

UNCORRECTED PROOF ISSUE

Monday 3 June 2019 - Estimates Committee A (Gutwein)

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Monday 3 June 2019

MEMBERS

Mr Finch
Ms Forrest (Chair)
Mr Gaffney
Ms Lovell
Mr Valentine
Ms Webb

IN ATTENDANCE

Hon. Peter Gutwein MP, Treasurer, Minister for Local Government, Minister for State Growth

Department of Treasury and Finance

Tony Ferrall, Secretary
Fiona Calvert, Deputy Secretary, Economic and Financial Policy
James Craigie, Deputy Secretary, Budget and Finance

In attendance (and at the table for relevant outputs):

Emsada Babic, Deputy Secretary, Corporate and Governance
Jonathon Root, Deputy Secretary, Revenue Gaming and Licensing
Anton Voss, Deputy Secretary, Strategic Energy Projects
Craig Jeffery, Director, Government Finance and Accounting

Tasmanian Audit Office

Rod Whitehead, Auditor-General
Ric De Santi, Deputy Auditor General
Patty Johnson, Assistant Auditor-General, Corporate Support and Strategy

Department of State Growth

Output 1.1 Coordinator-General

Kim Evans, Secretary

John Perry, Coordinator-General

Peta Sugden, Director Investment Attraction

Amanda Russell, Deputy Secretary, Business Services

Glen Dean, Director Finance

Output 1.2 Industry and Business Development

Kim Evans, Secretary

John Perry, Coordinator-General

Peta Sugden, Director Investment Attraction

Brett Stewart, General Manager Strategy Policy and Coordination

Andrew Smythe, Senior Director – Business Finance and Strategic Projects

Anne Beach, Director Policy and Coordination

Amanda Russell, Deputy Secretary, Business Services

Glen Dean, Director Finance

Local Government

Alex Tay, Director, Local Government Division, Premier and Cabinet

Melissa Gray, Acting Deputy Secretary, Office of the Secretary, Department of Premier and Cabinet

Luke Murphy-Gregory, Acting Assistant Director – Policy, Reform and Projects, Local Government Division

Ministerial Office

Andrew Finch, Chief of Staff

James Abbott, Senior Adviser - Treasury and TAO Estimates only

Michael Kerschbaum, Senior Adviser - State Growth Estimates only

Nic Waldron, State Growth Adviser - Estimates only

Rick Dunn, Senior Adviser - Local Government Estimates only

The committee met at 8.57 a.m.

CHAIR (Ms Forrest) - I welcome committee members, the minister and all the advisers.

Mr GUTWEIN - To my left is Andrew Finch, my Chief of Staff; Tony Ferrall; Fiona Calvert, Deputy Secretary, Economic and Financial Policy; and James Craigie, Deputy Secretary, Budget and Finance.

CHAIR - Would you like to make some not too lengthy opening comments?

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Mr GUTWEIN - I read your contribution from last year and purposefully kept it down to three to four minutes.

CHAIR - Excellent. It's good to see you read *Hansard* and remember what we last talked about last year.

Mr GUTWEIN - I will do my best.

In the last six years, Tasmania has come a long way. Today we are a prouder, more diverse and much more confident society. Our economy is one of the fastest growing in the nation. Our businesses have the confidence to invest, to employ, to think bigger than they ever have before.

This Budget is the next step in the Government's long-term plan to grow our economy, create jobs, invest in essential services and protect our way of life. The Budget is about maintaining the momentum and investing for growth.

Tasmanian's are benefitting from the Hodgman Liberal Government's long-term plan. The Tasmanian economy is strong, diverse and growing. Nearly 13 000 jobs have been created under this Government, our tourism sector is vibrant and booming, and visitor numbers and spending continue to grow.

Tasmanian exports are booming. We exported more than \$3.76 billion-worth of goods in the year to March 2019 - a 6.6 per cent increase on the previous year.

I am pleased to confirm that once again our Budget delivers an operating surplus this year and right across the forward Estimates, even after significant revenue downgrades, unprecedented demand for health services and the cost of the summer bushfires. We will do this without increasing taxes to Tasmanians.

The Budget has been framed under challenging circumstances - the writedown of more than half a billion dollars of revenue and headwinds at a national level impacting confidence and consumer sentiment due to the impact of the housing collapse, mainly in Melbourne and Sydney.

Our population is growing at three times the rate it was only a few years ago and record levels of arrivals of interstate and international visitors are putting pressure on our infrastructure and unprecedented demand in health.

We need to be mindful of the need to ensure our economy remains strong to create jobs and as underpinning our state revenue so we have the capacity to invest more into essential services and the infrastructure that our growing population requires.

Rather than pulling back, the choice we have made is to stay the course and increase our investment into infrastructure, which will underpin growth in our economy. The level of infrastructure investment over four years is unprecedented in the state's history. The 2019-20 Budget includes a record \$3.6 billion investment in job creating, intergenerational infrastructure with \$2.8 billion being invested in the general government sector and around \$800 million for our government businesses and TasWater.

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This Budget invests \$1.6 billion in roads and bridges, \$353 million in health infrastructure, \$212 million in housing and community services, \$194 million in schools and centres of excellence, \$170 million in law and order, and \$151 million in tourism, recreation and culture.

The \$800 million invested through our Government business and TasWater will build dams, improve our rail links, provide better water and sewerage outcomes.

The Budget provides record levels of investment in health and education. It includes our ongoing commitment to provide concessions for electricity, water and sewerage, rates and keeping the cost of living low with caps on water and sewerage and electricity promises.

Tasmania's housing sector is the strongest in the country. To help improve rental availability, we will also extend the First Home Owners Grant - FHOG - the duty concessions for first home purchases up to \$400 000 as well as the concession for pensioners downsizing; land tax concessions for properties made available for long-term rental from the short-stay accommodation market for new builds have also been extended.

Tasmania leads the nation when it comes to renewable energy. We are on track to be 100 per cent renewable by 2022. In terms of the cost of living, we will deliver the lowest regulated electricity prices in the nation by that year. The Battery of the Nation and Project Marinus proposals are the largest projects ever considered in the state's history with an estimated \$7 billion in total investment funding included to continue to advance these nation-leading projects.

The 2019-20 Budget outlines our plan for the next four years. It unashamedly invests record amounts to build the infrastructure our growing state needs and generate the revenues we need to invest into essential services. It will underpin a strong economy, support businesses large and small, attract investment and create more jobs. It maintains the momentum in investor growth.

CHAIR - Treasurer, you acknowledged in your opening comments that there has been a reduction of half a billion dollars in revenues and you talk about the ongoing plan to have a record infrastructure spend. Can you tell us how much this infrastructure will spend against the Budget this year? As you know, historically it is often pushed out in terms of infrastructure spend and we never actually spend what we budget.

Mr GUTWEIN - In terms of the infrastructure spend, it is in the estimated outcome. Page 120. The 2018-19 Budget was forecasting \$752 million in total infrastructure, the estimated outcome is \$719 million.

CHAIR - That, again, shows significantly less than budgeted. I know it is an estimated outcome. There could be more spent in the meantime, but generally the estimated outcome doesn't improve. Are we likely to see the same? Every year we say record - and you did last year and probably the year before - but we don't actually spend it.

Mr GUTWEIN - All I can point to is the estimate in the Budget. That is a substantial infrastructure spend, significantly higher than we have normally done; certainly, well above the long-term trend. We can point to when the emergency measures were introduced in 2009-10 and there was a significant increase. We were at and above those levels in terms of our infrastructure.

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CHAIR - You must admit the demand is great, as you referred to in your opening comments around growth in tourism and a population growth which, while still below national growth, is good for Tasmania. I accept that.

Mr GUTWEIN - I think it is sensational for Tasmania, considering it is three times what it was five or six years ago and double the long-term trend in terms of population growth. My point in terms of infrastructure is that projects aren't chunky - some very big projects are included in the Government's infrastructure program and at this stage we are on target for estimating \$719 million-worth of infrastructure spend.

CHAIR - Do you expect it to vary much with the final figures? I know we'll get that in TAFR, but -

Mr GUTWEIN - I don't have an update on that at this point in time. Again, it will depend on what has occurred in the last couple of months since the updates were provided.

CHAIR - Going to another item, unless anyone wants to ask about that infrastructure spend at this particular point? No? I want to take you to page 55 with the income statement for general government. I had hoped that the new Financial Management Act was going to improve some of the budget preparation, but it doesn't appear to have made much change. Am I wrong on that, or am I missing the changes? I read it right through each year.

Mr GUTWEIN - What were you looking for? What particularly on this page isn't -

CHAIR - I hoped there would be more detail and more notes. When you look at the income statement, for example, there's quite a few - as there have been in other years - decent or quite substantial movements with very little commentary about it. What I would expect to see is a lot more notes rather than just footnotes in many respects. The footnotes are there, but you are often sent on a circuitous route. We've have this discussion before.

Mr GUTWEIN - What can we help you with today?

CHAIR - Let's look at one then. For example, the movement in the superannuation liability shows a \$1.415 million movement, and the only note regarding that is an actuary assessment and referral to chapter 7 of budget paper 1. When you go to budget paper 1, chapter 7 about superannuation, it doesn't actually explain the movement. So, can you explain the movement in that liability?

Mr GUTWEIN - Right. I think, as it says in the note, it's as a result of the actuarial assessment that the calculations have been done. But if we have some more details that Treasury can find, I'll ask them to provide it.

Mr FERRALL - That's the same as we show every year because the actuarial assessment uses effectively the interest rate as at a particular date, and when we're putting the budget together we do a long-term average. That's what's been done for a number of years and you'll see a similar movement in previous years as well.

CHAIR - Yes. I'm not sure the movement has been quite that large, has it? Anyway, there's very little - it's a circuitous route to find the information. What I thought the FMA might have done

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was actually provide more direct linkages like notes to the accounts, as opposed to just footnotes. I wonder if we might see that in the future.

Mr GUTWEIN - What sort of details are you looking for in terms of the actuarial process here? I'm just not sure.

CHAIR - Treasurer, when you look at this and you see a significant change, I would have expected a bit more commentary about it attached to the note on superannuation, rather than having to go hunting for it.

Mr GUTWEIN - If there's anything further that the Treasury can provide.

CHAIR - Perhaps better notes to the accounts.

Mr FERRALL - It's the same -

CHAIR - But again, no note.

Mr FERRALL - There was a similar note last year.

CHAIR - Yes.

Mr GUTWEIN - I think it was the Secretary of Treasury that said that it's simply to do with the discount rate, I think is the right term, and the movements in that.

CHAIR - I'll take you to p. 165 of budget paper 1. This is the public non-financial corporations balance sheet. We do get a better footnote here, which wasn't there last year. It has improved in that, so I will give credit where credit is due. It does refer to the TT-Line borrowings for the new vessels, one assumes. When you go to last year's budget papers, it seemed the investment in those vessels was going to be earlier; now, it appears to be pushed out. It looks like it's been deferred to 2023. Last year the majority of the spend was in 2021-22. You also said last year that total borrowings for TT-Line were \$673.6 million for the new vessels. In 2023, as you can see there, I assume the \$3685.5 million includes more TT-Line funding, or are there extra borrowings from other government businesses?

Mr GUTWEIN - In terms of the TT-Line borrowing, the thing that has to be understood is that it will be determined by a range of factors including exchange rates and how we've hedged.

CHAIR - It also depends when they are going to buy it, doesn't it?

Mr GUTWEIN - This Budget clearly demonstrates we are forecasting we will purchase those ships over the next four years. Everybody is quite aware there are some challenges with the shipyard in that process. The Budget includes borrowings coming on before the end of the four years.

CHAIR - Has TT-Line paid a deposit?

Mr GUTWEIN - At this stage, no, we haven't.

CHAIR - Is that being held because of these challenges?

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Mr GUTWEIN - TT-Line is working through that process with the shipyard.

CHAIR - There is a significant uplift in the borrowings across the forward Estimates. There is a breakdown in the footnote, budget paper 2, volume 1, pages 165 and 166. Are you able to provide a better breakdown of what the borrowings relate to over the forward Estimates?

Mr GUTWEIN - Treasury will get that detail and we can provide that breakdown.

CHAIR - It seems to me it has probably been pushed down. It could be TT-Line, as you said, if there are problems with delivery. I assume from this that you are expecting a later delivery for the vessels for TT-Line?

Mr GUTWEIN - If the ferries are purchased, regardless of the time frame, we will make the money available. From the point of framing this Budget -

CHAIR - This is not government money, these are borrowings from the GBEs.

Mr GUTWEIN - It is, but it will dependent upon timing and will be reflected in the accounts -

CHAIR - As the borrowings have been pushed from 2021 out to 2022-23, are we expecting a late delivery of the TT-Line vessels?

Mr GUTWEIN - There is every possibility of that but TT-Line is working through it. If it remains on schedule, those borrowings can be brought forward and the ships will be purchased earlier. The Budget countenances that we will purchase them over the next four years although there are some challenges TT-line is working through.

CHAIR - The \$40 million dividend that went twice to TASCORP, we were told last year the money had been transferred back to TT-Line to pay the deposit. The deposit still hasn't been paid, as you say. Where is that money now? Is it still with TT-Line?

Mr GUTWEIN - It is held by TASCORP.

Mr VALENTINE - Is it in the overseas account in France, or wherever it is?

Mr FARRELL - No.

CHAIR - Was the money transferred back to TASCORP?

Mr FARRELL - TT-Line holds it. It's on deposit with Tascorp. It has effectively re-deposited it.

CHAIR - Was it put into TT-Line's accounts when they were about to pay their deposit?

Mr GUTWEIN - Yes. Tony, correct me if I am wrong, but if TT-Line banked with the CBA it would be sitting in an account with the CBA, but it banks with TASCORP so it has an account with TASCORP.

CHAIR - I thought they withdrew it to pay the deposit. That is how it was presented.

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Mr GUTWEIN - It was taken out of the Vessel Replacement Account and put into an account with TT-Line, which is managed by TASCORP.

CHAIR - How much of that \$80 million in special dividends went into TASCORP from TT-Line? How much of that is still in the TT-Line Vessel Replacement Fund?

Mr GUTWEIN - The estimate of the TT-Line Vessel Replacement Fund balance at the end of 2018-19 is \$40.8 million, the difference between the \$81 million paid out to TT-Line in the 2017-18 year, unless there's further advice.

CHAIR - This is the money they put into the separate fund with TASCORP? There is still \$40 million in that, and you are also committing some additional capital when they need it to buy the new vessels.

Mr GUTWEIN - There is, yes. We have bought TT-Line into line with the government standard dividend policy of 90 per cent rather than take special dividends from TT-Line, and the Budget is clear on this. All those funds over the course of this Budget will be deposited into the Vessel Replacement Fund and made available for TT-Line.

CHAIR - Which funds? Are you talking about the normal dividends?

Mr GUTWEIN - They will go into the Vessel Replacement Fund. That is how the act was set up, any dividend or special dividend from TT-Line goes into that.

CHAIR - That does not include income tax equivalents and guarantee fees, they just come back to government.

Mr FERRALL - I will check the act.

CHAIR - I think it was only dividends.

Mr GUTWEIN - That fund will be made available to them when they purchase the ferries.

CHAIR - It appears there are going to be significant borrowings; they are not cheap boats.

Mr GUTWEIN - That has never been -

CHAIR - No, I am not saying there is anything wrong with it. I am trying to understand -

Mr GUTWEIN - That hasn't changed from last year or the original discussions -

CHAIR - It looks to have pushed out.

Mr GUTWEIN - The Budget countenances that there might be a delay.

CHAIR - If you can provide the breakdown of the borrowings across all GBEs for the forward Estimates that would help us. Even with estimated outcome, there is an extra \$110 million in borrowings from what was budgeted to what is the estimated outcome for this year. Do you know where that extra borrowing was required? That is on the new borrowings line on page 165.

Mr GUTWEIN - We will get that in the detail.

Mr VALENTINE - I would like to know more about holding funds overseas. I don't know whether this is something TT-Line handles. How much is being held in that account?

Mr FERRALL - It is TASCORP, and I don't have the figure held in the TASCORP account.

Mr VALENTINE - I am not after an exact amount.

Mr FERRALL - I won't guess. TASCORP placed the funds of \$81 million in a foreign currency account because there was going to be an immanent settlement. As time went by it was moved back to an Australian dollar account. TASCORP has hedging arrangements in place for TT-Line for the vessel replacement and they have had to be revised a number of times with potential changes in the delivery date and timing.

Mr VALENTINE - Is that so they are not losing value?

Mr FERRALL - Yes.

CHAIR - Before we move on to the output groups, the fiscal strategies, I am happy to ask this here or under a slightly relevant line item.

Mr GUTWEIN - Slightly relevant is always good but fire away.

CHAIR - The fiscal strategies tend to run broadly across some groups. I won't go through all of them. Fiscal strategy No. 1 is on page 45 of budget paper 1, the long-term revenue growth over 10 years is about 4 per cent but when you look at the actual figures from the Treasury's annual financial report and the estimated outcomes 2016 to now, it paints a different picture.

The financial year 2016-17 may be an aberration in many respects but it is certainly lower than 4 per cent. You can argue that one-off special dividends can alter the picture. Would you agree there is a fall in the growth rate and we are looking at a more challenging situation? You alluded to it in your opening comments. We are seeing a falling rate when we look at the actual figures.

Mr GUTWEIN - The 4 per cent revenue growth is a long-term trend. I do not think 2016-17 to the current year would be classified as long term, and obviously, there are short-term movements.

My point is that it is clear and apparent in the Budget. This year we have lost in round terms close to \$150 million from both GST and stamp duty.

If those two revenue streams have held up, \$150 million is about 2.5 per cent of our overall revenue in percentage terms. In the short term it will obviously, move around.

CHAIR - Do you think we are on a longer term trajectory downwards? If you look at the big picture, there are always predictions about what the national economy is going to do. We are seeing a predicted decline. I want you to be up-front and honest about whether you think we are in a decline here.

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Mr GUTWEIN - You are trying to help me here. The point I have made ad nauseum in bringing this Budget down is there are national headwinds -

CHAIR - I am here to help.

Mr GUTWEIN - I have always taken that view. There are national headwinds and obviously we have written down GST not because of any change in the methodology applied by a federal government or changes to GST but simply because are not spending as much as they were forecast to spend.

A range of columnists have different views as to the reasons driving this. In my view, the confidence is being sapped out of New South Wales and Victoria largely as a result of the housing crash - people are spending less.

CHAIR - Some of them have less to spend.

Mr GUTWEIN - They do in terms of the equity in their properties and, in some cases, how they have geared themselves.

I think we are facing headwinds. There is no two ways about that. There is no doubt the national economy, once primarily Melbourne and Sydney, hit the bottom house prices and we start to see a bounce.

I was chatting to some real estate agents over the weekend about this. They made the point that they had seen auction clearance rates starting to improve.

CHAIR - Here in Tassie?

Mr GUTWEIN - No, no, in Melbourne. That might be an indication people are starting to think the bottom might have been found. Once that bottom is found and people start to reengage with market, confidence levels will start to improve. We are in a position where the national economy is going to be sluggish, to say the least.

The other thing I point to is the Reserve Bank. It is looking to reduce interest rates to what could only be considered to be emergency levels. That is an indication the national economy is going to be sluggish.

In framing this Budget, I had to consider that we have growing population and our economy is still strongly growing, which is good - growing population, and we have growing visitation growth, national and international visitors.

We need to ensure we can provide the level of infrastructure and services required in our economy. We are taking the view infrastructure spending is one way but we can ride out the national headwinds by keeping our economy strong. I am hoping that at a national level the cycle changes within the next three to five years and we will see that through without seeing significant detriment on our economy.

CHAIR - On the growing economy and infrastructure spending, how do you cap some of that value so we can all share in it? I am sure you are not immune to the media that doesn't support your

budget, such as the community sector saying there is nothing of any consequence there for many. Yes, the economy is growing.

Tasmania tends to have a lag and we tend to follow. I am trying to help you and will get to another point about the physical strategy. I understand that is the reality. But if you keep spruiking the growing economy and we aren't seeing the benefit more broadly, how do you capture that value, whether it is in infrastructure spending or whatever you do to continue to grow the economy?

If you look at strategic action in your fiscal strategy No. 1, annual growth in general government operating expenses will be lower than long-term average growth in revenue. It seems we are heading on downward in spite of the economic growth. Can you address your mind to those two points?

Mr GUTWEIN - Keeping our economy strong we have largely transaction-based taxation system. This largely depends on confidence and for people to have the comfort to be able to go and spend and invest. By investing and keeping our economy strong and people in work, the Budget countenances and underpins the creation of 10 000 jobs across the forward Estimates based on both the forecast and projections, and the projections are much lower over the last three years than the forecast, because we tend to long-term trend with those.

The infrastructure spend is designed to ensure we keep the economy strong and therefore our state revenue is up, which means we can then invest and continue to spend record and significant amounts on health and other services. The other issue -

CHAIR - You are not really -

Mr GUTWEIN - This is a point I made at the Budget breakfast, lunch and dinner on Friday. With housing affordability, one of the challenges three out of the four fastest growing areas - Kingston, Sorrell and Brighton - face, and if you talk to their mayors, they will say transport. You need to improve transport because we have affordable land we can develop and open up to provide an increase in supply for housing.

Linked with this is also the need for services in those areas of Brighton, Sorrell and Kingston. There are significant investments both in health centres but also in schools to enable those communities to have the services required to support their growing population.

The Budget goes directly to this in terms of an infrastructure spend. People have talked about the Bridgewater Bridge for a long time. Talking to Tony Foster, this will open up opportunity for Brighton.

CHAIR - I would like to address on how you are capturing the value here.

Mr GUTWEIN - That is the point I am making. If it is important from the point of view of affordable housing to have supply, what this infrastructure spend does it go directly to that.

CHAIR - It does, but Treasurer what I am talking about is how do you actually generate more income from the state? Everyone knows our reliance on the Commonwealth and our state-based revenues on payroll tax and land tax. I do not see much in the forward projections that increase payroll tax, for example, so how are you going to capture the value to give it back to for example the community sector?

Mr GUTWEIN - In terms of payroll tax it is a decrease, because we have a stronger economy and the Budget papers point to the creation of 10 000 more jobs so payroll -

CHAIR - Why don't we see an uplift in payroll tax? There are some concessions and that sort of thing, but if you are going to rely on people spending and raising more GST to increase the pool.

Mr GUTWEIN - Payroll tax goes up by 7.1 per cent in the 2019-20 Budget.

CHAIR - Where is that?

Mr GUTWEIN - In the 2019-20 Budget it is up 7.1 per cent.

CHAIR - So where is that reflected in the Budget papers?

Mr GUTWEIN - If you compare the original Budget figure for payroll tax compared -

CHAIR - What page are you on there?

Mr GUTWEIN - That is page 107. The Budget under pins payroll tax revenue largely because we are forecasting jobs will be created not lost over the course of the four years.

CHAIR - I will just take you to that point because that is the point I am trying to make. I looked at that and the estimated outcome was up a bit from 2018-19, \$10 million then \$12 million then 13 million.

Mr GUTWEIN - Yes, it is up across the forward Estimates.

CHAIR - I accept that, but when you look at raising that much more, and when you look at the demand in other sectors and you continue to give concessions in payroll tax, I don't think you are putting any new ones in this year or just extending some of the existing -

Mr GUTWEIN - Concessions for apprentices and trainees.

CHAIR - Yes. I am not saying it's wrong to do, absolutely not.

Mr GUTWEIN - I'm not sure what argument you're making here. Let me put it into context. Across the forward Estimates, payroll tax goes up and increases -

CHAIR - Yes. I am not disputing that.

Mr GUTWEIN - and that is because we have a strong economy where jobs are being created. In terms of the impact on state revenues, we've had to factor in as well that there is a loss of \$535 million-worth of revenue to the state -

CHAIR - That's GST we're talking about?

Mr GUTWEIN - It's \$280 million from GST -

CHAIR - And some from conveyancing -

Mr GUTWEIN - and a significant amount from stamp duty as well. We actually have a revenue loss across the forward Estimates. In terms of how the benefits of this Budget are shared, infrastructure is enabling infrastructure. That will enable supply in areas to be opened up; it will then feed into affordable housing and, importantly, it will create jobs. People with jobs will then purchase their own houses or make other purchases themselves; that feeds into the economy.

CHAIR - Where does that show up? In conveyancing duties? They're falling still.

Mr GUTWEIN - In terms of conveyancing duty, we've run a flat line.

CHAIR - That's what I'm saying. You are not -

Mr GUTWEIN - We have run a flat line because we've taken a conservative view here. The contagion of Melbourne and Sydney is something that obviously we've had to have an eye to, so we've framed the Budget on the basis that we can maintain our stamp duties at current levels, but we are largely driven by confidence in the broader Australian economy as well.

Mr VALENTINE - The thing that concerns me about using that model of building the infrastructure and creating opportunities for affordable housing is that it's actually the people at the bottom end of the scale who won't be moving out to those areas because they can't afford to travel to work. It seems to me that this works against itself. There needs to be a greater focus on the general impact on the whole of the Tasmanian population and those who really aren't in a position to afford more. I don't have a problem with providing opportunities for people to have a job - obviously people need to work - but to create infrastructure that pushes urban boundaries further and further out to me works against helping people who really need the assistance to participate in the economy, if I can put it that way.

Mr GUTWEIN - If I could make a point on affordable housing, next year there will be a record amount, \$67 million, spent across the sector on affordable housing, which will not only build new dwellings, but it will assist people with equity to get into their own properties. You match this with a greater -

Mr VALENTINE - Is that the distinction - affordable versus social - you are talking about? You understand that?

Mr GUTWEIN - In terms of the planning arrangements we are looking at, I have sat at this table now for the last couple of years and not that long ago, three years ago in the lead-up to an election, we had groups and I was being asked questions about what we were doing with the planning scheme and the density we were trying to inject into that to provide for better options in an urban setting. I don't think you ever argued against it but there have been others who have. The opportunity to provide denser living options closer to services is exactly what the statewide planning scheme provides for, and the local provision schedules so that you have a multifaceted approach to this. You have planning reform, which enables the development of more dwellings close to the CBDs and within CBDs. You have enabling infrastructure that provides the opportunity for those who don't want to live in the CBD but want to live in urban areas or to have the opportunity for a more affordable purchase of a home, which then, if they take that opportunity, opens up more opportunity near the CBDs. Then you have a significant package of investment, \$67 million as part of a broader \$200 million, eight-year program in affordable and social housing. In this Budget

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we've brought forward \$20 million from the 2022-23 year and injected \$10 million in the coming year and \$10 million in the next year to go directly to those challenges.

Mr VALENTINE - If you look at that in the quantum of what has been spent on infrastructure, really it's small, isn't it?

Mr GUTWEIN - People can make the point in terms of their own priorities and the positions they would take.

Mr VALENTINE - Yes.

Mr GUTWEIN - We've determined here that the infrastructure spend will underpin our current employment levels. It will assist in increasing the employment levels over time. At the same time, it is directly targeted to enable the supply of more affordable homes and to open up more access to affordable land.

Mr VALENTINE - Is there an argument that more money should be put into the training side of it so Tasmanians have the expertise needed to be able to participate in this infrastructure build than putting in the extra highway or whatever?

CHAIR - Than having a lot of mainland workers build it?

Mr VALENTINE - Yes, that's right. You know as well as I do that mainland companies come in and get the cream, if you like.

Mr GUTWEIN - We introduced the payroll tax rebate for companies who were paying payroll tax. I don't have the exact number in my mind, but that underpins around 1500 trainees and apprentices. There is the direct investment into small business of \$2.5 million per year to provide \$5000 grants for up to another 500 small businesses. In the Budget itself there's an additional \$2.9 million provided to TAFE to directly target apprentices and trainees principally in the construction sector, which is where a lot of the work is going on, but also nurses as well. The Budget provides investment in those areas you're asking about.

Mr VALENTINE - Yes, okay. Thanks.

CHAIR - Just one other thing before we move into the line items. I'm sure you're aware that the Legislative Council has a committee looking at the horizontal fiscal equalisation and the changes and challenges of that very simple system - with tongue-in-cheek, for anyone who doesn't get that. There's been a lot of speculation about how much we spend in certain areas. We were assessed to have a certain level of disadvantage, particularly in health and other service delivery. But there's also the argument that we're spending too much, or more than the disability would warrant in some areas, and less in others like health. We can argue till the cows come home about that, but when we look at our spending against the Commonwealth Grants Commission's assessments and benchmarks they've set and the way they assess the disability we and other states and territories have, if you're going to make \$450 million in savings over the forward Estimates, will that impact on that, and have you checked on what impact that will have? We'll get to more questions about that in Finance-General, but I'm just interested in the broad picture under the HFE and the Commonwealth Grants Commission assessments.

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Mr GUTWEIN - In terms of the Commonwealth Grants Commission assessments and the process they run through, it is a general purpose grant that is delivered, and governments -

CHAIR - They are told to use it as they wish, yes.

Mr GUTWEIN - set their priorities. I will make a salient point on Health. Around 32 per cent of the Budget's total expenditures is being expended on Health. Going back four or five years to when we first came to government, it was about 28 per cent. If that 4 per cent more of our expenditures equates to - if expenditure is about \$6.5 billion a year, 4 per cent of that is what? - around \$250 million per year over and above what was being spent as a share of the overall budget when we first came to government. So, I'd argue that we have been investing in Health. As a government we've taken steps to increase the percentage of expenditure every year. If you were to take a literal view of the Commonwealth Grants Commission assessment, you would be moving funds away from a range of different areas in two different areas. What we focus on as a government is ensuring that Health receives priority and that it is our single largest -

CHAIR - I understand that, Treasurer, I'm just asking about the \$450 million of savings. How will that impact? Have you considered that in terms of the way it's assessed? We are being asked to pass a budget line item that is negative. It is the first time I am aware of that we have done so. The impact on the assessment by the Commonwealth Grants Commission -

Mr GUTWEIN - In terms of negative budget line items, you passed a lot of budgets that used to have a temporary debt payment account in it, one that I argued against for many years. I didn't like the way that was presented but that did not seem to change the view in this place.

CHAIR - Wasn't that offset against another account?

Mr GUTWEIN - And we saw what happened to that.

CHAIR - Yes, we did. All the hay went out to be eaten.

Mr GUTWEIN - We could go on and on about that. In terms of the savings, I caution people about getting too focused on what the impact might be on any particular agency -

CHAIR - I am not asking about that. I am asking about the Commonwealth Grants Commission.

Mr GUTWEIN - One of the things the budget paper clearly points out is that, while we will look at discretionary spending on consultants, advertising, promotion, travel and transport, we will also look at targeted vacancy control and natural attrition. We are also going to look at our revenue raising options from our government businesses and the Budget is explicit about that.

As to the \$450 million, if you look back at any broad savings program implemented by this Government or a previous government, revenue options are always part of the mix. I caution people against suggesting an agency has a certain percentage of the Budget and therefore a certain percentage of the -

CHAIR - I'm not raising that, Treasurer. I'm asking what the impact of these savings -

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Mr GUTWEIN - It may not all be savings. As part of that, there may be revenue opportunities and the Budget countenances that. I would caution people looking at that and saying that there is \$450 million-worth of savings to come out of the Budget.

CHAIR - If we can pull \$450 million out of the GBEs somehow, such as in an extra special dividend, whatever else you can pull out of them, you might not need to cut. Is that what you are saying?

Mr GUTWEIN - I am looking at all options.

CHAIR - I would have thought you had looked at those options to pull money out of the GBEs because you are taking some out of TASCORP and MAIB.

Mr GUTWEIN - Our major GBEs have major capital programs in front of them -

CHAIR - That is why I am interested in seeing the borrowings -

Mr GUTWEIN - as to where we may go with Battery of the Nation or Project Marinus, those things have to be considered in the mix, and the strength of the government business balance sheets needs to be considered in that context. The Budget is quite explicit. We will look at those areas -

CHAIR - That's fine.

Mr GUTWEIN - It goes to the crux of your question, because your question is suggesting \$450 million will be taken out of it. What does that mean?

CHAIR - Have you considered what that means?

Mr GUTWEIN - The consideration of what makes up the \$450 million is still underway and the Budget is explicit we will look at revenue-raising options regarding our government businesses.

CHAIR - No others, only the government businesses.

Mr GUTWEIN - That is a very good place to start.

CHAIR - I would have thought you would have taken out what you could.

Ms LOVELL - Treasurer, I am having difficulty putting this question into one in particular, so I would like to ask it now. In relation to budget paper 2, page 87, Expenses from transaction. There is a decline in employee benefits from 2019-20 financial year to 2020-21 and then this decline continues over the forward Estimates. The explanatory note states that this relates to 'funding to support increases in the demand for health services', and some funding has been set aside for that but this funding is not recurrent. How are you expecting these measures to support increase in demand for health to be staffed if that funding is not recurrent?

Mr GUTWEIN - Tony can correct me if I am wrong, what would be included is the \$30 million is the provision. We very sensibly put a provision in place that would enable the Health minister to invest into services or opening beds, or bringing things forward if the opportunity arises, which I am hoping it will.

Ms LOVELL - It is a one-off.

CHAIR - This is the Finance-General money.

Ms LOVELL - Yes.

Mr GUTWEIN - We see that as an opportunity to bring things forward in the timing of opening of beds. In terms of the timing of practical completion, commissioning and the opportunity to open beds, I believe we will open beds in the new Royal this financial year. This money will be used to underpin those and the funding for those beds is included from the following financial year onward. It is a sensible form of financial management. It provides us with that opportunity to do something earlier.

CHAIR - Either last year or the year before, money was put in Finance-General for Health, \$20 million; it might have been the year before.

Mr GUTWEIN - The was \$50 million we looked at in the RER.

CHAIR - No, this was in the budget two years ago. That was parked when it appeared from the outside perhaps Health was a bit underfunded; stick it over there and we will transfer it to Health when they need it. You may not remember whether that Finance-General money was used in Health. This is what we are seeing again -

Mr GUTWEIN - It was definitely utilised in Health.

CHAIR - Why don't you just put it in Health?

Mr GUTWEIN - We have provided it as a provision. The Health chapter shows funding for Health increases each and every year. It is above the estimated outcome for the last year. I would be very interested in what you would do if you were in my circumstance, noting that your party did not bring down any sort of realistic option - we have increased funding, budget to budget, by 8.6 per cent in this Budget.

CHAIR - In Health, or overall?

Mr GUTWEIN - In Health, an 8.6 per cent increase. If you look at broader growth across the time I have been Treasurer, general budget expenditure has gone up by around 21 per cent. Health expenditure has gone up by around 30 or 33 per cent. We have made choices and that is how we would manage it. You don't have a position or a platform you can argue from and I would be very interested in your budget response following today, and what you would do and where you would cut other agencies to put more money into Health, because that appears to me to be what you are suggesting -

Ms LOVELL - There is probably quite a long debate we could have about that, Treasurer, but that is not why we are here today. We are here to scrutinise your Budget.

Ms WEBB - One thing I note is the increasing funding for Health is there yet the investment in preventative and public health has gone down as a proportion of this spending on Health in this Budget. It has gone down from 1.5 per cent to 1.2 per cent. That is an unfortunate choice, given

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that we would like to improve our long-term outcomes, which will only come if we increase our funding in those areas.

Mr GUTWEIN - There is a range of initiatives in this Budget and I am now sure what is captured in that particular line item. That is something you should put to the Health minister. If I look at what we have attempted to do in this Budget in increasing kids' participation in sport, which is the starting point of having a healthy life; picking up good habits at an early age. This Budget includes, for the first time ever, sport coordinators to work with -

Ms WEBB - We can list the things you have there that make up the 1.2 per cent -

Mr GUTWEIN - We are investing and we have introduced new measures in this Budget -

Ms WEBB - International evidence clearly tells us that you need to spend at least 5 per cent of your Health spend to see long-term change and health outcomes. I put it to you that this percentage should be going up, not down, if that is what we are attempting to do.

Mr GUTWEIN - I am not the Health minister and I don't have at my disposal -

Ms WEBB - You are the Treasurer; I think you have some say in these things. I will raise it with the Health minister, too.

Mr GUTWEIN - I don't have at my disposal a full breakdown of everything he is spending on preventative health nor across the government. I suggest you speak with him about that. We put new initiatives into this Budget that will help build long-term habits for our community and our children.

CHAIR - We can keep pouring money of increasing amounts into Health, acute health services are a money-hungry beast everywhere, but the figure of 5 per cent of your budget is what should be spent on preventative health. Otherwise, we are putting bandaid after bandaid on a boil and we will not see an overall reduction in numbers presenting to our acute health services if our population continues to grow, particularly with our demographic. In Tasmania people are older, sicker and have more chronic illnesses, which adds to the burden. Unfortunately, this is not going to change short term with the actual make-up of our population. Treasurer, if you don't focus more on putting a greater percentage into preventative health, we are going to continue down the same path.

Ms WEBB - You have a wonderful aspiration of a healthier state by 2025. It is great. You are not going to get there with 1.2 per cent of the health spend. It is the only point I am making and I share your aspiration.

Mr GUTWEIN - I don't have the detail in front of me to be able to speak with clarity on that particular aspect of the Health budget. I suggest you raise the matter with the Health minister.

Mr VALENTINE - You were saying in the out-years money will be made available, recurrent money, to support the opening of beds?

Mr GUTWEIN - Yes.

CHAIR - That's money in Finance-General?

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Mr GUTWEIN - No, the money in Finance-General sits there as a provision which the minister will utilise on 6 or 19 June.

Ms LOVELL - On 19 June.

Mr GUTWEIN - It must be the June 19. I am certain some suggestions will come from that meeting. Obviously, there is the opportunity for the Health minister, if beds can be brought on-line earlier, to utilise the provision.

I come back to the Auditor-General's report last week, which some describe as damning and points to an enormous range of challenges. The one salient point the Auditor-General did make was it is not necessarily about resource -

CHAIR - You raised this point, so I will take it up. You also referenced a report in 2014-15, where there were 52 recommendations, most of which have not been taken up. A lot of them are not about money, but cultural change governance. You have been in government all that time. It is not only about money.

Mr GUTWEIN - He also pointed to the fact the Government has taken steps with the One Health System to change the structure of Health and the culture with it. Obviously, there is still more work to be done and we have never shied away from that.

Ms LOVELL - Treasurer, to clarify the points you are making about beds and funding for opening those beds. The \$30 million put aside for increase in Health demand and to support measures came out of the Access Block Summit on 19 June is one-off funding. You have mentioned beds being able to be brought forward and that there might be an opportunity to open beds earlier than planned. At the moment there is not the funding in the Budget - until further in Forward Estimates - to staff those beds on an ongoing basis. If the Health minister were to come to you and say, 'We have an opportunity to open those beds, we need the funding brought forward to do this and so patients can be brought in', is there room in the Budget to bring this funding forward so those beds could be opened and staffed on an ongoing basis?

Mr GUTWEIN - I will come back to the point I've made ad nauseam in past years. There is always argument about the operating surplus delivered. It is important you have an operating surplus and have capacity, if necessary to meet additional demand, or to fund challenges such as bushfires or other things. Again, the Minister for Health has his budget and a provision. There is a process being worked through. There is also a second provision and an additional \$10 million in the 2021 budget year. The minister has those tools available to him should he bring forward a request for additional funding and will obviously be looked at through the normal course.

Ms LOVELL - My last question is on the employee benefits line. There is a continuing decrease, a decline, over the forward Estimates. How can you explain this? Is that going to occur as a result of cuts to jobs?

Mr GUTWEIN - This issue usually gets raised at every budget time without having a breakdown on that.

Many federal programs are time-bound national partnership payments or other specific purpose payments. What we don't do is forecast the continuation of those programs until we are actually in a position where we can forecast the continuation of those programs.

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In any budget, there will always be programs coming on or off.

Ms LOVELL - So it could be as a result of cuts to jobs?

Mr GUTWEIN - No. With programs funded in budgets, decisions will be made about national partnership payments and other programs through negotiation with the federal government. It is a point your finance spokesperson has attempted to make in past years.

There are changes in employee benefits that impact on certain agencies. If they have been funded by Commonwealth programs, we don't forecast those Commonwealth programs continuing past their expiry date until we have actually been able to negotiate and work through those issues.

Ms LOVELL - Are you able to give a breakdown of why the decline is expected over the forward Estimates?

Mr GUTWEIN - We provide it every year in the budget. National partnership payments and other programs at a Commonwealth level are listed in the budget papers.

Ms LOVELL - I understand. Can you point me to which Commonwealth partnership payments are not continuing that will result in the decline in employee benefits?

Mr GUTWEIN - Page 104 in budget paper 1.

Ms LOVELL - Which of those will result in the decline in employee benefits?

Mr GUTWEIN - We can detail that further.

Ms LOVELL - I am happy for you to take it on notice, if you would like to.

Mr GRAIGIE - The line item you are referring to in Finance-General relates to superannuation expenses, not actually the cost of employees. We are looking in Finance-General, the agency.

Ms LOVELL - That's right.

Mr CRAIGIE - On page 87, that refers to superannuation expenses. The reason it declines is there are fewer people incurring that superannuation expense.

Ms LOVELL - And would account for all of the decline?

Mr CRAIGIE - The note explains the increase in 2019-20, which is the one-off funding then over time it decreases.

Ms LOVELL - The decrease is because of the decrease in superannuation liability?

Mr CRAIGIE - Expenses.

CHAIR - People retiring?

Mr CRAIGIE - Yes.

Mr GUTWEIN - If I could come back to pages 104 and 105. Breakdown all those Commonwealth payments and the time frames that programs are in place across all agencies. Again, we don't forecast Commonwealth programs forward, whether there is an agreement in place with the state for a number of years, until we are actually in a position where we can.

In terms of the broader impact on wages or other employee benefits, until we are actually in a position where we can roll a program forward, it doesn't appear in the budget.

CHAIR - We might refer the rest to the Health minister.

FINANCE-GENERAL

Output group 1.1

Debt servicing and management

CHAIR - Treasurer, moving on to Finance-General, Output group 1.1, Debt servicing and management. I note this is the interest on the end-of-year borrowings. Last year, you stated in your opening comments - from *Hansard*, which I'm sure you read when you reviewed what I said to you first up - 'We began fixing the financial circumstances we inherited.' Do you stand by that comment this year, or have things changed?

Mr GUTWEIN - Certainly I stand by that comment. The challenge that we had to deal with this year, as you well know, is that we had to bring down a budget with more than half a billion dollars' worth of revenue that we've lost. If you look at our balance sheets across the forward Estimates, our net asset position increases and the state is still in a strong position. Importantly, we are delivering what will be a record infrastructure spend across that four-year period to underpin the economy.

CHAIR - You've told us the overnight borrowing will be \$834.9 million in 2020, but what about this year and in the other out-years, what are the overnight borrowings expected to be?

Mr GUTWEIN - I'll read this in, if that suits.

CHAIR - Don't read them so fast that I can't write them down though, will you?

Mr GUTWEIN - No, I'll pace myself. Starting with 2019-20 - I won't give you the years post-that but it's for the four - \$834.9 million in the Budget, as you'd be aware; \$820.9 million; \$845.7 million; \$866.4 million -

CHAIR - The last one is for 2022-23? Okay. That's the peak at this stage; it doesn't drop away again and it'll continue to increase?

Mr GUTWEIN - That's the overnight borrowings.

CHAIR - Yes.

Mr GUTWEIN - I've been quite clear on the Government's approach to managing increase in borrowings. As we move across the four years, if you refer to the cashflow statement, you'll see that we are increasingly throwing larger amounts of operational cash, in fact to around \$700 million

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in the 2022-23 year. Our borrowings on the cashflow statement decrease in terms of the additional borrowings each year across the four years. The Government will be reviewing the level of borrowings on an annual basis, and we'll be making decisions about whether we begin repaying or whether we maintain the level of borrowings at that level depending upon what the economic circumstances are at the time.

CHAIR - You said that there's about \$700 million cash in 2022-23, but your overnight borrowing is \$866.4 million. Doesn't that mean that you're actually -

Mr GUTWEIN - What are you looking at there?

CHAIR - What you just told me.

Mr GUTWEIN - No, but in terms of cash; you raised a cash figure -

CHAIR - No, you just said that. I'm just -

Mr GUTWEIN - The operational cash figure in 2023 is \$700 million.

CHAIR - So aren't we spending more than we're getting in when your overnight borrowings exceed that?

Mr GUTWEIN - The way the Budget is structured, the borrowings we are utilising, bearing in mind though that the overnight borrowings are in terms of the cash management -

CHAIR - Yes, I don't have a problem with that; I'm talking about -

Mr GUTWEIN - The operational cash is actually the amount of cash we have available to us after we've paid for the wages of nurses and teachers and rents and everything else like that. They're two quite different numbers. The strength of the budget is, as any casual glance at the cashflow statement will indicate, that as we increase the cash surplus from operating activities across the forward Estimates, we borrow more heavily in the first two years of this coming four-year period, and then borrowings reduce in terms of the additional borrowings over that period.

CHAIR - When you say 'borrowings', it's not the overnight borrowings - you're talking about the additional borrowings?

Mr GUTWEIN - We're talking about the additional borrowings, the amounts we borrow and add to our gross debt, decrease over the four years in the amount that we add each year. The point I have made ad nauseum in terms of the Budget is that we have a large infrastructure spend. I am not going to apologise for borrowing to fund some of that intergenerational -

CHAIR - I am not arguing that, Treasurer. There are overnight borrowings and there are additional borrowings to fund things like infrastructure, which I don't have an issue with, except how we are going to pay for the interest. We will speak about that later. When your overnight borrowings are more than the cash you have, surely that means we are spending more than we are getting in -

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Mr GUTWEIN - You are mixing the operational cash surplus in the fourth year with the way we manage our cash internally. We have had this discussion almost every year. The state doesn't carry a constant level of debt through the course of the year. The state manages the cash -

CHAIR - I understand how it works.

Mr GUTWEIN - If you understand how it works, I am not sure why you are asking me this question. If we manage our cash internally, which means we don't carry a higher level of borrowings than we need to through the course of the year, that internal cash management enables us to have cash on deposit and generate interest. You would note we have the interest showing up in Finance-General. Across the course of the year, we limit our overall interest cost by -

CHAIR - I accept all that but you still have to borrow overnight to balance the books. It is an overnight borrowing that you pay interest on for one day -

Mr GUTWEIN - Our borrowing at that time is in the context of \$1.8 billion-worth of gross borrowings. The borrowing we do simply ensures we cash back those funds at that point -

CHAIR - Yes, that you have taken the money out of. I understand that.

Mr GUTWEIN - which we have sensibly managed through the course of the year to reduce our overall interest costs.

CHAIR - I accept all that, but if you are still borrowing more each year, which you are, in terms of overnight borrowing -

Mr FERRALL - In 2022-23, the cash in deposits is \$922.6 million as per the General Government Balance Sheet on page 57 of budget paper 1, and the temporary borrowing is \$866 million. It is lower than the cash in deposits. It is not greater, as you indicated.

CHAIR - I was referring to what the Treasurer said about the amount.

Mr GUTWEIN - Look at the cashflow statement, and there are a range of accountants and other commentators making up all sorts of different Australian accounting standards trying to make their point regarding this Budget. They do it every year. In terms of the cashflow statement, in an operational cash sense we throw larger surpluses each year once we have paid for our operations. The cash surpluses aren't large enough to fund the entirety of the infrastructure program, so we increase our borrowings to do so.

By the time we reach the fourth year, we are throwing a \$700 million operating cash surplus. We are borrowing a much smaller amount in that year than we have in previous years and the government can make decisions in the context of coming budgets as to whether it continues to invest more into infrastructure or flatten the program, depending on the economic circumstances at the time.

CHAIR - How much interest does the overnight borrowing attract each year?

Mr GUTWEIN - Tony will have a number on that. Is it in the tens of thousands?

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Mr FERRALL - The end of year borrowing interest cost for 2019-20 is \$55,000; 2020-21, \$35,000; 2021-22, \$56,000; and 2022-23, \$90,000.

Mr GUTWEIN - That will depend on the prevailing interest rates at the time, and as we discussed earlier -

Mr VALENTINE - Trending down.

Mr GUTWEIN - We may be going to into an even lower interest rate environment.

CHAIR - That will have its own challenges in other areas. TASCORP invests over a range of time frames, doesn't it?

Mr GUTWEIN - It will have an impact on anybody with savings, particularly self-funded retirees.

CHAIR - From 2021 onward, you are suggesting the net borrowings are going to be established through a line of credit with TASCORP? What is the plan for those borrowings?

Mr FERRALL - It will depend on what is needed. We will manage the cash over the year. It is likely there will be periods throughout the year where we will need fixed term borrowing. It is not apparent at this point, given our fairly substantial cashflows across the forward Estimates, that we need to put in place a line of credit right across the forward Estimates.

CHAIR - Are borrowings earmarked for specific projects? I am interested in how you are going to manage it and how we will be able to observe what is happening with the borrowings. You said we don't have problems with funding major infrastructure and intergenerational assets from borrowings. We are funding the Royal build out of operating revenues, aren't we? We don't have borrowings to do that and we have spent all the money the Commonwealth gave us.

Mr GUTWEIN - The Budget has funds for the Royal in this year's Budget. We have paid for the Royal build on the basis that it has been equalised away through our GST.

CHAIR - I know it has.

Mr GUTWEIN - Mr Willkie never likes it when we do, but that is exactly what has happened.

CHAIR - That is the truth of it.

Mr GUTWEIN - It wasn't quarantined. We are not looking at taking out a bond or some form of debenture to fund a bridge or a road. We will look at the total quantum of infrastructure investment across all the agencies and we will fund it accordingly through the advice of TASCORP.

CHAIR - We won't be able to link it to any particular project, that is what you are saying.

Mr GUTWEIN - It is not my intention to do that, no.

CHAIR - Moving to reporting in the budget next year, how can we expect to see the breakdown of borrowings? It is easy with the GBEs because they are separate entities that borrow for their

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operations. How are we going to know what borrowings for the general government are being used to fund?

Mr GUTWEIN - It will underpin our infrastructure program. Next year, if you remove the accounting treatment we have had to include for leases this year, we are still holding net cash in investments. We are not in net debt, so as to borrowing -

CHAIR - With the leases, you have an asset to sit against that and you have to report it.

Mr GUTWEIN - It counts as part of our net debt calculation. It increases our net debt position, or decreases, by \$300 million in the first year. If we were looking at this on a same basis as last year, we would hold more than \$50 million-worth of net cash.

CHAIR - Regardless of that, you are still going to net debt in the out-years.

Mr GUTWEIN - I am not disputing that, but the figure of \$1.1 billion is being raised as our net debt position in the fourth year; remove the leases on the same policy basis as the current year we are sitting in now and it is a little over \$800 million. I accept we have decided to borrow to invest in building things.

CHAIR - When I went through the infrastructure plan in budget paper 1, there are few new projects. I would have liked to have seen a couple that weren't there before.

Mr GUTWEIN - Like what?

CHAIR - Montello Primary school would be one of them.

Mr GUTWEIN - I found some extraordinary statements on infrastructure - 'should have had another big project'. Well, tell me what?

CHAIR - I just told you Montello Primary School could do with a bulldozer through it after you've built the new one.

Mr GUTWEIN - I'm sure the people working at Montello would be happy to hear that today.

CHAIR - They know it is a really substandard educational facility, Treasurer, and if you want to make improvements to outcomes for children, you need to look at schools like that. Put it on the list, I say.

Mr GUTWEIN - I think you just did.

CHAIR - Yes. It is in the Minister for Infrastructure's electorate.

Mr GUTWEIN - He will be interested to hear your views.

CHAIR - I think he has heard them. He will probably hear them again.

What we're seeing is a continuation of projects already on the go, it appears, because of those pushbacks. I know there has been a greater spend this year in the budget than in previous years. The actual spending against what was budgeted is better this year than it was, particularly in

2017-18 - that was a bit of a shocker - \$174 million or \$176 million less than was budgeted. Are we really trying to play a bit of catch-up here and get things done? Are we really going to have a red-hot go of getting stuff done rather than pushing it out?

Mr GUTWEIN - Absolutely. The infrastructure investment in this Budget is above \$700 million again in the current year. We talked about the estimated outcome when we started this morning - it is more than \$700 million-worth of infrastructure spending. Absolutely, we're having a red-hot go at getting it out.

In the investment being made in infrastructure, a range of new projects are included that weren't previously funded - fully funding stage 2 of the Royal Hobart Hospital.

CHAIR - Are you saying that is fully funded?

Mr GUTWEIN - I think there were a range of iterations but stage 2 which costs \$91 million is now fully funded. Obviously there are -

CHAIR - Much of that would be through borrowings, wouldn't it be? Which is fine, I'm not saying you shouldn't; I think you should be borrowing for that sort of thing.

Mr GUTWEIN - Next year we are still in a positive cash and investments position if you remove the leases. Over the course of the forward Estimates there will be a mixture of cash and borrowings for the infrastructure programs rolled out.

CHAIR - We are trying to catch up on some of the things that have been pushed out for various reasons.

Mr GUTWEIN - In terms of being pushed out, the investments into the programs we laid out at the 2018 election - for example, into the south-east transport solution - were always staged over time. This Budget brings forward more money for that and for the challenges that Launceston faces. That was always part of the plan, to bring them online and we're bringing them online. On top of that, there is obviously investment in projects that haven't previously been included in the Budget.

CHAIR - Okay, not many new ones.

1.2 Interest on Sundry Deposits -

CHAIR - When I look at the equivalent line item on page 80, expenses, looking at the appropriation here, the amounts are much smaller and the footnote refers to interest on the specific purpose accounts and trust accounts. Can you explain why there is a difference and what is the reason for the extra amounts in the appropriation as opposed to the expenses?

Mr GUTWEIN - I will see if Mr Jeffery wants to come to the table.

CHAIR - I am sure he would like to.

Mr VALENTINE - He enjoys our company so much.

CHAIR - He's not really listening to you, Treasurer.

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Mr GUTWEIN - Did you hear the question, Mr Jeffery?

Mr JEFFERY - Yes, I did, Treasurer.

Mr GUTWEIN - Would you like to come to the table and provide some further detail on that?

Mr JEFFERY - It's a very long answer.

CHAIR - Taking after the Treasurer.

Mr GUTWEIN - Craig Jeffery, Director, Government Finance and Accounting.

Mr JEFFERY - I think the question was: was there a difference in the revenue from appropriation to the output expense? The main difference is that the revenue from appropriation includes interest on the Tasmanian Risk Management Fund but that's within Finance-General so it's consolidated out of the output expense.

CHAIR - Nothing to do with the specific purpose accounts and trust accounts?

Mr JEFFERY - All the interest for those is included in the output expense. The output expense is the interest that Finance-General is paying to either accounts in the former Special Deposits and Trust Fund, which will now be specific purpose accounts.

CHAIR - The appropriation is all to do with the Tasmanian Risk Management Fund - is that what you're saying?

Mr JEFFERY - No. The interest on the Tasmanian Risk Management Fund in 2019-20 is \$5.8 million, which is in the revenue. It is tabled but it is not in the output expense, whereas all the other accounts are in both tables.

CHAIR - There's only \$2 million in the expense summary, or are you talking further down? No?

Mr JEFFERY - The \$2 million is interest that Finance-General is paying to other agencies' specific purpose accounts. A good example would be \$1.066 million for Rental Deposit Authority Tasmania account or \$295 000 for the Tasmanian Health Service Patient Trust and Hospital Bequest accounts.

CHAIR - Okay. Where is the Tasmanian Risk Management Fund?

Mr JEFFERY - That's within Finance-General. We receive revenue but it's not in the output expense because it is eliminated for consolidation.

CHAIR - Thank you. If I subtract the overnight borrowings from the debt service expense, I get about \$9.2 million. I am not sure if this includes the housing debt, but is this the amount the state will be funding to pay for the costs associated with this Budget, and what projects will be funded with borrowings?

Mr JEFFERY - Can you read that again?

UNCORRECTED PROOF ISSUE

CHAIR - If you subtract the overnight borrowings - and maybe I've misunderstood the debt servicing here - in 2021 -

Mr JEFFERY - You are on page 80?

CHAIR - Page 89.

Mr JEFFERY - Budget paper 2.

CHAIR - The revenue, yes. Sorry, I'm on the wrong page. You are right.

If you subtract the overnight borrowings, which we were told were \$834 million, was it?

Mr JEFFERY - At a cost of \$55 000.

CHAIR - Yes.

Mr JEFFERY - We are talking about debt servicing here?

CHAIR - This is nothing to do with the interest on the deposits then?

Mr GUTWEIN - I think Mr Jeffery has just explained that the - which one? Are we on 1.2 now - interest on sundry deposits?

CHAIR - No, we are on 1.1 still. I thought you had moved.

Mr GUTWEIN - We are jumping back, right.

Mr VALENTINE - What page?

CHAIR - I am looking at page 80. I am interested in how much the state will be paying in interest to deal with the borrowings over the forward Estimates. Have you considered how much that will be and does that appear in the expense item here? Obviously, the number goes up quite a lot. I assume this is the interest on -

Mr GUTWEIN - There is a table -

CHAIR - You're on page 80 in Finance-General?

Mr GUTWEIN - Yes. I thought there was a better example of the interest cost going up. Is it in budget paper 1? If you go to page 157 of budget paper 1, you can see borrowing costs across the four years, beginning at \$14.1 million next year for 2019-20, through to \$35.4 million.

CHAIR - Yes. Is that the interest based on the additional borrowings?

Mr GUTWEIN - That will include -

CHAIR - The housing debt, does it?

Mr JEFFERY - If you go to page 89 -

CHAIR - In Finance-General?

Mr JEFFERY - which is 'Revenue from appropriation by output', where you have a total of 2019-20 \$23.015 million. Of that, in 2019-20 year, \$5.8 million is the Tasmania Risk Management Fund; \$8 million is the principle payment of the Community State Housing Agreement debt; \$7 million is the CSHA debt interest; \$2 million on interests on sundry deposits; \$0.1 million on [inaudible] on insurance fund. That is the breakup of the \$23 million in that year.

Mr GUTWEIN - To answer your question on the debt servicing point of view -

CHAIR - I am interested in what the additional interest costs will be.

Mr GUTWEIN - In 2020-21, debt servicing, \$10 million; 2021-22, \$16.7 million; 2022-23, \$23.3 million.

CHAIR - The question is then all is do with the additional borrowings you are taking out.

Mr FERRALL - Yes.

CHAIR - That is what I was trying to establish. Okay.

In terms of meeting those costs you go from very little interest payments to a not insignificant amount. This is where I come back to - for example, payroll tax goes up by about \$10 million or \$12 million, barely covering the interest payment.

Mr GUTWEIN - With payroll tax receipts?

CHAIR - Yes. Not the total, the increase.

Mr GUTWEIN - There is slightly more than \$20 million-worth of debt servicing at the end of four years, and we will deliver a \$3.6 billion infrastructure program. That is the plan.

CHAIR - Yes, I understand.

Mr GUTWEIN - I am very comfortable with the actual cost to the Budget compared to what is being delivered.

You know as well as I do that over the period of those four years our revenue mix will change. Some revenue lines will go up based on what we forecasted, and some will come down. What I am attempting to do with the investment we are making in infrastructure is to ensure there is a good chance, certainly in terms of State Revenue, that it continues to track upwards.

Whether the contagion on the mainland impacts on us or not is another factor. To some degree we are trying to insulate ourselves.

Over the course of that period, it would be erroneous to look at a particular tax line and then try to offset against -

CHAIR - I am not. What I am saying is that ideally this borrowing is to support infrastructure. Do we agree on that?

Mr GUTWEIN - Absolutely.

CHAIR - To capture the value of an infrastructure spend, you would expect to see it in some places like payroll tax. If you are creating jobs, and we hope they are Tasmanian jobs, and there is enough employment that people actually do pay payroll tax in some if not all cases. It is part of our system.

The uplift in payroll tax is actually less overall than what the interest payments here are.

The bottom line is that we need to look at our revenue. You said you are looking at the GBEs for additional revenue streams. Don't we also have to look more broadly at ourselves?

Mr GUTWEIN - This is an area I have discussed with Mr Ferrall on a number of occasions.

In our Budget, we do not forecast either the economic impact of certain policies over the four years nor do we do anything other than project long-term trends. The economic growth forecast for this year is \$2.75 million. Next year Treasury again forecast \$2.75 million. The last three years are not forecasted. They are simply projections based on long-term trend.

Looking at a fourth year number compared to what is occurring in the broader economy is not a fair analysis.

CHAIR - No. My question was, Treasurer, shouldn't we be looking at our own revenues and having a broader look of being able to manage. If you need to borrow for infrastructure, that is fine. Let's look at how we actually capture some value around this.

Mr GUTWEIN - I understand the question, but I suggest it was built on a false premise. Your point was it is going to cost a little more than \$20 million in interest in the final year, but not seeing an uplift in our tax revenues as a result of this infrastructure spend. My point is the Budget doesn't forecast over four years. It forecasts the coming year and then relies on projections - long-term trends.

CHAIR - So they are meaningless?

Mr GUTWEIN - In terms of the Budget, they are based on long-term trends. It is the way it has always been done.

CHAIR - I am not arguing the way it has always been done. The Commonwealth Grants Commission looks at revenues we raise and makes an assessment on what we could raise if we made the average effort of the rest of the states. If we continue to raid the GBEs, we are not going to look at our own revenue base. I don't want to read in *The Mercury* tomorrow 'the Treasurer says', I am saying we pay land tax on our principle place of residence.

Mr GUTWEIN - I think that is where you are going?

CHAIR - No, I am not going there. I am talking about a broad review of our state revenues to look at whether there are things we can do to assist in this. Surely the Commonwealth Grants Commission looks at the effort we are making? Does this have an impact?

Mr GUTWEIN - It is easy on that side of the table to point to broad-based tax reform. You were involved when we went through the process with Michael Aird and how difficult it is to actually look at broadening the base metrics and the make-up of the Tasmanian economy at the moment.

The 2500 people who pay payroll tax would argue they shouldn't be paying and it should be broadened out. The 90 per cent of small- to medium-businesses that do not will argue very strongly they shouldn't.

CHAIR - I understand all that.

Mr GUTWEIN - The point is if you want to talk about revenue, who are you talking about should pay?

CHAIR - I am not talking about anyone in particular, but we should look at it. My question to you was: would you support another look at this? There was a heap of reasons why that folded in terms of critical risk to both you and the then treasurer, Lara Giddings. Is there an issue with how the Commonwealth Grants Commission looks at how it assesses our revenue raising effort?

Mr GUTWEIN - The Commonwealth Grants Commission forecasts. It goes through the process for each year and provides a relativity. I am broadly comfortable with our tax mix at the moment, based upon the structure of our economy. One of the great benefits of our economy is 90 per cent of our businesses are small to medium.

The only way you can fiddle with the payroll tax and not reduce the level or receipts currently received, which I don't think you are arguing for, is, if you are arguing for a stronger tax take, would be to tax some of those of people not currently paying. That is the strength of our economy.

In this Budget we are looking at broadening the land tax base to foreign investors. I have been clear about. We need to go through a process and understand exactly what a foreign investor is.

CHAIR - We had a challenge with this last year that was not properly consulted, was it? We will get to that under another line item.

Mr GUTWEIN - We need to look at what is the right level of foreign ownership. Is it 50 per cent plus 1 in a vehicle that's purchasing land or owns land? They are questions we need to work through.

Last year with discretionary trusts nobody needed to pay foreign investor duty, if they had taken the correct advice in terms of how their trust was structured in Tasmania.

CHAIR - We will get to that. My question was in relation to how the Commonwealth Grants Commission sees our effort? Do you support a review of state revenues in the way of looking what is possible? There are a lot of people in the business community who think it should happen.

Mr GUTWEIN - There are many people who would like to pay less tax.

CHAIR - I am sure there are, and there are a lot of people who don't pay any state tax.

Mr GUTWEIN - I think that needs to be considered. Those who would argue for tax reform are those paying a level of state tax. I can understand why they would argue against paying that tax, but the issue is - and we found when we had our tax review going back some eight or nine years ago - that because of the socio-economic make-up of our community, the broadening tax basis impacts on the people. As was discussed then, it would need to have some level of Commonwealth Government support to provide for transitional periods.

CHAIR - That is not a reason not to look at it, surely. The Commonwealth is -

Mr GUTWEIN - As to the budget we had before, the impact that has occurred in Melbourne and Sydney, the loss of confidence and the consumer sentiment across the country, increasing taxes - if it were to be a GST - isn't going to improve consumer sentiment -

CHAIR - Will you consider a review into our state tax system, our own revenue sources?

Mr GUTWEIN - I don't believe it is necessary at this time.

1.3 Debt Management

CHAIR - I assume the changes in this relate to the new FMA, as part of the appropriation in Finance-General for 1.3, Debt Management. Was the Commonwealth housing debt originally in this line item?

Mr GUTWEIN - It was run through the Special Deposits and Trust Fund and now it is being managed via appropriation.

CHAIR - Does it include the housing debt? It wasn't clear in that footnote whether it picks up the Commonwealth housing debt as well as management of our own state debt. The changes to the Financial Management Act created this, is that right? Those changes created the difference in the way it is reported, it seems to suggest.

Mr JEFFERY - One of the changes made under the Financial Management Act was a full review of all accounts in the Special Deposits and Trust Fund. Finance-General had an account in the Special Deposits and Trust Fund, which was associated with the management of the Commonwealth-State Housing debt, whereby payments made by Housing Tasmania were receipted into that account and paid out of that account to the Australian Government. As part of the review, that account has been closed and the moneys from Housing Tasmania are paid into the public account and appropriation comes from the public account to make the payment to the Australian Government. That is why it is in here now.

Mr GUTWEIN - We have moved to directly appropriate under the FMA as opposed to those accounts managed through the special deposits and trust fund. We used to have the arrangement whereby a deposit of \$7 million went into the account and a payment of \$7 million came out of the account and nothing else occurring in that account. As to the housing account, while it occurred before I was Treasurer, when the funds were first provided I presume that there was \$150 million in the Special Deposits and Trust Fund, or whatever the Commonwealth payment was that then was drawn down over time to build housing. We would then appropriate the payments to the Commonwealth back into that account. There are now no other funds in that account and it is

simply a transaction we have removed. That is the simplest way of explaining it. Everyone is paid but there is no need for that additional treatment.

Mr VALENTINE - It would be good to see it going in a different direction.

Ms WEBB - It would be good if Housing Tasmania didn't have to pay into it. We could pay it out of Finance-General without Housing Tasmania losing it from its quantum to spend on housing.

CHAIR - We had a conversation last year about whether it could all become the responsibility of Finance-General for the greater good and we were told no. Has that changed, Treasurer?

Mr GUTWEIN - No, our position hasn't changed.

CHAIR - We have moved to output 1.3, which relates to the Commonwealth housing debt. Regarding the 2021 figure of \$23 million, given that the principal repayment in output group 1.3 is about \$8 million for the housing debt, this leaves \$15 million of interest. The profit and loss on page 55 of volume 1 says that borrowing costs are \$9.5 million. Why is there a difference? I'm not disputing the difference, I don't understand how the accounting treatment works.

Mr GUTWEIN - I'll need to seek advice from Mr Jeffrey. Are you saying that there's an estimated outcome of \$9.4 million in budget paper 1 in 2018-19?

CHAIR - In borrowing costs, yes.

Mr GUTWEIN - Yes. How does that relate to -

CHAIR - The principal repayment on the housing debt is \$8 million but it's \$15 million in Finance-General. There is a difference.

Mr JEFFERY - The interest is in the borrowing costs. The principal is the balance sheet adjustment writing down the borrowing.

CHAIR - Okay, thank you. Let's take a break before we go into 2.1, Superannuation and pensions.

The committee suspended from 10.42 a.m. to 10.57 a.m.

Output group 2 Employee Related Costs

2.1 Superannuation and Pensions -

Mr VALENTINE - Obviously, this relates to employee-related costs associated with the administration and management of the superannuation and pension liability. It is a very static line item across the forward Estimates - \$350 000 all the way, the same level as last year - yet the expenses are anticipated to rise by \$5.3 million as a result of an unexpected lift in service costs.

UNCORRECTED PROOF ISSUE

First, given the partial lift in wages in the State Service, albeit a slight increase, I am presuming that \$5.3 million increase cost is related directly to slightly higher contributions. On top of that, you have the increase in nominal interest of \$100 000 but also rises in employee costs for those working in the area, so why is the line item static in the out-years?

Mr GUTWEIN - I am going to seek advice on that. It is a question more appropriate for Mr Jeffery, if he has an answer on that. If not, we can take it on notice and we will come back to you.

Mr JEFFERY - It is based on projections provided by the actuary. They are predicting salary increases or salaries plus other increments of 3 per cent. It is the service cost from existing members who are still working, so eventually those existing members are going to taper off. At the moment the actuary is basically projecting limited change in the pool of existing members over the forward Estimates.

Mr GUTWEIN - Are you saying that it's going down in terms of existing members and up when it balances out at \$350 000?

Mr JEFFERY - Yes.

Mr VALENTINE - You can understand the query.

Mr GUTWEIN - Yes, I can. In fact, I'm glad you asked it.

Mr VALENTINE - It is an interesting answer, one balances the other. Can you point me to the component of that \$350 million that represents contributions for those in the defined benefits scheme versus the Tasmanian Accumulation Scheme that Tasplan manages?

Mr JEFFERY - The whole amount is DB scheme.

Mr VALENTINE - Doesn't the government pay a component of super for everybody on the accumulation scheme? Where is the component of super the employer, being the government, shown?

Mr JEFFERY - Finance-General has no employees, which means it has no accumulation scheme superannuation cost but all other agencies, like Treasury, have their accumulation scheme component. If you look at the general governments sector superannuation line, that is both DB costs and accumulation scheme cost.

Mr VALENTINE - I will have to study it further. When someone exits the system by taking a lump sum payment, where does the lump sum come from? Does it come from the Public Account, the super scheme or both, depending on the liability?

Mr JEFFERY - A lump sum is paid out of the Retirements Benefit Fund, which is managed by the Superannuation Commission. The government's share of that is met from Finance-General at 86.5 per cent and the plan assets absorb the remainder.

CHAIR - That percentage changes over time, doesn't it?

UNCORRECTED PROOF ISSUE

Mr JEFFERY - There is a schedule of increases based on what the actuary recommends in the triennial reviews.

CHAIR - Do you have the current and forward projections for that percentage?

Mr JEFFREY - The latest actuarial report was 2016. They are currently looking at it. Their recommendations were effective: 1 July 2016, 82.5 per cent; 1 July 2017, 84.5 per cent; 1 July 2018, 86.5 per cent; and 1 July 2019, the next budget year, 88.5 per cent, and it is maintained at 88.5 per cent across the forward Estimates period.

CHAIR - They are doing another review and the 88.5 per cent may change.

Mr JEFFERY - It is subject to review by the actuary, yes.

Mr VALENTINE - Is the government still paying the cost of Sustainable Timber Tasmania's superannuation contribution and is that included in that \$350 million?

CHAIR - That was a permanent arrangement. That was part of the argument last year, you could take over the housing debt as well.

Mr VALENTINE - The point is that it is included in that \$350 million.

Mr GUTWEIN - They took a \$15 million special dividend out of them as well.

Mr VALENTINE - We are looking at a significant debt of a little over \$1.1 billion by 2022 in the overall budget. I imagine there hasn't been too much discussion about setting up a fund, as it existed a few years back, to improve the liability situation. Are we simply going to wait out the five or six decades it will take to see the \$7 billion unfunded figure subside to something that is more manageable?

Mr GUTWEIN - If I could take you to BP 1, I think you will find -

Mr VALENTINE - I have read all that and it is great we have a lot of information in there, it is good information, but I wondered about the model we are using.

Mr GUTWEIN - We meet it on an emerging cost basis. It is part of the fiscal strategy - the cost of debt and the cost of meeting our TB arrangements are less than 6 per cent of cash receipts and we are within that framework. As to the liability decreasing, if I take you to page 147 of BP 1, you will see that by the time we hit the end of the next decade, by June 2030, the liability is starting to trend down. While a range of commentators look at the superannuation liability and presume it has the same characteristics of debt, while it is a liability -

Mr VALENTINE - It's notional debt.

Mr GUTWEIN - It's a liability that, by virtue of the nature of what it funds - people in their retirement who don't live forever - the liability reduces. When I first came to this place, it was described as the whale chart because it -

CHAIR - It was called the whale chart before I was here and it disappeared out of the budget papers. When Mr Aird was the treasurer, I asked for it to be reinstated because it was informative.

Mr GUTWEIN - Good on you, because I think it is informative.

CHAIR - It is informative and that is why it's back in there. It's good to see you haven't pulled it out again.

Mr GUTWEIN - Rather than a whale, it's more like a ski jump now. The simple answer to the question, Mr Valentine, is that we can meet it within the confines of the fiscal strategy we have set. It has met on an emerging cost basis and the liability in the general government sector starts to reduce by around 2030.

Mr VALENTINE - What is the biggest risk in going down this path? Perhaps it might be the biggest opportunity. Would it be that a number of people retire and take lump sums as opposed to pensions?

Mr GUTWEIN - I will take advice on this from Mr Ferrall or Mr Jeffery but my understanding is that we have around 5500 members of the DB in our current workforce -

Mr VALENTINE - How many in total?

Mr GUTWEIN - Around 26 000, in broad numbers. There could be a significant change, perhaps at a national level in the treatment of certain things that would encourage people to take early retirement or to retire en masse, but based on the actuary's numbers as to when we reasonably expect people to retire and what their benefits will be, the liability is as set out here in the Budget. That's not to say there couldn't be a significant change, but we would promote a state point of view. We're not looking at making any significant changes to this and we trust in the forecasting of the actuary.

CHAIR - The actuary takes into account the longevity of people increasing, doesn't it?

Mr GUTWEIN - Absolutely, and over time. When we first came to this place nearly 20 years ago, people were living three to four years fewer than they are now.

CHAIR - Yes. It is due to expire in 2062 or 2063.

Mr GUTWEIN - In 2080.

Mr VALENTINE - That ballooning is probably the baby boomers coming to retirement and gradually, less and less. Thank you.

CHAIR - Following on from Mr Valentine's question regarding the \$350 million, which you explained as a levelling out, in the expenses page of Finance-General, paper 2, page 80, it has a higher number. It is \$350 million across the board, but it is \$370 million there rather than \$367 million, so that varies, and then \$364 million. It won't stay static. Why does this one change in the amount of money that has been spent?

Mr GUTWEIN - - Mr Jeffrey can provide the detail on that one.

Mr JEFFERY - Part of the movement is due to the service cost, and the balance is the nominal interest on superannuation. As the Treasurer said earlier, as the service cost is declining, the

nominal interest is increasing, so that's flattening out. Mr Valentine's question on why it's relatively plateauing at around \$360 million is that one aspect is going up and one aspect is going down.

CHAIR - Were you asking about that or were you asking about the \$350 000, which is the cost?

One question I've asked in previous years, Treasurer, is in relation to the discount rate we use. The discount rate used to assess this liability in the Treasurer's Annual Financial Report is a discount rate of 3 per cent. The Budget uses 4.25 per cent. As we know, a 1 per cent change means about a \$1.2 billion up or down movement. If you increase the discount rate by 1 per cent, liability will drop by \$1.2 billion, roughly. I notice in the Victorian budget they use a 1.9 per cent discount rate. We're all using different discount rates, acknowledging we've got different populations. But if we use that figure, the liability would exceed \$10 billion. So why do we continue to use different discount rates; one in the TAFR and another in the Budget?

Mr GUTWEIN - My understanding is one is based on the long-term bond rate, but -

CHAIR - Which one?

Mr GUTWEIN - The one in the Budget I think is a long-term bond. But as to why there is a difference between that and in the actuals, I'll seek further advice.

Mr FERRALL - When you value the liability at a point in time for your actuals, you use effectively the discount rate that's prevailing on the day, and that can vary, it's 30 June effectively. But when we do the -

CHAIR - That's for the TAFR.

Mr FERRALL - Yes. When we do the projections for the Budget, though, we use a discount rate that we've agreed with the State Actuary, which is an estimate of what the long-term discount rate is. That doesn't mean it's the same rate as you would use on the particular day when you make the estimate.

CHAIR - That is quite different - 3 per cent in TAFR and then 4.25 per cent in the Budget. That's a billion dollars up or down.

Mr FERRALL - Yes. We have a chart that shows the variation of the valuation because of movements in those discount rates, but it's a long-term large liability with a long tail, and so discount rates do make quite significant differences to that valuation. The important point really is that the valuation changes don't change the estimated cashflows. In the budget papers we show the costs going out over the forward Estimates, which are estimated by the actuary, but the changes in the discount rate don't change those cashflows going out.

Mr VALENTINE - So, the actuary doesn't actually set which discount rate they use, it's -

Mr FERRALL - Accounting standards -

Mr VALENTINE - It's guided by Treasury on that, is it?

Mr FERRALL -The accounting standards set the discount rate as the - what was it, Craig? - the long-term bond rate?

Mr JEFFERY - Yes, the long-term Commonwealth bond rate.

Mr FERRALL - The Commonwealth bond rate.

If you go to the TAFR and use the 30 June figure, that varies. There's no perpetually unchanged rate. When we're doing the Estimates with the actuary, we have to strike a rate that the actuary believes is a reasonable estimate of what the long-term bond rate is, taking into account the full length of the liability.

CHAIR - And that's done for the preparation of the Budget only?

Mr FERRALL - Yes.

CHAIR - But TAFR is at the end of the year, whatever the rate is.

Mr GUTWEIN - TAFR is at a point in time.

CHAIR - Yes.

Mr FERRALL -We have adjusted that rate; the 4.25 per cent has come down. We adjusted that in - Craig will correct me - 2017-18.

Mr JEFFERY - Yes.

Mr FERRALL -Again, as the actuary does further reviews of the liability, that rate might change again.

CHAIR - Is the next review due this year?

Mr FERRALL - There is a review happening.

CHAIR - Okay. Any other questions on superannuation and pensions? No.

2.3 Provision for 27th Pay

Mr VALENTINE - Given the 10.33 per cent increase in the provision for the 27th pay provided in the forward Estimates this year, can you explain why the out-year estimates are static and not indexed to reflect the reality of increase in salaries, even if it is by the Government's preferred 2 per cent package?

Mr GUTWEIN - I will defer to Mr Ferrall in terms of the projections.

Mr FERRALL - The way we do the projections is we effectively work out what the requirement for the cash is for the year for the 27th pay. Health is in one year, and a different year for the rest of the departments and general government sector. We effectively work out what the required cash is for the 27th pay.

UNCORRECTED PROOF ISSUE

Mr Jeffery, what the variation is over that, as per Mr Valentine's question?

Mr VALENTINE - It is 10.33 per cent

Mr JEFFERY - As Mr Ferrall said, the previous provision was based on what the expected 27th pay was for the general public sector in 2015-16 and for Health in 2019-20. The revised calculation is forecasting what the expected pay will be for the general public sector, which will be about 2026-27, predicting it out in the future for what the additional pay amount will be.

It is a provision so it is advertised in a straight-line basis over the 11 years it is made.

Mr VALENTINE - My question is: what is the reasoning behind the 10.33 per cent increase?

Mr GUTWEIN - It would be a number of factors, how the size of the public sector today is larger than what it was overall back in 2015-16.

Mr VALENTINE - It is all these extra people employed in Health.

Mr GUTWEIN - There are more than 1000 people being employed in Health.

Mr VALENTINE - That is what I read.

CHAIR - That is why they changed the pay cycle.

Mr VALENTINE - I'm not trying to provide the answer, only querying. We are here to help, Treasurer. You know that.

Mr GUTWEIN - Employing more doctors and nurses and obviously a larger impact.

Mr VALENTINE - Not in the pay.

Mr GUTWEIN - That is obviously one of them. Mr Jeffreys was saying when the previous rate was struck, the projection was across the four years and now we have set a four-year projection again based on advice to date.

Bearing in mind, different parts of the government sector will be impacted. It is either Health one year, or the broader general government sector the next.

CHAIR - I note on page 84 a payroll provision account in budget paper 1. The balance was \$31.8 million, but there are receipts of \$7.4 million and \$30.6 million. Is this as a result of the 27th pay this year for Health? Is this where it goes through this account? What is this account for if it is not?

Mr JEFFREY - That is what that account is for.

CHAIR - Basically, we know the 27th pay is staggered for Health and everybody else. Is it staggered across the agencies except for Health? Is it staggered across the others at all?

Mr FERRALL - They are all the same year.

CHAIR - Okay. Is that suggesting \$30.6 million is the value of one pay in Health? I worked out it might be more.

Mr VALENTINE - The average of what.

CHAIR - Notionally \$36.6 million, the extra pay in Health - that is how much one fortnight's pay is in Health?

Mr GUTWEIN - How often is the 27th pay? About every four years?

Mr FERRALL - No, it's roughly every 11 years.

CHAIR - Is the \$36.6 million just one pay? I thought it would be more than that.

Mr FERRALL - Yes, that would be it.

CHAIR - Just to get the overall picture there, Finance-General sets aside the money, it seems. When it is spent, does it get transferred to the relevant agency to spend? Does this provision for it go from Finance-General?

Mr FERRALL - The cash is made available for them.

CHAIR - So that extra money that sits in this account goes to, in this case, Health, but in other years it is spread to other agencies.

Output Group 3 Government Businesses

3.1 Sustainable Timber Tasmania -

CHAIR - I have a couple of questions on the \$2 million for the community service obligation in relation to firefighting. Was that \$2 million enough to fund the fires? I assume there were some fires that impacted Sustainable Timber Tasmania's assets. How much of the \$2 million was required, and if they did require more, did they get it and where from?

Mr GUTWEIN - With the firefighting, \$2 million provision direct to STT, there is an additional \$2 million that we have as well.

CHAIR - Does this \$2 million go direct to STT or is there another \$2 million they are talking about?

Mr GUTWEIN - No, my understanding is that the \$2 million is direct to STT. I thought another \$2 million was made available to them as well.

CHAIR - There used to be other money but it seems to have disappeared; I can't find it. From memory, there used to be \$12 million - but I stand to be corrected on that - for STT to look after the reserves, roads and bridges et cetera, but I can't find that this year, either.

Mr GUTWEIN - That is built into their base, but it actually appears in the policy and parameter statement. In light of STT's stronger financial position this year, it will receive \$10 million and then \$8 million across the forward Estimates as opposed to \$12 million.

CHAIR - Can you direct me to that in the policy and parameter statement?

Mr GUTWEIN - In the policy and parameter statement, it shows up the reduction in the CSO on page 71, which is the reduction of the \$12million and then the -

CHAIR - The reduction from \$12 million?

Mr GUTWEIN - From \$12 million then down to \$10 million - \$2 million, \$4 million, \$4 million, \$4 million on the basis that STT are in a stronger financial position. We took a view on the revenue loss that we had suffered that we would ask both STT and Hydro, with the CSO Hydro has for the islands, that we would return that CSO payment to the Hydro.

CHAIR - I will come back to that one shortly.

Mr GUTWEIN - For STT, we reduced the \$12 million to \$10 million then \$8 million, \$8 million, \$8 million.

CHAIR - They are still getting some. Going back to the firefighting costs, it would be helpful to know how much was expended of that \$2 million CSO. You might not know the answer to this, Treasurer, it might be another minister, but how much of its asset was impacted by the fairly extensive bushfires we had last year, particularly in the Huon?

Mr GUTWEIN - That a matter been worked through with them, but it is probably appropriately a question for [inaudible].

Mr FERRALL - The \$2 million would have all been expended, because it is a payment to Sustainable Timber Tasmania to maintain its fighting capabilities. All of that would have been expended. There would obviously be additional costs. I would recall the total costs were about \$81 million.

CHAIR - Most was in the wilderness area, not STT.

Mr FERRALL -Certainly not specifically.

Mr GUTWEIN - In the Budget \$64 million is included for 2018-19 and a further \$10 million for 2019-20. Over and above obviously a range of grant programs have been rolled out already funded. There is then the process with the Commonwealth for receiving their payments back.

3.2 State Fire Commission

Ms LOVELL - Treasurer, obviously the additional \$10 million is to cope with the outcome of the fire event earlier this year. Why does the funding drop back to the same amount we have had over each of the forward Estimates over the 2018-19 Budget? What is the contingency plan for a future fire event?

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It is not beyond the realm of possibility we face another event like this, in the future, so why isn't there additional money?

Mr GUTWEIN - One of the key reasons is that the Commonwealth has the National Disaster Relief arrangements in place. Obviously, the larger the fire, the more the Commonwealth will pay. My understanding is, and Fiona will correct me, we are fully responsible for the first \$15 million, then between \$15 and \$25 million about 50 cents in the dollar; for every dollar spent above \$25 million, we receive 75 cents from the Commonwealth.

Ms LOVELL - Maybe not by that tranche?

Mr GUTWEIN - First threshold - \$14.58 million, \$15 million broadly enough; Second threshold - \$25.52 million; above that number we receive 75 cents in the dollar.

These events can and do occur irregularly. There are those who argue they will occur more regularly. Our liability is always limited by those arrangements with the Commonwealth and so we manage it on a budget to budget basis, making certain the State Fire Commission and fire services have adequate resources to ensure they can maintain and upgrade their operating kit. We will deal with these fires as they arise in partnership with the Commonwealth.

Mr VALENTINE - Has there been any discussion with respect to a national response service? One of the criticisms during the fire episode was if they could've reached wilderness with firebombing equipment earlier, they could've saved a lot of problem and bother. Has there been any discussion on a national scale to setting up a national system with all resources required to tackle those sorts of incidents?

Mr GUTWEIN - Obviously a national framework exists of individual jurisdictions having to fight localised fires. It wouldn't be right for me to provide a number but I am certain it was hundreds if not thousands of people who were brought in from interstate and from New Zealand. A national framework operates during that time and we draw resources from the other jurisdictions as and when required. It needs to be looked at again because the resources available for an individual state are determined by what's occurring in other states. As part of this process, and a review is being conducted in Tasmania and in other states impacted, I am certain the findings will be discussed at a national level.

Mr VALENTINE - That's good to hear. What happens when interstate firefighters are brought in? Is that something the state supplying those resources meets in the first instance and the receiving state makes some sort of a payment afterward? Is it up to the state to cope with all the associated costs?

Mr FERRALL - It tends to be on a reimbursement basis. That's why you sometimes see claims for bushfire or any disasters can be protracted because other jurisdictions might take a little bit of time to put in the claims for wages and other costs.

Mr VALENTINE - I wonder what sort of reticence there might be to pull in outside resources?

Mr GUTWEIN - Absolutely zero.

Mr VALENTINE - There is no holding back on that, you just get in, get the job done and then work out the paperwork later. Is that what you're saying?

Mr GUTWEIN - Yes. Across all jurisdictions, this country has been dealing with these sorts of events for some time. Cost is a secondary consideration in seeking support from other jurisdictions.

3.4 Government Businesses

Ms LOVELL - Treasurer, page 6 of budget paper 1, the introductory chapter notes savings and a review of returns from all government businesses. You spoke about that this morning. Your policy is already for 90 per cent returns: how much higher are you expecting to go?

Mr GUTWEIN - We will review the capacity of our stable of government businesses. When I first came to this place, David Crean had put in place the special dividend program for Hydro. Some of you might recall, back in the early 2000s it was \$50 million-worth a year of special dividends directly out of Hydro against its balance sheet. In total, it was \$280 million or \$285 million drawn down over a time.

CHAIR - He also took over as chair.

Mr GUTWEIN - These things happen. That's probably another topic for another day.

CHAIR - He shunted all the debt off to somewhere else.

Mr GUTWEIN - There are examples of government businesses providing significant support to the state outside of the bounds of their normal dividend policy. With Hydro, for example, we've had a different approach. Since I became Treasurer, we have provided a little over \$300 million-worth of equity in Hydro. I would need to check that number. We have been strengthening its balance sheet over that period. I don't want to 'set the hares running' in any of this. We are going to work with our government businesses and if a government business has the capacity to provide additional returns to the state, we'll look very closely at that.

CHAIR - This line item would be good set out as a note and easier to read. It talks about how much additional funding is going to Tasmanian Irrigation and TasRail, which is mostly federal money, I imagine. Some of it would be state. Is all of this the state component of it? A lot of that comes from the federal government.

Mr GUTWEIN - I will give you a breakdown as best I can. For example, Tasmanian Railway Pty Ltd, the cost of the previous four-year period from last year's budget across 2018-19 through to 2021-22, the state is investing \$44.9 million. Over the forward Estimates of this Budget and through to 2022-23, we're putting in \$128 million.

CHAIR - Is that in addition to the Commonwealth?

Mr GUTWEIN - Yes. I can give you the Commonwealth figures. We were forecasting \$68 million to Tasmanian Irrigation in the 2018-19 Budget. The state is now putting in \$74 million. The Commonwealth is putting in \$110 million and in the last budget it put in \$49 million. If I look at the Water and Sewerage Corporation, in the 2018-19 Budget we were funding \$80 million-worth of equity across the four years. In this Budget, it is \$180 million, an increase of \$100 million.

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CHAIR - As I understand it, last year - mind you, things happen slowly around here, sometimes a bit faster - you were putting \$20 million into TasWater each year as your equity contribution into the business as part-owner.

Mr GUTWEIN - Yes.

CHAIR - So, wasn't that contribution to the \$80 million?

Mr GUTWEIN - Yes. That was in last year's budget.

CHAIR - Yes.

Mr GUTWEIN - In this year's budget there's \$180 million, which is \$100 million in addition.

CHAIR - Right. I assume the additional funding is to deal predominantly with some of the relocation of Macquarie Point wastewater, the Launceston combined sewerage and wastewater system and Freycinet. Is that right?

Mr GUTWEIN - In all cases, we don't have final detail of TasWater's costs - there is \$100 million across the forward Estimates - nor do we have the timing of the projects.

CHAIR - Okay.

Mr GUTWEIN - You'd be aware of Freycinet - that's being looked at at the moment and work is being undertaken. TasWater will need to come back to us and let us know what it reasonable believes the residents should pay and what the state contribution might be over and above that, depending on what's proposed for -

CHAIR - To build it, are you talking about?

Mr GUTWEIN - Well, it depends on what's proposed for Freycinet. I recently met with the council to have a conversation. They're doing a desktop audit of what's happening in Coles Bay, which is where a large part of the load is. All those Coles Bay homes are on septic. Council is doing an audit to understand the prevalence of those that meet the standard and those that don't. There are three acts of parliament - the Local Government Act, EMPCA, and there's one other. Local government has the levers to say to somebody that their septic tank is failing and they need to deal with it. It will take a little while until we have a clear picture on what the investment would be at Freycinet.

CHAIR - It's unlikely to be spent in that next 12 months, that's what I'm hearing.

Mr GUTWEIN - As to Freycinet, I'm not expecting the review back from the council until about August or September. We'll have a look at what they come up with there. TasWater is working through the process at the moment and it will provide advice as well on what it thinks is the most appropriate -

CHAIR - So you have two bodies of advice, one from the council, one from TasWater?

Mr GUTWEIN - Yes. The other conversation that will have to be had is again about Coles Bay - there are those who would say that it should be reticulated sewerage for Coles Bay. We need

to understand whether that is needed and, importantly, who will pay. If you imagine putting reticulated sewerage into Coles Bay, you would be digging up the streets for the next three years.

CHAIR - It would excite the tourism operators no end, I am sure.

Mr GUTWEIN - Again, interestingly enough, at this stage we don't know until the council conducts its audit what level of failure there is in the sewage treatment that's occurring in septic tanks on individual properties. Part of the argument has been as well that septic tanks put in 25 years ago were ideal for the type of intermittent usage some shacks would have at Coles Bay, but that has now changed dramatically because they are now being used for Airbnb and people are using those properties more regularly. We are working through that. In this Budget we've attempted to make certain we have funding to get these projects underway. If we have to review it and look at what else is required, we will on an ongoing basis.

CHAIR - What is the plan with the Macquarie Point relocation and the Launceston wastewater and sewage combined system, similar to what you have described with Freycinet?

Mr GUTWEIN - In Launceston, TasWater, as part of its 10-year plan, had \$280 million set aside for the Launceston Integrated Sewerage Plan - LISP, which was, I think, six wastewater treatment plants into one. I think that is now about \$320 million, but from the discussions I have had with TasWater, before it plans what to do with the stormwater, it needs to understand what its capital program will look like in the future and where there may be crossovers between the separation of stormwater and the new system. That is all being planned at the moment.

For Launceston, the Commonwealth has funded, I think, across the forward Estimates around \$47 million. The state has committed \$10 million, at \$1 million a year, for the river remediation, and as soon as TasWater provides us with a profile of how the stormwater and the LISP program are going to work, we will provide additional funding for that program.

CHAIR - Does this buy you a bigger stake in the business?

Mr GUTWEIN - No, it doesn't. I want to be absolutely clear because I am sure that local government has an interest in this when they see additional funding. We are not looking to increase our stake, nor our rights or role in being an owner-shareholder.

CHAIR - That's all part of the MOU, isn't it? There is no legislative framework for that, it's just the MOU?

Mr GUTWEIN - No, it's in the MOU and then it's captured in TasWater's corporate documents which would be its statement of expectations, its shareholding agreement and a few others. We need to work with TasWater on this to ensure we can all move forward because it means significantly more investment through TasWater.

CHAIR - That was the question; when I saw the extra money going in, I thought they were only putting in \$20 million a year or whatever it was.

Mr GUTWEIN - I want to be absolutely clear that we are not looking to increase our stake in TasWater. We're looking to ensure we provide funding in the most appropriate way to move these three key large projects forward.

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CHAIR - One of the challenges is - and this is slightly off topic - the skilled workers to roll these projects out. They are all pretty urgent, one would argue.

Mr GUTWEIN - They are. TasWater is going through a process now setting up a project management office to ensure it can deliver more investment than it has done previously. I understand that process is almost complete. In fact I am catching up with TasWater later next week to get an understanding of where it is at with that. TasWater delivers a lot of small projects. There are the larger projects, but a lot of the work it does do is in that \$2 million-to-\$10 million bracket, which is very important for local tradespeople.

Mr VALENTINE - It's not a simple thing to bring a 10-year plan back to an eight-year plan, is it?

Mr GUTWEIN - Well, I have always thought it is entirely possible.

Mr VALENTINE - It is possible. I am saying it is not a simple thing.

Mr GUTWEIN - The acceleration of any infrastructure project presents challenges but it comes back to ensuring you do the planning correctly and you have the right service delivery model, which meant a better part of the first half of this year was setting up.

CHAIR - Does this reflect all the Government's equity investments in GBEs and TasWater not being a GBE?

Mr GUTWEIN - Which page are you looking at?

CHAIR - This is page 89, the revenue appropriation in 3.4. You have \$48 million or \$49 million -

Mr GUTWEIN - There was a table somewhere else in the Budget that provided a breakdown. What page was it on, in infrastructure in budget paper 1?

CHAIR - There are others as well, there's Metro -

Mr VALENTINE - Metro, Tasmanian Irrigation.

CHAIR - That's not the CSO for Metro. That must be additional funding. Is it?

Mr GUTWEIN - For Metro, that is the tail of the Bus Development Program, the single ticketing system and funding for ferries, which was initially a grant of \$500 000 to begin that process and \$500 000 equity each year.

4.2 Treasurer's Reserve

CHAIR - We will move to the Treasurer's Reserve. I don't have any questions on this; it is the reference to the change as result of the FMA, isn't it? Yes.

4.3 Miscellaneous

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We'll move on to Miscellaneous. This is where we are being asked to pass a line item with a negative figure in it. Revenue from appropriation by output. While you referred to the temporary debt repayment account earlier, that was never a line item. It didn't even appear in the budget papers in the TAFE.

Mr GUTWEIN - No, it appeared in the budget papers and it appeared in TAFE. Setting this aside, I am happy to talk about our savings. No decision has been made as to which agency will carry what level of savings. We are working through that. There is a lot of interest in Health and what the impact might be on Health. We have very firmly committed to no impact on front-line services and to maintaining essential services. I point back to the commentary from the Auditor-General. While there are two ways of looking at his report, my takeaway was that there are opportunities to being more efficient in Health and I think we should be looking at those.

Mr VALENTINE - Are you talking about the Department of Health as opposed to the DHHS?

Mr GUTWEIN - I am looking at both. One thing raised by the unions when they met with myself and the Premier was overtime in Health. They made a very sensible suggestion - one way you can manage overtime down is to employ more nurses on a full-time basis and manage overtime and your reliance on agency nurses.

Mr VALENTINE - Not to mention locum costs.

Mr GUTWEIN - Absolutely. In terms of Health, it may be that one of the pathways to manage overtime and achieve outcome in the health spaces to look at what we can be doing with the permanent workforce.

CHAIR - This is nothing new; we have been talking about this for years.

Mr GUTWEIN - It is a no-brainer to work through this.

CHAIR - Why haven't we done it?

Mr GUTWEIN - There are challenges associated with it. I point to Mr Ferguson who has great interest in more than 550 nurses being put on.

Ms LOVELL - A lot are leaving.

CHAIR - You have to count attrition.

Mr GUTWEIN - More than 550. The Health workforce carries 1000 more FTEs than there when we first began.

CHAIR - The demand for service has increased enormously.

Mr GUTWEIN - I am not arguing, From the Government's perspective, we have been putting people on, not taking them off. We need to manage the savings in front of us, If you look at what we spend in any given year on consultants, advertising and promotion, travel and transport is \$140 million across those line items across Government. We are looking to find \$50 million-worth of savings in the coming year and we will bear 75 cents out of every \$100 spent. We will look at what the revenue opportunities are across our Government businesses. Our aim is to ensure we

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have a maintained budget with a sustainable pathway for the Government at the same time as limiting the impact across our agencies.

Mr VALENTINE - You are expecting a 0.75 per cent efficiency dividend from most government departments. I have been in the system when edicts come out and the stress and leave in staff would outweigh the gains made.

Mr GUTWEIN - We are making \$50 million-worth of savings and it will be a combination of looking at those discretionary items I have mentioned and pointed to on numerous occasions. It will also be a matter of looking at targeted vacancy control and natural attrition.

CHAIR - We have seen targeted vacancy control have negative impacts in health when someone leaves. Targeted vacancy control can sometimes result in taking a long time to fill a needed position.

Mr GUTWEIN - Again, my point in saying the vacancy control will be targeted. I understand -

CHAIR - Targeted as a saving or targeted.

Mr GUTWEIN - We understand there is demand in Health and what we have to ensure where there is vacancy control, it doesn't impact on front-line or essential services. We need to work through the process. We are also looking at what opportunities for additional support from our government businesses, while across the forward Estimates we receive \$50 million next year, and there may be a component of that -

CHAIR - Unless this is meant to be included in this negative support, how much are you expecting to receive from GBEs and how much required in the efficiency savings?

Mr GUTWEIN - Again, it would be your interest on that side of the table and certainly mine on this side that if we can find as much revenue as possible to limit the efficiency dividend, that is what we will attempt to do.

CHAIR - You must have some idea, otherwise you are asking us pass a negative figure here with no idea as to where it is actually going to come from. Yes, there might be some increase revenue from GBEs. You haven't really identified any. Most are on a 90 per cent dividend position at the moment and the only ones we can drag special dividends out of this year are the financial ones who are doing a good job managing their money. Conflicts of interest aside - not a conflict of interest but being in both positions there, they obviously manage well because of the people there. You are asking us to approve a saving which may include some additional money coming out of our GBEs, which would reduce their profitability, and then that flows through to later years with reduced income tax equivalents, and so that flows through. It's just moving it around; it's shuffling the deckchairs. The only real cost saving is going to come from efficiency measures from departments, so where are you going to see them? Travel and consultants - how much saving is Finance-General going to have to make in travel and consultants?

Mr GUTWEIN - Ms Forrest, in those discretionary areas, the spending is around \$140 million per year and we will be looking closely at what can be reasonably be saved across those areas.

CHAIR - How much does Finance-General -

Mr GUTWEIN - Again, I am not going to provide you with those breakdowns because we are working through -

CHAIR - No. I am asking you: how much does Finance-General spend now in travel and consultants?

Mr GUTWEIN - Finance-General does not employ anyone. That's been explained this morning.

CHAIR - Yes, so it won't be from there. How much does Treasury and Finance spend on travel and consultants?

Mr GUTWEIN - We're working through that process.

CHAIR - Don't you know?

Mr GUTWEIN - Again, I am not going to set the hares running.

CHAIR - But you're talking about an efficiency dividend in these discretionary areas of consultants and travel. The area you oversee is Treasury and Finance, which still employs people. What's the cost of consultants and travel in that area?

Mr GUTWEIN - We're working through that process.

CHAIR - If it's only minimal, how can you create efficiencies there?

Mr GUTWEIN - We are looking at a suite of things here: savings in those discretionary areas, targeted vacancy control; there will be natural attrition, returns from government businesses, and they will be looked at.

CHAIR - I sat across the Treasurer after the GFC and heard exactly the same argument.

Ms LOVELL - Treasurer, you mentioned a couple of times overtime being an opportunity for savings, in Health in particular, and employing more permanent staff, which will lead to a reduction in overtime. I absolutely agree with you on that on point and it's something we've been talking about for a long time.

With Tasmania's nurses set to be the lowest paid nurses in the country with your wages policy, how do you expect to attract nurses to these positions so you can reduce the overtime they are working at the moment?

Mr GUTWEIN - All I can point to is empirical evidence, and that is that today we have 550 more nurses employed than what we had when we came to government.

Ms LOVELL - But in the future -

Mr GUTWEIN - Your argument is that we are paying nurses less than what the rest of the country is. We have been recruiting through that period. I would argue that it is difficult to get a comparison between Tasmanian nurses and the benefits they receive versus nurses in other

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jurisdictions. I know that some very helpfully put together by the union make the worst possible case for the Government.

My point is that we are not having difficulty in hiring nurses. I do not believe we will have difficulty -

Ms LOVELL - You are not having difficulty in hiring nurses?

Mr GUTWEIN - No, we are not.

Ms LOVELL - You might want to pop down to the hospital and talk to the nurses there. There was a trip to the UK that recruited no nurses.

Mr GUTWEIN - All I can point to is the fact that today, my understanding is, we have 550 more full-time equivalent nurses employed than what we had four years ago.

Ms LOVELL - Are they permanent employees or agency staff?

Mr GUTWEIN - Across the board, my understanding is that they are employed within the Tasmanian Health Service - THS. They are certainly part of our payroll. Questions of that level of detail in the Health portfolio are probably better directed to Mr Ferguson.

Ms LOVELL - They will be.

My second question: you've spoken a couple of times this morning about front-line services and that the front-line services and workers won't be affected - how do you define 'front-line services'?

Mr GUTWEIN - I am not going to get drawn into this. This debate has gone on and on in this state for a long time.

Ms LOVELL - You have used that phrase, 'front-line services'. I think it is fair to Tasmanians to understand what you're talking about.

Mr GUTWEIN - Yes, and I think that Tasmanians would understand that nurses, doctors and teachers - those people who deliver the front-line services - will not be affected.

Ms LOVELL - HR staff, are they front-line or back-line?

Mr GUTWEIN - I am not going to get into this silly game of determining -

Ms LOVELL - Well, I don't think it's silly for those workers, Treasurer.

Mr GUTWEIN - I think it is a silly game. We are not rolling out redundancy programs. We are going to manage this sensibly through natural attrition and targeted vacancy control.

Ms LOVELL - I am sure they will provide a great deal of assurance to those workers. Treasurer, who will be responsible for determining how these saving will be applied or how the cuts will be applied across departments?

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Mr GUTWEIN - The Government will work with secretaries to finalise this. It will be reported at the end of the first quarter and in the mid-year report.

Ms LOVELL - Is there a panel or committee put together?

Mr GUTWEIN - Internally there are government processes and ultimately the Cabinet will be the one that decides where these savings or revenue measures are from.

Ms LOVELL - You have referenced a review of the State Service particularly on budget paper 1, page 6. Is there, or do you intend to put together, a review panel to conduct the review?

Mr GUTWEIN - I said in my speech that we would draw from unions, business community and the NGO sector, and we would put together a working group to be part of the process. It would be a broad representation of both those that provide the services, those who represent those who do and those receiving the services who are a part of that board of review.

Ms LOVELL - Has anyone been appointed or invited to be a part of that working group yet?

Mr GUTWEIN - Not to my knowledge, no.

Ms LOVELL - Treasurer, do you rule out privatisation of any service delivery as part of this review?

Mr GUTWEIN - It has not been considered.

Ms LOVELL - So you can rule that out?

Mr GUTWEIN - Again, I am not sure what you are talking about?

Ms LOVELL - Or as a review of the State Service?

Mr GUTWEIN - In terms of the review of the State Service, we should allow that review to take its course, but it's certainly not in the Government's thinking we will be privatising services. No.

Ms LOVELL - Are you willing to rule that out?

Mr GUTWEIN - Again, it is not for me to rule it out. That would be a matter for the Premier. My view would be there will not be a privatisation of services as a result of the review.

Ms LOVELL - I am glad to hear that.

Mr GUTWEIN - Are there any that you'd like privatised?

Ms LOVELL - No, there are not.

CHAIR - I have a few questions in relation to this area of Miscellaneous, because it is bigger than just the Budget savings measures. Within the commentary on the Budget saving measures before we move off that - page 83 under Finance-General - you talk about the fall in GST and conveyance duty as an explanation for part of the need to look at budget savings. You also talked

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on the impact of more up-to-date data, which, together with inclusion of the proposed increase to foreign investor duty surcharge rates, has resulted in a forecast reduction in conveyance duty of \$254.8 million. Acknowledging those issues, with the introduction - and I can ask this later if it is better to ask under State Treasury and Finance, 2.2 - did the Foreign Investor Duty Surcharge actually raise any revenue last year?

Mr GUTWEIN - I think the legal fraternity is now comfortable. The Foreign Investor Duty Surcharge has been assessed on 191 transactions and is expected to collect \$2.1 million in revenue.

CHAIR - How much? Was it \$2.1 million? Does that appear in the conveyancing duties or where in the budget papers?

Mr GUTWEIN - It is part of duties and is dealt with as a parameter change.

CHAIR - This also covers the Tasmanian Government Radio Network. How many years has this been going now, Mr Ferrall? Probably preceded you, did it?

Mr FERRALL - Probably six years.

CHAIR - More than six years - it would be 12?

Mr FERRALL - Is it? Current incarnation or previous incarnation?

Mr VALENTINE - Previous incarnations as well. When it first hit the books.

CHAIR - Let's move into the current and future.

Mr FERRALL - That was in 1991.

CHAIR - It predates all of us.

Mr GUTWEIN - I am hoping I will be the Treasurer to deliver it.

CHAIR - Let's hope so. That's the question: Will you deliver it? Where are we at with that? It went out for tender - is that right?

Mr FERRALL - I am not on the steering committee any more. James might be able to make some comment.

Mr CRAIGIE - Yes, it is out for tender and my understanding is the tender period closed at the end of May.

CHAIR - Are you confident it will be built? How long will it take to build - a couple of years, three, four, 10?

Mr GUTWEIN - I have no line of sight on the tender finalisation. That would be better for the Police minister.

CHAIR - It says about \$25 million is provided in 2019-20 for the funding of the whole-of-government radio network by the DPEM and this increase is reflected in the anticipated cashflow

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for the project. This would suggest they are expecting to spend money on assessing the tenders and getting on with the job. Is that a fair comment?

Mr GUTWEIN - It is certainly our intention to get on with the job.

CHAIR - I am sure a lot of people will be pleased to hear that. During the bushfires last year, there were some real problems with communication between services. This is the reason we are trying to get this thing done. People down there have asked me about the status of this. It would be good to hear more from the Police minister.

We talked about Health demand funding, \$30 million in 2019-20 and \$10 million 2021-22, and that will be up to the Health minister to decide how that is utilised and when. Is it there as a provision?

Mr GUTWEIN - It is there as a provision. I am certain suggestions will come out of the meeting on the 19. Beds can be bought forward but that will be a matter for the Health minister.

CHAIR - Going to the Tasmanian Cycle Tourism Strategy, what is this for? Is the funding in this provision for the whole strategy or aspects of the strategy?

Mr GUTWEIN - I thought it was being utilised via grant arrangements to invest in mountain biking and tracks.

CHAIR - Is that mountain biking as opposed to the cycle pathways?

Mr GUTWEIN - That is a part of it as well. I think application can be made.

Mr CRAIGIE - That is the leftover funding from the election commitment; a fund was set up and some money allocated.

Mr GUTWEIN - It is a grant fund people can apply to. Presuming it is still open, it is on a website with suggestion from either local government or private sector, and we will look at those.

CHAIR - How much is in that fund?

Mr GUTWEIN - I think the original commitment was \$6 million.

Mr FERRALL - I don't have a figure with me.

CHAIR - Could you provide how much is left in that? The cycleway between Wynyard and Burnie has been languishing in spite of the desire of both councils to have it completed. I understand the reason it's not being progressed is because of the erosion at Ocean Vista in the Burnie City Council area. Until that is corrected - they were relying on government funding - is this where this money could come from?

Mr GUTWEIN - I will get some detail. When I looked at it, I presumed there may have been some grant funding that didn't go forward. I won't mention the mountain biking business.

CHAIR - That did receive a benefit?

Mr GUTWEIN - No, I can obtain a list of those who have benefits. There was one looking to have funding and hasn't, but I will get you a breakdown of who has received and what value is left.

CHAIR - Does anyone have a question on Miscellaneous? I assume because \$23 million in last year's and \$13.5 million in this year's Budget are still in place, there is still money there for other things and it is a bigger saving than \$61 million?

Mr GUTWEIN - That would be net.

CHAIR - That is what I am saying, it is net. What is the actual saving - you said \$50 million, but that belies this figure.

Mr GUTWEIN - In 2020-21, there would be \$50 million, which would be the 0.75 per cent for 2019-20, and then another \$54 million, 0.75 per cent, in 2020-21. That would be a total of \$100 million with the savings, which makes up the \$450 million which has been totalled. That is the net amount. The saving would be \$60 million. We presume from there that there would be \$38 million- to \$39 million-worth of funding continuing across that line item.

CHAIR - Could you provide a breakdown to make it clear?

Mr GUTWEIN - Yes, certainly.

CHAIR - We are looking at a negative figure here and the whole point of appropriating a negative figure, so if we could have a breakdown of what money will be in the account and what is actually allocated to the savings measures.

Mr GUTWEIN - We won't be appropriating a negative figure. The Budget sets out the financial plans - it is a forecast.

CHAIR - But it is the appropriation by output line.

Mr GUTWEIN - What you will be appropriating will be the headline number.

CHAIR - Let's see what that is, if you could provide a breakdown of that. Can you do that?

Mr GUTWEIN - Yes, I am sure we can.

4.4 Payments to Australian Tax Office: GST Administration

CHAIR - Is the fall over the forward Estimates in anticipation of the falling GST? There is less GST to collect.

Mr FERRALL - The payments are going down because they are making savings in how they are operating and becoming more efficient.

CHAIR - Are they? Maybe we could take some lessons out of their book. This must be a Treasury saving, as opposed to Health. The Treasury manages GST at a federal level, doesn't it?

Mr GUTWEIN - Yes, it does.

Mr FERRALL - The Australian Taxation Office does.

CHAIR - The ATO has become efficient? They will hit the media and will be on the *7.30 Report* tonight with an interesting story. It doesn't reflect the shrinking pool?

Mr FERRALL - It is not related to that.

CHAIR - If the pool shrinks further, will it affect that? The costs are costs, regardless of how much it is?

4.7 Property Management Services

Mr VALENTINE - Looking through the budget papers, it seems there are some conflicting statements. Could you reconcile what appears to be those conflicting statements regarding the budgeted numbers for the output? The numbers in the table are not reflective of the numbers provided in the text. The reasons given for changes in the Estimates vary also, being either a change to the accounting standard or the completion of the purchase of 21 Kirksway Place.

Mr FERRALL - Could you indicate what doesn't reconcile?

Mr VALENTINE - On page 85 -

Mr GUTWEIN - Rob, I know what is happening. If we go to page 80, and the text. The numbers directly correspond with what's in 4.7 in Output Group Expense Summary on page 80. You might be looking at the appropriation output for 4.7 on page 89 whereas the text relates to expenditure.

Mr VALENTINE - There is a need to clarify what is being shown by this output and the reality reflected in this year's Budget. They don't seem to align with what is actually happening. That is the first issue.

Mr GUTWEIN - If I can bring you back to the Budget -

Mr VALENTINE - On page 85?

Mr GUTWEIN - On page 85, the text very clearly relates to the line item for 4.7 on page 80, I think. It is estimated that property management will amount to \$37.5 million in 2019-20, at 4.7 on page 80.

Mr VALENTINE - But it is \$13 962 in 2019-20 on the budget line item. There is \$37.5 million and yet

Mr GUTWEIN - That's the revenue for appropriation by output.

Mr VALENTINE - Yes.

Mr GUTWEIN - Whereas what that note is -

Mr VALENTINE - The page 85 note?

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - That's speaking to page 80, which is the output group expense. It is the expenditure.

Mr VALENTINE - The expenditure. Okay, my mistake.

CHAIR - Any other questions?

Mr VALENTINE - Can you explain the 60 per cent increase in the appropriation for this output for the 2019-20 financial year, over what was expected in last year's budget?

CHAIR - That's the expenditure again, not the appropriation. We are on the expenditure page, not the appropriation page.

Mr VALENTINE - No, appropriation; the output for 2019-20 financial year. There is a 60 per cent increase on what the appropriation was last year, in last year's budget papers.

CHAIR - Sorry.

Mr GUTWEIN - Sorry, if you are talking about last year, all I can presume is that captures this year the purchase of Kirksway Place, and in 2019-20, I am presuming some of the fit-out costs.

Mr VALENTINE - It's just that there has been a 60 per cent increase in last year's Estimates for 2019-20, as opposed to what the budget papers this year are saying.

Mr GUTWEIN - The movement in property management services across the Budget and forward Estimates period primarily reflects revised cashflows associated with statutory maintenance and office works program, lease payments for CH Smith and Kirksway Place, and the impact of the new Australian Accounting Standard Board - AASB - leases.

Mr VALENTINE - Okay.

Mr GUTWEIN - That is covered in note 6 on page 81.

CHAIR - Can I ask who paid, or is paying, the refurbishment that needs to happen at Kirksway Place and CH Smith?

Mr GUTWEIN - In terms of Kirksway Place -

Mr FERRALL - It is going to be funded through the office works program, but Treasury as an agency will also be funding part of the fit-out.

CHAIR - How much is Treasury's responsibility?

Mr FERRALL - We have to work through that.

CHAIR - Any idea - a ballpark figure?

Mr FERRALL - It really depends on what the final cost is. We've worked through an estimate at the moment - I'll get the figure for that in a second, but that's sitting there at around \$8 million. If there are any further costs, they'll be picked up by Treasury.

CHAIR - Are you saying \$8 million is what Treasury is not picking up? What's the total cost of the fit-out?

Mr FERRALL - It'll be about \$8 million.

CHAIR - Treasury is not expecting to pay much?

Mr FERRALL - No, not a lot.

CHAIR - Okay, right.

Mr FERRALL - It's in the Treasury and Finance chapter.

CHAIR - Okay, we'll come to that then. We'll move on.

Mr VALENTINE - When you're looking at owned versus leased in how you provide office space, what's the rationale behind that? Are you able to table that rationale? Is there a premise on which you base your decision as to whether you own or whether you lease?

Mr GUTWEIN - I guess part of the consideration is whether we're in the property management business. For example, we don't own this building that we're sitting in.

CHAIR - Much to Don Wing's chagrin.

Mr GUTWEIN - The CH Smith building is on a long-term lease. Comparing leased property versus property that you own, for example, if I look at the Treasury building that we own, that has considerably more costs associated with owning it in terms of the ongoing maintenance of a heritage building that is established in a way that doesn't suit contemporary office management. There are costs associated with that, whereas with a lease, a lot of the maintenance is covered by the owner of the building. In Kirksway Place we'll actually own that building. That was part of the superannuation separation we went through a couple of years ago. That building has come back to the state as one of the assets as a result of that. My view would be that we would look at buildings, whether ownership or lease, on a case-by-case basis depending on what the purpose is.

Mr VALENTINE - I think I heard last year, and I can't remember now where I read this, but that you were actually looking at a review process overall, and some of that was in train, from memory. Mr Ferrall, I think, answered it -

Mr FERRALL - We have done a lot of work in relation to the leased accommodation in Hobart and Launceston. We've gone through a process of rationalising some of that leased accommodation. That's where I would have made comment last year about that project. Whether a property is owned or leased, as the Treasurer said, is a matter of looking at each property individually. There was previously, going back some time, a process of government divesting itself of all office accommodation.

Mr VALENTINE - That's right.

Mr FERRALL - But the current position now is maybe a little bit more nuanced around that. Government tends to be mixed in its performance as an owner of buildings. The rationale earlier

UNCORRECTED PROOF ISSUE

for going into leased accommodation was really that you turned lumpy capital expenditure into a recurrent lease stream. But if you look at something like the Kirksway Place building, it's probably important for government to have some ownership of strategically placed office accommodation in areas like the Hobart CBD, and even in the Launceston CBD. I don't think government wants to be totally captured by a purely rental market, and so sometimes having a strategically placed building is warranted and worthwhile.

Mr VALENTINE - Especially if there's any chance of monopolies in the private sector.

CHAIR - Yes, well we need to focus; we're going to run out of time.

Mr VALENTINE - Yes.

CHAIR - We haven't got to Treasury and Finance yet.

Mr VALENTINE - No, that's all right.

CHAIR - Do you have any questions?

Mr VALENTINE - Yes, I do. Regarding the ex-Forestry building in Melville Street, can you outline what has happened there? Police were to lease it, I believe, and now the university has bought it. For the record, perhaps you can give me a rundown on what dealings have happened with the site over the last few years when the Government sold it, the dollar value - how much they leased it back for per annum, the value of the works the Government undertook while leasing it to maintain or enhance it in some way for their purposes. A number of members would have received emails, particularly in relation to UTAS.

Mr GUTWEIN - If I can assist - I recall I have recently corresponded with people on those very questions. I am happy to provide some additional advice either to you separately or back to the committee on the matters you have raised.

Mr VALENTINE - I would appreciate that and have it on public record. There has been correspondence go backwards and forward from committees but if it is possible.

CHAIR - If you can provide a copy and table it when we come back after lunch, that would be helpful.

Mr VALENTINE - If we can do that.

CHAIR - You will be here after lunch?

Mr VALENTINE - Are you happy for us to table it, Treasurer?

CHAIR - You won't, but he will.

Mr GUTWEIN - The correspondence I have written would be to individuals who have inquiries so I don't think I should table that, but I can provide a similar level of advice to this committee, if that suits?

UNCORRECTED PROOF ISSUE

Mr VALENTINE - It would be good if we can table that. With that particular building, was a current lease broken and any compensation paid as a result of that? The police were going to move in there.

Mr GUTWEIN - I do not have that detail to front of mind but I am happy to take these questions on notice -

Mr VALENTINE - Will that be -

Mr GUTWEIN - I may not be able to get all that information this afternoon, but if you want to put any other questions on that on notice, I can respond back to the committee in total on these matters.

Mr VALENTINE - Okay. What valuation processes are required from the state that sells Crown properties? Is it up to the purchaser as would normally be the case with a domestic sale or does the state verify the purchaser is paying at or over the valuation held on the state's valuation role?

Mr GUTWEIN - Obviously, my understanding in terms of crown land or property is we cannot sell below Government valuation and if we do, there is a process whereby we need to bring a notice back to both Houses. In terms of any properties sold, I am presuming they have been sold at a market price above the Government valuation.

Mr VALENTINE - What relationship does the state Government have with the University of Tasmania in relation to its physical assets such as buildings? Do we have any overseeing role? Does Treasury have an overseeing role in how they handle their properties? From a funding perspective, it is mostly Commonwealth.

Mr GUTWEIN - Are you asking me - would I like to, or do I?

Mr VALENTINE - I am asking what formally exists.

Mr GUTWEIN - The university is an entity in its own right and it makes its own decisions in terms of its own property portfolio.

Mr VALENTINE - There is no overseeing role the state Government plays?

Mr GUTWEIN - Unless there is, for example, say Launceston with the transfer of the university move into the city. Obviously, we have a funding deed in place in terms of the requirements we would expect to be exercised and met by the university. Certainly, the Commonwealth would have a similar funding deed in place in terms of its support but with regard to property what the university decides it will purchase itself off its own balance sheet without any government support is a matter for the university.

Mr VALENTINE - What funding arrangements are there between the university and the state Government? How does it work? What does the state provide to the university?

Mr GUTWEIN - For separate projects, obviously those would be captured by deeds and on the public record. The university would argue it shouldn't pay payroll tax but it does and I would presume it wouldn't meet either a charitable or education exemption and would be paying land tax.

Mr VALENTINE - Okay.

CHAIR - We are going off the topic.

Mr VALENTINE - It is Treasury.

CHAIR - The line item is property management. Are there any other questions on this line item? We have to finish this before 1 o'clock.

Mr VALENTINE - There was a lot of discussion of the Treasury building last year. You mentioned the due diligence phase. Can you update the public listening on what is happening?

Mr GUTWEIN - I would refer the public to page 309 in the Treasury chapter -

... the Government intends to seek proposals through a multi-staged open expression of interest process for the divestment of the Treasury Building Complex ... The process to be undertaken will be similar to the divestment of parliament square. The Government is committed to ensuring appropriate and open community consultation occurs across the divestment process.

The divestment of the Treasury Building Complex is being progressed in a structured and considered manner to ensure that the eventual outcome of the site meets the expectations of the Government and the community. On this basis, it is currently intended to progress the divestment through a three stage process incorporating an initial Registration of Interest phase, Expression of Interest phase and, finally, a detailed Request for Tender phase. The initial ROI phase is expected to be released during June-July 2019.

Mr VALENTINE - Okay. What public consultation took place before making the decision to divest and what process has been put in place to consult before the sale?

Mr GUTWEIN - The Government formed the view as a result of what had been very strong interest in that site over time. It has been part of the public discourse in this city for 10 years. Does it provide contemporary, fit-for-purpose office accommodation for Treasury or for public servants, regardless of agency? The answer is a resounding 'No'.

Mr VALENTINE - I understand that but what public consultation took place prior to your decision to divest?

Mr GUTWEIN - The Government formed a view as a result of decades of interest in this building. Being cognisant of the investment that would be required to maintain it or bring it to a contemporary level of office accommodation, we took the view we should divest.

Mr VALENTINE - It came as a surprise to the public, after rather than before the election.

Mr GUTWEIN - It was a budget announcement last year. I am proud to say, hand on heart, that more Tasmanians have seen the inside of that building than at any other time in its history since I have been Treasurer.

UNCORRECTED PROOF ISSUE

Mr VALENTINE - Have you seen much feedback since letting it be known you wanted to divest, apart from developer interest?

Mr GUTWEIN - Not as much as people would expect. Raising it again today, I will probably receive a couple of letters from interest groups. There has not been a concerted campaign of letter-writing. There are some individuals with a view on this site. It is apparent to me the public want better access to this building.

Mr VALENTINE - I would agree with that.

Ms WEBB - Whether they want to sell it is another matter.

Mr GUTWEIN - Whoever owns that building, it will sit in the heart of Hobart forever. It is not being taken away.

Mr VALENTINE - If you have to pay \$350 a night to be in it -

Ms WEBB - If you sell it to someone, the community no longer owns it. It has been taken away through your decision, not through theirs.

Mr GUTWEIN - Depending on how divestment takes its course, our Government is looking to ensure the community has input into its uses and that the community gains better access to that site.

Ms WEBB - Excellent, so what processes are those for the community to feed into those uses?

Mr GUTWEIN - There will be a registration of interest process announced for anybody to submit to.

Ms WEBB - A community member in suburbia who might not like the idea of you selling it is hardly going to participate in a registration of interest process to buy it. You talk about meeting the expectations of government and the community as to eventual outcomes of the site. How will you determine the expectations of the community?

Mr GUTWEIN - It would be my intention, once we have been through the registration of interest process, to begin a broader discussion with the community about what the potential uses might be. As to some of the suggestions; should it be part of Tasmanian Museum and Art Gallery? I don't think so. Maybe there is an opportunity for some of TMAG's very impressive collection to be hung in that building on an ongoing basis. Let's test the market, see what the registration of interest brings through and what ideas people have. We are not going to sneak up on the public of Hobart and say -

Ms WEBB - I think you already did that last year when you announced it in the budget. I am still interested to hear from you about your process.

Mr GUTWEIN - With the greatest of respect, this has been discussed for a long time -

Ms WEBB - It might have been discussed by developers, Treasurer, and people who are working in government. I doorknocked over 6000 homes in the greater Hobart area and I can tell you that many people, who are not going to be part of your ROI process, raised this as a concern.

UNCORRECTED PROOF ISSUE

They were surprised when it was announced last year. It is something of interest to them and they would like to know what the process will be for them to have a say in this. You still haven't answered me: what would the process be for you to connect with the community about that?

Mr FERRALL - The intention is to go to an expressions of interest phase. Similar to the Parliament Square development, when that advances to a small number of proponents, there will be an opportunity for public consultation on the examples of proposed development that come back from potential developers.

Ms WEBB - The assumption being that it will be sold.

Mr FERRALL - It is not necessarily a given outcome that a developer would propose that the building be sold; it's a working hypothesis. You could end up with something like the Parliament Square development. In order to advance this whole development, there needed to be a significant government-anchor tenancy. That is why we have the nature of the development we have on this site.

Ms WEBB - If there is significant opposition to any of the options put forward through the ROI process. where are we then? When I want my toddler to 'choose' what they are going to wear today, I say, 'Do you want this one or this one?', because I have chosen both of the options they are going to choose from.

Mr FERRALL - In relation to your comment about public opposition, I have been in the building for a long time; I went to the open days and spoke to numerous people about the proposed sale. There were some individuals who were opposed to any form of sale at all but the vast majority of individuals weren't concerned about ownership per se, they were concerned about ensuring there was community access to the building. We had literally hundreds, if not thousands, of individuals who came through the building and they weren't making the same comments you are making in being opposed to private ownership. They wanted to ensure that there was open access to the public for areas of the building that have significant heritage value.

CHAIR - We need to move on from this point; we have spent a lot of time on it and we have a lot of other line items to get through. Unless there is anything burning on this one, I am going close this one and move to the next.

Mr GUTWEIN - I think Mr Ferrall has outlined the process.

CHAIR - Maybe there is another opportunity for a briefing. Meg is a new member here. We have had the benefit of briefings in the past, but that is another way forward to provide a better understanding of the options. That is the valid question: what options are there?

4.8 Infrastructure Investment Project Planning

CHAIR - Can you provide a list of the infrastructure investment projects to the committee, perhaps a list if you have one, in this process, including what was assessed this year?

Mr GUTWEIN - We can table that it.

Grants and Subsidies

CHAIR - With the Grants and Subsidies line item, you have appropriation for next year of \$139 million. The list on the next page has the breakdown of \$406 million, which is quite a difference. There is \$302 million in Australian Government funding, which is the money that comes from the federal government and is spent. It doesn't add up. Are there things that aren't listed in this such as other concessions? I am happy to subtract the Australian Government money out of that but there is still a difference.

Mr FERRALL - No, there wouldn't be. You would have things like the local government funding going through there as well, which is the line above, but you are comparing -

CHAIR - Appropriation with expenses, that is the only difference.

Mr VALENTINE - Can you detail why these Estimates are trending upward to over \$150 million after a 30 per cent reduction in the appropriation during 2018-19 in last year's budget papers? What has changed to cause that?

CHAIR - It's due to more money coming from the federal government, isn't it?

Mr GUTWEIN - I will need to seek advice on that.

Mr FERRALL - Can Mr Valentine clarify which numbers he is comparing?

Mr VALENTINE - We are talking about appropriations during 2018-19 in last year's budget papers. You look at this year's budget papers and there is a significant 30 per cent reduction in appropriation during 2018-19 but it is higher this year.

Mr GUTWEIN - You aren't looking at 2018-19 budget paper?

Mr VALENTINE - No, I am looking at last year's budget paper and I have left it in my office. I apologise for that you probably have it there.

Mr FERRALL - I don't have it here, but we can give you the reason there has been a change between last year's budget appropriation and the equivalent for this year.

CHAIR - Can I ask why you believe, with the first home builder assistance, there is that sudden increase? It is not as if you are changing it, you are extending it. It goes from \$9 million in the budget last year to \$12.7 million this year and drops away again. Are you expecting a significant uptake?

Mr GUTWEIN - When I think back to the profiles in each iteration, when we have extended it, there has always been that initial early interest. I presume that part of the uplift is as a result of what is in the tale from the previous program. There will be the new program -

CHAIR - It's not new, it an extension.

Mr GUTWEIN - The program would have been finishing on 30 June this year, therefore you would see the tail of the program, from what has been occurring currently, and new funding has been added.

CHAIR - It is a one-year extension: how does that happen? If you are extending it each year you don't have the lag any more than you had the year before.

Mr GUTWEIN - I am trying to think of the profile of the payments -

CHAIR - Maybe you could have a look at that and come back to the committee as to why there is \$3.5 million more in only a year. Unless there are a lot of houses ready to go -

Mr GUTWEIN - I am presuming it is to do with the timing of starts of contract. I can't see any other -

Mr FERRALL - We might have the answer for you.

Department of Treasury and Finance

Output Group 1

Financial and Resource Management Services

1.1 Budget Development and Management

CHAIR - Okay. Moving on to capital expenditure. I have nothing on that; all makes sense. We will move to Treasury and Finance. Do you need any change of the table, Treasurer? Regarding 1.1 Budget Development and Management, this relates mainly to the new shmiko system, as we have called it for a couple of years. Last year Mr Ferrall said it was going to take two years to fully implement. Treasurer, is it going to be implemented within the next year? And is it on budget, and what is the final cost expected?

Mr FERRALL - So, you're on Table 12.2?

CHAIR - I am looking at 12.9, but it also affect 12.2, the Budget Management System.

Mr FERRALL - It is on time and running to budget. I'll will get some figures on final estimated costs. It is running on time and on budget. As we are looking at some further enhancements over the next little period, we are sort of calling it budget 1.1. It is not unsurprising in terms of the size and complexity of the system that there are refinements. They relate not to the system itself or the underlying system, but to what we can do with the system. Enhanced reporting and greater capacity to obtain information out of the database. We will have to come back to you on the -

CHAIR - On total costs?

Mr FERRALL - Yes.

Output Group 1.2 Financial Management and Accounting Services

CHAIR - Any other questions on 1.1? Some of these we will question in Finance-General, so we will try to move quickly through those. Output Group 1.2 Financial Management and Accounting Services. Why is there a reduction in next year's budget and forward Estimates in this line item? I assume it is because of work round the FMA being finalised, but not clear. The

appropriation drops from \$3.6 million to \$3.5 million and then comes back up less than what it is this year, and turning in 2021 -

Mr FERRALL - This related to the way we allocate corporate overheads. I think we have had these discussions before.

CHAIR - Okay, what, sorry?

Mr FERRALL - Corporate overheads. How we allocate corporate overheads to individual output expenses give variations across the years. So, that's driving that.

CHAIR - My budget paper's falling apart.

Mr FERRALL - So is mine.

CHAIR - Is it? Right. Tragic, isn't it.

Mr GUTWEIN - It is a bit of a quality issue, Andrew.

CHAIR - It is a quality issue.

Mr GUTWEIN - We have used a lighter glue than in previous years.

CHAIR - That is what happens, you see - the budget papers fall apart. In the description of this line item, it talks about it supporting a range of services, including management of financial assets and liabilities and associated risk mitigation strategies. I am trying to understand what actual risk mitigation strategies actually are doing in this line item. What are you actually looking at? Is it risk to the budget, or other risks?

Mr FERRALL - It is risk to the budget. But if we are looking at investments and borrowings, the people in this area work with TASCORP in terms of appropriate investment and borrowing management strategies.

CHAIR - That is about the borrowings the Government is taking on those sorts of risks?

Mr FERRALL - Yes.

CHAIR - All right, that is all I have on that line item. Anyone else have anything there?

1.3 Shareholder Advice on Government Businesses

CHAIR - I did ask earlier about the one related to TasWater, which I won't need to revisit. I note this area prepares submissions for credit ratings agencies. So, what have the credit agencies said about this Budget and taking on the additional borrowings and that sort of thing?

Mr GUTWEIN - On the advice I've received, in terms of our metrics, we're not at risk of a credit downgrade as a result. I think it would be fair to say that Moody's noted it wasn't credit positive. We are taking on more debt. The return to a fiscal surplus takes longer than it did in last year's Budget. Broadly speaking, my view is that the commentary from the credit rating agencies

was reasonable for the circumstances we find ourselves in. Certainly there is no expectation of a credit downgrade at all.

CHAIR - Do the credit agencies provide written advice to you? How do you get that feedback?

Mr GUTWEIN - Treasury engages with them regularly.

Mr FERRALL - Prior to the release of the Budget, we provided credit rating agencies with an embargoed copy of the Budget. This year, and nearly every year, to my knowledge, we spoke to the credit rating agencies the day before the release, so there are no surprises with the rating agencies. We meet annually with each of the rating agencies and after they've met with us, they do their formal credit rating assessments. They haven't done a formal upgrade or change of their assessment from our Budget. They did put out releases, which you would have seen. We're meeting with both agencies in July. Following those meetings, they'll put out their written or formal credit rating assessment.

CHAIR - They don't take a proactive approach then?

Mr FERRALL - We have ongoing dialogue with them and TASCORP does as well. 'Proactive' might be a bit strong, but certainly -

CHAIR - In between budgets there's engagement? Is that what you are saying? That is perhaps more the question.

Mr GUTWEIN - Every year since I've been Treasurer we've always met in July or August with the credit rating agencies.

CHAIR - Just on the line item, I know that the appropriation drops away. It goes up in 2020-21 but then drops away. Is there a reason for that? Is there an area you're not focusing attention in?

Mr FERRALL - We have some additional FTEs in the area which are part of the energy market's review and then they drop away as we get into those out-years.

CHAIR - That is one of the efficiency measures, I reckon? It's just for completion for a body of work.

1.4 Government Property and Accommodation Services -

CHAIR - We have asked quite a few of these questions under Finance-General. Are there any other questions?

1.5 Government Procurement Services

Mr VALENTINE - Economic and fiscal.

CHAIR - That's in revenue. I have some questions around the Tasmanian Risk Management Fund, but I might leave those on notice. Unfortunately there is a big chapter on Tasmanian Risk Management Fund but it doesn't actually give itself a line item.

Mr GUTWEIN - I responded to your question on that.

CHAIR - You did, a while ago.

On that point, Treasurer, last year when you talked about the increases to the Tasmanian Risk Management Fund drawings, it was around workers compensation increases. The commentary even says that an increase in workers compensation claims and the 18 May weather event. Last year it was actually property claims. Do you know how much the previous year's floods cost the fund in total? If you don't have that now, I can put that on notice to you.

Mr GUTWEIN - I would need to refer that to Treasury for that. We'll put that on notice.

**Output Group 2
Economic and Fiscal Policy Advice -**

Mr VALENTINE - There has been some discussion on this. Given the data provided by TasCOSS in *The Mercury* on the day after the delivery the Budget - you probably saw that on the front page of *The Mercury* - as to people's disadvantage and all the rest of it.

Can you provide any information relating to whether the deliverables of this output group will be extended to a broader assessment of the Tasmanian economy that includes not just aggregate economic performance but how that economic performance is actually impacting on the wellbeing of the Tasmanian community, the sustainability of our environment and also the resources sector?

We had a discussion on this earlier. Why not look more broadly at performance across the board, taking into account the state of our community as opposed to just the economic aspects?

Mr GUTWEIN - That has been framed to some degree on the steps that New Zealand is taking as well.

Mr VALENTINE - It is.

Mr GUTWEIN - I haven't looked at the way New Zealand has presented its budget papers yet. I have read about what they are attempting to do. My intention is to seek some advice from Treasury over the coming year and we will have a look at whether there is a broader range of indicators we can look to use.

I point out that for the first time there is funding in the Budget, albeit someone said not enough, but we have made a start with the strategic growth initiative and the \$6 million there across the forward Estimates, which is designed to ensure we look very closely at the linkages between those, especially in regional areas, and how we ensure that pathways are created so that they can share in some of the broader infrastructure spending that will be flowing to the regions.

On your question, I intend to get some advice on what New Zealand has done and then we will consider whether there is a place for it in our Budget.

Mr VALENTINE - Good, I appreciate that.

Ms WEBB - Will we be able to speak more about the strategic growth framework? Is now the right time?

UNCORRECTED PROOF ISSUE

CHAIR - We are running out of time for lunch. Treasurer, we will ask you to come back with your team for Treasury and Finance after lunch, at 2 o'clock.

Mr GUTWEIN - On strategic growth, I can speak broadly about my understanding and what I've funded, but the Premier is the right person to speak to about what those initiatives might be.

CHAIR - We will return at 2 o'clock.

The committee suspended from 12.59 p.m.

Mr GAFFNEY - I also realise a variety of measures are being introduced by the state Government in the 2019-20 Budget, some of which is legislation and some of which is gazetted in the ministerial spending. Are you able to provide numbers of Tasmanians who have applied for the First Home Owner Grant? I heard there were 71 for the year. I am also interested in how many were successful and unsuccessful when they applied. You can provide this at a later time.

Mr GUTWEIN - I am very happy to. We have that detail.

Mr GAFFNEY - I would like the same information for pensioner downsizing. Many people would be many interested to know how many pensioners that impacts and whether that positively impacts within those parameters.

It says that land tax is applied to commercial or vacant land, holiday homes, rental properties and vacant homes. I understand the short stay accommodation issue and that of newly built housing. Do you break those down into different categories for each of those categories or is it only a lump sum revenue? Do you have an idea of the tax you receive from commercial land or a holiday home, do you break it down into that detail?

Mr GUTWEIN - Yes. We have that detail.

Mr GAFFNEY - If you could provide that, it would be of interest.

CHAIR - Do you want the land tax broken down

Mr GAFFNEY - In the definition it says, 'commercial, vacant land, holiday homes, rental properties and vacant homes'. I am wondering, how far down do you -

Mr GUTWEIN - I will ask the commissioner. We can give you some of that. We break it down into primary production, general land or principal place of residence.

Mr GAFFNEY - That would be helpful because you can see the fluctuations from year to year.

On page 107 there is an issue with a conveyance duty. Why was there was \$50 million less on conveyance duty than we had estimated? It came in at \$297 million in 2018-19 but we received \$245 million. It was touched on in the papers, but why there would be that much difference in what was expected and what was received?

Mr GUTWEIN - A couple of things occurred with the projections. It has shifted in the residential market, largely from the south to the north and north-west. We have discussed that on

previous occasions. The median value of a property in the north or north-west is below the south and while we saw the volume of sales hold up for a reasonable period for the last financial year, they were sales that were generating less duty on the basis of the value of the property. In recent times we have seen the volume of sales also start to flatten out. There are a couple of reasons for that. If you speak to the real estate agents at the moment, they will say that they struggle to find stock to list and it is a stock problem. What we are also seeing is that, as a result of what has occurred on the mainland, specifically in New South Wales and Melbourne, around 20 per cent of our property is purchased by interstate and international buyers. A large part of that 20 per cent are interstate purchases. There is a lack of confidence in the markets on the mainland and we are seeing less interest as well.

Mr GAFFNEY - Page 108 lists motor tax; it is interesting the predicted figure is \$89.9 million and the outcome was \$94.1 million, which is \$4.2 million extra for motor tax. Was there a change in the tax rate? That's a significant amount of money. What is the reason for that?

Mr GUTWEIN - New motor vehicle sales.

Mr GAFFNEY - They have increased?

CHAIR - Maybe this is something you can table. This line item has the minister's grants and subsidies. Would you provide a list of all grants and subsidies administered under this line?

Mr GUTWEIN - I think they are in the Budget.

CHAIR - Are they? I couldn't find a list that was specific to this output group.

Mr GUTWEIN - In the interest of time, I will take it on notice.

CHAIR - Okay.

3.2 Regulation and Administration of Liquor and Gaming -

Mr GAFFNEY - Is the increase in the lottery tax of \$4.3 million because more people are putting into the lottery? Is that the deal or is there a change in the rate?

Mr GUTWEIN - It relates to the number of jackpots and that more people buy a ticket when there is a bigger prize on offer.

Mr GAFFNEY - That makes sense. There are a number of notable trends in public spending on different forms of gambling such as changing from EGMs to using Sportsbet online, for example. How does the Government forecast gambling trends and how can that impact licensing? Crystal-balling, how do you do that with the different forms of gambling?

Mr GUTWEIN - That is not my area, but Mr Ferrall might like to discuss how forecasts were set.

Mr FERRALL - We use a range of models for forecasting. Largely those models are based on history. We use trends but then we temper those with known changes that might be occurring. If you look at something in the gambling area, such as an increase in activity in harm minimisation,

you would expect a reduction in growth or that trend of revenue. They are quite complex models we have underpinning our forecasts.

Mr GAFFNEY - We heard through the gaming inquiry that places like New South Wales and Queensland receive 10 to 12 per cent of their revenue from the licensing structure of their EGMs and in Tasmania it is 1.5 to 2 per cent. Do we have a figure about what reliance this Government has on its overall revenue from licensing of gaming machines? The proposal was put to us that if there were no gaming machines in our pubs and clubs and it was confined to the casino, it wouldn't impact on the Government's overall state revenue as it would in other places like New South Wales and Queensland where it's a significant proportion of what the government receives. Do you have any comment or figures on what receipt we have from licensing of EGMs?

Mr GUTWEIN - We receive a significant component of our return from the hotels, pubs and clubs. As to the percentage we receive from licensing, we'd need to -

Mr FERRALL - We could calculate the figure; we don't have it as a figure we keep.

Mr GAFFNEY - It would be good if you could calculate the figure because it is one thing that would have less impact in Tasmania than in other states if that wasn't the source of revenue. I would be interested in that.

Ms WEBB - I am interested in that question too. The way I would phrase it would be: what is the current percentage of state government revenue provided by taxes from poker machines? Then also, under your new policy due to come through, what percentage of state Government revenue will be provided through poker machines in your modelling at that stage under the new arrangements?

Mr GAFFNEY - The last question: could you give us some sort of update on the time line proposed? I see there is extra funding in 2020-21 to do with the new contracts for arrangement, whoever that is, LMO. What is the process now? We have been told that it's conversations with stakeholders: have you a list of the stakeholders now in that discussion space?

Mr GUTWEIN - Currently we are working through the arrangements with the industry and the framework of the legislation. I have had meetings in the last 12 months with other interested stakeholders. I have indicated that, as we frame up the proposal in terms of the increased community service obligation and how that is spent, where it is directed, I am happy to consult on those arrangements. The legislation is in the process of being developed over the course of the coming six months. We will introduce that in March next year - that is the time frame.

Mr GAFFNEY - One of the stakeholders as identified clearly through the gaming inquiry was local government areas that did not want the proliferation of EGMs in their communities, for example, Glenorchy, 270 - that sort of thing. Are they a stakeholder in the discussions you are having at the moment, at the same time as we are dealing with this issue to try to get a favourable way of getting EGMs out of those communities that don't want them there as much?

Mr GUTWEIN - I haven't had any conversations as yet with local government because we are working through this process; certainly none as part of the framing up of the legislative work that we are doing. If a local government body, whether it be Glenorchy or Brighton, wanted to talk to me about these things, I would be happy to have that conversation.

Mr GAFFNEY - With all due respect, I thought that was part of the reason we had the inquiry - to come back with recommendations and findings the Government would take on board. One of those clearly said to decrease the number of EGMs in some municipalities, and we had representation from those councils at those hearings. I think this issue will impact on the Budget, but I am interested to see how it will be handled as those groups should be part of the stakeholder consultation.

Mr GUTWEIN - I guess, with all due respect to the inquiry and where it landed, the Government took a policy to the election and that is the policy we are working on implementing. As for stakeholders, I am quite happy to engage with them, be they local government or NGOs or the industry itself, but our policy is pretty clear in what we took to the election.

3.4 Office of the Superannuation Commissioner -

Mr GAFFNEY - I have a quick couple of questions there. I knew it was to do with the office itself and the member for Hobart covered it quite well. The commission was established under the 2016 act, is that correct, just recently, with three members? I know it is legislated, but isn't all the work done behind the scenes with Treasury? How many staff at Treasury are involved with the Superannuation Commission and the work they do there? It has been suggested there is no real need for a commission if they are just getting the work done. What wage does each commissioners receive? What do they do that couldn't be done by a Treasury official? It looks like numbers.

Mr GUTWEIN - It is. Well, first, there is a substantial saving involved in the management of the defined benefit scheme as opposed to when it was under the RBF. The commissioners broadly have assets they manage and there is an investment portfolio they need to involve themselves in. In the work undertaken by the commission there are a number of interactions with members. The defined benefit scheme in terms of the understanding and management of the rights of individual members and the way those things are managed is a busy unit.

Mr FERRALL - The commission itself acts as an independent statutory body. It has the role as a trustee. You are correct - all of the work is done by about 27 Treasury people who work in the branch. But the commission has to exercise its mind as an independent statutory body in relation to changes to member benefits, appeals or disputes. It is a valid question as to whether you need three exercising those functions and that was a commitment the Treasurer gave during the passage of the legislation along with a review of the number of commissioners in the future.

Mr GAFFNEY - Okay. You have done the whole output, and managed it all about the same level with \$350 000 less for the next financial year. But then, in 2022 and 2023 you've added another \$390 000, up nearly \$800 000 from 2019-20 to 2022-23. Again, you say the bottom line has not changed, but that is a fair degree of difference.

Mr FERRALL - The drop in from 2018-19 to 2019-20 would have been because one-off activities occurred as we were establishing the branch and working through starting up the commission.

Mr GAFFNEY - Okay.

Mr FERRALL - This is where you find it was slightly higher and then dropped.

Mr GAFFNEY - In four years time, it's expected that \$800 000 more will be needed to run that same service?

Mr FERRALL - Yes, and there is an outsourced contract that gets indexed.

Mr GAFFNEY - Okay.

Mr FERRALL - I would have to check, but I believe it included it that number.

Mr GAFFNEY - And what was that outsourced contract for?

Mr FERRALL - That was outsourced to Link Services which basically does all the administration of the member benefits behind the scenes. So, it is similar to the role Mercer had previously.

Mr GAFFNEY - Okay, all right. Thank you.

Output Group 4.1 Community Assistance

4.1 Bass Strait Islands Committee Service Obligation

CHAIR - Just one question I am sure the Treasurer is expecting. Why are we handing that [inaudible] back to Hydro now? You said it was with Hydro once. I am not sure when it came across. When did it come across? Why are we transferring it back now?

Mr GUTWEIN - It came across around 1999. Simple answer to why are they managing it now: we lost \$535 million-worth of revenue.

CHAIR - Now is a good time, then.

Mr GUTWEIN - I looked at government businesses and made decisions in terms of who might be able to do more.

CHAIR - The intention is to leave it with them, even if things are tough. Basslink's down again. We could find ourselves with Hydro again facing additional costs.

Mr GUTWEIN - If \$10 million is the difference between Hydro being successful or not successful -

CHAIR - We are in real trouble, yes. That's true.

Mr GUTWEIN - An organisation of that size can comfortably manage this cost.

CHAIR - Okay. I have no further questions.

Mr GUTWEIN - It provides Hydro with the opportunity to look at how it might operate and provide services to the islands as efficiently as possible. At the moment it receives a community service obligation and we have been paying whatever the bill has been.

CHAIR - Less reliance on diesel and things like that: is that what you are talking about?

Mr GUTWEIN - There are all sorts of opportunities there.

Tasmanian Audit Office

CHAIR - Thank you for coming, it is always good to have you here to talk about how you perceive your budget. We appreciate the amount of work that comes out of your office. Would you like to make any overarching comments or head straight to questions?

Mr WHITEHEAD - I am happy to go straight to questions this year, thank you.

Mr GAFFNEY - We are fortunate we have regular meetings with your office and staff. The funding seems to be rising incrementally over the forward Estimates - \$16 000, \$46 000, \$48 000 and \$43 000. Do you put in a submission to government for more money, including your reasoning?

Mr WHITEHEAD - Yes, we do. Each year we are invited to submit for budget committee consideration through Treasury submissions where we perceive there might be a need for us to provide additional services or to meet the operational needs of the office. We also have a large degree of discretion about how we spend the appropriation we receive, provided it is within the purposes provided for within the act.

From time to time, we do identify potential additional needs and an example of that is this year we do provide members of the public the opportunity to submit areas where they may have concerns about the use of public property or the expenditure of public money. Occasionally, we will receive what we call referrals from members of the public requesting us to undertake investigations in regard to those two areas. We received an increase in the number of referrals over the last four months. We did request that we receive an additional appropriation to assist in managing those referrals, but unfortunately that request was not met.

CHAIR - Can I ask what amount were you asking for to facilitate that work?

Ms JOHNSON - It was approximately \$150 000.

Mr GAFFNEY - How many full-time employees are in your office?

Mr WHITEHEAD - We have approximately 45 full-time employees.

Mr GAFFNEY - You outsource some of your audits. We had one here recently. How many have you outsourced in the last 12 months?

Mr WHITEHEAD - Perhaps I should clarify: we have two sources of revenue we receive. One source is our appropriation revenue, which covers our performance audits in the main but also covers some probity audits and the employer audit we undertake each year. Our other source of revenue is from our financial audits - we charge clients for the work we do for them. We outsource some of our financial and performance audits. We have generally done our performance audits in-house until this year. We recently commenced outsourcing a couple of those, the largest reason for this being that we undertook a restructuring of the office. As a consequence we had to fill some positions held by members of staff, refill other positions that became vacant within the office to facilitate the continuation of work during that time.

UNCORRECTED PROOF ISSUE

Mr GAFFNEY - I hope I frame this in a way that is not offensive. Do you have enough of a skilled workforce in Tasmania to have the work you need to undertake within your office or do you have to look outside the state?

Mr WHITEHEAD - As at this time, we don't have sufficient staff to undertake the work we need to do. We have had to resort to contracting some people in to assist in undertaking that work and contract some of that work out to some of the firms to undertake on our behalf. We are going through a period of rebuilding, particularly the Performance Audit Team. Only today, a new Assistant Auditor-General, a performance auditor, has joined the office. That position has taken approximately two months to fill. In conjunction with the new Assistant Auditor for Performance Audit, we will be making decisions about future resourcing of the office. That may involve filling those vacant positions we have internally and reducing the extended reliance on external contractors.

Mr GAFFNEY - Is your prediction for FTEs to increase or remain stable with new people filling those positions?

Mr WHITEHEAD - Correct. Our FTE is based on our establishment. That is what our budget is for. We have some vacancies within that establishment and that is why we are relying on the use of contracted audits to fill those vacancies.

Mr GAFFNEY - You may not want to answer this. The line item reserved by law for salary and travelling allowance for the Auditor-General is quite significant. I am not concerned about the cost because there are reasons for that but it goes up by \$8000, \$8000, \$10 000 and \$10 000 because of the Audit Act 2008. Does it keep going up and, if so, how do you justify the funds allocated to that line item?

Mr WHITEHEAD - The best way to answer that is, no, that doesn't represent my personal remuneration. My remuneration is provided for within the Schedule to the Audit Act. It provides that I receive the average of the Auditor-General remuneration for the South Australian Auditor General and the Western Australian Auditor-General. At the moment that's approximately \$363 000. The balance of the amount between the reserved by law amount covers some of the additional amounts such as travelling. To the extent that we don't utilise all that reserved by law amount, we are obligated to return unspent funds.

Mr GAFFNEY - It doesn't help offset the cost of your personal staff or something else?

Mr WHITEHEAD - No, that is correct.

Mr GAFFNEY - Are you returning money at the moment?

Mr WHITEHEAD - I believe we are in respect of this financial year we are currently in. We expect we will return some of those funds.

Mr GAFFNEY - Why would somebody -

CHAIR - Do you know how much you returned this year?

UNCORRECTED PROOF ISSUE

Mr WHITEHEAD - I don't have that information in respect of the previous financial year, but we can take that question on notice.

Mr GAFFNEY - Why does someone increase the amount from \$8000 to \$10 000 if you are returning funding?

Mr WHITEHEAD - The best way to answer that is that the last lot of increments that occurred for the auditors-general in those other locations, Western Australia and South Australia, their remuneration increments have been approximately 2 per cent over the last couple of years. There was a time when the South Australian Auditor-General didn't receive any increases for a number of years. In some cases, it is less than that 2 per cent.

Mr GAFFNEY - Okay. Thank you.

CHAIR - The reason I am interested in how much you've paid back is that you recognise that you have additional demand from the public, you ask for roughly \$150 000 to facilitate that work and you're told, no. This is a matter we will take up with the Treasurer at a later time. In view of that decision to reject your application for funding, what impact did that have on the public request? Did you have to tell the members of the public who came to you with legitimate concerns that you couldn't do that work? What was the outcome?

Mr WHITEHEAD - We consider each referral from each member of the public who makes a referral and we acknowledge receipt of them. Our main concern would be if we have a referral with a substantive matter where we thought there was a need to undertake an investigation or performance audit, that if we made that decision, that would impact on our commitments within our annual plan of work. Under the act we give our annual plan of work to the Public Accounts Committee each year. That documents the work we envisage undertaking for the forthcoming financial year. To the extent there are investigations or examinations that emanate out of either referral from members of the public or our own own-motion investigations we undertake, that would be at the expense of not completing some of the work in that annual plan of work.

CHAIR - If I came to you with a request, as I have in the past, am I classified as a member of the public if I come as an individual member of parliament?

Mr WHITEHEAD - As an individual member of the parliament, we would review it on the same basis as we would a member of the public. We don't discriminate between members of the public and others but we do have obligations under our act to consider requests from the Public Accounts Committee or the Treasurer. We would look at those in a different light.

CHAIR - In the overall picture, you have some vacant positions in the office and some of them need to be filled because of long-term retirements. Do you believe your budget is adequate to undertake the work you are committed to? Is there any capacity to pick up some of these additional complaints, maybe through members of the public or something that occurs during the year that motivates an own-motion investigation?

Mr WHITEHEAD - I would say the funding allocation is appropriate to meet our commitments within our annual plan of work. We would struggle if we undertook an investigation in addition to what we had articulated within that annual plan of work; then we would need to make some decisions as to which projects we defer.

UNCORRECTED PROOF ISSUE

CHAIR - Are inquiries outsourced, such as into the efficiency of emergency departments around the state, purely because the level of skill and expertise needed for that focus - understanding how the Health system works, which is a bit of a nightmare for most people, even those who work in it, I think, at times - as that the predominant reason? Was it simply that you didn't have the capacity and the manpower in the office at the time?

Mr WHITEHEAD - No, and I probably need to make a correction on that statement, Chair. The audit was first done in-house -

CHAIR - Okay, right.

Mr WHITEHEAD - and we brought in some additional resources when our then assistant auditor-general of performance audit left. We had a time where we had no assistant auditor-general of performance audit. We decided to bring in some extra resources specifically to assist with that audit, given the timing of where that audit was at and that it was reasonably close to finalisation. We brought someone in equivalent to the level of that role to assist in the finalisation of that inquiry.

Mr VALENTINE - It wasn't a lack of skill?

Mr WHITEHEAD - It wasn't a lack of skill, although the skills we brought in certainly did assist because that individual had done similar work in another jurisdiction.

CHAIR - You lost someone with the skills in leaving that position.

Mr WHITEHEAD - Correct.

CHAIR - Any other questions?

Mr VALENTINE - When you take referrals from the public, what do you confine yourself to? How do you put boundaries around what you will and won't deal with when members of the public come to you?

Mr WHITEHEAD - Yes. We have a policy that articulates the process by which we go through in responding to referrals from the public. First, it has to be within the mandate of the Audit Act. If they're making references to something not within our mandate, we will then consider whether it is a matter that can be referred to one of the other integrity bodies - for example, if it were related to a misconduct matter, we would refer it to the Integrity Commission. Or in some cases, we might refer it to the Ombudsman. In some cases, we may refer them to someone within the agency. A matter that can be quickly resolved by a simple information request or a quick discussion with someone in an agency, we will endeavour to facilitate the completion that way. In cases where it does fall within our mandate, we will decide as to whether it is something personal to the individual or indicative of a more systemic problem. If it is the latter, we'll tend to investigate further. If it is the former, we will tend to note it for consideration but not proceed any further at that particular point of time. With something more systemic, we will do a preliminary evaluation to see whether the matters being asserted have credibility or are representing the actual position. If after completing the preliminary evaluation, we decide there is a case or question to answer, we may instigate a more formal investigation or performance audit.

Mr VALENTINE - They have all to be connected with government administration in some way or other?

Mr WHITEHEAD - It has to involve the use of public money or public property, correct.

Mr VALENTINE - Okay, yes.

CHAIR - And you can follow the dollars now?

Mr WHITEHEAD - Yes. We will consider it if it is within the mandate of the powers under our act. We use best efforts to try to reach a satisfactory resolution if there is some matter that can be quickly addressed. Some matters we are referred do take additional consideration and resources from our perspective to look at further. There are some frivolous or vexatious matters that we tend not to pursue.

Mr VALENTINE - Okay, thanks.

CHAIR - In your financial statements borrowing costs from 2019-20 into the forward Estimates is a new thing. What are you borrowing for?

Mr WHITEHEAD - That will be the impact of the new leasing standard accounting standard coming in. With lease payments in the future, rather than recognising them as an expense as they are incurred or paid, they will be recognised as a borrowing liability and there is an interest component within that.

CHAIR - Okay. I thought you might have been borrowing to make ends meet.

Mr WHITEHEAD - No, not at this stage.

CHAIR - I wanted to check you weren't

Ms LOVELL - I have one question. In relation to the report into efficiencies in emergency departments released last week - I am happy to be guided by you on whether you want to answer this question - can you advise the committee when that report was given to the minister for comment?

Mr WHITEHEAD - I do not have the exact date with me at the moment, and I would not wish to articulate a time range.

Ms LOVELL - Yes.

Mr WHITEHEAD - Our general protocol is there is a time period within our act that says when we should submit a request for someone to comment on a summary of the report.

Ms LOVELL - Okay, yes.

Mr WHITEHEAD - Again, I can't recall the exact days within the act. It is either three or five business working days. I believe in this instance we provided a little extra time. But, again, I cannot recall the exact date the correspondence was sent to the minister with a request for him to provide comment on or summary of the report.

Ms LOVELL - Thank you.

CHAIR - Any other questions members? Any closing comments you would like to make, Rod?

Mr WHITEHEAD - No. No, I thank committee members for their questions. Thank you, Chair.

CHAIR - I appreciate you coming, and it is good to ask you how things are going because PAC has a role obviously, but so does this process.

Mr WHITEHEAD - Yes, I appreciate that. Thank you.

CHAIR - Yes. I know what question to ask you next time in PAC, too.

Mr WHITEHEAD - Thank you.

CHAIR - Thank you.

The committee suspended from 3.09 a.m. to 3.19 p.m.

DIVISION 11

(Department of State Growth)

Mr GUTWEIN - To my left I have Kim Evans, the Secretary of the Department; Amanda Russell, the Deputy Secretary, Business Services. To my right, is Andrew Finch, my Chief of Staff, and John Perry, the Coordinator-General.

CHAIR - Thank you. Do you want to make any opening comments in relation to this area of your responsibilities?

Mr GUTWEIN - I might, briefly. The state Government is committed to growing our economy, in turn creating jobs and opportunities for Tasmanians. In April, the CommSec *State of the States* report showed that Tasmania is leading the nation on population growth and business spending. A few weeks ago, NAB's monthly business survey revealed that Tasmanian businesses are the most confident in the country, with business confidence more than five times higher than the national average. This shows that Tasmania is providing a business environment that inspires the confidence to invest. It's driving growth and creating jobs.

Earlier this year we signed the Hobart City Deal in partnership with the Australian Government and the Hobart, Clarence, Glenorchy and Kingborough councils. That deal represents \$1.4 billion in investment over 10 years. Through the city deal, we are implementing a shared vision to guide and encourage investment, leveraging Hobart's natural amenity and building on our capital city's position as a vibrant, liveable and connected place to live. This follows the successes already of the Launceston City Deal, which was signed in April 2017; through its initial commitments and new projects, it is well as on the way to making Launceston one of Australia's most liveable and innovative regional cities.

Our visitor economy is thriving and work on building Tasmania's brand as the best place in the country to live, work, invest and raise a family is continuing. It's obvious the world wants more of our produce and services, with exports the highest on record and growing faster than any other Australian state. Over the past year we've delivered on a number of key strategies aimed at building the resilience and capability of our businesses and industries. We're continuing to deliver our Population Growth Strategy. Attracting people to live, work and study in Tasmania, growing our population is one of the many ways we can help we ensure we have the people with the right skills to provide the products and services we need to drive innovation and support job creation.

The Office of the Coordinator-General is again producing significant outcomes, promoting and tracking investment, facilitating major projects and reducing red tape. Each investment brings more money into our economy and creates new jobs. As recently released, the scope of Coordinator-General's investment facilitation activities is immense, covering at least 23 identified and labelled areas of interest from advanced manufacturing, agribusiness and aviation through to renewable energy, technology, innovation, tourism, health and infrastructure.

As well as supporting growth, the Tasmanian Government continues to step in when things go awry. We've helped local businesses impacted by the devastating fires earlier this year, including through grant and loan programs providing one-off assistance to those in need. It's only with a strong economy that our local businesses will remain confident, continue their investment and provide more Tasmanians with a chance to get a job. Importantly, that strong economy generates strong state-based revenues, which enable us to invest in essential services.

With that, over to you, Chair.

Output Group 1 Industry, Skills Development and Business Growth

1.1 Coordinator-General

CHAIR - How much is spent annually through the Office of the Coordinator-General and this output group you have responsibility for in terms of travel and consultancy fees?

Mr EVANS - Travel and accommodation expenses from 1 July 2018 to 31 March this year: total expenditure on travel - including flights, accommodation and travel expenses, intrastate, interstate and overseas, for departmental staff - was \$940 809. In the previous financial year over that same period, the spending was \$838 308.

CHAIR - We've seen a \$100 000 increase. Is there any reason for that?

Mr EVANS - I think the major reason for that would be increased trade missions. We've had trade missions to China, a trade mission to Japan this year, and Mr Perry has done a couple of trips over and above what we would have done in the previous financial year.

CHAIR - In creating savings and efficiencies, is this something that's going to be looked at? It is a fairly big component. I understand the nature of the role but people will argue that some of this surely can be done by video link and that sort of thing. I know there is nothing quite like being there for some things - trade fairs and that sort of thing you can potentially link in, but it's not the same as being there.

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - As I the made the point this morning, we will be looking right across government at all of our costs - consultants, advertising, promotions, travel and transport.

CHAIR - What sort of saving would you expect to be made in this area?

Mr GUTWEIN - We will consider what we think is important to continue with and what we don't, we'll find a saving. In those areas I have just outlined more than \$140 million is spent across government and we will be looking very closely at a whole-of-government level.

CHAIR - How do you measure return on investment then for this close to a million dollars in just travel costs? We haven't talked about consultants.

Mr GUTWEIN - Our trade missions do a couple of things. One is that they look to attract additional investment to the state; the other is that they ensure that we've got strong relationships with our international export partners as well. If you consider what's occurring in export, we are exporting record amounts in dollar terms and in fact leading the country as far as growth in percentage terms in respect of people spending on Tasmanian exports.

The other issue is in terms of investment attraction. The Office of the Coordinator-General has brought in more than \$300 million-worth of additional investment into the state that he has been principally involved in over that period as well.

CHAIR - Sorry, that was \$300 million?

Mr GUTWEIN - In terms of his KPIs, I think John was at \$340 million last year and -

Mr PERRY - It's in the table as \$340 million and the year hasn't quite finished yet, but we are on target to exceed that.

Mr GUTWEIN - We are seeing significant investment, achieving the KPIs and, importantly, with our export partners, our exports are going gangbusters.

CHAIR - Do you have a breakdown of which countries our exports go to?

Mr GUTWEIN - We do, I am certain.

Mr EVANS - We have some extensive information on that. It really comes under the Minister for Trade, but I would need to pull up the relevant brief.

CHAIR - Not all businesses and industries look to the Government or the Coordinator-General to facilitate the expansion of their business or industry. They may be doing it independently and I imagine some of them probably do. If a lot of these new exports are going to regions to which you haven't had trade missions, it would potentially diminish the value, but most of them are going to the areas where you've had trade missions.

Mr GUTWEIN - We've had a significant focus on China; that would be our number one export partner.

CHAIR - You also went to Japan this year, you said.

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Mr GUTWEIN - We did go to Japan. We see that as a market where there is significant opportunity.

CHAIR - Anything into India?

Mr GUTWEIN - There was a mission to India -

Mr EVANS - We did a mission to India two years ago. It's not our primary focus in terms of the market under our new trade strategy. The main targets in trade are China, Japan, Malaysia, Taiwan, Thailand, Indonesia and the US. Through the trade strategy, quite objectively, based on some real information, we have identified where our target markets are where we are going to put our effort and those countries are our primary targets. Other markets like India are markets of interest but we don't necessarily put as much effort into those.

I have a whole heap of information here about some of our trade statistics if you want that.

CHAIR - Are you able to table it if there is a lot of detail? It might be easier if you could provide a printed copy.

Mr EVANS - Absolutely, yes, we can do that. I can read voluminous information.

Mr GUTWEIN - We can provide an overview of trade markets if that's on notice.

CHAIR - That would be helpful.

Are there any other questions?

Mr VALENTINE - With regard to our own companies - it goes to that question I was asking earlier when you said State Growth probably would be a better place to ask that - particular areas of activity are being presented with more difficult circumstances as a result of particular global conditions. What sort of advice are you giving to companies? If you go too far, you might be implicated in their downfall, for instance, if it doesn't work out. How you approach providing advice to companies within the state that rely on external conditions to do their business?

Mr GUTWEIN - I guess that depends on what the question is. In being able to engage Tasmanians businesses with international markets, there is an opportunity for Tasmanians business to attend this part of trade missions. I am certain Kim would have a list of those who attended the most recent one and prior. The department's annual report lists some of that detail. It depends on the question we are being asked.

Mr VALENTINE - Something like TEMCO -

Mr GUTWEIN - That has been in the press recently. TEMCO is looking at a review of its operations in Tasmania and I understand from our briefing it is putting together a team to conduct that review, to take place over the period until around October. The Government will be informed of its findings along the way and we have extended to it any assistance we can provide. Should there be matters TEMCO wants to bring to our attention that might assist it in framing the future of that business in the state, we have indicated we would like to speak with it. We won't know what the question is until it conducts the review.

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Mr VALENTINE - What about the boundaries of assistance you can provide? How far do you go in providing advice? I can't give an example because I don't know -

Mr GUTWEIN - It depends on the question. We would not be best placed to talk about the machinations of the international metal market. That is what this business and its parent are involved in but, in being asked question about operating costs, energy costs and those sorts of things, we can provide a level of information we have to hand.

Mr VALENTINE - Being the provider of energy to several major organisations, as the state is, you have to be careful how you couch that advice.

Mr GUTWEIN - Absolutely, it doesn't matter whether you are a household or a major industrial business, you would always like to pay less for your energy.

Mr VALENTINE - We are going to have an energy surplus if they leave the state.

Mr GUTWEIN - One of the things we are hopeful of is that they won't leave the state but it is too early to look at any hypotheticals. We were informed last week they are putting together their project team. They will work through these processes and will work with them along the way where it is appropriate to do so. Bell Bay Aluminium went through a similar process some years ago. They were able to look at what they were doing internally to ensure they were operating as leanly as they possibly could, and with their workforce and parent company they were able to put themselves into a position that their future seems to be relatively assured in the Tasmanian context. We are in the very early stages of the TEMCO journey.

CHAIR - We didn't talk about consultancy costs; we talked about travel costs. Do you have consultancy costs and what areas of consultancy were they?

Mr EVANS - Yes, I have some extensive information on consultancy costs and contractors; over \$50 000 for the year 2018-19; for the year 1 July 2018 to 26 April - these only go to end of April - we awarded 39 significant contracts and consultancies over \$50 000 and advertised 37 tender quotes during the period 1 July to 26 April. The value of those contracts awarded was \$124 797 941.

Mr GUTWEIN - This also captures all the consultancies across State Growth that would be included in the infrastructure

Mr EVANS - The majority of these contracts and consultancies relate to our infrastructure projects. If I can break those down: infrastructure, there were 29 in State Growth portfolio itself, the one we are examining - science and technology, two; arts, four, and the Coordinator-General's Office, three.

In the State Growth area outside the Coordinator-General's Office, the consultancy was \$228 000, and the three contracts awarded through the Coordinator-General's Office amounted to \$515 000.

Mr VALENTINE - So only contracts over \$50 000 contracts?

CHAIR - What are those three contracts for?

Mr GUTWEIN - I do not have that detail.

CHAIR - Does the Coordinator-General know?

Mr PERRY - I do not have it in front of me, but imagine they would be Cradle Mountain projects, and the third one would be the regulatory report.

The third one is the only contract in John's area awarded outside of Tasmania, for consultant's services for the Albert Hall.

Mr GUTWEIN - A joint contract with the Launceston City Council project they had brought forward to consider the future as an arts and cultural precinct.

CHAIR - We are talking about a bigger precinct and not only the hall.

Mr GUTWEIN - They are looking at and it is in early stages. John could probably speak more to this. It was far enough advanced there was a \$10 million election commitment made towards it to further progress. This is looking at Albert Hall in the context of Launceston University Transformation Project, the development of Wooller Street, and other investments in hotels in the precinct.

CHAIR - One of the absent, unwell members based in the north has sent some questions and I will paraphrase what he has here as some are a little provocative, unlike Mr Finch.

Mr GUTWEIN - How sick is he?

CHAIR - Not sick enough, by the look of this. I could read exactly what he has here if you like.

Mr GUTWEIN - No, paraphrase

CHAIR - I did write paraphrase. He is interested in the northern city's major development initiative and particularly the Launceston City Deal. The question around this is: are there adequate staff to ensure timely completion of the many actioned items under the City Deal, such as the Living City Project and the detail in small cities project?

In terms of infrastructure, there is a real and pressing need for the sequencing of major projects to enable industry to properly prepare. At this stage, there appears to be a bottleneck of construction happening in Launceston, over the next four years with the Kings Walk Towers, UTAS Inveresk, the Verge Hotel, Jakes Gorge Hotel and huge infrastructure plan by TasWater, and a host of civil works on roads, not to mention domestic constructions and significant works by smaller scale enterprises in Launceston.

He is really asking here about the staff and trained workers to actually undertake all this work, and how is all coordinated.

Mr GUTWEIN - So not our staff, but whether there are enough

CHAIR - Yes, and to also help with the coordination of all of those. I guess the other question he has overarching that is: what is the role of the Coordinator-General in all this? Does the

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Coordinator-General have a role in managing some of this to make sure you have the appropriate workforce - you can use Tasmanian workers - and these projects can be delivered?

Mr GUTWEIN - On the level of investment in Launceston, Kerry is absolutely right; there is a significant shift going to happen in Launceston over the next three to five years. It will be busier than it has ever been. On the sequencing of projects, it would be fair to say, and John can correct me if I'm wrong, that there is a high level of consideration provided by the project proponent. For example, the university's David Adams has publicly said about the sequencing of that project that they will ensure that they feed it to the market in -

CHAIR - Manageable bits.

Mr GUTWEIN - manageable bits. Now, that would be, without doubt, the largest single investment in Launceston to occur through this period. It's interesting what we're seeing in the city with shop-top living, and first floor investment stuff. I was pleased that Dale Webster, when I was the building minister, looked at what could be done to free up the opportunity to ensure that people could live in that vacant space above shops.

CHAIR - I remember raising this with you about three years ago.

Mr GUTWEIN - Yes. I must admit as a result of the work that he did, which was significant, there was a project that was looked at in the Quadrant Mall, you might recall. The costs associated with that meant, along with the rate of return on that development, that it would never go ahead as a result of changes to the Building Act, but also some very sensible things were looked at in how fire was dealt with and the fire separation of buildings. Dale Webster raised the issue of using the fire retardant paint, which is now I think able to be utilised in some buildings as opposed to tearing floors up and putting down the fire separation that would normally be required. I did note on the weekend that in Charles Street there are two fantastic new apartments that have just come onto the market in an area that has not had residential living certainly throughout my lifetime. It's obvious that people are starting to take those steps and -

CHAIR - What, above retail spaces?

Mr GUTWEIN - Above retail space. In fact, you'd know Charles Street as well as I do.

CHAIR - Not quite as well as you do, minister.

Mr GUTWEIN - Just slightly further up from where the major chemist is on Charles Street, and directly opposite where you would walk into what used to be Fitzgerald's; in that section there they've now got some fantastic apartments. Not that I'm trying to sell them for whoever the proponent is, but have a look at them. They just look brilliant. We are seeing that sort of development.

The other things that has happened as well from a development point of view is some large developments that are coming online. For example, at the moment the Verge Hotel is up and out of the ground near the Albert Hall. We have the Fragrance Group looking at bringing forward its proposal shortly. From a timing point of view, the Verge should largely be finished before another major hotel project -

CHAIR - Where's that one? The Fragrance one?

Mr GUTWEIN - That's on the corner of Cimitiere and Tamar streets.

CHAIR - Yes.

Mr GUTWEIN - which is the old -

CHAIR - Opposite the Albert Hall.

Mr GUTWEIN - Diagonally opposite the Albert Hall.

CHAIR - Yes.

Mr GUTWEIN - Then there is the Joe Chromy Gorge Hotel project, which is being worked through at the moment and will be submitted to council. There will be, to some degree, a natural sequencing of major projects that come online. In ensuring that we've got the trained staff, there is no doubt that we've lost people to Hobart in the last three to four years. Hobart went through what has been a significant building boom. I think we'll find a migration of some of those tradespeople back to Launceston. The other thing is that we're investing in this Budget \$2.9 million largely aimed at ensuring that we have more apprentices and trainees on board, as well as, as I mentioned this morning, nurses. We continue to -

CHAIR - Nurses don't build buildings very often.

Mr GUTWEIN - No, but it's important to have them, as you well know and understand.

CHAIR - Construction is a very dangerous industry.

Mr GUTWEIN - WorkSafe does a fantastic job. We continue to offer the support for larger and smaller employers for apprenticeships and traineeships. There is no doubt it is going to get busier. In answer to Mr Finch's question, I think it is a great problem to have.

CHAIR - You are confident, though, that the capacity is there and the project management skills - and I am not sure whether the Coordinator-General has a role to play in the coordination of those or whether, once the investment has been attracted, that is the end of the role.

Mr GUTWEIN - John can speak more about this if he wants, but as to progress with the largest single construction task, which is the university, John has been involved in that and manages the contract for the Government as we roll that out. He might like to add something to that. In large part I think there will be, to some degree, a natural sequencing of events, but we are going to get busier. I think that is a good thing for Launceston.

Mr PERRY - I might just add that part of the arrangements with the university is a commitment to apprentices. That is part of an acknowledgement that the work that is going to take place over the coming years requires the sort of significant uptick of trained staff. That is a piece of work that is managed by one of my team members to ensure that the work is properly provided and batched up, as the minister referred to before, to make sure that local opportunities are maximised.

CHAIR - I think it takes, roughly, four years to train an apprentice in most of the disciplines.

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Mr GUTWEIN - Employers are telling us that it takes two years to get them to a point where they are -

CHAIR - Useful.

Mr GUTWEIN - useful.

CHAIR - We have to get on the front foot then. That is the reality.

Mr GUTWEIN - If I point to the payroll tax rebate we introduced a couple of years ago, I think that's funding about 1500 trainees and apprentices at the moment. The direct funding we provided through grants to small business pays for another 500 trainees and apprentices.

Ruth, the point you make is a very valid one; we are going to get busier.

CHAIR - I understand, minister, that in New Zealand they have a project management office that sits inside their equivalent to State Growth. Is there the need when we have so much coming down the line? This includes, as Kerry Finch mentioned, also the proposed northern prison, the new primary school for Legana, more work at the LGH and the \$120 million new private hospital for Calvary, works on the road at The Sideling, and there are probably others as well. Is there a need for a major project management coordinator?

Mr GUTWEIN - We already have a process within Government to a degree, which is run by myself and the budget subcommittee whereby all agencies are reporting, usually on a monthly basis, on their infrastructure program and what the sequencing of that is. It will be fair to say that the message we have been sending to agencies makes certain with the release of tenders, noting that we have a seasonal opportunity in Tasmania to do work. Three months of the year you can't build a road or build a school because of the weather. Importantly, from the point of view of schools, you can really only build schools over the Christmas holidays. That is when the major work goes on. You can manage smaller jobs. We obviously have an eye to that.

As I said this morning, at the moment over \$700 million-worth of the current program is forecast to go out the door for the 2018-19 year. Obviously, more information will come to light as we get closer to the end of the year.

Government having a role with private investment from a sequencing point of view will always be difficult. There will be different drivers for private investors. If you are building a hotel, there will be a need to meet the market at a certain time. If it is another form of private investment, there will again be economic drivers. Government attempting to control that would be very problematic.

As for our own program and the work that John has done with the university, for example, it has been very sensibly considered that putting a project of that size to the market too quickly without sequencing would cause issues so that is being progressed in a more sensible fashion.

CHAIR - To look at one particular project, minister, the Granville Harbour Wind Farm, a subcontractor was to be involved in some aspects of the job and their main base is in Victoria. They originally sought expressions of interest from Tasmanians to undertake the work at Granville Harbour but, because of the delay in the project, their project in Victoria is now finished and they are going to use Victorian tradesmen, not Tasmanian. That is not the whole project, that is a

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component of it. This coordination needs to ensure we are not having these big gaps where, notionally, we end up losing jobs for Tasmanians.

Mr GUTWEIN - I don't have line of sight on Granville Harbour, somebody else might.

Mr EVANS - Minister, I was going to add that for the first time we have mapped out what we know about the pipeline of infrastructure projects across the state on a 10-year basis.

CHAIR - Is that publicly available?

Mr EVANS - Yes. They are government-related projects, government-owned businesses and local government and private sector projects that we know about. We have a pretty good picture of what the pipeline looks like.

Ms WEBB - Have you mapped out the workforce requirements that sit alongside that across a 10-year period?

Mr EVANS - We haven't the solution but we understand the challenge we have to deal with now.

CHAIR - You know what tradespeople you need, the number and the skills - has that all been mapped?

Mr EVANS - Yes, that is all part of the mapping exercise. We have developed that pipeline. We have held workshops with industry about what that means in the rollout of that pipeline, where the skills gaps are -

CHAIR - Is all that information collated in one space?

Mr EVANS - It's in the process of being collated, yes.

Ms WEBB - In the \$2.9 million investment you are making into apprenticeships or TAFE, some of which are trades apprenticeships, to what degree does that take you toward an identified demand for workforce across, say, the first four years of that 10 years?

Mr GUTWEIN - TAFE, and it is not my area - that is for the Deputy Premier - but the expenditure on TAFE is around \$100 million a year.

Ms WEBB - The top-up you have done, the extra you have spoken about -

Mr GUTWEIN - Our funding of it is about \$80 million next year. The \$2.9 million will be used to accelerate apprenticeships in construction.

Ms WEBB - What is the quantum needed in the workforce, do you have a sense of how close that takes you?

Mr GUTWEIN - I don't have that detail with me, no.

CHAIR - When the mapping of the skills needed is completed and we have the full picture - it is okay to have your pipeline of the projects that you know of - but as to the skill set that is needed

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and the number of people with particular skills, is that something you will make public so everyone knows what you are looking for?

Mr GUTWEIN - Absolutely. One of the key reasons we did the 10-year pipeline, which I announced in last year's budget, was that we had only ever had a four-year line of sight on public spending in the state.

CHAIR - I challenged you on that a number of times.

Mr GUTWEIN - I thought that was very sensible in trying to outline a 10-year plan. We are looking at a 30-year vision and the work is underway. That is much more difficult because you have to take your eyes over the horizon to come up with 30 years. The starting point of that was to ensure business had the confidence to know what was in front of them so they could begin to invest themselves in their businesses, in apprentices and the necessary skills, because they could see further than three or four years on one project.

CHAIR - It is a great thing to do. There is no-one disputing that on this side.

Mr VALENTINE - It doesn't guarantee they are going to get the job, does it?

Mr GUTWEIN - No, it doesn't guarantee they will get the job, but you can list the major civil construction firms on one hand in a market the size of Tasmania.

Mr VALENTINE - They are going to have some cut of the pie.

Mr GUTWEIN - They need to be competitive. No state government has ever said, 'You missed out because you are not good enough, but we will give you a job anyway.' It doesn't work that way.

One of the challenges we have, and it is worthwhile raising, is the infrastructure spend across the country is massive at the moment. We are competing against contractors in New South Wales, Victoria and South Australia and Western Australia, as their economy starts to fix itself. To open up the door to the opportunity we ran the program You in a Year. That program has been rolled out over the last 12 months. We did some market research to find out who is most likely to be mobile in the country. What areas should we target to actually attempt to attract population growth and skills for Tasmania? Probably not surprisingly, Sydneysiders are the most likely to look at an opportunity to leave where they live.

Mr VALENTINE - The cost of living.

Mr GUTWEIN - There is the cost of living and they have challenges in infrastructure. Compared to Tasmania, we are heads and shoulders above them. Mick Davies, the typical Tasmanian, was chosen. He's 6 foot 3 inches. He's the blonde-headed guy that does the Cripps advertisements.

Mr GUTWEIN - A typical Tasmanian male - good looking, tall, lots of hair. Mick is part of the video put together. It was to encourage people to ask the questions: What would your life be like in a year if you weren't spending two-and-a-half hours travelling to work, if you were spending 30 minutes? What your life be like in a year if your cost of housing rather than the median cost of \$1 million, was \$450 000? There were more than 500 000 views.

CHAIR - Can you track where they're from? It would be interesting to know. Are they mostly from Sydney?

Mr GUTWEIN - That's where we targeted.

CHAIR - The answer would be yes, if you look behind you.

Ms WEBB - You need to make a female version of it. It would be women in families that often drive lifestyle decisions about moving.

Mr GUTWEIN - We are opening up the opportunity to look at Tasmania as a place for lifestyle, work and employment. There is an opportunity.

Mr VALENTINE - It can have an adverse effect, can't it? It can drive up property prices.

Mr GUTWEIN - It can and, for a state with the highest percentage of property ownership on a per capita basis and for the vast majority of Tasmanians, that is a good thing. It does bring with it some challenges. I accept that.

CHAIR - I understand this line item includes the Red Tape Reduction Coordinator. With regard to the performance measure; publish the annual red tape reduction report and continue to reduce red tape by progressing the red tape issues identified in the report. The performance indicators are 'yes or no'? How meaningless is this KPI?

Mr GUTWEIN - Maybe it could be a little more granular?

CHAIR - It's a complete nonsense. Let's say we have 'no' one year. That means they forgot to publish the report or they haven't managed to reduce any red tape.

Mr GUTWEIN - As I said, it could be a little more granular.

CHAIR - Can I ask you, Treasurer, will you consider changing this KPI to something more meaningful for next year?

Mr GUTWEIN - As we're chatting, I'm considering changing the brief.

CHAIR - I give an award every year for the most meaningless KPI. It usually goes to the Minister for Energy, but you might take the cake this year.

Mr GUTWEIN - I think that's been the KPI in the budget since before I became the Minister for State Growth. I will take it on board and we will look over it.

Mr GAFFNEY - I have a footnote that says that two performance measures have been removed from the

Mr GAFFNEY - ... as a result of a departmental review of performance indicator. The review has already been done, yet that one has not been picked up.

Mr GUTWEIN - It is continuous process of improvement.

CHAIR - Seriously, performance indicators should be outcomes-based. Outputs at times like this are totally meaningless on all counts.

Ms LOVELL - Following on from there are a number of measures in the report. When you compare the 2017-18 report to the 2018-19 report, a number of these red tape reduction measures have been delayed. They have had a change to their date of completion from 2018 pushed back to 2019. The point has been made that this performance indicator could be clearer about the measures being met. What is the reason so many of these measures are delayed beyond their original completion?

Mr GUTWEIN - Do you have an example?

Ms LOVELL - I have several examples. The online tobacco sellers' licence application and renewals, reducing paperwork and administrative burden for radiation licence holders, review of registration requirements for private water supplies - I can read through all 13 of them if you like.

CHAIR - Maybe these are the KPIs to report.

Mr GUTWEIN - I do not have any advice on the matters you have raised, but I am happy to provide some additional advice to the committee.

Ms LOVELL - Would you like me to put all of these on notice, perhaps?

Mr GUTWEIN - Put that on notice and we will come back with a response.

CHAIR - In terms of my somewhat tongue-in-cheek question before, this sort of thing is meaningful to us. These red tape reduction measures have been identified, but not acted on. If you have a performance indicator that has a number related that have not been acted on, it may help focus attention on having them dealt with.

Mr GUTWEIN - That makes perfect sense, I admit as Treasurer and Minister for State Growth if there are matters identified for whatever reason we cannot deliver, I would rather provide an explanation as to the reasons why not and then move on as opposed to leaving something. If you table those, we will come back with a response.

CHAIR - Some of them been picked up in recent regs.

Mr VALENTINE - A few acts have gone through that have actually increased red tape.

CHAIR - There does need to balance there.

1.2 Industry and business development

CHAIR - I will come to our absent friend read what he has here. Small businesses are the key to Tasmania's prosperity. We can forget the aging Newcastle style businesses touted by Eric Reece many years ago. There is mention of business development services, information on starting, running and growing businesses and export support. Apart from the occasional trade mission how is export support being made available?

Mr EVANS - It is a focus of the Tasmania's first trade strategy which identifies target markets and the sectors we are prioritising. It identifies a range of tools we employ to support trade. One of those is trade missions and having in market presence.

One of the things identified through the consultation we did in developing the trade strategy, was the need to improve the capabilities within Tasmania's businesses to be trade ready and relates particularly to small and medium enterprises. The key focus of the new trade strategy was how do we get better skilled businesses and support them to be ready to trade when the opportunities arise.

CHAIR - We have had problems processing particularly pigs and sheep and even the larger animals in terms of export quality abattoirs. Is there progress or action being taken to try to ensure we have export quality abattoirs?

Mr GUTWEIN - This is probably more likely a question for Mr Barnett as the minister for agriculture. I can explain, from our point of view, the things we've looked at. It is quite obvious that the situation with pigs was problematic because of the closure of Devonport. We put in place an interim arrangement there for two years with TQM managing that facility. I understand that's going well.

CHAIR - Is that export quality though?

Mr GUTWEIN - It's pigs. They did have lamb and service kills there as well. I will just deal with pigs. There is some interest in establishing a facility for pigs once the two years is finished and that is being worked through at the moment. There is one major pig producer in the state that has more than 50 per cent of the herd, and he is focusing on looking at solutions there.

CHAIR - There's a fairly decent-sized one up my way.

Mr GUTWEIN - Which one is up your way?

CHAIR - Tarkine Black.

Mr GUTWEIN - For beef we are reasonably well serviced with the two major beef abattoirs we have - one up your way and one at Longford.

For sheep, you would be aware that TQM has put its hand up and through the federal election was the recipient of a commitment for an upgrade of around \$8 million towards what will be a larger facility there.

Mr VALENTINE - Sorry, TQM?

CHAIR - Tasmanian Quality Meats.

Mr GUTWEIN - At Cressy.

Mr VALENTINE - Okay, thank you.

Mr GUTWEIN - As I understand it, they are looking on the basis that we have around 700 000 head or close to 800 000 head of sheep and lambs leaving the state to be processed, for both domestic and export markets, in Victoria.

CHAIR - Does that include the King Island sheep that go? There are quite a few there, too.

Mr GUTWEIN - I am not sure of the subset of King Island sheep, but TQM is looking at an export quality abattoir in conjunction with their current TQM base. My understanding is that's looking at about 400 000 head, is it, Mr Evans?

Mr EVANS - Yes, it would be roughly that.

Mr GUTWEIN - The note I have says the production at Cressy is around 800 000 sheep and lambs per year. I think their current productions are around 300 000.

Mr EVANS - What he plans to do more is than a doubling of that figure.

Mr GUTWEIN - If you look at the broader market, while pigs aren't export, they are domestic, there is a process underway there. For beef, we are well serviced by the two major abattoirs. For sheep, there is an opportunity for more than a doubling of the current production. A lot of work is going on in that space.

The other point is that, we have been working closely with Stowport on the north-west coast to assist them to improve their capacity, which they have been able to.

We are also working with Cradoc in the south. That will largely look at service kills, which is the other part of the market affected when Devonport closed down.

It is a multifaceted approach where our capacity is going to increase relatively quickly as a result of TQM.

CHAIR - It also helps the farmers because sheep particularly lose a lot of condition on the trip. The farmers lose quite a bit per head.

Mr GUTWEIN - That is certainly a consideration. It is a point that has been made to me. Again, TQM will need to get its pricing right to ensure that it can capture the numbers that it's looking to in Tasmania.

Mr VALENTINE - We often have visits from ambassadors and the like. What sort of engagement do you have with - I know they visited somebody in State Growth, it might even have been you, Mr Evans. What sort of benefit comes out of that in terms of Tasmanian business going to various countries around the world?

Mr EVANS - Those visits are coordinated through the Department of Premier and Cabinet, but they engage with us about planning those visits. We always use those visits as an opportunity -

depending on the country the ambassador represents - to look at opportunities to connect Tasmanian businesses.

Mr VALENTINE - They are here for their purpose as opposed to us?

Mr EVANS - When we brief them, we would talk about the opportunities relevant to their home country.

Mr VALENTINE - Do you have any figures on what has been provided to them in terms of what might have come to fruition as a result? Bit difficult?

Mr EVANS - We would not have any specific figures. It is part of relationship building. All the export trade, investment attraction, the reasons we would engage, take time. Engagement with ambassadors is a key part of this in making them aware and talking to them about opportunities.

Mr VALENTINE - I remember when I was in another role, receiving one ambassador from Nigeria, and their big issue was milk. They needed milk, and I said there is a UHT factory in the north-west, make sure you mention it to Government when you go to see them. You wonder where some of those references go.

Mr EVANS - It is important and we make the most of those opportunities.

CHAIR - Thank you minister. You can let this team go. You can stay for another little round. Thank you, minister, and your team for providing answers. We will send through anything outstanding to you.

The committee suspended at 4.12 pm. to 4.33 p.m.

DIVISION 9

(Department of Premier and Cabinet)

Output group 6

Local Government

CHAIR - Welcome back.

Mr GUTWEIN - Thank you, Chair. To my left is my Chief of Staff, Andrew Finch; to my right Alex Tay, Director of Local Government Division.

CHAIR - Do you wish to make any opening comments about this portfolio area?

Mr GUTWEIN - I will make a couple of opening remarks. I want to thank the staff of the division for their contribution under Mr Tay's guidance over the last 12 months. There has been a significant body of work undertaken by the division. I would like to mention a couple of significant activities the division has undertaken, which have consumed considerable time and resources over the last 12 months.

In 2018, they implemented the legislative amendments associated with phase 1 of the Burials and Cremations Act 2002 review. This was a complex exercise, additionally challenging given the emotive mood of the community, largely in response to the views of the Anglican Church when it announced it would dispose of 73 churches and cemeteries throughout Tasmania.

Phase 2 of the review is underway and is focusing on legislative provisions relating to crematoria and prescribed businesses under the act. At the Estimates committee hearings last year, I announced the Local Government Act was an associated legislation and would also be reviewed. That review is now well underway and seen the development of an initial discussion paper with the first phase of consultation completed. There is a plan for a draft legislation to be introduced into parliament for consideration in the latter part of 2022.

The four-yearly local government elections were held in October 2018, which saw a record number of candidates stand for election in 28 councils as well.

The division plays a significant role in supporting the election process by undertaking pre-election information sessions for intending candidates and post-election training for newly elected councillors.

This year, for these elections, I think the division did an exceptional job in ensuring especially that new councillors, or those intending or running to be new councillors, had a clear understanding of what the role of a member of a local council is.

Aside from these three significant bodies and the work undertaken over the last 12 months, the division also provides advice and support for the Premier and myself as the minister for strategic policy, legislative and regulatory reform matters relating to the local government sector; supports the regulatory responsibilities of the Director of Local Government under the act; and undertakes compliance and enforcement activities, including investigations in relation to alleged breaches of the act.

These are just some of the examples of the activities the division carries out each year. With that brief overview and my thanks to the division for the work it has engaged in over the last 12 months, it is back to you, Chair.

Mr GAFFNEY - I will start on performance indicators while that is being talked about. In the footnote it says two things that two performance measures were removed in 2019-20 as a result of a departmental review of performance indicators. Can you let me know what they were? If we have taken them out, have we replaced them with any other performance indicators?

Mr TAY - We will have to get the exact detail of what they were. They were basically ones used in other output groups - reasonably generic ones around the quality of advice.

This year, basically there was a process where certain advice was reviewed internally. It was pretty much an internal performance indicator, not an outward-facing one. The decision was made to take that one out of this output group.

Mr GAFFNEY - You will get back to us with those two. Have they been replaced with anything?

Mr TAY - No, they haven't.

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Mr GAFFNEY - I was also wondering why the satisfaction survey was not conducted in 2017-18. It is on page 212 of Premier and Cabinet. It just says in 2016-17, it was 87, not applicable in 2017-18 and you are having a target percentage of 90 in 2018-19 and 2019-20. Is there a reason it wasn't undertaken?

Mr TAY - Again, I think this was a department-wide process that wasn't undertaken. I would have to check on the reasons for that. It didn't just affect this output group.

Mr GAFFNEY - I understand it is not a huge line item in the budget, but it is an important one. Treasurer, you mentioned the local government elections and I notice in the submission from the Local Government Association - and the Director might be able to help me here - that 41 per cent of people elected at the 2018 elections were all first-timers to local government. In other years that hasn't been an issue because you have had continuity of knowledge based on half-in, half-out.

I have some concerns with 40 per cent of people around the table when they are acting as a statutory body with planning regulations. If they are new in October, and in November of that year they sit around as a regulatory body with planning, they obviously don't have the background knowledge or the time to get that information. Is that a concern and, if it is a concern, how will that be addressed? This could happen every four years.

Mr GUTWEIN - I think one of the reasons we spent more time this year, in this election, ensuring there was more material available to those who were thinking about being prospective candidates, or standing as candidates, was to ensure that people fully understood what their role would be. There is no doubt that in past elections, and certainly from some of the interaction I have had with members after they were elected, even under the half-in, half-out system, they had no clear understanding of what the role of a local government councillor or alderman was, specifically in terms of the planning arrangements.

It's not to say that people don't stand for election and bring with them some experience. You could have people who have worked in building, construction or planning stand for local government and bring a wealth of knowledge with them. We attempted to ensure prior to the election that people standing as prospective candidates had a much clearer picture of their roles and responsibilities. That doesn't mean they would all take the necessary time to fully appraise themselves of their role and responsibilities when faced with planning decisions in November and onward. Where possible, we have worked closely with LGAT to ensure we can provide more information to people to ensure they're better able to conduct their role.

Mr TAY - Adding to that, in pre- and post-election training, the role of councils as a statutory planning authority is covered fairly strongly through our local government division and through LGAT. LGAT runs dedicated sessions around planning authority. Council staff do a lot of induction support for elected councillors. In the case of the act review the minister mentioned earlier, the topic of compulsory training has come up in discussions and that's still to be landed. There's a heightened discussion around training around planning authority roles and whether it should be mandatory. That's something the government can consider as part of that process of reviewing the act.

Mr GAFFNEY - When do you expect the review to be made public, what's the process or time line?

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Mr TAY - The second stage of the act's review will be in the form of a reform directions paper. The first phase is coming to conclusion at the moment. There's been significant public input into that through responses to an initial discussion paper. The steering committee the minister has appointed is working through draft reform directions. It will go through a standard process of approval through the minister and Cabinet. We're certainly expecting the reform directions paper will be released in the next month or so.

Mr GAFFNEY - Okay. I notice that part of the job of the Local Government Division is to act as a conduit between the minister, the Treasurer and local government. Quite a few funding initiatives were put forward regarding different things like planning, waste, a transport infrastructure fund and the like in the local government budget submission. In speaking with the CEO, there seems to be a much more positive relationship currently than there was 18 months ago, for a variety of reasons. That's all water under the bridge.

Mr TAY - Pun unintended?

Mr VALENTINE - TasWater.

Mr GAFFNEY - Regarding budget initiatives requested by local government, they were a bit disappointed with statewide waste management, container deposits and those sorts of things. How does your relationship with local government impact on decisions you make as Treasurer and where to put some funding?

Mr GUTWEIN - LGAT's budget submission comes directly to me as minister and as Treasurer.

Mr GAFFNEY - Yes.

Mr GUTWEIN - In framing this budget, we have been very careful with our spending a range of submissions this time around. As to the relationship with local government, they make their position perfectly clear on waste management. Some issues are affecting local government and the country more broadly following the more recent decision made in China. We're cognisant of the challenges they face. I do agree with you that we have, and largely we have always had, a pretty good working relationship with LGAT. There have been matters we have disagreed on, but we work with them in a fairly collaborative and collegial way on the broad spread of challenges they face. We work with them in a fairly collaborative and collegial way.

Mr GAFFNEY - How many FTEs is your division run with and do you need any more?

Mr GUTWEIN - You could have asked me.

Mr GAFFNEY - Yes, I know.

Mr GUTWEIN - No, absolutely not. We are going beautifully.

Mr GAFFNEY - It is 0.75 per cent for every dollar. What is your FTE number?

Mr TAY - At 31 March, which is the consistent date when we measure these, I had 15.7 FTEs. That doesn't include additional resources that are time-limited to work on both the Local Government Act review and also the Burials and Cremations Act review.

Mr GAFFNEY - They were based in Hobart?

Mr TAY - Yes, they are.

CHAIR - Taking you back to the revolving door of performance information, I have budget papers from last year here and I can tell you what they were - the ones that have been dropped out.

Interestingly, one was local government councils' overall satisfaction with interactions between them and the local government division. The footnote to that one says -

New performance measure introduced in 2017-18 as a result of the department's review on performance measures.

It was only brought in the year before and now it's gone again - a very brief appearance, but by all accounts you say the satisfaction level is good, perhaps better than it has been. Why would you remove that one?

The other one was -

Selected policy outputs must meet the minimum benchmark as measured against agreed quality standards.

I wasn't really sure what that meant. There is a footnote that says -

Establishing accurate and objective performance measures for the quality of policy advice is difficult and contested. The mix of indicators selected represent measurable characteristics of policy advice and are proxies for outcome measures.

I am still not entirely sure what that means.

Mr GUTWEIN - Would I be happy with what they are doing? I guess, yes.

CHAIR - It is certainly a fairly meaningless KPI and possibly why it was removed.

Mr GUTWEIN - Mr Tay might have a view on that. I don't think I was going to mark him down.

Mr TAY - That is the one I was referring to before that it was mostly an internal Department of Premier and Cabinet measurement. As I understand it, and I think this has been a legacy one for a while, from time to time advice was being put up and it would be internally critiqued because it is very inward-focusing. In terms of benefit to the public, an outward -

CHAIR - Why don't we get rid of that last one then? I particularly ask that, Mr Tay, because I know you did an awful lot of work with King Island Council when it had some particular struggles. I would be interested to know what the local government view was of themselves in relation to those interactions. My view is they would be fairly positive, but unless we actually measure these, it's hard to know. I am interested to know why we have taken it out because, to me, it provides

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some value. I am quite intimately aware of the support provided through your office, Treasurer, and without it, it could have been a whole lot messier.

Mr GUTWEIN - I must admit I am happy to have further discussions and look at whether we can look at the previous performance measures and perhaps sharpen them up a little bit and bring them back in a format. I think, broadly speaking, even setting aside the challenges and differences of opinion with TasWater, across the board we would find that the interaction between local government broadly and Mr Tay's office, and my office as well, has been relatively positive, but I am happy to have a look at that and -

CHAIR - Where you are conducting feedback mechanisms regarding that, it's probably helpful, particularly when they are outward-facing and not internal. I don't understand the internal ones, not that that's being publicly reported like that, but the outward-facing ones would be beneficial.

Mr GUTWEIN - It would be fair to say that there are around the state a number of councils with not dissimilar challenges to what King Island had where the office worked very carefully -

CHAIR - Yes, I am sure there are. I was particularly aware of that one.

A couple of other things that you have raised, Treasurer: the review of the Burial and Cremations Act was brought in in fairly short order, I believe, because of public discontent with the Anglican Church selling its churches. In the review you are doing -

Mr GUTWEIN - Just on that, it wasn't so much to do with the selling of churches, it was to do with the selling of the graveyards.

CHAIR - Yes, the graveyards, which were often attached to the churches or surrounding the churches.

Mr GUTWEIN - That was the distinction we wanted to clarify in the responsibilities associated with managing graves. I declared a conflict of interest because I had a brother and father buried in one of the churches flagged for sale and I didn't take part in that broader process. We wanted to move quickly because it was important people understood the roles and responsibilities they would have if they were considering purchasing one of those sites.

CHAIR - They can't, as individuals, they have to -

Mr VALENTINE - It has to be a body, doesn't it?

Mr GUTWEIN - We have moved it to a body corporate so that succession is available.

CHAIR - We have the unintended consequences of rushed legislation. There are people who own, and owned before that legislation changed, a church with a graveyard converted to a private residence. For them to sell if they have to move for work - and I am aware of at least one circumstance of such and I am sure there are more - they can't be sold until a body corporate comes along. Who is going to buy a residential house that was a church, complete with a graveyard? They are stuck.

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Mr GUTWEIN - There were responsibilities under the previous act, albeit not as specifically defined as they are now. It is a difficult set of circumstances.

CHAIR - They could sell it, now they can't without going to a body corporate.

Mr GUTWEIN - They could sell the graveyard under the previous arrangements under the act and there were still responsibilities in place. When these churches were sold, there was little understanding of what the act prescribed and there were responsibilities for these people when they purchased.

CHAIR - It is much more difficult for people to sell a private residence to a body corporate.

Mr GUTWEIN - Conversely, there is the opportunity, and I am not sure if the people you are referring to can, to subdivide.

CHAIR - They looked at that. Who wants a subdivided graveyard? They have to move to the other end of the state for work. Why should they have to be managing that? The council doesn't want it.

Mr GUTWEIN - We tried to land on what we thought was reasonable for the earthly remains of the people buried there. I understand that is difficult and creates challenges but it is a two-way street. I understand the view of individuals who own one of these properties, noting they purchased it with certain responsibilities under the previous act.

CHAIR - They thought they could sell it.

Mr GUTWEIN - They still can, but it is a matter of structuring it appropriately to do so.

CHAIR - Are these challenges part of the review?

Mr GUTWEIN - It has been raised. I haven't finalised my thinking on it. It is a matter of finding the balance between responsibilities to families of the people buried there as well. It is difficult, as you can imagine. There are only a handful.

Mr TAY - That is right. In the engagement we had on the first stage of the review, we only had two people come forward who privately own such a property. I believe I know of the case you are talking about. They didn't come forward at that time. The previous process included a requirement that if someone were to sell, there would be a notification process for the prospective buyer to notify the director at the time and that could be objected to. It wasn't the case that there wasn't a check and balance. It wasn't a strong one. The changes that went through the department last year strengthened those safeguards. It wasn't an automatic capacity to effect a sale under the previous arrangements.

Mr GUTWEIN - We are cognisant of the issue.

CHAIR - This happened without these people having any idea. They have been caught up in it. It was not focused on those people; it was focused on the broader picture of maintaining, protecting the graveyards attached to the churches that have been notionally put up for sale or on the list. Anyway, we have to consider these. They may be small in number, but it is an issue if

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someone has to move for work, or some other family reason and they cannot sell their property, and they are stuck with this residence and graveyard.

Mr VALENTINE - All we can do is try to find all the people who have an interest in the graveyard and they form an incorporated body.

CHAIR - The last one was in the 1970s and there are not many, but still a couple of years to go.

Mr VALENTINE - No, but there are still families that want to visit.

Mr GUTWEIN - We understand the challenge. As Alex said, there was a set of rules in place, and the [inaudible] test to be able to purchase one of these properties has always existed.

CHAIR - They submit that.

Mr GUTWEIN - Again the changes made in terms of a body corporate, which provides for succession into the future for management of the site, were considered in the new legislation. We are going through the process now. If you have any suggestions as to what you think a reasonable outcome is, considering we need to balance the views of those who have people buried in those graveyards -

Mr VALENTINE - That is right.

Mr GUTWEIN - And also the individuals who own sites under the arrangements, I would be happy to hear them. But we won't make everybody happy.

CHAIR - No. And some of those graveyards, like the one at Kempton - a few people have actually escaped from theirs.

Mr GUTWEIN - What?

CHAIR - That is what it looks like. You should call in on your way home and visit. The ones at the back are all caved in. They're cracked and it looks like the people actually got out. I have photos because some of Rob's relatives are buried there and we went to see. Some of them probably got out.

Mr GUTWEIN - I might go on a bright, sunny day about midday.

CHAIR - You should visit.

Mr VALENTINE - Sounds like another episode of *Glitch*. My only question was: how many new local government councillors elected in October 2018, and those re-elected?

CHAIR - Did you get your answer?

Mr VALENTINE - Sorry, did you answer that question?

Mr GUTWEIN - Of the 253 councillors elected, 103 councillors, or 41 per cent, were new. This compares to 90 new councillors, or 34 per cent, who were new councillors elected in 2014.

Mr VALENTINE - In 2014.

Mr GUTWEIN - In 2014.

CHAIR - Which is the first all-in, all-out in 2014?

Mr VALENTINE - Yes.

Mr GUTWEIN - Yes. It is probably worthwhile making the point that two councils had been through difficult periods.

Mr VALENTINE - That's right, so are they not included there?

Mr GUTWEIN - They are. Glenorchy had six new councillors.

CHAIR - Out of?

Mr GUTWEIN - Ten, and Huon Valley had eight out of nine.

CHAIR - Used your figures a bit.

Mr GUTWEIN - So again that does skew things a little.

Mr VALENTINE - Fair enough.

CHAIR - And King Island had a significant change the last election.

Mr GUTWEIN - They have had changes since the last one.

CHAIR - Since as well, yes.

Mr GUTWEIN - Yes; six out of nine.

Mr VALENTINE - Six out of nine are new?

Mr GUTWEIN - Yes. Following on from Mr Gaffney's point earlier on, this time around there has been more training and support provided prior to and following this election, and what was available in the 2014 elections. The proof of the pudding will be in the eating, but we have done everything we believe we could reasonably do to ensure the people who were standing understood their roles and responsibilities. We have provided additional support, within the council and externally via LGAT and the division, to ensure they were capable of carrying out their role.

Mr VALENTINE - At 41 per cent new, there are still 59 per cent who were re-elected.

Mr GUTWEIN - I would round it up and say 60:40.

Mr VALENTINE - Yes, 60:40, so you are going to have some experience around the table.

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Mr GUTWEIN - The Huon Valley is the standout with eight out of nine. That council has done an outstanding job, especially post-election, having to manage the fires and the impact on that electorate. They have demonstrated they are a good and competent group of people.

CHAIR - Unfortunately, we didn't have the same success on King Island.

Mr GUTWEIN - I don't think I can comment on that.

Mr VALENTINE - The other thing, given you are the focal point of contact with the Government for all local government, do you ever engage with them with regard to things like climate change strategies in line with the Government's focus on those issues?

Mr GUTWEIN - I am happy for Alex to comment on this. Before he does, it is interesting that at the PLGC, the Premier's Local Government Council -

Mr VALENTINE - That is still going?

Mr GUTWEIN - It is still going and it is a very worthwhile process and discussion group for the issues it raises. We work to ensure they understand what the Government's aims are through its Climate Action Plan. One of the key issues raised, and something we are working through, is erosion. That is challenging for many of our councils with significant levels of coastline, especially those with built infrastructure.

Mr VALENTINE - Erosion is one thing but inundation is a big one. Has that been covered?

Mr GUTWEIN - We are cognisant of it. The planning scheme is the instrument that manages these sorts of matters more broadly.

Mr TAY - I will add to that, minister. Having a good relationship with LGAT, the CEO, Katrena Stephenson, uses the opportunity to raise a range of policy issues with me. The Local Government Division has varying degrees of interaction on those issues. Things like the matters you have raised around coastal erosion and inundation come up. As the minister said, topics such as those of particular importance to the sector find their way onto the Premier's Local Government Council meeting agendas. That is the primary way that occurs.

In a general sense it is on a case-by-case basis as to how involved my division becomes on a particular item - for example if it is something to do with planning, the Department of Justice has the lead on that. We will become involved depending on the circumstances of a particular matter. We have significant involvement on some matters and in others it is more understanding the position of the sector on certain things to help advise the minister.

Mr VALENTINE - Where does it sit on the forward agenda in respect to climate change? There is a lot of community concern in this regard.

Mr GUTWEIN - That is a matter for the Minister for the Environment.

Mr VALENTINE - As you are the Minister for Local Government, I am interested in your agenda for local government in that regard.

Mr GUTWEIN - I think Alex made the point that the mechanism that deals with managing climate change in local government is the planning legislation. Therefore, the Planning minister will play a key role in the reviews of the necessary planning instruments we have. Obviously, he has the responsibility for both the statewide planning scheme but also the Tasmanian planning policies and the rollout of those, which will come after the local government introducing its LPSs, and the Premier is responsible for the State Coastal Policy as a state policy.

CHAIR - Thank you, minister. It's not a huge line item. It's only \$2 million in the big scheme of the Budget.

I have some other questions: Do you use consultancies in this area, or is it all done in-house? What about travel costs? Are they incorporated into that at around \$2 million appropriation?

Mr GUTWEIN - I do not know if Mr Tay has a number for that or not.

Mr TAY - The main consultancy, or contract is probably a better term, that we have afoot is to do with the Consolidated Data Collection. Outside of that, historically, the work of consultancies is associated with the feasibility studies a few years ago, but they have come and gone now.

CHAIR - What about the travel costs? How much travel cost is involved in this role?

Mr TAY - I don't have the figure to hand. Most of the travel is intrastate, visiting councils. It is not significantly large, but I will have to seek advice to get that figure.

CHAIR - The reason I ask is that one of the key savings the Treasurer is looking for is in travel and use of consultants. If you could provide a breakdown of those two costs in your department, that would be helpful.

Mr GAFFNEY - There is one question I will ask because it is a matter for Treasury and Cabinet as well, I would think.

The state Government had committed to developing a State Waste Action Plan by early 2019 and as well as that, Tasmania having the lowest incidence of litter in the country by 2023.

The Local Government Association of Tasmania contends that irrespective of the final Waste Action Plan, which is yet to be visualised, three actions can be taken: implement a container refund scheme, investigate the phase-out of single-use plastic takeaway containers, and support a community awareness and education program.

There are some issues from LGAT's point of view about the delay in this happening. If we want to be the state that has the lowest incidence of littering by 2023, I am interested to know how the process works when you have the Minister for the Environment, the Hon. Elise Archer, going to Cabinet saying, 'Well, hang on, we've said this, that we have to commit some funds to it all. How are we going to progress it?'

I would be interested in your comment.

Mr GUTWEIN - A body of work is underway within the Government. I am certain that the minister will have more to say soon on a number of the issues you have raised.

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Mr GAFFNEY - It might have been an election promise you took to the last election, or the one before, about having the lowest incidence of litter by 2023, and that is not the case so far. We are not even close. We haven't even started. Are you still thinking we will have the lowest incidence by 2023 or is that a forward Estimate?

Mr GUTWEIN - No. A commitment is a commitment. The Minister for Environment will have more to say on these matters soon.

CHAIR - Other questions? Thank you, Treasurer. We'll call it a day then - not such a late night after all.

Mr GUTWEIN - Thank you very much and I thank local government representatives for their attendance.

The Committee adjourned at 5.09 p.m.