

**Thursday 6 June 2013 - Estimates Committee B (Bacon) - Part 2**

**DIVISION 3**

(Finance-General)

**Minister for Finance -**

**Mr BACON** - The 2013-14 budget balances ongoing financial challenges with the need to invest in long-term reforms for the future of all Tasmanians. Financial restraint over the past two years has provided the state with the resilience to withstand further drops in revenue and the ability to invest in landmark initiatives like the Gonski education reforms, the National Disability Insurance Scheme and the Tasmanian Forests Agreement.

The budget reflects the state government's number-one priority, which is to create Tasmanian jobs. Job-creating initiatives include reducing the payroll tax burden on businesses that collectively employ more than half the Tasmanian workforce. The payroll tax exemption threshold will be increased to \$1.25 million, providing savings to more than 2 250 businesses, including 130 businesses that will no longer have to pay any payroll tax at all.

We have also funded a third round of the proven Tasmanian Government Innovation and Investment Fund, with the first two rounds already supporting the creation of more than 470 new jobs.

Fiscal discipline remains at the heart of the 2013-14 budget with all departments required to stick to the saving plans first laid out in 2011. Across the budget forward estimates expenses are forecast to grow at a modest average of around 1.9 per cent compared with revenue growth of around 3.5 per cent. Tasmania continues to face financial challenges primarily as a result of unforeseen costs and falling revenues from GST, state taxation and government businesses. The ongoing challenges in the local economy caused largely by the high Australian dollar will see a further \$200 million drop in state tax revenue over the three years due to a decrease in conveyancing duty and payroll tax receipts. The federal budget revealed a further fall in the GST pool that will cost Tasmania more than \$100 million over the next four years. The January bushfires also imposed a cost on the state budget with a final bill expected of around \$45 million for the emergency response and recovery process. In broad terms, these measures mean our return to surplus and negative net debt will be delayed until 2016-17.

The 2013-14 budget will see spending on health rise to \$1.4 billion, while education will receive \$1.35 billion, together accounting for more than 50 per cent of total government expenses. Infrastructure investment will exceed \$1.4 billion over the next four years with the majority of the \$350 million allocated in 2013-14 earmarked for roads, health and schools. The payroll tax changes announced in the budget will complement the payroll tax exemptions announced as part of the Tasmanian Jobs Package which aims to create 850 jobs over the next 18 months. Payroll tax is a necessary source of state revenue but we have listened to the business community which has told us it can act as a disincentive to creating new jobs. The last change to the threshold was in 2000 so I believe the time is right for further reform. The new tax-free threshold will be the most generous of any state and more than double the level in Victoria. This measure is expected to reduce revenue by around \$40.8 million over four years but in return will help to create much-needed jobs and be a boost to the state economy.

In the Finance portfolio we are also undertaking a strategic review of the RBF to identify the most appropriate means for the government to provide superannuation to its employees and members of the RBF into the future. Key objectives for assessing future strategic benefits for the RBF are protecting the interests of members, minimising the financial risk to government from the operation of the RBF and ensuring the financial sustainability and productivity of the RBF business. The consultant appointment process has been completed and a contract has been signed with Pricewaterhousecoopers Securities Ltd to undertake the strategic review. The consultants from PriceWaterhouseCoopers have already conducted initial meetings with the Department of Treasury and Finance and RBF senior management and the aim is to produce a final report to the government by mid-2013 barring any unforeseen delays.

Also an important area in the Finance portfolio is the regulation of liquor and gaming. We have seen this highlighted not only in estimates yesterday but recently with the \$1 bet limit proposal from Mr Booth. Tasmania has been recognised to be a leader in implementing measures to address problem gambling through independent research by consultants who undertook the second social and economic study of gambling in Tasmania. In addition to a package of measures introduced in 2009 in response to the first social and economic study, a key reform is a requirement for the Tasmanian Gaming Commission to introduce the responsible gambling mandatory code of practice. The third social and economic impact study of gambling in Tasmania is due to be completed by December 2014.

**Output group 2**  
**Employee Related Costs**

**2.1 Superannuation and pensions -**

**Ms FORREST** - Looking at the superannuation pension I have a few questions along the lines of super being dealt with differently now. From page 4.2 in Finance-General, the amount that relate to this are in the profit and loss items and it is also confirmed on page 4.12, profit and loss administered. I understand there are no employees in Finance General, so the super amounts relates to the defined benefit scheme. Am I right in that? Pages 4.2 and 4.12 contain both profit and loss statements. The super amounts related to the defined benefits scheme. The other defined contribution amounts do not appear here. Are these ones the defined benefits scheme because the defined contribution appears elsewhere?

**Mr BACON** - Yes.

**Ms FORREST** - That being the case, do these amounts include both employee service costs and the nominal superannuation interest?

**Mr BACON** - Yes.

**Ms FORREST** - Can you give us a breakdown of the employee service costs and the nominal superannuation interest?

**Mr JEFFERY** - That information is on page 4.4. We have broken down the superannuation cost into the service cost and the nominal interest component. The service cost is \$105.2 million. That was \$111.5 million in the previous year. Nominal interest is \$267.8 million and

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\$260.2 million in the previous year. We have slightly changed the presentation from previous years to provide that information.

**Ms FORREST** - Do you have the figures for the last few years and have they changed? It has often been difficult information to get in one hit.

**Mr BACON** - Are you after the breakdown year on year?

**Ms FORREST** - Yes. The breakdown of service for the last couple of years.

**Mr JEFFERY** - We could provide it but we would have to take it on notice.

**Ms FORREST** - All right. Do you do forward projections in this as well of how much you expect it to be?

**Mr JEFFERY** - Yes. This is based on advice from the actuary, so it is projected out across the forward estimates period. Those two amounts are what comprise the upward cost that is shown across the forward estimates.

**Ms FORREST** - In the profit and loss statement here?

**Mr JEFFERY** - On page 4.2. The output cost for 2013-14 is \$372.9 million. That is comprised of the service cost of \$105.2 million and the nominal interest component of \$267.8 million. Likewise, all the costs across the forward estimates are comprised of a service cost and a nominal interest cost. If you want that broken down, we could provide it.

**Ms FORREST** - That would be helpful to have that over the forward estimates.

**Mr BACON** - We will take on notice and provide that detail.

**Ms FORREST** - The statement of cash flows administered on page 4.22 includes lesser amounts for superannuation. Are these the payments to RBF for the government's share of the pensioner lump sums?

**Mr JEFFERY** - That is the estimates for the government's share of the payments to the RBF. We pay the RBF and the RBF pay the pensioners and lump-sum holders.

**Ms FORREST** - The accounting standards require a certain discount rate to be used to calculate the unfunded liability in the Treasurer's annual financial report, which is the bond rate and balance date, seeing it is a discount rate. Why do you use a different rate when you calculate the unfunded liability in the budget?

**Mr BACON** - Because of the volatility since the global financial crisis in the bond rate and the fact the rate is in the Treasurer's annual financial report under the accounting standards - the date on 30 June.

**Ms FORREST** - It creates some confusion.

**Mr BACON** - It does, but the key for the government is the movements in the discount rate and the unfunded liability do not affect the nominal cashflows that are required to meet the

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emerging costs of the unfunded liability in the money that is paid out on that emerging cost basis. Movements in the liability do not affect those nominal cashflows.

**Ms FORREST** - I accept that. If the current bond rate is a higher rate, will you still calculate two different measures for the unfunded superannuation?

**Mr BACON** - Under the accounting standards we will have to use 30 June in the Treasurer's annual financial report.

**Ms FORREST** - Regardless of whether it is higher or lower?

**Mr BACON** - Under the accounting standards we have no choice.

**Mr WALLACE** - For the purpose of the budget we use an average long-term rate. We do not know what the rate is going to be on 30 June and because the rates have been volatile, and at the last 30 June it was a historically low number. In different years the average is going to be higher or lower than the rate on 30 June.

**Ms FORREST** - Which measure of unfunded superannuation do you use in the fiscal strategy, measuring the revenue as a percentage of the net financial liabilities and non-financial public sector?

**Mr BACON** - That is the one that is used in the Treasurer's annual financial report.

**Ms FORREST** - So the bond rate at 30 June?

**Mr WALLACE** - For looking at the actual pass numbers, we put in what the actual amount was on 30 June. We use the actual and the actuals, under the accounting standards, based on the bond rate on 30 June. Consistent with the budget approach for the forward projections, we use the average long-term rate, which may or may not be the same rate. We cannot predict what the rate is going to be on 30 June.

**Ms FORREST** - So you are saying in the current year fiscal strategy, you use the long-term average for the forward estimates?

**Mr WALLACE** - Yes, because we do not know what the rate is going to be on 30 June.

**Ms FORREST** - With regard to the unfunded liability, minister, apart from the amounts paid by the government each year, the movement in the liability over the course of a year is the defined benefits superannuation expense, is calculated by an actuary, is that correct?

**Mr BACON** - Yes.

**Ms FORREST** - So the expenses are split between the employer service cost, which appears in the mid-operating balance calculation, and the nominal super interest, also in the net operating balance calculation, and the residual actuarial changes, which appear in the further calculation of comprehensive income. Why is it, regardless of the different discount rates used in the Treasurer's annual financial report and the budget as part of the actuarial calculations, the nominal superannuation interest calculation appears to be the same?

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**Mr JEFFERY** - What numbers are you looking at, Ms Forrest, where it is the same? It varies depending on what the discount rate is being used.

**Mr WALLACE** - We do an estimate, which is on the basis I described, but the actual past is what the rate was on 30 June.

**Ms FORREST** - You use that rate -

[2.15 p.m.]

**Mr WALLACE** - That reflects the historical actual under accounting standards superannuation liability, but when we do a projection, because the bond rates are so volatile, we do not know what a 30 June rate is, so we use an average rate, which we have had tested and consistent with other treasuries in terms of what an average rate would be. That is what we use as an assumption for a projection or an estimate. When the year has passed, we know what the actual measure of the liability was.

**Ms FORREST** - That goes to the Treasurer's annual superannuation report. The problem is accounting standards require one measure and then, unfortunately, current has been consistently reported, but that is not just with this, it is other areas. The government share of defined benefit pensions and benefits is currently 75 per cent. Is a change expected over the forward estimates? Is it likely to go up?

**Mr BACON** - In terms of the liability?

**Ms FORREST** - The amount the government have to pay?

**Mr BACON** - The amount that the government is expected to pay in terms of the 76.5 per cent, not 75 per cent at this point, is what I am advised, and will be reviewed at the next triennial review.

**Ms FORREST** - Which is due?

**Mr BACON** - End of the year.

**Ms FORREST** - Is it expected to go up? Are you predicting it will go up? It has been up as high as 85 per cent in the past?

**Mr BACON** - It will be reviewed.

**Mr JEFFERY** - It will depend on the actuary's report and they will review actual earnings of the RBF over the past three years and then determine what the funding share should be based on, the pattern of usage of the RBF's assets. The government's funding share has progressively increased over a large number of years, but it is 76.5 per cent and is as high as it has ever been.

**Ms FORREST** - I understand in 1976 it was 85 per cent.

**Mr BACON** - I was not around.

**Mr JEFFERY** - Yes, it was, sorry.

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**Ms FORREST** - Has Treasury done any projections or are you waiting on the actuarial - the triennial review?

**Mr BACON** - In terms of what that percentage will be?

**Ms FORREST** - Yes.

**Mr BACON** - I am not aware of any work that has been done beyond that to work out what that percentage will be?

**Mr WALLACE** - We have not done work on projecting what it ought to be. We have looked at, in modelling, what the impact of changes in the government contribution rate would be, but when you look back at the actuary reviews, the sufficiency of the fund is largely determined by the updated view on the earnings. Over the last 15 years that has varied - the actuary's assessment of the state has varied a lot, so we will see. We will have a look at the actuary's assessment of the situation before making a recommendation to the government.

**Ms FORREST** - The question was, have you done any modelling because if it has gone from 75 per cent to 76.5 per cent, and historically it has been as high as 85 per cent, it could have significant impact on your bottom line.

**Mr BACON** - We have not done any modelling on whether that percentage will increase.

**Ms FORREST** - Maybe you will. The comment you made about the value of the Retirement Benefits Fund, and that is what the review will look at, their returns, you mentioned in your overview the strategic review of the Retirement Benefits Fund and we know it has not performed particularly well - it has had a few less than successful investments over recent years - how will that affect?

**Mr BACON** - Investment returns for most superannuation funds in recent years have been affected significantly by the global economic downturn. When you look at the returns for the RBF they are comparable to similar superannuation -

**CHAIR** - I think they are down on most investments.

**Ms FORREST** - I am saying that the RBF has had a couple of unfortunate investments.

**Mr BACON** - Such as?

**Ms FORREST** - The Hobart Airport - massive write-downs. It only appeared in their annual report, and not even footnoted, a year ago.

**Mr BACON** - In terms of the airport - and this came up yesterday in the House of Assembly Estimates - the independent board of the RBF make investment decisions. Some will not return the investment that they envisage when they make the investment and others will return a better return. But overall the investment performance of the RBF has been favourable when compared with similar funds.

**Ms FORREST** - When the defined benefit members retire - and this goes back to the percentage the government needs to pay - the government has to fund its share of the unfunded

benefits, whether it is 76.5 per cent or 85 per cent. Are you concerned that there could be a cashflow double-whammy as replacement employees will need to have superannuation set aside monthly at the rate of 9 per cent, rising in the next five years to 12 per cent?

**Mr BACON** - It is assumed in this current budget that individual departments will cover increased superannuation costs.

**Ms FORREST** - It is appropriated to each department. It has to come from somewhere though.

**Mr BACON** - That is right, from each department. What was the first part of your question?

**Ms FORREST** - As more defined benefit members retire, because those schemes are all closed, whether you are going to get a double-whammy because the new people who replace those who retire, who will be on the contribution schemes, have to have their superannuation costs met on an emerging cost basis which has to come from the individual departments who get the money appropriated, and they have to be met when they fall due basically - monthly.

**Mr BACON** - The key thing to remember is that there are sufficient cashflows across the forward estimates to cover the emerging costs of the benefits that need to be paid.

**Ms FORREST** - But that would be even more significant. This rise is 12 per cent and if it gets up to 85 per cent of what the government has to find.

**Mr BACON** - That is right but I think the increase in the superannuation guarantee is a good thing and the system we are under now is much better than the system in the past that has left us with this liability.

**CHAIR** - Minister, in the notes of this output group - and I declare an interest because I am an RBF member - it is all estimated superannuation liability. Do we have an actual firm figure on how much the superannuation liability is for the state of Tasmania to date?

**Mr BACON** - We have an estimated figure.

**CHAIR** - So we do not have a firm figure?

**Mr BACON** - It depends on returns the RBF will get, how long people live with their pensions and a range of other factors. We do not have an actual figure but we have an estimated figure on what their liability is.

**CHAIR** - It tells me here that there is an increase in the estimated liability of \$184.4 million this year from last year, 2012-13. Is it expected that it will be that much of an increase next financial year?

**Mr BACON** - The estimate of the liability for 2013 is about \$5 billion, and that grows to 2017 to about \$5.5 billion in terms of the liability.

**CHAIR** - Yes, but I am saying that there was an increase from the estimated liability in the last financial year of \$184.4 million. Are you going to be that far out next year or is that something you cannot predict?

**Mr BACON** - In terms of changes in the liability, that happened due to their discount rates. The nominal money we pay out is not affected by those large changes in the liability affected by the discount rate.

**CHAIR** - As I said, I declare an interest. I don't want mine tomorrow, though.

**Mr BACON** - We hope you live a long life if you choose to go with the parliamentary pension.

**CHAIR** - Thank you, minister. Liability for Housing Tasmania and Tas Ambulance all sit with those departments?

**Mr BACON** - Yes. Within the government businesses there is a different supervision of the resource.

#### **Output group 4 Miscellaneous**

##### **4.3 Miscellaneous -**

**Dr GOODWIN** - I would appreciate a breakdown of what this output covers because it was a bit hard to get a handle on it from the notes in the budget papers.

**Mr BACON** - On the work that is done within the department on electricity reforms?

**Dr GOODWIN** - No, what is covered in this output 4.3.

**CHAIR** - That is always a little bit suspicious I believe in budget papers, particularly at the quantum of it.

**Mr BACON** - At 4.3 in terms of electricity reform costs an amount of \$4.4 million has been provided in 2013-14 for costs associated with electricity reform, including a range of concessions currently provided by Aurora Energy and for new concessions relating to electricity supply, which the government may fund as a result of the move to full retail competition.

**Mr WALLACE** - Of the \$4.4 million, \$2.9 million is for enhanced electricity concessions and community support programs.

**CHAIR** - Is that for the Housing department?

**Mr WALLACE** - No, that is the range of extra concessions the government announced a few months ago for the medical cooling and those sorts of things. The extra rebates on electricity -

**CHAIR** - On top of housing -

**Mr WALLACE** - Yes, and they also include programs that Aurora Energy used to fund but because Aurora's retail business is being sold they are being picked up by the consolidated fund so there was assistance to the Salvation Army and the [inaudible] program. Of this \$4.4 million, \$2.9 million is a range of concessions and programs supporting people paying their electricity

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bills. Then there are some miscellaneous items. For example, with the new market arrangements and the regulation of the Hydro's wholesale activities there is more work required by the Economic Regulator so there is \$250 000 for that. This item also will fund the network integration transition board that is being set up and that has been estimated at \$200 000.

**CHAIR** - \$200 000?

**Mr WALLACE** - Yes, for the 12 months; it is the board fees.

**CHAIR** - How many people are on that board?

**Mr WALLACE** - Six.

**CHAIR** - \$200 000 for six board members?

**Mr WALLACE** - The chair will get the same as other electricity businesses and the other members get an extra allowance on top of what they get, if they are on the existing electricity boards, for the extra work they do.

**CHAIR** - How many members of that board are Tasmanians, minister?

**Mr BACON** - I would have to check that detail with the shareholder ministers.

**CHAIR** - Okay. So we are cutting across two ministers here.

[2.30 p.m.]

**Mr BACON** - They are Minister for Energy and the Treasurer.

**CHAIR** - So we are cutting right across.

**Mr WALLACE** - Minister, the appointments of board members hasn't happened yet so the question can't be answered at this stage until the appointments occur.

**Mr BACON** - It will be published once it has -

**Mr WALLACE** - The chair was announced last week or the week before, but the rest of the board hasn't been formed yet.

**CHAIR** - Who is the chair?

**Mr WALLACE** - Dr Dan Norton.

**CHAIR** - From the old TasPorts?

**Mr BACON** - TasPorts, yes.

**Dr GOODWIN** - What about over the forward estimates? What is included in that output?

**Mr WALLACE** - The first year, in 2013-14, the total is \$4.4 million but after that the total is \$4 million and most of that is the concessions component.

**Dr GOODWIN** - Is anything else included in that output?

**Mr WALLACE** -Yes, there are some electricity reform costs - the administration of concession schemes; the extra money for concessions; the transition board; costs incurred by the economic regulator and some of the electricity reform costs associated with the consultants being used for the sale of the electricity customers.

**Mr BACON** - Customer base.

**Mr WALLACE** - That sort of thing. But as you can see -

**CHAIR** - Okay. Water and sewerage reform?

**Mr WALLACE** - Most of it is related to the concession arrangement or the regulatory arrangements.

**Ms FORREST** - Just on the consultants used for the sale of the customers for Aurora, how much is the consultancy costing and who are the consultants?

**Mr BACON** - Electricity reform falls under the responsibility of the Treasurer.

**Ms FORREST** - Does it? She turfed a few things your way on Tuesday.

**Mr BACON** - No, I don't think it was energy reforms.

**Ms FORREST** - Not that one? No, some other things but I am not quite sure what they would be.

**CHAIR** - What about the water and sewerage reform? Is that bundled up in there as well?

**Mr BACON** - That is underway. Water and sewerage reforms are largely in place so it is a little bit different to the electricity reforms.

**CHAIR** - But it is in that miscellaneous -

**Mr BACON** - Yes, that is right, and we have some information there about that but it is a little different to the electricity in terms of -

**Mr WALLACE** - This is a provision for consulting costs. All I have is what has been spent on financial advisory services to date in relation to the sale process, which is \$132 000.

**Ms FORREST** - So further projected costs for that? Obviously the work is not completed there.

**Mr WALLACE** - I don't have with me what the projected cost is. The final cost obviously gets reported in the Treasury annual report and in other places. There will be a component associated with the base amount of work that the financial adviser would need to do, plus there should be a component based on the sale value.

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**CHAIR** - So who are the consultants, minister?

**Mr WALLACE** - The financial adviser on the site is Lazard, an international company that specialises in -

**Ms FORREST** - Is that the only consultant being used in this area?

**Mr WALLACE** - In the sale?

**Ms FORREST** - Yes.

**Mr WALLACE** - No, we have legal advisers on the sale - Allens Arthur Robinson.

**Ms FORREST** - The forward estimates jump up in 2014-15 and then are fairly consistent after that. Is that fully explained in footnote 8? It says:

The Miscellaneous Output in 2013-14 primarily reflects funding of \$4 0 million for the Mobile Radio Network, \$4.4 million for costs associated with Electricity Reform including concessions and rebate, \$1.5 million for Forestry and Energy Reform and \$1.9 million for subsidy payments to the Water and Sewerage Corporation.

**Mr BACON** - For water and sewerage reform, yes.

**Ms FORREST** - So is that water and sewerage? I didn't add up all the numbers, but there is \$22.5 million there. Are there other things?

**Mr BACON** - Across the forward estimates?

**Ms FORREST** - No, just in 2014-15. It doesn't seem to add up, so there must be other things.

**Dr GOODWIN** - It refers to 'other miscellaneous'.

**Mr BACON** - Miscellaneous within the miscellaneous? We might take that on notice, if we could.

**Ms FORREST** - For the \$22.5 million in 2014-15, what areas are covered in that?

**Mr BACON** - We will take that on notice, if that pleases the committee, and come back to you on the miscellaneous part of the miscellaneous.

**Mr FERRALL** - On that miscellaneous, the jump up, it has an increase in latter years for the mobile radio. There is effectively a provision built into the latter years for the potential replacement of the existing Tasmanian government mobile radio network, so there is a provision going into the forward estimates in the out years for that.

**Ms FORREST** - That is above and beyond the \$4 million?

**Mr FERRALL** - Yes.

**Ms FORREST** - That answers my question.

**Mr FERRALL** - It jumps up because there is an increased provision in the out years.

**Dr GOODWIN** - Could we get a detailed breakdown of what is in that over the next few years?

**Mr BACON** - No problem.

**CHAIR** - Particularly if there is more than just the radio network involved, minister, because then we have something to look back on next year to see where we are tracking. You indicated you had some information about the water and sewerage reform - and I note from the notes that \$1.9 million is allocated.

**Mr BACON** - There is \$1.9 million to the new water and sewerage corporation to assist its short-term financial viability and to reduce pressure for price shocks from 1 July 2012.

**CHAIR** - You have \$1.9 million for 2013-14 and then beside it there is \$3.4 million in 2012-13, so you are pulling back?

**Mr BACON** - It was a subsidy that is being provided and is \$1.5 million less than it was in 2012-13.

**CHAIR** - Is it your expectation the water and sewerage corporation will have itself ready to stand alone after 2013-14?

**Mr BACON** - Absolutely.

**CHAIR** - Will they be able to come cap in hand back to the government?

**Mr BACON** - If we followed through the Liberal plan to rip \$5 million out of them, then no.

**CHAIR** - Minister, we do not get into politics here. We just ask questions and have them answered.

**Mr BACON** - That is right, but that is the only answer I have, though.

**Mr GAFFNEY** - If there are advantages to that plan, would the state government look at that or have they looked at it and thought there would not be advantages? I find it strange that one level of government would interfere with another level of government's corporate ownership or responsibilities.

**Mr BACON** - That is the thing, it comes back to the 29 owners of the corporation. It would have to be with discussions of the owners of the business, which are the local government authorities around the state, before you would make any move of that nature.

**CHAIR** - So the water and sewerage reforms are on track and, in your view, they are ready to go and will not be back for more money?

**Mr BACON** - That is really a question for them.

**4.4 Payment to Australian Tax Office: GST administration -**

**CHAIR** - Minister, for someone who does not have their head completely around every aspect of finance, can you give me your view on that \$15.54 million that is paid out?

**Mr BACON** - This is the state's contribution to GST collection and compliance costs, \$15.5 million, which is slightly less than the figure in 2012-13.

**CHAIR** - You give it to the commonwealth and then you get your GST share back. On the other hand it is just one of those -

**Mrs TAYLOR** - But this is only for the administration.

**CHAIR** - Yes, just for the administration, but you virtually get it covered when you get your GST payment coming back.

**Mrs TAYLOR** - Why is it slightly less, it is not much, but I am wondering why. Why does it vary and keeps going up again after next year, but it is just a bit less and I wondered why?

**Mr WALLACE** - I cannot quite remember, but there was an arrangement where there is a base amount.

**Ms SAWFORD** - The state's share, the cost of the administration is shared between them, so on a per capita share basis, it could be that Tasmania's population as a proportion of the total has fallen.

**Mrs TAYLOR** - Per capita?

**Ms SAWFORD** - Yes, so we share on a per capita basis.

**Mrs TAYLOR** - It would be really expensive to administer, then, if our share is \$15 million, on our per capita basis.

**Ms SAWFORD** - Yes, it is.

**Mrs TAYLOR** - The administration sounds really expensive, isn't it?

**Ms FORREST** - Think about New South Wales - they have a big population.

**Ms SAWFORD** - They raise \$50 million in revenue.

**Mrs TAYLOR** - If there is an increase in the GST in some future date from 10 per cent to more, will that make any difference? No, because it is on a per capita basis.

**Mr BACON** - It will make a difference to the state's contribution for collection and compliance.

**Mrs TAYLOR** - Administration?

**Mr BACON** - No, it shouldn't do.

**Mrs TAYLOR** - What if, as predicted, our GST revenue continues to fall? Our share of GST because of shifts in WA and all sorts of things still won't change, will it?

**Mr BACON** - Administration costs?

**Mrs TAYLOR** - We will just continue to pay this amount.

**CHAIR** - Is that something that you could raise with the federal Treasurer regarding how this impacts on Tasmania?

**Mr BACON** - I think this is a relatively small impact on the state, given the relativities and the amount of GST that we receive, and the pressure from other states for us to receive less GST. I think the \$15.5 million is probably money well spent.

**CHAIR** - You think we would be better off saying nothing and putting up with it?

**Mr BACON** - Yes, there are bigger issues for the state to concentrate on.

**Mrs TAYLOR** - If it is based on population issues. You are saying then, if that is true, then our population has fallen or it has fallen relatively.

**Mr BACON** - As a proportion.

**Mrs TAYLOR** - Of the Australian population, but we are obviously expecting it to increase in future years because if it is \$15.54 million -

**CHAIR** - The baby boom.

**Mrs TAYLOR** - Yes, but the baby boom is happening everywhere. We must be expecting our population to increase for 2014-15.

**Ms SAWFORD** - In the past, states have agreed to put in additional compliance money into the GST administration costs on the basis that you collect more revenue, so the increase going forward would reflect the decision to increase effort. There are a number of factors that will influence it, not just population.

**Mrs TAYLOR** - The total administration pool will get bigger.

**Ms SAWFORD** - The total administration costs will go up and then we would expect to get more revenue as a result of that.

**Mrs TAYLOR** - I was just hopeful that we were going to get a whole lot more.

**Ms FORREST** - To clarify, minister, the appropriation here is to fund the staff costs of administering the GST, is that right?

**Mr BACON** - It is the state's contribution.

**Ms FORREST** - Basically to the staffing costs, is it?

**Mr BACON** - To the costs around administration and compliance and those kinds of things.

**Ms FORREST** - Does ours drop down because of no need to pay payroll tax? Are we paying money to the commonwealth effectively for them to do the work, the people in Canberra basically?

**Mr BACON** - That is right.

**Ms FORREST** - There is no one on the ground here in Tasmania?

**Mr BACON** - Not from the state government, but we make contribution towards -

[2:45pm]

**Mr WALLACE** - The GST is collected by the Australian Taxation Office. It is a commonwealth body and because all the revenue collected from the GST, all the taxes they collect, goes to the state. The state pays for the administration and the compliance costs associated with recovering revenues through GST.

**Ms FORREST** - There are no employees in Tasmania under this line item, it was just payment to the commonwealth?

**Mr WALLACE** - Apart from employees in the Tax Office.

**Mr BACON** - But they are not employees of state government.

**Ms FORREST** - That is what I am saying.

**Mr BACON** - That is right.

#### **4.5 Tasmanian Risk Management Fund -**

**Ms FORREST** - The amounts in the expense summary for the current financial year of \$45 million and then the coming financial year is \$53.5 million. Are these payments made to the Risk Management Fund?

**Mr BACON** - The increase of \$8.4 million reflects an anticipated administration and claims cost based on our most recent actuarial advice around the fund.

**Ms FORREST** - Is there any cash backing for this fund?

**Mr BACON** - Yes. All inner budget agencies are required to participate in the Tasmanian Risk Management Fund and pay into the fund.

**Ms FORREST** - How much is the cash backed?

**CHAIR** - You would hope 100 per cent. Would that be your expectation, minister, 100 per cent?

**Mr BACON** - Absolutely.

**Ms FORREST** - What payments have been made out of the Risk Management Fund in the last 12 months and for what purpose?

**Mr FERRALL** - In 2012-13 the year has not completed, so we do not have the figures for payments. At the moment our best estimate is the budget for 2012-13. We do not anticipate that there will be a significant difference to the budget. In October each year the TRF produces an annual report which will disclose the actual figures for the year.

**Ms FORREST** - With regard to the bushfires in January, what is the expected recovery cost for the costs associated with the government clean-up that will come out of the Tasmanian Risk Management Fund?

**Mr BACON** - The fund covers the cost of damage up to \$5 million per claim and it is subject to agencies paying their selected excess. The total estimated costs to the Tasmanian Risk Management Fund from the bushfires are expected to be approximately \$5.4 million, which is made up of \$5 million for the Dunalley Primary School; around \$400 000 for the police station and residences; \$8 000 for Tasmanian devil pens and fencing; and \$5 000 for storage and water flow buildings.

**Ms FORREST** - All of that will come back. One claim for \$5 million was the school and that is the biggest claim?

**Mr BACON** - The claim there is for \$10.8 million. The first \$5 million will be covered out of the fund and then the rest will come out of consolidated revenue.

**Ms FORREST** - Does that require a RAF?

**Mr BACON** - It will be in next year's budget.

**Ms FORREST** - Under the Risk Management Fund budget or a separate appropriation somewhere?

**Mr FERRALL** - There will be a separate appropriation available in Finance-General. There is \$8.3 million in Finance-General for next year.

**Ms FORREST** - Is it in the budget papers here?

**MR FERRALL** - It is in table 4.8 on page 4.17.

**Ms FORREST** - It is the \$8.3 million to fund recovery efforts. That is not covered under the Risk Management Fund contribution for \$5 million.

**Mrs TAYLOR** - It is in grants and subsidies.

**Dr GOODWIN** - How often is the actuarial assessment is done?

**Mr BACON** - On the TRMF funds, annually

**4.6 Fleet management services -**

**Ms FORREST** - This is not so much reflecting the forward projections but I note it is diminishing over the forward estimate, the allocation for this area. I note there is a review of the government fleet vehicles about their safety rating. On reading the notes, it suggests this is to ensure that the company vehicles have the highest safety rating because they go into general circulation afterwards. Could you give us more information about the review?

**Mr BACON** - The safety policy is administered through DIER rather than through Treasury.

**MR FERRALL** - And effectively we comply with the safety policy which comes through from DIER.

**Ms FORREST** - DIER determined the policy in use to comply with it. Okay.

**Dr GOODWIN** - In terms of the reduction in the vehicle fleet, can you give us information around that?

**Mr BACON** - The number of total vehicles in the fleet reduced from 2 759 in 1 May 2011 to 2 4951 in May 2013, which is a significant reduction and has resulted in significant savings across the government fleet.

**CHAIR** - Is Forestry Tasmania's fleet included in that number?

**Mr BACON** - No, Forestry is separate.

**CHAIR** - So it is purely government departments and the parliament that relate to that number.

**Mr BACON** - Yes.

**Ms FORREST** - Where were they mainly removed from?

**Mr BACON** - Across the government fleet. There was a range of changes made removing access to prestige vehicles such as Audi, BMW, Lexus, Mercedes and Volvo, significantly reducing the range and value of vehicles available to heads of agency, SES officers, head of agency equivalents and other equivalents,

**CHAIR** - MPs.

**Mr BACON** - I do not think MPs all get the same amount in cars.

**CHAIR** - A base amount and then if you want a higher value vehicle you put in it yourself.

**Mr BACON** - There has also been an extension in the vehicle lease terms from what was 24 months to 36 months and action by agencies to cut fringe benefits tax cost through reducing private use of operating vehicles.

## UNCORRECTED PROOF ISSUE

**CHAIR** - If there has been a substantial decrease in the number of people who have vehicles have their salaries had to be increased to reflect that?

**Mrs TAYLOR** - There are not actually fewer vehicles as well, are there?

**Mr BACON** - Yes, there has been a significant reduction in the size of the fleet. We have seen the monthly cost of the fleet from March 2013 being approximately \$2.6 million, which is a reduction of around 10.3 per cent from the 2012 figure.

**CHAIR** - So there has not been any need for an increase in salary to compensate for somebody who had a vehicle in the past?

**Mr BACON** - No.

**Ms FORREST** - Minister, do you know what the savings have been from increasing the term from the 40 000 two-year turnover to 60 000 kilometres?

**Mr BACON** - We can see what the total savings for the fleet are across those range of different initiatives but to work out that would be pretty messy.

**Mr FERRALL** - You can identify on a like-for-like vehicle but one of the critical issues of the whole of life cycle costs usually relates to residual value. You have really got to go through a number of cycles to be able to correctly identify what the true saving is over a period of time.

**CHAIR** - It probably costs more to have the exercise done than you are saving, minister.

**Mrs TAYLOR** - I heard from some departmental employees over the last year or so that there is less access to government vehicles. It has meant that people have had to either use their own vehicles at times - which comes at a cost to the government in mileage - or it has meant extra cost in that they have to wait for vehicles. If they need to go somewhere, then they have to either hire a car or wait for that vehicle to come back before they can use it. That is apparently causing some extra costs and lowering of service levels. Can you comment on that?

**Mr BACON** - That is not something that has been raised with me.

**Mrs TAYLOR** - If there are extra costs, where would that be reflected? Within the agencies?

**Mr BACON** - Within the agencies, so it is not something that -

**Mrs TAYLOR** - Not be raised with you?

**Mr BACON** - No. But thank you for raising that.

**Mr FERRALL** - Each department manages their own fleet in terms of trying to optimise the number of vehicles they have. I know there have been a number of departments, particularly Health, that has done a lot of work in trying to optimise the fleet usage. One of the reasons there has been a capacity to reduce the numbers across all of government is effectively because a lot of vehicles were under-utilised. Certainly with big agencies like Health, DIER, and Education, they have been very carefully looking at their vehicles to ensure that they do not have vehicles that

were under-utilised. It might have had some consequences in that somebody might have had to wait ten minutes for a vehicle or to use a booking sheet whereas previously they may not have had to book.

There is a different management regime that they are putting in place. But it is having positive impacts in terms of costs to whole-of-government and also costs to individual agencies. Certainly in the discussions I have had with Health, Education and DIER, there have not been any issues raised in terms of other consequent costs or other difficulties in terms of service delivery.

**Dr GOODWIN** - Is it possible to get a breakdown of how many cars have gone from which agency over that period of 2011-13? Tabled or on notice.

**Mr BACON** - We will get that tabled and get it to you.

[3.00 p.m.]

**4.7 Property management services -**

**CHAIR** - Moving on to property services, minister, I would appreciate it if you could drill down into this particular line item because the note talks about changes in the timing of cashflows for fit-out costs, rent and other associated costs with the parliament square project. Could you elaborate on this line item because it has a steep increase?

**Mr BACON** - The estimated expenses include: property lease and rental payments of \$18 million, which is \$0.7 million more than 2012-13; power and fuel expenses of \$800 000, which is \$30 000 less than 2012-13; rate payments of \$450 000, which is \$50 000 more than 2012-13; rent and other expenses of \$410 000, which is \$10 000 less than 2012-13; estimated depreciation on government-owned office buildings of \$1.1 million, which is no change from 2012-13; property maintenance expenses totalling \$3.8 million, which is again no change; and \$4.5 million for fit-out costs associated with the parliamentary square project, which is the same figure that was in there in 2012-13.

**Ms FORREST** - It has been pushed out until next year?

**Mrs TAYLOR** - It is the forward estimates that are the big jumps.

**Mr BACON** - We can get that breakdown for you; we do not have that with us at the moment.

**Mr FERRALL** - It picks up the potential increase in rent costs as we go forward with the Parliament Square project. The government will be leasing or has pre-committed to approximately 17 000 square metres as part of the whole Parliament Square redevelopment. In that item we have included, as we go across the forward estimates, the costs for the rent and the fit-out costs because the government will be paying for the fit-out and renting the building.

**CHAIR** - Are you expecting that Parliament Square will be able to be occupied by 2014?

**Mr FERRALL** - No.

**Mr BACON** - The increased costs are for leasing other office space.

## UNCORRECTED PROOF ISSUE

**CHAIR** - What government buildings or buildings owned by the state do you have earmarked for sale other than school farms?

**Mr BACON** - I am not sure about the school farms issue. I am not sure that they are for sale.

**CHAIR** - Do you think it might be a media beat-up, minister?

**Mr BACON** - I think so; not that it has ever happened before.

**Dr GOODWIN** - There is a nice prison farm for sale.

**Mr BACON** - Yes, we do have that.

**Ms FORREST** - We should use the 'cynical font' for that comment in *Hansard*, do you think?

**Mr BACON** - Properties that we currently have on the market are: lot 1 Huon Highway, Huonville; part D Cemetery Road, Georgetown; lot 1 Hanson's Road, Grove; 2 Fraser Street, Strahan; 18 982 Bass Highway, Rocky Cape; 60 Crooked Billet Drive, Brighton; and Lookout Road, Port Arthur; and there are a few others there.

**CHAIR** - There are no biggies?

**Ms FORREST** - That is mostly land, isn't it? As opposed to buildings.

**Mr BACON** - Also, there is 115-199 Havelock Street, Smithton; part of the Port Dalrymple School at 147-185 Agnes Street, Georgetown; former Abbottsfield Primary School at 95 Abbottsfield Road, Claremont; RA 926 Deddington Road, Deddington.

**Mrs TAYLOR** - They just decided not to sell that.

**Mr BACON** - It is on the open market now. Lake Augusta Road, Liawenee; former Rocherlea Primary School at 7-43 Lilydale Road, Rocherlea; and 35 Gibson Street, which is in Smithton, and also the former Hayes Prison Farm at Kilderry Road, Hayes.

**CHAIR** - Did you want to follow up on that?

**Mrs TAYLOR** - Where the new Austins Ferry Primary School is - that is the other site.

**Mr BACON** - That is the other one.

**Ms FORREST** - Minister, the Parliament Square redevelopment has been pushed back. Are you confident it is going to get going this year?

**Mr BACON** - There is already work underway on the site and we hope that major construction will start towards the end of the year. It has been held up with extended legal battles and that is why enabling legislation was -

**Ms FORREST** - Supported by the upper House, by the majority of members.

## UNCORRECTED PROOF ISSUE

**Mr BACON** - Hear, hear.

**Ms FORREST** - A couple of them had to sleep in tents for a while as a result of not supporting it.

**CHAIR** - I am not going to be overseeing that.

**Mr BACON** - It is worth over \$100 million and we are keen to see the project go ahead. It has been held up for too long, in my opinion.

**Ms FORREST** - But you are confident it will happen this year - this financial year, I mean?

**Mr BACON** - Yes, absolutely.

**Mrs TAYLOR** - This financial year, or this calendar year?

**Mr BACON** - This calendar year. By the end of this -

**Ms FORREST** - The whole project?

**Mr BACON** - Will begin major construction.

**Mrs TAYLOR** - No, it will start.

**Ms FORREST** - I was going to say, that is a bit optimistic.

**Dr GOODWIN** - I had a question in relation to the Hayes Prison Farm Sale - about the expressions of interest process. Are you able to talk about that?

**Mr BACON** - Yes, we can do that.

**Dr GOODWIN** - I understand there were some expressions of interest but they were not, I suppose, accepted or pursued.

**CHAIR** - I have already indicated to a minister earlier in the week that it is advertised in *Tasmanian Country*.

**Mr BACON** - The former Hayes Prison Farm was placed on the market in the form of a public tender process, which closed on 10 May 2013. The property was offered on an 'as is, where is' basis, with the condition of the property and assets on it presented for all potential purchasers to be able to view and make their own assessment. Prior to listing for sale, Treasury collated all relevant due diligence information and provided full disclosure. This information was available to all potential purchasers via the real estate agent appointed by Treasury to conduct the sales process. The property was not sold as a going concern. The prison farm had been decommissioned prior to it being declared surplus and offered for sale, therefore any old information on maintenance and service costs would not be directly relevant to the sale, as such costs would reflect the costs of operating a prison farm.

The department of Treasury and Finance completed a competitive process to select a real estate agent to undertake the marketing and sale process on behalf of the crown. Treasury sought

submissions from suitably qualified and experienced real estate companies that specialised in rural land sales and had a history of successfully selling farms in Tasmania. Roberts Real Estate was the successful agency appointed by Treasury. The property was comprehensively marketed by Roberts during the tender phase, with many parties inspecting the property and receiving the due diligence information. Advice relating to costs such as electricity or maintenance would need to be directed. The only update is that the property is now on the open market at a price of \$3.35 million.

**Dr GOODWIN** - Presumably that means whatever tenders were received were not accepted.

**Mr BACON** - Were not suitable.

**Dr GOODWIN** - Were not suitable, or do you don't have any?

**Dr GOODWIN** - As I understand it, there were some submitted.

**Mrs TAYLOR** - There were tenders.

**Mr BACON** - There were no conforming tenders at the reserve price, so it was then put on the open market, at that price.

#### **4.8 Infrastructure investment project planning -**

**Mrs TAYLOR** - This is, of course, funding for the early planning stages of major infrastructure projects.

**Mr BACON** - Yes.

**Mrs TAYLOR** - Can you tell me how the amount was expended last year? It was \$2 million. What projects were funded under this output? What type of work was done - scoping, planning? What did you do with it? What did you do with the \$2 million last year?

**CHAIR** - And what are you going to do with it this year?

**Mr BACON** - There is a long list of potential projects within agencies and the money is put out to agencies to do the work getting those projects started.

**Mrs TAYLOR** - How do you decide which agencies are going to get how much? Do they put in bids or - who decides?

**Mr BACON** - We call for requests for funding from agencies against this fund, to be put forward as part of the structured infrastructure investment review process - SIIRP.

**Mr FERRALL** - They put in bids against that and we make a recommendation to the Treasury of how much should go to different agencies or different projects. It is a staged process designed so that agencies can get relatively small amounts of money to enable them to do appropriate planning of projects before they hit the capital investment program. For the \$2 million on an annual basis there is quite a large list of projects that agencies might be advancing, because sometimes they might need \$10 000 or \$20 000 to do a pre-feasibility study or

## UNCORRECTED PROOF ISSUE

to do some initial work. I have not got the list here but we can get a list of all the projects that agencies have looked at.

**CHAIR** - Thank you. That would be good.

**Mr FERRALL** - People need to be aware that these are projects that are, in many cases, in the almost the ideas phase. They are not necessarily projects that would come to fruition for a whole range of reasons.

**Mrs TAYLOR** - It is early planning.

**Mr FERRALL** - Sometimes agencies decide they are not suitable projects so you need to be very cautious that it does not create unreasonable expectations in terms of what an agency might be doing in relation to a particular project.

**Mrs TAYLOR** - So the entire \$2 million would have been expended?

**Mr BACON** - I imagine so.

**Mrs TAYLOR** - Or will be expended this year - over, under?

**Mr BACON** - It will not be over. It might be slightly under.

**Mrs TAYLOR** - Do you know what projects you expect to fund in the coming financial year? Has that work been done?

**Mr BACON** - Currently agencies would be about to put in their bids for the coming year.

**Mrs TAYLOR** - When would you decide that? Obviously if it is next financial year people need a lead in time.

**Mr BACON** - It would be decided in July or August and then they commence rolling the program.

**Mrs TAYLOR** - They have the rest of the financial year to -

**Mr FERRALL** - Some of the funding for next year might also relate to projects where they have done some work this year and then want to do a little bit more next financial year. It is not as if everything starts from scratch at that particular point. It is a rolling program.

**Mrs TAYLOR** - Minister, why is this in Finance-General?

**Mr BACON** - It is the most appropriate place for it to be. Where would you like it?

**CHAIR** - It probably belongs in infrastructure.

**Mr BACON** - It goes to different agencies though.

**Mrs TAYLOR** - It is infrastructure investment.

## UNCORRECTED PROOF ISSUE

**Mr BACON** - It goes to all different agencies so I suppose Finance-General is the appropriate place for that funding to be.

**CHAIR** - How do the departments work out what share they get of that \$2 million?

**Mr BACON** - They put in bids for that.

**Ms FORREST** - They come cap in hand to the minister.

**Dr GOODWIN** - Those who can write the best bids win is how it works.

**Mrs TAYLOR** - When we get the list I presume we will see, when you say fairly small amounts we are looking at probably dozens of projects, are we? What sort of number - 10, 50, 100?

**Mr FERRALL** - Somewhere in that range.

*Laughter.*

**Mrs TAYLOR** - Except when we get the list, which will be nice, with the proviso that these are early project plan funding.

**CHAIR** - These are coffee table, coffee morning projects perhaps.

**Mrs TAYLOR** - I hope they are slightly more than that, but yes.

**CHAIR** - Ones that gets raised around the morning tea table or something. Perhaps that would be a good idea; let us explore it. Is that the type of thing?

**Mrs TAYLOR** - One presumes they have to put in a reasonable bid.

**Dr GOODWIN** - You would think so. If it is a competitive process you would think they would have to be half reasonable.

**CHAIR** - Is there one department that would have greater need, like the Department of Education, where there would be loads of projects that would need exploring and perhaps the Department of Education does not have the funds to explore those projects.

**Mr BACON** - That is why this \$2 million is set aside for that early feasibility work.

**Mrs TAYLOR** - I should imagine every department would have loads, wouldn't they?

**CHAIR** - I do not know. That is why we cannot wait to see the list I expect. We will be looking forward to that.

[3.15 p.m.]

**Grants and subsidies -**

**Ms FORREST** - The extra money there for this next financial year relates to the first home owner boost. Is it your intention just to have that for one year?

## UNCORRECTED PROOF ISSUE

**Mr BACON** - The first home owner grant will no longer be offered after 1 July next year, but the first home builder boost will continue beyond that date.

**Ms FORREST** - This 2013-14 encompasses both and after that it is the first home builder boost?

**Mr BACON** - Yes.

**Ms FORREST** - It does drop down in 2015-16 to \$1.68 million.

**Mrs TAYLOR** - There are not as many first home builders as there are first home buyers.

**Mr BACON** - Not continuing the first home owner grant will provide room in the budget for relief on stamp duty on caravans and motor trailers and also the payroll tax exemption threshold will increase.

**Ms FORREST** - The drop from \$20 million to \$8.6 million from 2013-14 to 2014-15, isn't that when the first home owner grant drops out?

**Mr BACON** - The first home owner's grant ceases on 1 July 2014.

**Ms FORREST** - So you have half a year there.

**Mr BACON** - It is half a year in terms of calendar year, but that is not your question.

**Ms FORREST** - In the \$8.6 million what are we funding in 2014-15?

**Mr BACON** - That is the first home builder boost, is my own understanding.

**Mr WALLACE** - The first home builder grant.

**Ms FORREST** - Not the first home owner grant?

**Mr BACON** - No, true.

**Ms FORREST** - In 2015-16 it drops down to \$1.68 million.

**Mr BACON** - There is a date that the builder's boost comes to an end. What it does is reverts back to \$7 000. You will still get that \$7 000 beyond that date, but you will not get the additional boost. The boost announced in the Tasmanian Jobs Package last year will cease, but you will still get the \$7 000 first home owner grant for a new home.

**Ms FORREST** - That is the \$1.68 million into the forward estimates for that.

**CHAIR** - There has been some media discussion about the low take-up. Is that something that you are going to target, or you don't want to pay out much anyway?

## UNCORRECTED PROOF ISSUE

**Mr BACON** - We want to pay it out because we want to see new homes built, but given the lead time around building a new house and making those investment decisions, we think there is a significant lag from when it is announced.

**CHAIR** - You think there will be a flurry. You are not concerned about the lack of take up at this point.

**Mr BACON** - We want to see more people get on and make the decision to build their first home, get the boost and create more jobs in construction.

**CHAIR** - I probably should know this but are spec homes classed as building a home?

**Mr BACON** - You can get the grant if you are buying a newly built home.

**CHAIR** - As long as it hasn't been lived in before?

**Mr BACON** - That's right.

**Ms FORREST** - Payroll tax assistance - the new jobs one. Do you have an indication of how many new jobs have been achieved since it has been implemented? I think it is three years now, the third round isn't it?

**Mr BACON** - This is the third round, yes.

**Ms FORREST** - How many new jobs can you directly attribute to that relief over the last two years to date, anyway?

**Mr BACON** - In the first two rounds. We are expecting around 1 650 jobs to be created out of the latest round. That includes 800 jobs at the Kingston call centre for Vodafone. The first round resulted in \$5 million being paid out to 118 businesses supporting the creation of 876 new positions. The second round is expected to support the creation of at least 1 850 jobs by providing payroll tax relief at \$3.5 million over three years. The expectation was 850 jobs and so far we have seen 68 businesses receive payments to support 843 new positions. We are expecting the third round the support the creation of 1 650 new jobs and we have already seen the announcement of around 800 jobs at Vodafone and around 70 jobs at Officemax in Derwent Park.

**Ms FORREST** - The requirement is that they keep those employees on for two years. Are you going to need a bit of a lag to see whether that persists beyond the two years? Are you at the point where we can assess that? Is that something you are going to track, minister, because it is going to be difficult? The way you track it now is the fact that you have to pay the money back to them so it is easy to track.

**Mr BACON** - In terms of the first round, job creation and claim from 2009-10 and they are required to retain those jobs until 2010-11. In terms of the second round, job creation and the claim on the submission was in 2011-12 and then the jobs were required to be retained into 2012-13. For the latest round, the job creation period goes from 10 December last year. 2013-14 is when the job creation and claim submission period runs and then the jobs are to be retained until 2014-15.

## UNCORRECTED PROOF ISSUE

**Ms FORREST** - Are you going to be able to track them after that? Once that two-year period is up, they then start paying payroll tax on those positions, don't they?

**Mr BACON** - Yes, and then it would be difficult to track them because we would not any reason for them to provide that information because they are not claiming the rebate any longer.

**Ms FORREST** - The unemployment figures may show up, potentially.

**Mr BACON** - Hopefully they do.

**Ms FORREST** - Or do not, would be preferable.

**Mr BACON** - Hopefully, the unemployment rate improves. But you are right -

**Ms FORREST** - Whichever way you look at it, half full or half empty perhaps.

**Mr BACON** - It has to be half full.

**Mrs TAYLOR** - It is not your direct portfolio, but talking about the jobs at Vodafone as you were, that subsidy to them is at least over four years. It is a total forward estimate. If they do not retain those jobs, do you not continue to give them the relief?

**Mr BACON** - It is a rebate. If they no longer have those jobs then they would no longer receive that rebate. They have to continue with those jobs.

**Mrs TAYLOR** - It is a \$25 000 subsidy per employee, if my maths is correct, which is a lot of money.

**Mr BACON** - I think it is money well spent in terms of creating 800 new jobs at a time we really need to.

**Mrs TAYLOR** - If we keep the 800 new jobs.

**Mr BACON** - Beyond the period of the rebate, do you mean?

**Mrs TAYLOR** - Even for that five years - that is as far as the rebate.

**Mr BACON** - In terms of moving the jobs from them by all the way to Kingston, I do not think you would do it on a short-term basis.

**Mrs TAYLOR** - Some years ago we had a similar kind of thing - it was a call centre jobs out in your electorate.

**Mr BACON** - Officemax, was it?

**Mrs TAYLOR** - It was some years ago.

**Mr BACON** - In the past. I am not aware of that issue.

**Ms FORREST** - The Tasmanian Forest Agreement funding -

**Mr BACON** - That is under the responsibility of the Treasurer.

**CHAIR** - But it is in this grants and subsidies.

**Mr BACON** - That is mixed through on what is the responsibility of the Treasurer and what is the Minister for Finance. But the Tasmanian Forest Agreement funding is the Treasurer.

**CHAIR** - Any other areas in the grants and subsidies area that you are responsible for, minister, before we move on? What about the other grants and subsidies of \$121 000? What does that relate to? Is that in your portfolio?

**Mr BACON** - Where are we, other grants and subsidies?

**CHAIR** - Under grants and subsidies there is other grants and subsidies. A bit like the miscellaneous in the miscellaneous.

**Mr BACON** - The \$121 000 -

**CHAIR** - Then it drops back to \$61 000 in the forward estimates and then it goes away completely.

**CHAIR** - \$2 million.

**Mr BACON** - Those payments will interest the member for Elwick, payments under the Rosetta land slip.

**Mrs TAYLOR** - You have had some claims there.

**Mr BACON** - Evidently.

**CHAIR** - And you are expecting some more and then you are expecting nothing?

**Mr BACON** - Unless it slips again.

## **DIVISION 11**

(Department of Treasury and Finance)

### **Minister for Finance**

#### **Output group 1**

#### **Financial and Resource Management Services**

##### **1.4 Government property and Accommodation services -**

**Mrs TAYLOR** - This is income derived from leases and from crown land sales. That is where the income comes from, is that right? How many properties do you have in this government property and accommodation services? Lots of properties?

## UNCORRECTED PROOF ISSUE

**Mr BACON** - Over a number of years successive governments have continued the approved strategy for Treasury to divest the government-owned office portfolio of 38 properties. This strategy includes a long-term retention of significant heritage, community and government interest properties, being the St Johns Street public building in Launceston and our Franklin Square offices in Hobart. The majority of the other properties have been sold with the other portfolio now reduced to 10 properties, which are the Elizabeth Street Pier, the Parliament Square site, the St Johns Street public building and the Franklin Square, which I mentioned.

**Mrs TAYLOR** - The government owns and intends to keep them, is that what you are saying?

**Mr BACON** - The long term is to keep the St Johns Street public building and the Franklin Square offices in Hobart.

**Mrs TAYLOR** - But sell the others, like Parliament Square? So the income is from leases of those buildings? Why would you not apportion those to departments as appropriate, rather than again a particular line item under Finance-General. Lots of departments have properties that they lease; these ones just do not fall under any particular department.

**Mrs TAYLOR** - This is the administration of government property and accommodation services, yes? Which includes a management of government owned and leased offices, buildings, disposal of Crown property?

**MR FERRALL** - This is effectively our government property branch which manages the properties so that is the appropriation to support that branch.

**Mrs TAYLOR** - So this is just for management services?

**Mr FERRALL** - This is the revenue from appropriation; the department gets the support of that branch.

**Mrs TAYLOR** - And that branch looks after?

**Mr FERRALL** - The properties the minister raised earlier and the deals with the square project et cetera.

**Mrs TAYLOR** - But it is different from - separate to - the property that is managed by a number of departments in their own right, or is this everybody?

**Mr BACON** - This is those properties I spoke of before.

**Mrs TAYLOR** - Why would it be just for a couple of properties?

[3.30 p.m.]

**Mr FERRALL** - This is the appropriation that comes to Treasury for the properties that we look after. Other agencies have their own portfolio and their own appropriations.

**Mrs TAYLOR** - Okay. Why do you expect it to decrease? Because you will have less to look after?

## UNCORRECTED PROOF ISSUE

**Mr BACON** - It is not expected to decrease, it is \$746 000.

**Mrs TAYLOR** - But this year it was \$851 000 and next year it is \$746 000 so you are dropping \$100 000? Are you dropping staff numbers or getting very efficient?

**Mr WALLACE** - It is a reduction in staff as a result of our budget management.

**Mrs TAYLOR** - You have gone from what FTE to what?

**Mr WALLACE** - We budgeted for 26 staff and this year we budgeted for 22 staff.

**Mrs TAYLOR** - That cannot be right. You would not have 26 staff at \$851 000 would you?

**Mr WALLACE** - This is not covering the total costs of the property procurement group. This is receipts from finance general into Treasury to cover those aspects of this branch's costs that relate to whole of government portfolio.

**Mr BACON** - It is not the total cost of the branch.

**CHAIR** - The cost of the output group is on 12.4 of Treasury and finance, and that is \$1.061 million. You have to get your head around where they all sit.

**Mrs TAYLOR** - My question was if you have dropped, what are the staff numbers that have dropped, but I am told that that is over the entire section that you dropped from 26 to 22.

**Mr WALLACE** - In our property and procurement branch, which covers not just property but government procurement, we had 26 FTEs and we are budgeting to have 22 FTEs in 2013-14. That is the branch establishment and one of their functions is the government property management, of which revenue comes from finance general, to fund the whole of government aspects of that work.

**Mrs TAYLOR** - If you are dropping 4 FTEs or thereabouts in 2013, and possibly another one later, because it keeps static, have you lost services as a result, a department, or an area? That is quite a significant drop from 26 to 22.

**Mr WALLACE** - Like all agencies, we have made a number of changes to become more efficient to deliver the same service, but at less cost. That is what the government strategies were aimed at doing.

**Mrs TAYLOR** - I understand that, but if you lose jobs, if you lose positions, then there is generally an effect somewhere.

**Mr WALLACE** - Not necessarily.

**Mrs TAYLOR** - Otherwise you are saying people were not working hard enough before.

**Mr WALLACE** - In the 2011-12 budget and in the 2010-11 midyear financial report, the government announced a range of measures to improve the productivity of the public service, so the aim was to take out FTE numbers without reducing the level of service. That was the aim of what the targets were put in place to do.

**Mrs TAYLOR** - So your people are having to work harder or longer hours, or smarter.

**Mr WALLACE** - We have done a number of things in the agency, and it does not necessarily mean people are working any longer hours, but to give them the ability to generate more output for their input. That is what productivity improvements are all about.

**Mrs TAYLOR** - It is a lot from 26 to 22 - four people.

**Mr WALLACE** - Treasury has shed 40 staff in the last two years to achieve our budget savings.

**Ms FORREST** - All front-line.

**Mr BACON** - I think they are pretty much front-line.

**CHAIR** - We have said it since Monday morning and it will be until Thursday afternoon: people are doing more with less; that is the way of the world.

**Mrs TAYLOR** - You either have to say this is fantastic, well done, to all your staff, or you have to say they were not working as smartly or as hard as they could have before.

**Mr BACON** - To be fair, they have found better ways to work given the environment that the government is in and Treasury should be commended on the lead they have shown across the public service in being able to reduce their staffing allocation and still providing a fantastic level of service to both me and the Treasurer.

**Mrs TAYLOR** - And without loss of service?

**Mr BACON** - Absolutely, there has been no loss of service.

### **1.5 Government procurement services -**

**Ms FORREST** - With regard to government procurement services advice in relation to the government's procurement activities and the administration of whole-of-government of contracts and the Treasurer's risk management fund, does this include procurement in Health or does Health manage their own procurement?

**Mr BACON** - They manage their own procurement. There are Treasurer's instructions and a whole-of-government procurement policy they have to comply with, but they manage their own procurement.

**Ms FORREST** - Under this line item, is the advice that you receive of a general nature or what sort of advice does this refer to?

**Mr BACON** - This is about the whole-of-government policy around procurement. It sets out the expectations of the government to maximise opportunities for local business and such. Pretty much government agencies are required to undertake purchasing processes in a manner that is consistent with four principles, which are: value for money, open and effective competition, they

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have to conduct their purchasing activities ethically and in accordance with the code of conduct, and they have to enhance opportunities for local business.

**Ms FORREST** - That is not a local business benefit test as such, it is -

**Mr BACON** - No, there is a range of things that the government put in place to assist local businesses to successfully compete for government businesses. A lot of these are put in place through arrangements of Treasurer's instructions, which include handsome opportunities for local business through actively seeking bids, which is Treasury instruction 1101 and 1201. They have to consult with the industry capability networking project planning for all tenders over \$2 million, after determining the need for an industry participation plan, which is Treasurer's instruction 1119 and Treasurer's instruction 1225. They have to consult with the industry capability network for all goods and services valued at \$100 000 or more to identify local suppliers, which is Treasurer's instruction 1107. Where local capability exists, obtain at least one quote or tender proposal from a local supplier when procuring goods and services covering all procurement value of \$10 000 or more, which is Treasurer's instructions 1106 and 1107. They have to report on their Tasmanian participation in procurements in their annual reports, which is Treasury's instructions 1111 and 1213.

So there is a range of things in place to support local businesses through procurement but, of course, there are restrictions placed on procurement activities in Australian jurisdictions due to various international free trade and cooperative agreements. For these reasons the government is not able to mandate the use of local products on the basis of their place of origin or give preference to local suppliers.

**Ms FORREST** - National Competition Policy, basically.

**Mr BACON** - Yes.

**Ms FORREST** - We had this discussion with Mr Green yesterday about the eggs -

**Mr BACON** - Yes, I think that would fall under the requirements of government to conduct purchasing activities ethically in accordance with their code of conduct.

**Ms FORREST** - Where does that code of conduct sit?

**Mr BACON** - They have to have their own code of conduct but I suppose it does not really cover the situation with the eggs.

**Ms FORREST** - Each department has their own code of conduct - is that what you are saying?

**Mr BACON** - Yes.

**Ms FORREST** - So each government department has their own code of conduct in regard to purchasing?

**Mr BACON** - They have to apply with those four principles but we cannot mandate the use of -

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**Ms FORREST** - I am not suggesting you should; I am wondering how the process works. If each department has a potentially different code of conduct, wouldn't -

**Mr BACON** - It would be the same. Essentially there is a code of conduct they have to comply with.

**Ms FORREST** - Is this in Treasury?

**Mr BACON** - The procurement policy comes out of Treasury. There is a single code of conduct that comes out of Treasury that each individual agency has to comply with.

**Ms FORREST** - What does the advice regarding the Tasmanian Risk Management Fund refer to?

**Mr BACON** - Advice on the TRMF comes from this branch of Treasury and Finance.

**Ms FORREST** - Advice as far as what?

**Mr BACON** - It is administered through the Procurement and Property Branch.

**Ms FORREST** - The Risk Management Fund is administered through there?

**Mr BACON** - Yes.

**Ms FORREST** - So far as whole-of-government contracts, the Auditor-General did a report into those contracts three years ago or thereabouts, where he made a number of recommendations because it was poorly handled at that time, in his view. What has the government done in relation to the whole-of-government contracts?

**Mr BACON** - In terms of common-use contracts that are established by the Department of Treasury and Finance for the supply of certain goods, Treasurer's instruction 1112 states it is mandatory for all inner budget agencies to use common-use contracts where they exist. Government business enterprises, state-owned companies, statutory authorities, local government and other community-based organisations approved by Treasury may also access these common-use contracts.

**Ms FORREST** - Do you believe there has been some improvement in the way that is being managed now?

**Mr BACON** - I believe the use of the common-use contracts that are in place is appropriate at this stage. Chair, we should note the Auditor-General's report you were referring to was not about the Department of Treasury and Finance.

**Mr FERRALL** - It was not about the common-use contracts that Treasury administers; it was effectively a number of large contracts that individual departments had managed.

### **Output group 2 Economic and Fiscal Policy Advice**

#### **2.2 Regulatory policy -**

**CHAIR** - Could we get a breakdown in relation to regulatory policy, minister? I notice there is a smallish decrease - is that to do with payroll tax and what else?

**Mr BACON** - In terms of the branch that provides advice on regulatory policy?

**CHAIR** - Yes, what is the reduction in the line allocation?

**Mr WALLACE** - Most outputs are reducing or staying the same because of the reduced costs in Treasury as a result of the productivity savings.

**CHAIR** - Is there anything you want to share with the committee in relation to what has come out of this area of regulatory policy, minister?

**Mr BACON** - No, I do not think there has been anything.

**CHAIR** - Has there been any work?

**Mr BACON** - There has been a lot of work, but nothing that has dropped off, so to speak.

**Ms FORREST** - One of the areas here is the state revenue policy. You have already mentioned in your opening comments that state revenue is falling, as are commonwealth revenues, and we understand the reasons for that. Around policy advice and development of policy to address that, what are you doing in that area to address the falling state revenues?

**Mr BACON** - We have taken a policy decision not to increase or introduce any new taxes in the budget. We have had a reduction in taxes with the increase in the threshold and the change to stamp duties for caravans and camper trailers. There are no plans to change policy to increase revenue.

**Ms FORREST** - On that point of the caravans and camper-trailers, the question has been asked: is it likely or will it be extended to motor homes?

[3.45 p.m.]

**Mr BACON** - No, it will not. It is a different case with motor homes than it is with camper-trailers and caravans, which has been removed in all other states and territories. Tasmania was at a competitive disadvantage for the manufacture and sale of caravans and camper-trailers and it made it very difficult for those operators to compete with their mainland counterparts. That is why that decision was made. I think it is a very good decision.

**Ms FORREST** - I agree with that decision. I am interested whether there has been consideration given to motorhomes because that might give us a competitive advantage as a lot of grey nomads like their motorhomes. Anecdotally, I have been told that they prefer motorhomes to dragging a caravan around.

**Mr BACON** - There was that request put forward by various dealers and we have taken a policy decision to remove it from camper trailers and caravans and not from motorhomes. There are no plans at this stage to remove it from motorhomes.

**CHAIR** - Minister, this output group also, in the notes, talks about the subordinate legislation program. Can the committee have some idea where the subordinate legislation bill is?

**Mr BACON** - The bill?

**Ms FORREST** - The private members bill -

**CHAIR** - Have you done any work on that?

**Mr BACON** - We have no information for the committee on that matter.

**CHAIR** - Do you think you might get some before next time?

**Mr BACON** - Okay.

**CHAIR** - It also talks about water and sewerage and some areas of energy pricing, which is what we have already talked about today. This is the regulatory policy arm.

**Output group 3  
Revenue and Regulatory Management Services**

**3.1 Tax administration and revenue collection -**

**Ms FORREST** - The grants and subsidies figure in output group 4 on page 12.11 is \$14.6 million. What are the supplies and consumables of \$6.5 million? That's in the Treasurer's annual financial report. I would not have thought Treasury and Finance had a heap of supplies and consumables. Is it rent or consultants? How is that accounted for? The total figure was \$6.51 million.

**Mr BACON** - The \$6.51 million for 2013-14 is advertising information, \$84 000; communications, \$445 000; consultants, around \$801 000; information technology, around \$1.8 million; other supplies and consumables, \$802 000; property services, \$2.129 million and travel and transport, \$440 000.

**Mr WALLACE** - The communications would be mainly in relation to taxpayer communications.

**Ms FORREST** - Of inquiries by people who have to pay state tax and do not want to, most likely.

**Mr WALLACE** - Education of taxpayers.

**Ms FORREST** - There was a figure there for consultants. What consultancies does that include?

**Mr WALLACE** - In our annual report each year we give a list of the consultants that we use. For example, actuarial services, evaluation services and those things. It would not include the electricity project because that is in the other miscellaneous item. I have a list, but it will be in the annual report. The sorts of things included under that consultancy: we manage the contract for the professional services for senior executive appointments throughout the state service, and

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government board appointments. Amrop Cordiner King won the tender to provide the whole-of-government services for that and Treasury manages that.

**Ms FORREST** - What was the value of that contract?

**Mr WALLACE** - That was about \$100 000.

**Ms FORREST** - That is for all SES and board positions?

**Mr WALLACE** - Mainly board positions and the government utilises that service for a range of special appointments, but it would be mainly board selection processes. We have some small consultancies in the government procurement area. We have the actuary advice.

**Ms FORREST** - In the government procurement area, those skills do not exist within the current Treasury staff?

**Mr WALLACE** - It would be a specific thing where the government has asked us to investigate something if we do not have the specialist knowledge, that is what we tend to use it for.

**Ms FORREST** - Has that been more of an issue since the staff cuts that we discussed previously?

**Mr WALLACE** - I think our consultancies have gone down significantly. This year they are going down.

**Mr FERRALL** - These are consultancies that we would not have ever had the skills or capacity to deal with. It might be a particular report on, say, a lift or particular mechanical services in some buildings.

**Ms FORREST** - Treasury are not advising on that matter?

**Mr FERRALL** - I am not sure anyone would want our advice.

**Mr WALLACE** - There is another set of consultancies used in the Office of the Economic Regulator for specialist investigations, Motor Accident Insurance Board pricing investigation, the taxi fares pricing investigations, where Treasury does not have the expertise, so we bring in an expert to assist the regulator with those sorts of things and gambling studies, and consultancies.

**Ms FORREST** - As far as comparisons with previous years in the use of consultants?

**Mr WALLACE** - Yes, we can provide that.

**Ms FORREST** - For the last five years in consultancies.

**Mr WALLACE** - We would use our annual report and then an estimate of 2012-13 and 2013-14.

**Ms FORREST** - Minister, you and I have different views on tax reform. You have made the comment that state revenues are falling. The payroll tax raising the threshold further diminishes

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the tax base of that particular tax. That tax was introduced as a broad-base low rate tax. In the interests of trying to steer a way forward for stable state revenues and being a little more self-reliant, are we going to have the more difficult and politically unpopular discussions around those taxes, like payroll tax, land tax, motor tax and user pays tax particular in roads or are you going to steer away from it until at least after the next election?

**Mr BACON** - I am always happy to have that conversation with yourself or anyone else. The government's position is that, given the tight fiscal environment that we are in at the moment, we have had very little options in terms of tax relief that we could provide, but we think removing the first home owner grant from established dwellings and providing payroll tax relief, particularly for small businesses - about 130 businesses after this change will not pay any payroll tax at all - was a good policy move.

**Ms FORREST** - I agree with that part of it.

**Mr BACON** - Yes, and then to utilise the funds that provided to lift that threshold we believe will help smaller businesses employ more Tasmanians. We also think it was important to remove the competitive disadvantage for caravan and camper-trailer manufacturers and dealers within the state as well. We thought this was an important move we could make in what are very difficult times.

**Ms FORREST** - You do not think lowering the rate significantly and broadening the base would have a similar effect?

**Mr BACON** - Given the nature of Tasmania's economy with a lot of small businesses we thought the more effective way to move forward given the constraints we are under at the moment was to increase the threshold to \$1.25 million.

**Ms FORREST** - Are we going to have another open and frank discussion about this in the future? We did make an attempt with the tax review panel that was shelved because it became politically unpopular and unpleasant for some, but the commitment was made at that time by the current Treasurer to continue the conversation. I have not heard the conversation continuing. I think the only way to get the community to understand the challenges you face is to have this conversation publicly and openly.

**Mr BACON** - Absolutely.

**Ms FORREST** - Who is going to drive that?

**Mr BACON** - I think it is up to all members of parliament to engage with the community about issues that are important to them. I think it is an important issue for you and for Mr Morris as well downstairs, but at the moment our focus has been on providing that immediate tax relief to small business around the state. If people want to have a conversation about further tax reform I would be happy to have that conversation as well.

**Ms FORREST** - Shouldn't we do that in a way that takes the community with us but the government leading the way? The government has the power here to make the changes or at least lead the discussion.

**Mr BACON** - There is no capacity for the moment to make any further changes than what we have done.

**Ms FORREST** - I am not suggesting we make changes but have a discussion about what -

**Mr BACON** - We can have that discussion.

**Ms FORREST** - How are we going to have the discussion, that is what I am interested in? How is the government and you as Minister for Finance and the Treasurer going to lead that discussion about the reality of the situation we face, which we all accept is very challenging, everybody. I agree it is not the time to raise taxes and further put pressure on people and the cost of living but it is time to face the reality, wouldn't you agree, and at least start the discussion because it takes a while for people to understand the challenge if you do not explain it to them.

**Mr BACON** - I am happy to have those conversations as we go forward. At the moment we have done what we can in times that have not only been difficult for the state government's budget but with unemployment in Tasmania already too high and the difficulties we have had in regional Tasmania in particular we really need to provide a boost to the economy. I think we have done that in the budget and we will get on with further talks around tax reform as we go forward.

**Ms FORREST** - You will get it on the agenda then and start a public discussion?

**Mr BACON** - Yes, and I had that same discussion with Mr Morris yesterday.

**Ms FORREST** - I don't take notice of what happens down your way, sorry, as far as budget estimates are concerned. We were busy with Mr Green yesterday.

**Mr BACON** - I am happy to have that conversation any time.

### **3.2 Regulation and administration of liquor and gaming -**

**CHAIR** - Minister, the notes talk about the administration and provision of support for the commissioner. Are any reviews being undertaken at this point in time?

**Mr BACON** - There is a review of liquor licensing being undertaken by the Department of Treasury and Finance at this time.

**CHAIR** - When will that be completed? I note the Liquor Licensing Act was 1990 so it is timely that there is a review.

**Mr BACON** - It has only really commenced and it is envisaged it will be completed in the latter part of the next financial year.

[4.00 p.m.]

**CHAIR** - So there is no urgency, no key areas that need looking at and some more timely attention that you are aware of?

**Mr BACON** - Not that I am aware of.

**CHAIR** - I am sure you would be if there were.

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**Dr GOODWIN** - What particular aspect of liquor licensing is the review looking at?

**Mr BACON** - Just to make sure that the framework we have for regulating liquor in the state is the appropriate one.

**Dr GOODWIN** - It is looking at the act?

**Mr BACON** - Yes.

**Mr FINCH** - Looking at this line item, minister, we see a significant drop this coming year and in the estimate for 2014-15 for more than \$6.7 million down to \$6.1 million, and a bit of an increase in forward estimates for 2015-16 and 2016-17. Could you explain what is behind that, why that diminution?

**Mr BACON** - My understanding is it is part of Treasury's ongoing savings targets that have been in place since the 2011-12 budget to make sure we can live within our means.

**Mr FINCH** - How was that figure arrived at? What area of the operation does that affect?

**Mr BACON** - In terms of the liquor and -

**Mr FINCH** - Yes, in the regulation and administration of liquor and gaming.

**Mr BACON** - That would be reduced staffing within the liquor and gaming branch of Treasury and Finance.

**CHAIR** - Payroll tax?

**Mr BACON** - Payroll tax is the overall -

**Mr FINCH** - Do you know the numbers, minister?

**Mr WALLACE** - This might also relate to some of the previous questions. I should have mentioned that these costs are both the direct costs of the employees in the branch but also their share of the Treasury corporate overheads, and one of the biggest reduction in Treasury's budget has been in the corporate support area.

**Ms FORREST** - Is there a breakdown for that?

**Mr WALLACE** - I can give you some indication of the falls in numbers in the corporate areas and in the other areas in government.

**Mr BACON** - In terms of liquor and gaming from 2011-12 we have gone from 44.6 FTEs down to 42.52 FTEs.

**Ms FORREST** - Is it possible to have a breakdown of those? How much of the \$6 million is corporate and how much is staff?

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**Mr WALLACE** - For example, in that period the minister just mentioned the total across the corporate activities which includes a range of different functions has been 16 staff and then there has been direct reductions in some of these areas. I think liquor and gaming was two or three and property procurement three or four, so there have been small changes in direct employment in most of the Treasury branches and a significant reduction in the corporate functions. Part of that was achieved through making operations in the department more efficient and use of information technology and those sorts of things for accessing information.

**Mr FINCH** - Then there is the restoration to some extent of that, hopefully, in the forward estimates.

**Mr WALLACE** - The increase is purely the indexation per salaries of 2 per cent so there is no assumption of any increased numbers from where we are at the moment.

**CHAIR** - Are we going to be provided with a breakdown of the \$6.1 million in relation to staffing and what is attributed to what?

**Mr BACON** - We can provide within the branch of liquor and gaming how much is corporate and how much is staffing.

**Mr FERRALL** - One of the things you will need to be careful of is that it is not a one-to-one correlation between a branch minister and Treasury and the outputs, so you get multiple branches that can contribute to different outputs and then on top of that you have got effectively an overhead allocation. The numbers relating to staff in individual branches are not always directly correlated to an output, because different branches contribute to different outputs so you have different staff from different areas contributing to a particular output.

**MR WALLACE** - That leads to the answer to the question that has been asked that in allocating the corporate cost we sum up all the corporate cost and then we have different allocation methodologies so to allocate computing costs you use different measures to allocate across the branches to get the right allocation. We have got staff by branch but that is not equal to staff by output. We cannot easily aggregate it into staff by output for the reasons we just mentioned.

**Ms FORREST** - I cannot remember the figure you said for the number of staff that work in this.

**Mr BACON** - Around two have gone from Network Gaming.

**Ms FORREST** - So how many staff are there now?

**Mr WALLACE** - For 2011-12 and 2013-14, it is 42.5.

**Ms FORREST** - For the 42.5 people, how much of the \$6.1 million is wages? Were you saying their wages are attributed to more than one area?

**Mr BACON** - Their wages and wages of staff from other branches would contribute to that output rather than just this number of staff gets into that output. They work across different output groups within different branches of the department, so the branches in the department do not correlate exactly with the output groups.

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**Ms FORREST** - It is impossible.

**Mr BACON** - That is right.

**Dr GOODWIN** - Are you able to indicate the cost of liquor licences across various categories for this financial year, the current one and also the next one?

**Mr BACON** - Licence fees increased on 1 January 2013 and an increase in permits took affect from 12 November 2012. So in terms of licence fees from 1 January, a general licence will cost \$806.40, an on-licence will cost \$568.80, an on-licence for a restaurant would be \$374.40, an off licence would be \$568.80, a club licence would be \$374.40, and any special licence would be \$374.40. In terms of liquor permit fees, from 12 November 2012 an out-of-hours permit valid for less than seven days will be \$72, an out-of-hours permit valid for seven days or more is \$568.80, an on permit is \$288, an off permit is \$288, a special permit valid for less than four days is \$57.60, a special permit valid for between four days and 30 days is \$158.40, a special permit valid for six months is \$187.20 and a special permit valid for 12 months is \$374.40.

**Dr GOODWIN** - So there was an increase on 1 January?

**Mr BACON** - And an increase from 12 November 2012 for permit fees.

**Dr GOODWIN** - How long will the increase from 1 January, apply? Does it get reviewed again at some point?

**Mr BACON** - It will increase in line with the annual fee units increases.

**Dr GOODWIN** - In terms of the revenue you collected from liquor licences, do you have a figure on that for the year to date or the last financial year?

**Mr BACON** - We would have one for the last financial year - it is in the revenue area of the budget papers. As to year-to-date, we would have an estimated outcome.

**Dr GOODWIN** - You have an estimated outcome?

**Mr WALLACE** - You only wanted the liquor?

**Dr GOODWIN** - Yes.

**Mr WALLACE** - It is on page 12.12, table 12.6 - the top line gives you a budget for 2012-13 and 2013-14. The budget for 2012-13 was \$1.148 million and for 2013-14 it is \$1.168 million, so an increase of \$20 000.

**Dr GOODWIN** - That is for liquor licensing only?

**Mr WALLACE** - Yes.

**Mrs TAYLOR** - Fees and fines, it says.

**Dr GOODWIN** - Fees and fines? Is it only for liquor licensing?

**Mr BACON** - The break-up of that \$1.148 million figure is: general liquor licence fees, \$396 00; club liquor licence fees, \$86 000; special liquor licence fees, \$318 000; liquor licence transfers and other fees, \$80 000; applications for new liquor licences, \$60 000; grant of licence fees, \$25 000; and application fees for all liquor permits, \$183 000.

**Mrs TAYLOR** - And no fines?

**Mr BACON** - There are no fines in that figure.

**Mrs TAYLOR** - It says fees and fines. Perhaps you do not ever have to fine anybody for doing the wrong thing with a liquor licence.

**Mr FINCH** - Minister, I am interested in the distribution of funds between regulation and control of casino gaming - gaming machines et cetera - by the Tasmanian Gaming Commission.

**Mr BACON** - So, you are asking about the costs associated with regulating casinos?

**Mr FINCH** - I am asking about the comparison between the Tasmanian Gaming Commission and its work, and the activities of the Licensing Board in the regulation and administration of liquor licensing. I am curious - in this output group, does somebody get the lion's share or is the distribution of those funds relatively even?

**Mr ROOT** - It is very difficult to separate them out because our compliance and operations areas support both the commission and the board. They are mixed in together. We might have inspectors who will go out and visit a venue, they might do compliance work on the gaming side and while they are there they might do compliance work on the liquor side. It is the same people doing both sets of work, so it is virtually impossible to separate out who is doing what, but it is fairly even.

**Mr FINCH** - It is similar to the answer we had before in respect of the crossover of work activities.

**Mr WALLACE** - That is right, we can use our people more efficiently with that sort of mechanism.

**Mr FINCH** - Minister, I want to come to the question of Federal Hotels and its part in all of this. I remember at the Christmas function in Launceston for Federal Hotels there was mention made by the managing director, Mr Greg Farrell, of his concern about Federal Hotel's reward system. He felt it was going to impact very strongly on the operation of Federal Hotels. He was very critical of that. Could you give us your understanding of how we got into that situation?

[4.15 p.m.]

**Mr BACON** - There was an act of parliament that required the Gaming Commission to introduce a mandatory code of conduct around the way they conduct their businesses. Part of that code caused some concern for Federal Hotels around their premium player loyalty program and work was subsequently done between the Liquor and Gaming branch and Federal Hotels to find a way to have a program that would fit within the mandatory code and the situation has since been resolved.

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**Mr FINCH** - In what way? Can you explain that?

**Mr BACON** - They have found a way to have a loyalty program that complies with the mandatory code.

**Mr FINCH** - That was not something that we dealt with in parliament, was it?

**Mr BACON** - No, the act required the commission to introduce a mandatory code, which the commission then introduced.

**Ms FORREST** - It was after that problem arose, though, once the code was introduced.

**Mr FINCH** - Yes.

**Mr BACON** - It was a requirement of the code around their loyalty program that caused them those concerns, but it flowed from the act of parliament.

**Mr FINCH** - I have not dealt with Mr Farrell or Federal Hotels in respect of the outcome of this but do you have a sense that it has been resolved amicably?

**Mr BACON** - Yes, but also there is a review - required under the act - into the mandatory code and then that will be the appropriate time to look at the effectiveness of the code and any other issues around it.

**Mrs TAYLOR** - Is there a limit to the number of liquor licences that can be given to, say, a particular area?

**Mr BACON** - No.

**Mrs TAYLOR** - Even permanent ones? Say, for instance, if there was a supermarket in somebody's electorate that was now applying for a liquor licence.

**Mr BACON** - There is a prohibition on the sale of liquor from supermarkets in Tasmania.

**Mrs TAYLOR** - There are supermarkets that have liquor stores associated with them.

**Mr BACON** - You can get a licence -

**Dr GOODWIN** - Shopping centres.

**Mrs TAYLOR** - Outside, yes.

**Mr BACON** - Yes.

**Mrs TAYLOR** - How many do you allow in an area? It doesn't matter?

**Mr BACON** - We believe in open competition as well and we have to comply with competition laws.

**Mrs TAYLOR** - But we limit the number of gaming machines.

**Mr BACON** - Absolutely.

**Mrs TAYLOR** - So the principle, in a sense, is the same. Would you not limit the number of liquor outlets?

**Mr BACON** - At the end of the day, the Licensing Board must be satisfied that the licence is in the best interests of the community before they would give the direction to grant a new licence. That is the provision that is in place.

**Mrs TAYLOR** - Is there a public notification, right to appeal or comment when it is a major liquor licence?

**Mr BACON** - There is in terms of a - yes, application.

**Mrs TAYLOR** - So that would just be done through public advertising.

**Ms FORREST** - Minister, have you read the State of Public Health Report 2013 that was tabled recently? Not your portfolio? Let me read you a little bit of it.

**Mr BACON** - Okay.

**Ms FORREST** -

Given the consistent links between alcohol outlet density and rates of violence, a liquor licensing regime serving the interest of public health and social order should factor outlet density into licensing decisions.

This is the opinion of Roscoe Taylor, I assume, the author of the report.

Liquor licensing boards need the discretionary power to consider public health when approving liquor licences. This brings up the interplay between National Competition Policy principles, which in this case may mitigate against public health good because the effect of the NCP is to put pressure on state and territory governments - responsible for the content and administration of liquor acts - to replace needs-based tests for new licenses with public-interest tests. Unless legislation specifically spells out the need for public health harm reduction as an objective informing decision-making, sensible liquor licensing can be challenged on the grounds of being anticompetitive.

You said yourself that you believe it should be competitive -

**Mr BACON** - We should have competition in the liquor market as we do in other markets.

**Ms FORREST** - So what is your view on the comments in this report, that there needs to be - or there should be, in the opinion of the author - public interest tests?

**Mr BACON** - I believe that the provisions in place in terms of the licensing board needing to be satisfied that it is in the best interests of the community for a direction to be given to grant a

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new licence is appropriate. If any changes need to occur then we would feed that into the review into the Licensing Act that is about to commence.

**Ms FORREST** - Would it be up to Dr Taylor, perhaps, to put a submission in to that review, rather than you as the minister?

**Mr BACON** - He would be welcome to put in a submission and other people in the community who have concerns could put in a submission as well.

**Dr GOODWIN** - Is it an internal or an external review?

**Mr BACON** - It is an internal review, but I suppose then it will go out for consultation and people can have their say around what they think is an appropriate way to regulate liquor in the state.

**CHAIR** - Thank you all for your contributions today.

**The committee adjourned at 4.22 p.m.**