Hon. DUNCAN GAY:** Mr Harris, after you get over your enjoyment of having three Ministers to work for and answer to, could you tell me how many liaison officers go to the other two Ministers?

**Mr HARRIS:** I believe there is one ministerial officer.

**The Hon. MICHAEL EGAN:** Are they on the department's payroll?

**Mr HARRIS:** They are.

**CHAIR:** We have to bring this to a conclusion now. Do you agree to take the questions on notice and answer them within 35 days?

**The Hon. MICHAEL EGAN:** I think there were a number of questions where I indicated we would come back to you with information. I will look through the transcript and identify them.

**CHAIR:** Would you be agreeable to receiving other questions on notice and answer them within 35 days?

**The Hon. MICHAEL EGAN:** Yes.

**CHAIR:** The questions are to be supplied from the committee members to the Clerks by 5 o'clock on Monday 24 June and then we will hand them to you.

**The Committee proceeded to deliberate.**