

UNCORRECTED PROOF ISSUE

Monday 6 June 2016 - Estimates Committee A (Gutwein)

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Monday 6 June 2016

MEMBERS

Mr Farrell
Ms Forrest
Mr Gaffney
Mr Hall (Chair)
Mrs Hiscutt
Mr Mulder

IN ATTENDANCE

Hon. Peter Gutwein MP, Treasurer, Minister for Planning and Local Government, Minister for Forestry

Department of Treasury and Finance

Tony Ferrall, Secretary

Kathrine Morgan-Wicks - Deputy Secretary, Budget and Finance

Anton Voss - Deputy Secretary, Economic and Financial Policy

Jonathon Root - Director, Revenue, Gaming and Licensing

David Bailey - Director, Budget Management Branch

Craig Jeffery - Director, Government Finance and Accounting Branch

Amelia Jones - Assistant Director, Office of the Secretary

Tasmanian Audit Office

Mike Blake, Auditor-General

Ric De Santi, Deputy Auditor General

Patricia Johnson, Director, Corporate Support

Department of Justice

Simon Overland, Secretary

Gregory Alomes, Chairperson and Executive Commissioner

Julia Hickey, Acting Director, Communications and Executive Support

Stephen Morrison, Director, Finance

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Brooke Craven, Assistant Director, Office of Strategic Legislation and Policy
Brian Risby, Manager, Planning Policy Unit
Jarrold Bryan, Project Officer - Single Tribunal

Worksafe Tasmania

Martin Shirley, General Manager

Local Government

Phillip Hoysted, Director, Local Government Division, Premier and Cabinet
Greg Brown, Deputy Director, Local Government Division, Premier and Cabinet

Department of State Growth

Bob Rutherford, Deputy Secretary Industry and Business Development
Penny Wells, Director Resource Policy
James Verrier, Assistant Director Resource Policy
Tom Fisk, Chief Executive Officer Private, Forests Tasmania
Angus MacNeil, Manager Business Administration, Forest Practices Authority
Peter Volker, Chief Forest Practices Officer, Forest Practices Authority
Glen Dean, Finance
Marnie Peebles, Secretariat

Ministerial Office

Adrian Christian - Chief of Staff

The committee met at 8.58 a.m.

CHAIR (Mr Hall) - Good morning, Treasurer.

Mr GUTWEIN - Good morning.

CHAIR - Welcome to day 1 of Estimates for us and for you, and just for purposes of Hansard, I would like you to introduce your staff at the table, please.

Mr GUTWEIN - To my left, Tony Ferrall, Secretary, Department of Treasury. To my right, Kathrine Morgan-Wicks, Deputy Secretary, and Anton Voss, Deputy Secretary of Treasury as well.

CHAIR - Thank you. What I would like to do is, I think, first of all, just some housekeeping. So we will start with Treasury and Finance and go through the running sheet that way, starting with Budget overview first and then budget development and management. What I would like to do is invite you to do, if you would like, to make a short or an overview statement; not necessarily short.

Mr GUTWEIN - Thank you, Chair. This is the third Hodgman Liberal Budget and it demonstrates that we are well and truly back on track and will be back in the black next year. The economy is back on track. Last year our economy grew at the fastest rate in six years and last week's ABS figures confirmed the growth trend is continuing and the state final demand up 1.9 per cent in the 12 months to the end of March on the trend terms, in line with Treasury's forecast of 2 per cent for the year.

What is particularly pleasing is that Tasmanians have got their heads up and are confident. Many respected national surveys note that Tasmania's business confidence levels are some of the strongest in the country. A major driver of the growth in state final demand is consumer spending and this is also evident in the retail trade figures. The retail trade continues to break records, reaching \$497.1 million, up 0.4 per cent from the previous month, and up 8.3 per cent since the election of the government.

The economic forecast that Treasury has outlined in the Budget is very good news for Tasmania. Tasmania's economy is expected to grow by 2.5 per cent in the current year and by 2.25 per cent in 2016-17, both after a long-term trend. Continued strong growth in the real gross state product per capita is expected following the large increase in 2014-15.

Employment growth through to 2016-17 year is forecast to be around the long-term trend, consistent with the expected growth in gross state product, increasing employment by around 2300 throughout the year. Importantly, the Budget is back on track and we are back in surplus, and \$77.3 million in 2016-17, three years ahead of the plan I outlined in the 2014-15 Budget, and it will be the first surplus in seven years.

In relation to FTEs and employment numbers, I am advised that the total FTEs as at March 2016 was 24 017. This represents a reduction in FTEs of 531 FTEs from the level that was in place at the end of June 2014. I want to be clear; while the government's 2014-15 savings strategy required the reduction of savings equivalent to 1200 FTEs, this does not mean that a further reduction of 669 FTEs is now required. Rather, as I have just indicated, those savings have now overwhelmingly been achieved through a combination of FTE reductions in WRIPs, which have reduced the overall cost of employee savings and programme savings.

I reiterate only a total of \$13.7 million in residual savings remains. A reduction of 531 FTEs since June 2014 is a net change in employment within the general government sector, and reflects a range of factors. These include the structural savings factored into agency budgets in the 2014-15 Budget and carried forward, the take-up of workplace renewal incentive program, WRIPs, and the replacement of those positions over time, the uptake in target negotiated and gone through redundancies, new positions associated with new funding initiatives announced in the 2015-16 Budget resourcing provided for and change of funding from the Australian government.

Since July 2014 and March 2016, there have been a total of 1282 exit the general government sector by way of WRIPs of TNBRs, comprising 400 people by way of a voluntary redundancy and 882 by way of a WRIP. This includes TNBRs over the last financial year and a total of 76 have been paid between 1 July 2015 and 31 March this year. In relation to WRIPs over the last financial year, a total of 219 payments have been made between 1 July 2015 and 31 March 2016.

These savings, along with other agency savings, have been critical in ensuring the state's finances were placed on a stronger footing and onto a sensible pathway. The savings measures were introduced in combination with the sensible decision last year to not spend any forward GST,

forecast receiver's method. Even with a significant revenue downgrade in this Budget across the forward estimates of around \$600 million, we were still able, in this Budget, to increase investment in Health, Education and protecting the most vulnerable, whilst returning the Budget to surplus next year, deliver a balanced outcome over the forward estimates period.

The Budget has an eye to the future with a strong investment in infrastructure maintain in excess of \$1.8 billion, as well as key target investments into sectors of our economy system, maintaining a strong economic growth over the Budget cycle. This Budget demonstrates that, as a government, we are taking seriously our role in managing the state's finances. It sends, I believe, a message to the private sector and our taxpayers, who after all, through their efforts, provide the revenue we spend, that we will do so responsibly and with recognition that governments have no money of their own excepting that which is provided through the taxes that people pay.

There are a range of initiatives that Treasury is working on. They will be matters that we can go through later today, the Budget Information Management System, Centralised Property Management, the Retirement Benefits Fund Review, and the State Revenue System Replacement Program.

Chair, that covers the matters that I wanted to raise. To say that this has been a challenging budget to put together on the basis that we did lose \$600 million worth of revenues, over \$500 million forecast GST and \$100 million from the Hydro, but as a result of building in those buffers last year, we were in a good position to withstand those shocks and still return to surplus in the current year, or in the coming year.

CHAIR - Thank you, Treasurer. We just might start with a couple of general overview questions from the committee. I suppose you have painted a very positive picture, which is good. On the other hand, as you say, there are several challenges involved, not least of being Hydro this year and perhaps some dividends from some of our GBEs, and we had the drought situation. Now we have a flood situation. That will be costly, which they may have some impacts.

You haven't made an assessment of those obviously yet, but do you think that will cause some issues for the next forward Budget? Given the revenues coming from the Commonwealth as well. A general question.

Mr GUTWEIN - I think the Budget that we brought down last year provided the buffers that we needed to manage through some of the challenges that we faced. Certainly one matter that you did not mention was fire.

CHAIR - Yes.

Mr GUTWEIN - \$31 million to date, and I do expect that to rise. Again, with that, we have the national disaster relief arrangements that kick in, and broadly speaking, there is an impact of around \$50 million in total for fire, if that were to be the case, the net result to us if we were able to claim all of that back would be about \$22 million. We have already paid and spent \$31 million in the current year.

The surplus that we have in the coming year provides us with a buffer to be able to manage through some of the current challenges that we are facing, and then across the forward Estimates, as I have indicated on a number of occasions, broadly speaking, it is a balanced budget, a cumulative

surplus of around \$33 million-\$44 million over that forward Estimates period. The Budget is certainly in good shape compared to where it was.

CHAIR - One commentator made an observation which I am sure you would be aware, that the \$77 million Budget surplus is an accounting figure derived from a few book entries; namely, additional capital grants from the federal government such as \$25 million of a final \$50 million price for the RHH and the transfer of \$40 million from TT-Line. It was proposed that the 77 million should be properly called a profit rather than surplus.

The question is, as the \$40 million to be transferred from TT-Line to government will eventually be repaid to TT-Line, why should this be counted as income for the government and why should it be counted as part of government surplus?

Mr GUTWEIN - The simple fact is it is a special dividend, the money coming in from TT-Line, and therefore it appears in our revenue statement. But again, without the dividend from TT-Line being included, we would still be in surplus next year.

CHAIR - Just one that is rather current, and if we talk about TT-Line sponsorship which was announced last Thursday or Friday, I think, in the deal with North Melbourne. I fully support the economic benefit that those deals do with Hawthorn and North Melbourne. However, could I say that the Hawthorn deal is transparent, yet the interview that I saw with the North Melbourne sponsorship with TT, it was batted away as being commercial-in-confidence. To me, that seems to be rather odd because we are dealing with taxpayers' money here, so when will that amount be made public and how much is it?

Mr GUTWEIN - That will be a matter for TT-Line estimates later on in the year.

CHAIR - I thought you might say that. I thought, as Treasurer, you might be able to throw a bit of light on it.

Mr GUTWEIN - That is a matter for TT-Line to explain, the commercial arrangements they have in place there. Suffice to say, I think it is a very good deal for the state. There is no two ways about that. Now with eight AFL games being played in the state and locked in for the next five years through to 2021, that is a very good opportunity. We have real content being played in Tasmania at both ends of the state.

CHAIR - Under TT-Line, the Premier's press release of 3 June refers to a CSO of \$894 000 a year. What does that mean, in practical terms? Is that the deal or is it not?

Mr GUTWEIN - The TT-Line has entered into a commercial arrangement with North Melbourne and they established their sponsorship. As they have said, that is a matter for them and they can explain their commercial arrangements at Government Business Estimates, if that is what they choose to do. In regards to the CSO, that is the non-commercial aspect of the deal and TT-Line has raised that, that that is outside of the bounds of being able by them to be able to be demonstrated as a commercial benefit to them, to that business. We have considered that and we have accepted it as a CSO and that will appear as a CSO moving forward.

CHAIR - So in terms of a deal, then, it means we now have to wait probably until December until a grilling of TT-Line will reveal that actual figure, be transparent about it? Is that what you say?

Mr GUTWEIN - Again, this is a commercial matter for TT-Line. The appropriate opportunity for that to be discussed and explained is at Estimates or it is a matter for TT-Line.

Ms FORREST - Treasurer, taking you back to the \$77 million surplus, generally most people out in the general public land think that a \$77 million surplus means that we are spending less than what is coming in the door. They think it is a cash surplus. I know you have not said that, but this is the perception that people tend to have. What is coming in the door includes overnight borrowings, 30 June, which disappear the next day. If you look at the general government cash flow statement on pages 54 and 55, you are screening overnight borrowings -

Mr GUTWEIN - What do you mean by that, 'overnight borrowings coming in the door'?

Ms FORREST - They are the ones that you borrow to pay -

Mr GUTWEIN - But they do not appear as part of the revenue statement.

Ms FORREST - No, I am taking them out of the picture; I just said that. You do not consider them. The only borrowing outlay is about \$7 million which I think is the Commonwealth Housing loan that is there. So we are actually spending more than we are receiving, aren't we? In terms of cash. I am talking about cash, not the surplus position which you claim is surplus, but it is not a cash surplus.

Mr GUTWEIN - It is an operating surplus and it needs to be separated from the cash flow statement. To be clear, and again, the Chair raised issues in regards to the TT-Line special dividend and the other with revenues from the Commonwealth as well that occurs. Go back a couple of years and we are throwing net operating deficits. In fact, significant and deep net operating deficits which all included those revenue flows from the Commonwealth as well.

So we are in a position where our financial position and the net operating balance expresses this, that we are in a much stronger position than where we were in the past. Mixing the cash flow statement and the operating statement is difficult. They measure different things. So I am not sure, again, this matter that you raised in regards to the overnight borrowings, what your point is there.

Ms FORREST - You have to ignore them basically and look at the underlying picture. You have touched on the other point I wanted to raise, too, on page 10 of volume 1, table 1.2. You have there underlying net operating balance and this is a thing that we have referred to every year, not just with you, with former governments as well. There is a deficit in each year and we know that Commonwealth funds come in, but they don't show, they are not operating expenditure so should we not be really looking at that because it is boosted by one-off capital grants from the Commonwealth?

We have more income from the Commonwealth this year in specific purpose payments and national partnership payments overall of what was expected. So if we are really going to be fair, should we not be looking at that and talking about that?

Mr GUTWEIN - But, again, first with that particular chart that you are talking about, that does not represent any standard accounting methodology. What it does do is just provide a degree of transparency in regards to the flow of revenue that we have received from the Commonwealth. There has been some discussion about this in the Lower House this week. This simply provides an

additional level of transparency to the Budget. It is not a set of accounting standards.

Ms FORREST - No, I understand all that.

Mr GUTWEIN - It just simply demonstrates where money is coming from. I have long held the view that, for example, roads funding is included in that. I think that everybody realises that that has to be ongoing, there will be a new five-year deal that will be struck at some stage with the Commonwealth. They have responsibilities for the national highway system, but we include it, to be absolutely transparent.

In regards to the operating balance, the point I would make very clearly there is that we are in a significantly stronger position than what we were a couple of years ago and if you consider the net operating balance a couple of years ago, not the underlying net operating balance but the operating balance, there were cumulative deficits of \$1.1 billion across the four years. We are in a much stronger financial position.

Ms FORREST - I am not denying that, I am just saying that people think a \$77 million surplus is a cash surplus and I have looked right through it all and it would appear very clear to me that we are actually still spending more than we are getting in each year. I understand what you are saying. The bottom line is being boosted by the TT-Line dividend, and yes, there are dividends, as you said to the Chair, but they are a dividend that can't be spent on anything else but ferry replacements, and when they go back out again in two years' time or thereabouts, or whenever it is they buy the new boats, it will disappear.

Probably claimed as an infrastructure investment, I don't know, but it certainly affects your net debt position while it is sitting there on your balance sheet. It does not change the whole state sector one iota, but it does fix the general government bottom line.

Mr GUTWEIN - But again, the bottom line next year, and that is the Budget year that we are talking about 2016-17, even if you take out the special dividend, we are still demonstrating an operating surplus. We still have an operating surplus regardless of the \$40 million from TT-Line. This has been a point that we are making. The return to an operating surplus next year is not dependent upon a flow of funds from the TT-Line. It does give me an opportunity, I think, just to talk about one of the reasons why we are putting a legislative lock on to the special dividend.

Ms FORREST - We do not want another SPA, do we?

Mr GUTWEIN - No, and you are absolutely right, and there is a chart in the Budget here which I have referred members to which provides some clarity in regards to where we are at. It is the net debt chart on page 12. That demonstrates that we are in negative net debt which really is positive cash. If you have a look at where we had come from, back in 2008 when we held, as a state, more than a billion dollars' worth of cash and then that was wound down, the hay was taken out of the barn, so to speak, as a former premier said, and the money for the SPA was spent. What we are looking to do here is ensure that we have money that is set aside for the ship replacement, not in a couple of years, but in around 2021-22, so it is in the medium term.

Ms FORREST - It is a policy decision, I understand that. Previously, previous governments gave TT-Line a dividend holiday and so they have kept what dividends would have come across and sat on in the accounts of the government, but didn't. So now you say, 'Well, we will look after it better than you'.

Mr GUTWEIN - It is not a matter of saying we will look after it. One of the things that is certainly in my mind in regards to putting a legislative lock on it, we have an opposition at the moment that is spending like a drunken sailor. It has \$1.5 billion worth of statements, if I can make it that, that it needs to clear up about what it stands for and what it will actually fund and what it will stand by.

Ms FORREST - So why would you not leave it with TT-Line?

Mr GUTWEIN - Because what we could see at a coming election or into the future is an opposition that says, 'Well, there's a hundred million plus, what we'll do is we'll use some of that money to fund our election commitments'. What we have done is made certain that the money that is there for the particular purpose is now going to be locked away, and in establishing a fund, if we receive additional revenues into the future that we can put in there, then we will also add to that fund as we move forward.

Ms FORREST - Is this not in contradiction to the whole new direction of the - sitting on our table for many months now - financial management bill that has not been dealt with yet because the whole purpose of a single public account with only real true dinky-di trust accounts and not all these other little hidey holes that we can put stuff, as has been done by past governments.

Mr GUTWEIN - This will be an \$80 million ship replacement fund. I would not call it a -

Ms FORREST - You talked about putting more money into it. You just said that then.

Mr GUTWEIN - If there is the opportunity in the future, if we have additional revenues over the course of any given year, the government looks at property assets and makes decisions in regards to property sales, those sorts of things, if there are additional revenues, then it provides -

Ms FORREST - So you will put them in a special little hidey-hole that you said can only be spent on boats.

Mr GUTWEIN - To be spent for that particular purpose. Again, there is a process to work through in regards to the ships, to understand what are the best types of vessels, what the costs will be. There is a subcommittee of Cabinet that has been established for that particular purpose, to work closely with TT-Line over the coming years with a view to it determining what that purchase will look like at around 2021-22. If over the time there is an opportunity for the government to add to the ship replacement fund, or conversely, for TT-Line to be in a position in the future where it can add to the ship replacement fund, then that fund will be available for that.

Ms FORREST - So any money that goes in there, though, even if it is from the sale of other government property or whatever, wherever it might come from, will only be able to be used for the purchase of new ships?

Mr GUTWEIN - That is the purpose of the fund. So it will be a significant, significant purchase and cost when we arrive to the point of buying those new ships. What this is about is ensuring that the state is in a strong position to be able to make that purchase.

Ms FORREST - Just to keep going down this line for a minute, there are other ones I want to get to, but you were saying you can effectively get a better rate of return, otherwise, why would you

take it off them, except you say that the opposition are acting like drunken sailors and are likely to grab the TT coffers at a later time. So could the Liberal government. So could you.

Mr GUTWEIN - We are about to legislatively lock it. I would think, in making that decision, if in the future a Liberal government were to reach into that fund and behave in a similar way that the previous government did with the SPA, that would be the end of the government.

Ms FORREST - Be a lot of damage to the government in the meantime, but the question is, what rate of return are you expecting to get? Because I will ask the same question of TT-Line, what rate of return they will get on \$80 million, or more, if they had extra money they could put into it, so what is the expectation here? How are you going to get a better return on the money than TT-Line?

Mr GUTWEIN - The rate of return, I would think, will be captured within a mechanism in the legislation. The secretary might want - yes, it will depend on the nature of the investments.

Ms FORREST - Yes, but you must have an expectation because otherwise, I hear what you are saying about the fear of rogue governments in the future trying to raid their coffers.

Mr GUTWEIN - Can I say, go back 10 years ago, go back to when we first entered this parliament. When we came into this parliament, the SPA was expected to be paid off in 2017. It was expected to be paid off with the unfunded superannuation liability. In 2006, that was then pushed out to 2030-35, and then by 2010 -

Ms FORREST - Yes, but this just does not answer the question.

Mr GUTWEIN - No, but the point that I am making, I think that it is a real risk that we are protecting against here, that we are ensuring that there will be capital available to a future government post 2021-22 to make the purchase of those ships. It is a significant purchase that we know is coming. It is something that we know is on the horizon and what this does, it puts in place the fund to do that.

Ms FORREST - What does the TT board think about all of that?

Mr GUTWEIN - I have discussed this with the TT board last year, raised this particularly. They have been supportive. The thinking they have is they want to ensure that the money is available and any future government could, as it currently stands at the moment, take a special dividend for any range of purposes from the TT-Line should it see fit to do so.

Ms FORREST - As any other GBE.

Mr GUTWEIN - Or any other GBE. The TT-Line, there is a strategy in place whereby there have been no dividends taken from TT-Line over a long period of time with a view that we note that there is a significant purchase that the government will need to make into the future and what we have done is we have put in place a fund to make certain that the money is there. I think it makes sense.

Mr FARRELL - You have mentioned putting this money aside because you might not be able to trust any future governments, but it was in fact the previous government that replaced the current ships and I think instigated the original ship so there has never been a history of not being to pay

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for new ships. So it has been something that has been done without this legislation.

In reference to the SPA as well, do you have a plan to re-establish the SPA, to put money aside for that? We are having an inquiry into it at the moment so I cannot foreshadow any of our findings, but just on those couple of points there, I would be interested in your comments.

Mr GUTWEIN - The SPA was established with a view to building up sufficient cash to be able to pay up the unfunded liability at a certain point in time. Now, that cash no longer exists as we discussed this morning. In regards to being able to set aside money, it is the same as any household. If you are going to set aside money to pay for a future liability, you need to be in a position where you have the cash flow to do it.

We have repaired the Budget, largely. The Budget is in a much strong position, but again, to start putting aside money, and when the SPA was operating, and Mr Ferrell might have a view, but I think notionally we were setting aside around \$200 million a year, in the latter years, would have been in place, in the latter years. That is a significant cash flow. At the moment, because the money has been spent, we are managing it on an annual basis.

Ms FORREST - Treasurer, there was never money there. It was always offset against a temporary debt repayment account.

Mr GUTWEIN - Again, the cash situation of the government is clear and evident in regards to the net debt charge. We actually did have over \$1 billion in net cash back in 2008. We were building that cash position, as the government of the day was. That position has been significantly weak.

Mr FARRELL - Back to the ferries, how far behind is the replacement program because of the refurbishment program that went ahead? Has that made significant impact into the amount put aside for ferry replacement?

Mr GUTWEIN - No. My understanding is that it was always planned to replace the boats between 2022 and 2025 and we are on track to do that. I think the refurbishment in respect of the numbers that I have seen regarding increased patronage on the ferries has been a very good investment.

Mr MULDER - Just the issue, Treasurer, I am not quite sure I have heard what you said in relation to the planned 1200 FTE public service positions and the fact that it is achieved by 31 LM. I am not sure whether you said that 616 were still going to be pursued or were no longer required.

Mr GUTWEIN - No, I was very clear that the saving strategy does not mean that a further reduction of 669 additional are required. So there is a net 539. I provided the details in regards to what the breakdown was.

Mr MULDER - No, I got that.

Mr GUTWEIN - Yes?

Mr MULDER - I just want to clear up whether you are still pursuing the 669 or not?

Mr GUTWEIN - No. The savings that are factored into the Budget this coming year and over

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the forward Estimates gives a total of \$13.7 million in residual savings. That would need to be achieved over the coming three years. \$11.7 million in the coming financial year and then \$2 million in the next year and that is already built into the Budget.

Mr MULDER - So that is a continuation of a reduction in public service FTEs?

Mr GUTWEIN - It could be or it could be programs. But the point that I am making, and I do not want anyone to walk away from this committee believing that 531 needs to be taken to 1200. That is not the case. Now, obviously, there will be some ebb and flow in regards to the level of employment. Where there are opportunities for savings to be made within the programs, they will be made as part of that. But that is up to agencies to manage.

Mr MULDER - It is very effective and I appreciate that. But it is very effective, isn't it, that with the public service wage bill, for example, that the best way to manage that is to have fewer public servants. You have already established the fact that there was 1200 too many. I am just wondering why we are not - agency savings could be cream on the cake - but we are dealing here with a fundamental recurrent, aren't you?

Mr GUTWEIN - But again, and if you look at the WRIPs, what we have been able to do there with more than 800 WRIPs is re-profile a significant part of the workforce as well. With a WRIP a business case needs to be made. There need to be savings involved in regards to the replacement of that position. What we have been able to do is to lower the overall salary and wages cost and employee expenditures by allowing older, more expensive public servants to leave, and then bring in public servants that are at a lower cost.

CHAIR - Younger and cheaper.

Mr GUTWEIN - Well, you had said it.

Mr MULDER - Just getting back to that point, it may not be the 669 but you are still expecting a reduction in the FTEs over that period?

Mr GUTWEIN - Well, again, it will be managed.

Mr MULDER - But you are not quite sure how.

Mr GUTWEIN - It will be an ebb and flow. Included in this bunch there are new programs in regards to safe homes, safe families, and the redesign of child protection. There may be the movement of some FTEs. But agencies will manage the savings that they have remaining from the 2014-15 budget as they best see fit and that could be a change in programs. It could be a change in FTEs numbers.

Mr MULDER - I know the Chair at one stage was strongly suggesting, and you were opposing, the idea that there ought to be some review into what the appropriate number of public servants is, given the services that you want because to date we have this, 'We'll push this off to the agencies and we will push this off to the thing'. But so the only thing I ever hear from the agencies is the government requiring them to do more and on the other side you are saying 'Here's less to do it with'.

So I am just wondering whether, as a Treasurer, given the bottom line stuff it's not time to have

a look at what services the state can afford to deliver and what resources are needed to staff them at a strategic view rather than a year by year kind of pinch a bit here, pinch a bit there, because you will be able to then set the fundamentals in place so that it is not just a bit of this, a bit of that, a bit of shift here, a bit of that there. You would be able to say, 'Look, there's the service we deliver. This is the number of bodies we need on the ground to deliver them, and that's what we're going to aim for'.

Mr GUTWEIN - But again, that process happens at a strategic level with agencies each year in the construct of the budget. We work with agencies both in regards to the policy framework that the Government has and, importantly, we work with them in regards to the resources that they require for the services that they provide.

CHAIR - I was suggesting a more independent outside look of the whole centre when I did that rather than internal. That was what I was proposing. Just with regard to super I believe, Treasurer, it is obviously some risk for the Government and I notice it has moved by \$869 million to \$6.3 billion. So how confident are you that you will be able to manage that combined annual service cost to be less than 6 per cent of general government capped receipts?

Mr GUTWEIN - The mulling that we have done indicates that we will be able to manage it. It is challenging and it does depend on, to some degree, discount rates that are applied to the external environment and also in regards to wages. There is a range of packages that are taken into account there. But the envelope that we have set at 6 per cent of cash receipts, they are to ensure that we both manage our ongoing superannuation liability but also borrow-on costs for the Government. It is an envelope that we can manage within, but again there are a range of external matters that will impact on that.

CHAIR - Yes. It is certainly challenging. Any further overview just from the other end?

Mr GUTWEIN - I think it makes the point and I will just come back to the ship replacement and I get the sense that some around the table may not be as keen on setting aside money in the way that we have done. I think with the SPA the concept that was established back in 1992, I think Rundell was the then Treasurer, to ensure that we put aside a little bit of money to build up over a period of time a fund that could meet that liability. Again, the position that the state would be in today if it did have - those funds in that program had been carried forward, it would be certainly in a much stronger position financially. But that being said decisions were made in the past. We are in a position where now we need to meet it on an ongoing annual basis. The advice that I have before me is that we can do that.

Ms FORREST - Just go back to the surplus position there, the Policy and Planning Statement, page 64, I will just go to that. There are huge reductions in depreciation which help your surplus figure under adjustment, depreciations and a nominal superannuation interest expense there. There is a reduction reducing depreciation to \$262 million which is about a 20 per cent reduction. So I am just interested in the reason for that. Are the assets going to last longer, or they are going to have to last longer to assist the budget bottom line here? Because a few years ago you might remember that the previous government re-valued assets downwards by about \$800 million. That was a couple of years before you came to power. Now we are looking at going back the other way significantly. So I am just interested in why that adjustment?

Mr GUTWEIN - I think, largely it is a result of State Growth reclassifying what it would have as capital spend into maintenance and vice versa.

Ms MORGAN-WICKS - In terms of the depreciation - the depreciation line item, which obviously agencies work through in doing a review of each of their capital budgets each year, it is not really a lever that can necessary be pulled to try to improve the bottom line. Certainly, it has been impacted in this Budget by movements in the Roads program and because it is such a large program it has such a significant impact on the depreciation expense. So they have moved or expensed from capital a significant portion of the Roads Maintenance Program, so that has impacted in terms of the depreciation.

Ms FORREST - So that accounts for this parameter adjustment on page 64 of the Policy and Planning Statement?

Ms MORGAN-WICKS - A large proportion of it, yes.

Ms FORREST - I know you cannot and would not want to comment on the downwards depreciation a few years ago, but it just looks like things can change quite dramatically and that you can prop up the bottom line.

Mr FERRALL - You do get big movements in depreciation from shifts in treatment. As Kath said, something like Roads which might have been treated as capital, that goes to an expense and so you actually see an increase in the expense in the operating statement and a reduction in depreciation. You have seen big movements in things like housing with some of the move of the housing properties to the community sector, so effectively, your asset base changes and therefore your depreciation changes as well.

Depreciation is quite volatile at a global level. You also see things like assets that are being accumulated and then get to a point where they trigger and become depreciable. So something like the budget management system, as an example, would not commence depreciation until the system was completed. So you would get a trigger at that point and you would see a kick up in depreciation.

Ms FORREST - What is the value of that system?

Mr FERRALL - A bit over \$8 million. It is just an example of where you see those movements over time.

Mr GUTWEIN - Just in regards to State Growth, the note that I have here, it reflects a change in the depreciation methodology for road pavement surfaces whereby the depreciation is calculated for each individual section of pavement and surface according to its age, rather than using the average age for each category of road.

Ms FORREST - So the Illawarra Road would drag that down considerably. It is probably under water as we speak and probably needing another upgrade.

Mr GUTWEIN - At least it will be clean.

Ms FORREST - It will be clean, although it might not. There will be mud all over it and all sorts of stuff across. We are not suggesting here that the assets are in much better condition now and they are going to last longer, it is more, I think, why they are assessing it.

Mr GUTWEIN - It is a reclassification.

Ms FORREST - Just going back to the point that Mr Mulder raised a minute ago with the employee expenses, in your income statement on page 49, when you look at that across the forward Estimates, if you replace last year's Budget figure for employee expenses of \$2237 million with the estimated outcome of \$2273 million, in the increase over the four years to 2019-20 is only \$125 million. It is not a huge increase in dollar terms over the forward Estimate period. That is about a 1.4 per cent increase over that period.

Now, you did make a comment at the beginning, Treasurer, in your opening remarks that, effectively, you did not believe you needed to shed more staff or more workers and this change in the profile of some of the workers. Then we also hear you say - not so much in your opening comments, but in your speech and commentary - that you are reinvesting in the essential services, more police, more teachers, more nurses, that sort of thing. So how does that work in terms of you have to - I think you still have a 2 per cent wages policy for the public sector and the increase is much less than 2 per cent if it just took into the account the number we have now. So can you explain to me why that is the case?

Mr GUTWEIN - I can. What I might provide is some context. I actually had a look at the previous five budgets of the last government - the last four and the one before that as well, just to put this into some context. If you look at the 2009-10 budget, the yearly change in the first year was 0.52 per cent and at that time there was -

Ms FORREST - What year was that, sorry?

Mr GUTWEIN - 2009-10.

Ms FORREST - That was post-GFC where they were trying to cut staff numbers, yes.

Mr GUTWEIN - Interestingly enough, a 1.33 per cent increase across the forward Estimates. I will deal with the 2011-12 budget next which had a 0.91 per cent increase across the forward Estimates. The 2012-13 Budget, 1.59 per cent; the 2013-14 Budget, 1.68 per cent.

Ms FORREST - You go back further than I did, Treasurer. Good on you. Someone has done the work for you.

Mr GUTWEIN - Interestingly enough, if you look at the 2010-11 Budget, which is post-GFC, and again the context of the rhetoric that has been built by the previous government in regards to the challenges that it had to face, I mean that budget had actually landed a 3 per cent wages increase across the forward Estimates. I can only presume, being the 2010-11 Budget, it had something to do with the election cycle.

Ms FORREST - The cynic in you would say that, yes.

Mr GUTWEIN - Yes, the cynic in me would say that. But the simple fact is that across the forward Estimates there will be an ebb and flow in regards to national partnership payments. There are a number that we are still to renegotiate that will run for the next 12 months and then for the 2017-18 year we need to renegotiate. Our wages policy, which is up to 2 per cent, is fully funded across the forward Estimates but there are obviously some negotiations that we need to engage in, in regards to national partnership payments which is exactly the same process that every previous government has had to deal with. What tends to happen is that there will be an ebb and flow

regarding national partnership payments.

Ms FORREST - I understand that. I am just interested more in -

Mr GUTWEIN - Can I say, there will be new national partnership payments for the land. In fact, I think there have been a number that have been discussed by both sides during the election campaign. We will have to wait until 30 June to know exactly what that -

Ms FORREST - There was a \$1.9 million pork barrel, wasn't there? That has probably come out of that.

Mr GUTWEIN - There is a fair bit of spending going on and that will need to be factored in again depending on what the outcome is. But this is just the normal process of government.

Ms FORREST - I will talk to the Minister for Health about that one tomorrow. Yes. That is one of the national partnership payments.

Mr GUTWEIN - But, as I say, I do make the point, if you go back and you have a look and there has been some discussion in the Lower House about this, you have a wages policy of up to 2 per cent but across the forward Estimates, the increase is less than that.

Ms FORREST - I understand that, Treasurer. But the point is you are saying you can actually employ more nurses, police and teachers into the system. I find it hard to see how you are going to do that unless you are going to cut other places. In your opening remarks you made the comment that you have got this right.

Mr GUTWEIN - The Budget takes into account all of the policies that we have agreed to and funded in this Budget, and the existing stock that we carry forward. There is nothing secret or magical about this. It is just the way the system operates.

Mr MULDER - Just as an overarching statement, we spend a lot of time talking about the spending side. But if you look at the revenue side of it, the state government really is very limited, isn't it, in its revenue raising capacities in terms of when it comes down to things like - it's very, very negatively taxes on the economy. So I am just wanting some feel about all this work about confidence and boosting and the economic employment. It really does not have such a big effect on the revenue coming into the state.

Mr GUTWEIN - If I take you to the policy and parameter statement. Now, if you look at page 58, the estimated outcome for the 2015-16 Budget is about \$25 million higher than what we would originally expected it to be from a total taxation point of view. That is the strength of the economy coming through and generating -

Mr MULDER - The source of those?

Mr GUTWEIN - Duties in the main, and again, open forward Estimates, if you look at the coming three years we have -

Mr MULDER - But it is mainly stamp duty on property sales.

Mr GUTWEIN - Stamp duty on property sales. Again the market has been solid.

Mr MULDER - And payroll taxes?

Mr GUTWEIN - Well, again with payroll tax -

Ms FORREST - Payroll is actually going backwards, isn't it? According to this.

Mr GUTWEIN - Payroll, that is flattening a little bit. But again in regards to -

Mr FERRALL - That is driven by a weighting because our estimates, as you go forward, are expecting lower wages growth.

Mr GUTWEIN - And so the CPI - well, that's right, the annual increase or the annual growth in wages rates is obviously flat a little bit right across the country, not just here in Tasmania.

Mr MULDER - But it is just an unfortunate thing, isn't it, that you have regressive taxes which are actually a brake on the economy and that is what your revenue is coming.

Mr GUTWEIN - You can call them regressive. We have the second most competitive tax system in the country, is one way of looking at it.

Mr MULDER - We could always aspire to being the most progressive tax system.

Mr GUTWEIN - That is a reasonable point. But I am not sure what you are suggesting that we should be broadening bases or making a suggestion in regards to what should occur at the moment.

Mr MULDER - It is not my job to make suggestions to you. It is my job to ask some questions about where the source of your money is coming from.

Mr GUTWEIN - The Upper House has never been shy of making suggestions.

Ms FORREST - They have been good suggestions.

Mr MULDER - And they have been dealt with too, I might say.

Mr GUTWEIN - Over time, I think we will see a continued growth in our state-based revenues as a result of growth in the economy.

Ms FORREST - Could we do it better? That is not a question for - we will come back to that.

CHAIR - Yes. How are we going with overview?

Ms FORREST - Yes. I wanted to ask a couple of others. I just want to go back to the football for a minute, declaring an interest as a paid-up member of the North Melbourne Football team.

Mr GUTWEIN - You come from the north. I would have thought you would be a Hawk supporter.

Ms FORREST - No. When I was a little girl I had blue and white and that was where I played

number 2 and played full forward and that's where it all started. That is the history.

CHAIR - Moving on.

Ms FORREST - Moving on, yes. I know the Chair was talking about the amount of money it is. There were just a couple of points that were made in *The Age* last week. It says in here that 'North's new agreement will ultimately see the Kangaroos brand attached to the new statewide academy program. Friday's announcement is expected to remain focused on the new 15-game five-year contract. Although Hawthorn had applied for the north of Tasmania as an academy, that bid looks certain to be rejected.' It goes on, 'Although the AFL has refused to date to make public Simon Garlick's review into the game in Tasmania, that report recommends a one-term academy model and also states a preference for one AFL team model, a preference that cannot be realised until at least 2022 when the current Hawthorn and North deals have been completed.'

I dread bringing up the football. At least we have not got some of those northern members who always made a huge issue in our Chamber, but it seems here that we have to be careful we do not undermine opportunities that are there already. So in view of that - I know you are not going to talk about the amount - it does say here that they will be getting a six-figure sum for each game they play. So it is not insignificant. That is in the paper though, so that may not be correct.

Treasurer, I am just interested in your views on this in terms of potentially undermining the very open and transparent arrangement with Hawthorn that the taxpayer pays for.

Mr GUTWEIN - I do not think it will undermine the Hawthorn agreement. And these are more properly questions that should be directed to the State Growth minister. We have always had a tension in Tasmania in respect of football and north and south. If I can just speak broadly about it. They are the questions that you could raise probably are more appropriate for the State Growth Estimates. But to have eight AFL games being played in the state, albeit some in the north won't like North Melbourne and I am sure some in the south might like the Hawthorn arrangements. That is a fantastic opportunity and a huge step forward from where we were when we were much younger. In regards to the academy, again, I am not across all of the details in regards to where that might head, but to have a pathway for young footballers, I think, is a fantastic outcome.

Ms FORREST - Yes, I do not disagree with you. There are a lot of Tasmania young fellows are playing in the AFL at the moment.

Mr GUTWEIN - And look, as a West Coast Eagles supporter -

Ms FORREST - Here we go. Tragic, isn't it?

Mr GUTWEIN - I am still getting over what happened last year. So the less we have to talk about AFL, the better.

Ms FORREST - We will move on then to the GST.

CHAIR - I have a couple more, two or three, on this as well. I will do a couple here. We will break it up a bit. Just in regard, Treasurer, to the first homeowners grant and just obviously there are economic impacts out of that and it goes from \$10 000 to \$20 000. What research has been done on the impact of that scheme? Some people have asked me about that. So the question is, does the research suggest the grant helps people buy homes when they would not otherwise have

been able to, or does it accelerate the purchase by allowing people to buy earlier? Can you give a figure, or a multiplier or effect of the impact of the funds allocated for that and explain the benefits to the economy for that? There are a couple of different views to that.

Mr GUTWEIN - I think there is the two propositions that you put forward, there is truth in both of those. I am certain it does help some people get into a home sooner than what they would and assists them financially, but it also does bring forward demand. That is certainly what has happened.

In regards to what is funded in the Budget, Treasury put around a \$9 million cost on this over a two-year period. Now, that equates to, broadly, about \$175 million worth of additional activity. I made the point on budget day, and I make it again today, with interest rates where they are at the moment, with the lower median housing costs in Tasmania but also I think a quite attractive construction rates as well for housing, there has never been a better time to build a first home in Tasmania. Never been a better time. What I would see, I think, this has got real opportunity for the regions. There is no doubt that the north and north-west have not risen as quickly as the south. My message, certainly to my northern constituents here has been, 'If you're thinking about getting into a home, now is the time to do it.'

The other thing that we are going to see as well, we have a very, if I can call it, chunky commercial program coming forward. In the south there are 1200 beds that are currently being constructed in respect of new hotels and other developments. In the north, we have The Silos coming on board. We have the recent Joe Chromy's redevelopment there. But the commercial interests, certainly from the private sector, has not been as strong. So this is a real opportunity for the industry to promote this as a great opportunity in the regions and I encourage them to do so.

CHAIR - If I just tack onto that and the FIRB announced approval for \$1 billion in Tasmania's real estate sector. I do not disagree with foreign investments by any means, Treasurer, by saying that, particularly in terms of agriculture and a lot of other ways right throughout Australia it is absolutely necessary, but that is just a personal view. So much of that investment I am talking about, that \$1 billion will be funding development and consequently growth which otherwise might not be funded.

However, I could add then purchases of existing residential real estate has a potential to increase the costs of real estate and disadvantage entrants into the residential market. So does the Government monitor foreign investment in residential market here in Tasmania? That's the first question.

Mr GUTWEIN - Only through the Foreign Investment Review Board, but I am happy to -

Ms FORREST - Is that going to residential? That is what you are asking.

CHAIR - Yes, I am only asking about residential.

Mr GUTWEIN - We will have to get the threshold, but I would imagine most residential probably fall below the threshold. But I will get that threshold.

CHAIR - Obviously the Treasury would communicate with the FIRB at different times in regard to this sort of -

Mr FERRALL - We get contacted by FIRB in relation to foreign investment but our principal role is to provide a view as to whether or not we believe the matter is in the national interest or otherwise. We do not have any other role in terms of commenting to FIRB.

CHAIR - Sorry, I missed all of that. Did we talk about the threshold, did you or not?

Ms FORREST - They do not know what it is, they are going to find out.

Mr GUTWEIN - We will find out what that threshold is.

CHAIR - Thanks, yes.

Mr MULDER - Just very briefly, and I did ask this question in the other place and in our chamber of review. The response I got back, I must say, was a little disappointing. You keep trotting out this line that there is never a better time and it is great for new, young people to build their first home and our grant is doing these wonderful things. I am wondering if you have now started to develop a profile, because you had not last year, of who the applicants and the recipients are. Because in my experience, can I say, there is a fair whack of them who are people who are well-advanced and building very expensive homes who probably do not need that sort of a leg-up. But it is there and they are just bringing forward their first home construction, whereas I think the idea was that we try to fuel into the marketplace so, as you keep saying, young people can get into their first home.

Mr GUTWEIN - Let me be clear: I do not mind whether they are young, middle-aged or old, if they have not purchased their first home in Tasmania and they can meet the guidelines as per the SRO, then they are eligible for it.

Mr MULDER - That is fine, but you keep pushing this line that this is getting young people into their first home. I would suggest it is actually double-income people who are in their 30s and 40s who actually do not need this sort of assistance, who are a substantial proportion of the people accessing it. I am all for assistance but it ought to be the people who need it, not the people who do not. That is the profile. If you are going to say we do not mind, we will help anyone into their first home, rather than this impression you are creating that this money is all going into the battling young couples just starting out.

Mr FERRALL - But you would not put an age limit on it, would you?

Mr MULDER - No, but you might want to means test it.

Mr GUTWEIN - But again, certainly anecdotally, the evidence that I received from the major construction firms who are in this basis is that they are generally dealing with younger couples. Anecdotally, that is the evidence that I have received.

Ms FORREST - And it is their first home? It has to be their first they are building.

Mr GUTWEIN - Again, this is if it is somebody in their 40s who has not made a purchase, regardless of what their economic circumstances might be, this is an opportunity whereby if this provides them with the incentive and becomes the catalyst for a new property to be built in Tasmania, I think that is a good thing.

Mr MULDER - I am not saying it is not a good thing. I am just saying it is this impression you are getting out there, and that there are a lot of people being out there given a decent old handout who probably do not need it. It is just pleasing to see you, Treasurer, now supporting economic stimulus. Thank you.

Mr GUTWEIN - But, Tony, on that, I do want to be clear on this. This is one economic stimulus measure that really does work. It really does work. It will do as Mr Hall said, is it people that the money assists to have the finances to take that step or does it bring forward demand, or it does both, and that is certainly the sense that I have got. The other thing I think we will now see, and we are seeing it now in our population numbers where we have interstate net migration outbound has stopped, after I think 16 consecutive quarters, two quarters to the end of September last year, we have now got inbound migration. We will see, I think, young people that are coming to Tasmania, or middle-aged people, whoever they might be, tradies that are going to work on construction projects, and if they have not purchased a first home before this is an opportunity for them to do so and to build one.

Ms FORREST - To build one. It is only building, isn't it?

Mr GUTWEIN - Yes, to build one.

Ms FORREST - We need to be clear about this because the First Home Owners Grant was inflationary. I mean builders I can accept but not the other.

Mr GUTWEIN - I do not disagree with you there. It is certainly the First Home Owners Grant, that does get proposed every now and then, there certainly has not been as great an appetite from the real estate sector in the last 18 months as there has been before that, because I think we are seeing an increasing volume of sales and movement in the real estate market, but this gets property out of the ground.

Ms FORREST - It adds to the housing stock.

Mr GUTWEIN - It does. The whole supply chain, it is a share of this.

Mr MULDER - Would it also not be something where we might have a look at the stamp duty side of the fence because if we are talking about trying to help people afford their first house, which is part of the thing, then there are other ways of doing it, impediments, a classic case of government getting out of the road rather than pump priming.

Mr GUTWEIN - Again, if it was stamp duty on existing properties, that would have an inflationary impact. Again, it is similar to a grant being provided; it would be factored in. In regards to the boost, or in fact the First Home Grant that we provide, in some states, and if you compare Tasmania with the rest of the states around the country, we actually now have the highest grant available out of all the states. Some states do offset with stamp duty - I think New South Wales from memory has a \$10 000 grant and then they have a reduction in duty. But if you look at the quantum of support that we provide and you compare it to like purchases of land, which is what the stamp duty will apply to for a first home build, we are still more competitive in regards to providing the grant.

Mr MULDER - It is the stamp duty that is the significant piece. If you were to tailor it to, for example, house and land package deals, which the builders are normally doing, then you would be

able to really target those first home builders who are buying the land. That is another way I suggest of getting out of the road rather than stimulate. Every time you stimulate you can say there is no doubt about the knock-on effects, and there are, but it is also offset by things like the price of land never comes down no matter how much supply there is. Developers sit on this land, they do not develop it while they wait until the market reaches their price, whereas if you had a punitive taxation or rating regime on undeveloped, vacant land -

Ms FORREST - Or a land tax.

Mr MULDER - That would then create incentive for those sellers of the land, not the house. We all know a building is a building, but the sellers of the land to actually come and meet the market would be a better way of managing supply and demand.

Mr GUTWEIN - Again, I am sure there is a range of policy ideas that could be discussed in this space. Where the government landed is we have a program that in the past has worked very well. We know that we have a buoyant commercial production sector and our purpose in doing this was to ensure that we continue with a buoyant residential sector.

Ms FORREST - You cannot come from the mainland having owned homes on the mainland and get one in Tasmania.

Mr GUTWEIN - No, you cannot. First home build.

Ms FORREST - It is only first home build in Tasmania, and you cannot own one anywhere else in the country.

Mr GUTWEIN - That is right.

CHAIR - Just on the back of this, Treasurer, you talked about population growth and one of your statements, one of your Government's objectives has been to grow our population. However, it does appear that the growth has been pretty modest. If you look at the budget papers, the bit I have picked out there, it says, 'Treasury analysis has shown that population growth in Tasmania is strongly correlated with the performance of the Tasmanian economy,' but the paper also suggests, in another bit there, 'The growth is likely to remain well below the national growth rate, at around 1.5 per cent.' Somehow the first statement does not quite gel with the second. Do you see what I mean? We are not exactly bursting at the seams, are we, even though you have talked about net migration, all those sorts of things?

Mr GUTWEIN - Tasmania has always lagged the national rate of growth population; it always has. What is important is that we are seeing, at the moment, an increase in the rate of growth. I think budget papers indicated that we were at 0.3 per cent, we are forecasting 0.5 per cent now and then 0.6 per cent over the forward Estimates. It goes without saying that a strong economy, and when there are jobs available, will attract people to that economy. We have seen the growth in what occurred in WA, we lost as a result of that. If you look at the 16 consecutive quarters where we saw a net outflow of migration, we lost about 6600 people - from memory that is about right, isn't it? - through those 16 quarters. Now we have turned it around, where the last two quarters that we have ABS data on we have actually seen a net inflow. In that September quarter, 597 overall population increase, of which the net inward migration was one of the components of. The stronger our economy, the more opportunity that we are able to provide for people in terms of work, the stronger our population flow will be. We really need to work very hard on that particular point,

there is no two ways about that.

CHAIR - It would be interesting if you could provide figures, or they might come from another department, but regionally in the last 12 months, what have been the increases in population, south, north and north-west?

Mr GUTWEIN - I am just having a look here to see on the data sheet that I got from Treasury where we break it down to regionally. It starts to get fairly difficult with regional data as Treasury does not provide regional data. It would be fairly volatile I would imagine as well, that is the problem. So at this stage I cannot help you on the regional. But certainly at an overall level the pace is picking up. I have said this on a couple of occasions, in the last four years we have now got the fastest rate of population growth that we have had for over 40 years.

Ms FORREST - The budget papers do not predict any increase, page 26.

Mr GUTWEIN - Again, they are projections. There is a footnote there. For the three out years, what they are normally based on, long-term trend.

CHAIR - Those stats that I was asking for would have to come from ABS, is that the case?

Mr GUTWEIN - Yes, they would.

CHAIR - There has been some media coverage of it and that is why I asked recently what the population increases were in Hobart, what they were in Launceston, and what they were in certain sectors.

Mr GUTWEIN - I think the ABS does provide some regional breakdown.

Mr VOSS - They do. The best data is the census. They are about to do the new census and the census will have that.

Mrs HISCUTT - I was going to talk about the population growth strategy also, and not so much foreign investment as mainland investment. This grant does assist the construction industry. Have you considered, or are you thinking about considering, promoting that policy on the mainland for those to come home to build and live here again? Have you done anything concrete like newspaper advertising or anything?

Mr GUTWEIN - As part of the population strategy and certainly that linking to the work that is going to go on with the grant, I think in the Budget was \$650 000 that the Premier was very keen to have to reconsider and have a look at our branding. But as part of the broader population strategy, work is ongoing with the Coordinator-General, I would like to see and think that we will see a more aggressive approach to other marketplaces. You have only got to consider what was occurring, go back a handful of years ago when Western Australia and the Northern Territory were advertising quite strongly because of both the uplift in mining but also in gas investment in the Northern Territory, they were very strongly advertising across the country and I would like to see us take a step there. The work that the population strategy or around the population strategy, certainly with ex-pats, is something that I know that the Minister for State Growth is working on.

Mrs HISCUTT - Do you actually promote the First Home Owners Grant to those sectors though, where they might take advantage of that to come and build?

Mr GUTWEIN - At this stage, up to this point, we have not. The point that I am making is that I think that we should.

Mrs HISCUTT - I am just thinking most of the people I know who have come home are young blokes getting married, who want to move here and raise their family. This is the group that we should be focusing on. I am just wondering whether that might be a boost to our population strategy to actually target those types of people to come home, plus the First Home Owners Grant and they are cashed-up pretty well anyway.

Mr GUTWEIN - With industry groups, the MBA, others, we have been discussing these types of strategies. Obviously, there will be the opportunity to attract both Tasmanians that have left the state, back, but also other sectors of the community that are looking for opportunities. I think for the first time in a long period of time, especially with the commercial construction forecast to go where it is expected, with some of the other major projects that we have on the drawing board like the UTAS development across the north, there will be a great opportunity to promote all that is good about Tasmania, plus the opportunity to picture somebody new coming to Tasmania and you want to get into your first home.

Mrs HISCUTT - Build a house here. Cool.

CHAIR - How are we going with overview?

Ms FORREST - Yes, I wanted to get to the GST.

CHAIR - Yes, the GST, right.

Ms FORREST - The floods are pretty bad out there, Treasurer.

Mr GUTWEIN - Sorry, the floods?

Ms FORREST - The floods are pretty bad out there, none worst since 1929.

CHAIR - Newsflash.

Ms FORREST - You might need some more GST to help. There is potentially another big impact the state is going to face, it is right across the state.

Mr GUTWEIN - They are forecasting 1929 you say?

Ms FORREST - That is what is on the ABC, a little tweet there.

Mr MULDER - Do you have a dam relocation program? It would only be handy if you had the draw the dam up at Gray, wouldn't it?

Ms FORREST - I think the Gordon is getting a bit bigger than that.

Mr GUTWEIN - Let us hope the work that has gone on for the past decade in regards to the flood levels in Launceston.

Ms FORREST - Well, it is going to be tested I would say. Just going to the GST as described particularly in budget paper number 1. Now, the GST projections that you provided, a list in federal budget paper number 3, my understanding is that the feds assume the same per capita split over the forward Estimates. Can you explain the assumptions you have used in the projections you have put in?

Mr GUTWEIN - First, in regards to the federal budget you are absolutely right. The feds no longer forecast. They just leave, I think, the relativity at the same level and then just constantly carry that forward. So, those numbers do provide a - well, in fact they are of no use to us at all because we know that things will change. In regards to the Treasury's GST forecast, I am not sure whether Tony or Anton is best placed to talk about the model that we utilise.

Mr FERRALL - I can.

Mr GUTWEIN - But I say in doing it, one of the things when I had raised issues with the modelling in the past from opposition, and I usually get reminded of that, but one of the key things that the modelling does take into account is the most up-to-date information that we have available from the other states. As they update both their mid-years and their budgets we get an understanding of what their own source revenues are going to be, which then can be included in the model and can provide a clearer picture moving forward.

Mr FERRALL - We use the Australian Government pool and population data that was released in their midyear report and is included in their economic and fiscal outlook from December. We use the revised relativities that came from the CGC in April. As the Treasurer said, we use, effectively, the midyear reports of the other jurisdictions in assessing their revenue capabilities. We feed that into a fairly extensive model which basically attempts to replicate the CGC's modelling that divides, effectively, the pool for the states. It is quite a number of assumptions, it is not a single assumption. But the areas that we do not attempt to predict are things like other states' revenues. We use their figures for that; we use the Commonwealth Estimates of GST pool and population. Again, we do not believe we have any sort of comparative advantage in those areas.

Ms FORREST - Just in terms of how the GST split works, I want to clarify a couple of points to make sure that I am on the right track with this. Most Specific Purpose Payments and National Partnerships are taken into account except those that are excluded. We have had some of those over the time, some in the Terms of Reference of the Commonwealth Grants Commission, the TFA, some of that money required, as I understand, some of that was excluded. So Specific Purpose Payments and National Partnership Payments tend to be given on an equal per capita basis across the Federation. If there are lots of SPPs and NPPs on an equal per capita basis then we, Tassie, will need to get a larger share from the GST pool to compensate for disadvantages that equal per capita process implies. That means, essentially, our lesser ability to raise revenue and our greater cost of delivering services that is taken into account to assess that.

Is it therefore correct that if the SPPs and NPPs are reduced then so too will our share of the GST pool needed to compensate us for those changes? I know there is a lot of promising going on in the election campaign at the moment but I am just interested in if the number or the amount of SPPs and NPPs are reduced then our share of the GST pool needed to compensate us is as well, isn't that the danger of a cut-back in grants to the states?

Mr FERRALL - It is a relative issue I would say. But if our NPPs and SPPs went down relative to everyone else we would get a higher GST, and if it went the other way we would get a

lesser GST.

Ms FORREST - You have to be able to compensate, or not over-compensate, but compensate to make up for the difference, yes.

Mr GUTWEIN - That is right.

Mr FERRALL - Again, it is not always that simple with these things. It is if everything else remains the same, and that is where you see a lot of volatility. If you took the modelling and you kept everything the same and Tasmania got a lower relative shares on NPPs and SPPs, we would get higher GST.

Ms FORREST - That is right. Is there a danger to our financial position if there is a cutback to grants or in grants to states across the board?

Mr GUTWEIN - Again, we would be assessed relative to the other jurisdictions.

Ms FORREST - We have the issue with the Western Australian tail still hanging on there a bit with their own capacity now falling away.

Mr FERRALL - If it was across the board and our relative distribution did not change it will not impact on GST. Quite obviously, we would get less revenue as a state if the grants went down but it would not impact on GST if the relative distribution did not change.

Ms FORREST - With regard to the review of the Federation, the Federation white paper and the tax review white paper, what is happening with those?

Mr GUTWEIN - Obviously, they have been parked for the election.

Ms FORREST - Were they looking like getting anywhere before the election was called?

Mr GUTWEIN - There was a lot of work that was going on but, again, it is more the challenge of timing that has impacted on that broader discussion. Certainly the white paper on the Federation is incredibly valuable for the country. I believe we should have that discussion.

Ms FORREST - Have you, as Treasurer, put in your own thoughts and submissions into that process? It seems to me the ball is back in everyone's court again but no-one is picking it up.

Mr GUTWEIN - I will not speculate on what might come out of the other side of the election because that will determine, I would think, the then government, bearing in mind I obviously have a very clear position on which government I would like to see in.

Ms FORREST - Really?

Mr GUTWEIN - But the then government will make its own decisions in regards to where that process goes.

Ms FORREST - But have you already put submissions in?

Mr GUTWEIN - We have had a number of -

Mr VOSS - We have done it largely through the heads of Treasury.

Ms FORREST - The HOT team.

Mr GUTWEIN - Yes.

Mr FERRALL - We have had an ongoing, I guess, analysis and dialogue with the other states and with the Commonwealth. There has been a lot of interchange, particularly on the tax side. On the Federation side it has been more through the COAG side, through, effectively, the Premier and Cabinet side, but we have been heavily involved in that as well.

Ms FORREST - We just have to wait and see on that one I guess. Just one further question, Mr Chairman. On page 86 there is the asset recycling grant from feds of \$2 million, can you tell me with regard to that what has been sold or to be sold in 2016-17 if it has not already been sold?

Mr VOSS - It is actually not to do with the sale, it is not the asset recycling initiative that was announced by former treasurer, Joe Hockey. It is actually something separate entirely. It actually relates to road funding, I understand.

Ms FORREST - Road funding?

Mr VOSS - Yes. It is for specific projects, if I read, 'Tasmania received funding for the Bass Highway, Birrallee to Exton, safety upgrade and some black spot funding,' so it is not related to the asset recycling initiative and things being sold.

Ms FORREST - It is an asset recycling fund, so where does that sit?

Mr VOSS - It is a state project.

Ms FORREST - Made a special deposit in a trust fund equivalent, is it? I mean it will be in your annual report, Treasurer, will it?

Mr GUTWEIN - It comes in as an NP, National Partnership payment.

Ms FORREST - All these little buckets of money. Thanks, Mr Chairman.

CHAIR - Anymore on GST? Anybody else?

Mr GUTWEIN - Can I just come back, just thinking about something that Ms Forrest raised earlier on, in regards to the operating statement and the comments in regards to the net underlying operating balance. To be clear, with the operating statement there are a number of non-cash expenditures that are on the expense side as well. We have depreciation, we have the nominal superannuation, et cetera, and so on. The operating statement provides a picture, and I think the best picture, of where the state is at and what it needs or its financial position and its opportunity to meet a range of expenditures. But it certainly, simply is not correct to say, well, look, if you dropped out federal government grants that you are in a far more different, difficult position. You have significant expenditures that are in the expenditure side of that operating statement that are non-cash items as well.

UNCORRECTED PROOF ISSUE

Ms FORREST - Yes, and that is why I raised that significant parameter adjustment on page 54 of the policy.

Mr GUTWEIN - Regarding depreciation?

Ms FORREST - Depreciation and the nominal superannuation interest expense. I accept there are expense items there but when they can change quite significantly in a way that actually boosts the bottom line, I think we need to hear about the true picture.

Mr GUTWEIN - Again, that number for the depreciation was, what, in the 20s of millions, wasn't it?

Ms FORREST - 23.4 and then 29.5.

Mr GUTWEIN - Yes, when we are talking about hundreds and hundreds of millions.

Ms FORREST - I understand.

Mr GUTWEIN - The depreciation that would appear in the expense side of the operating statement. Just to get some balance there, because I do not accept the proposition at all that if you remove the special dividend and then all the federal money that the state is not in a strong position. The state is in a much stronger position than what it was a number of years ago.

Ms FORREST - I did not say that though. I just said that we are still spending more than we are getting in in terms of expenditure and cash and revenue.

Mr GUTWEIN - I would reject that. We actually changed that profile around, otherwise we would not be throwing a net operating or accumulative surplus across the forward Estimates. There is obviously the circumstance that we found ourselves in a few years ago where we had net debt that was rising to hundreds, well, \$400 million across the forward Estimates. That provided a very clear pathway that we were actually in a position where we were having to borrow to fund our surpluses. Now, at the end of this four-year period we have \$160 million worth of cash net assets, or net cash in investments.

CHAIR - Just a quick question, Treasurer. During the second reading debate I asked about the charter of budget responsibilities bill which was due.

Ms FORREST - Is that the financial management bill?

Mr GUTWEIN - The charter? That has been dealt with.

CHAIR - We did that then we did, from the budget responsibilities, yes.

Mr GUTWEIN - The charter of budget responsibility was passed, last year or early last year.

CHAIR - We did in March last year? I have forgotten about it, I must have been away.

Ms FORREST - You must have been asleep at the time.

Mr GUTWEIN - You were away.

CHAIR - I must have been away.

Mr GUTWEIN - That is pretty irresponsible of you, Chair.

Ms FORREST - It is the financial management one that is still on the table.

Mr GUTWEIN - It is amended.

CHAIR - Perhaps that was the one I was talking about, I have forgotten now. Maybe it is just a matter of I got my words mixed up, there you go.

Ms FORREST - Yes.

CHAIR - Is there any more in overview at all? No, all right. It is now 10.30 a.m. We have been going for an hour and a half. I suppose before we dive into the live items we could have a short break.

The Committee suspended from 10.27 a.m. to 10.44 a.m.

Output group 1
Financial and Resources Management Services

CHAIR - We will resume. Treasurer, we will move onto budget development and management, 1.1.

Ms FORREST - Treasurer, I mentioned this briefly in the overview about the total cost of budget information management system. Can you give us an update of where that is at? I think it was about \$8 million?

Ms MORGAN-WICKS - \$7.517 million.

Mr GUTWEIN - I will ask Kathrine to provide a quick update on that.

Ms MORGAN-WICKS - The Budget Information Management System project, as I mentioned, is \$7.517 million and it is to deliver, really, probably its first course is as a legacy system replacement that also hoping to rework in terms of our internal processes and efficiencies in actually managing the Budget process and in the information that we are able to provide to both government and to the public in the Budget. It is going to introduce greater flexibility and adaptability to meet some future requirements and also meet our Financial Management Act.

Ms FORREST - The new one?

Ms MORGAN-WICKS - Yes.

Ms FORREST - If we get it; we are going to get it?

Ms MORGAN-WICKS - Once passed, but it is certainly built into the requirements, to cater

for both. But in terms of the first three phases of the project, we have completed a market assessment and options analysis; we have completed detailed requirements in terms of existing processes and what can be improved, and we have released a request for tender for the implementation of a commercial off-the-shelf solution. The last phase of the process is about the design and validation, so at the moment, we have completed onsite demonstrations by the shortlisted vendors.

We will get into contract negotiations and then enter into the design and validation stage. What we are hoping is, for the 2017-18 Budget, we can actually start to do a parallel run between the new -

Ms FORREST - So for next year's Budget papers, we should see -

Ms MORGAN-WICKS - You will not see it in the next year's Budget papers because we will start a parallel run between our old system, our 17 or 18-year old BMS system - a practice run - and then moving into the 2018-19 Budget, we will have the new BIM system actually producing Budget papers.

Ms FORREST - I am sure the Treasurer was listening to my Budget reply, or somebody was on his behalf, perhaps, but one of the things that I would really like to see in the Budget papers is the last year's Budget figure and then the estimated outcome and to make it easier, particularly for perhaps newer members who do not have ready access to the old, and it means rather than carting around six Budget books, you only have to carry three. Is that something that could be or will be considered to be incorporated into this new system of reporting?

Mr GUTWEIN - When you say the estimated outcome, it isn't BP1, we do provide an estimated outcome.

Ms MORGAN-WICKS - Comparing the previous Budget, do you mean?

Ms FORREST - Yes, the previous Budget. So translating from last year's Budget papers into the current years. It will add extra columns, I understand that. I have asked about this in the past and I think it has been -

Mr FERRALL - Are you looking at a history right through, or just the last financial year?

Ms FORREST - The last financial year.

Mr FERRALL - Because we have the estimated outcome in the Budget paper as well. They are just in different places. That is all.

Ms FORREST - Yes, but I am talking about aligning them up, and you can also pull out last year's Budget papers if you want. It just means carrying around a whole heap more stuff, but I am just wondering about the other capacity for those sorts of changes to reporting in the Budget papers.

Mr GUTWEIN - What number are you looking for? Because in the current Budget paper, we have last year's, the 2015-16 Budget projection, or 2015-16 Budget number. We have the estimated outcome later in the later chapters, and then we obviously have the 2016-17 Budget moving forward. So are you looking for a table that has 2015-16 Budget, 2015-16 Budget estimated outcome and then 2016-17 Budget?

Ms FORREST - Yes.

Mr GUTWEIN - Or do you want to go further back than that?

Ms FORREST - How big do you want your tables to be?

Mr FERRALL - They are all there, so we have 2015-16 Budget and then 2016-17 Budget and forward Estimates, and we have the estimated outcome for 2015-16 as in the Budget papers. They are not all in one comprehensive table.

Ms FORREST - No, that is what I am saying. If you look to Output Expense Summary, having it in one table there so you can actually more readily track, I guess, what is - yes.

Mr FERRALL - We have had that in the past. It becomes simplistically whether you end up with landscape tables rather than within form scape, because effectively that is the only way you can really - otherwise you will end up with very small columns and numbers.

Ms FORREST - Yes, I understand, that is what I am saying. It is how many do you have, yes.

Mr FERRALL - So it is not really a system issue in terms of the Budget Management System. We could produce tables in that manner now, but as I said, we would have to look at the structure of the papers and effectively add another column in those earlier chapters, rather than have it in the estimated outcome where we have it in the later part of the Budget papers.

Ms FORREST - The question is, this new system will allow for greater flexibility around some of this reporting structures as well? So some of us consumers of Budget papers could make suggestions. I know in the past some of us have asked about some of this sort of stuff and it is all too hard because of the limitations of the current system and I have said that and it is being worked on, that is fine.

Mr FERRALL - This one is not a system issue. Internally, we have a Budget feedback where we look at our own sort of internal issues and whether we can improve. I have raised that as one that we need to at least consider for future Budgets, to see whether there is a way of doing it that is not going to be too difficult. I do take your point that you have all of the figures but they are in slightly different places in the Budget papers.

Ms FORREST - Yes. For new consumer Budget papers - I have been doing this for 11 years now, but new members come into the chamber and I know how hard I found it for the first few years to try and even know where to find things.

Mr GUTWEIN - I think I have kept mine reasonably consistent.

Ms FORREST - There is no criticism about that.

Mr GUTWEIN - Which has not always been the case. Happy to have a look at that. Obviously, that would be a decision for the Treasurer post-2018 to look at that mandate. It will be in the first Budget post-election.

Ms FORREST - Next year, across the table, you will be able to give us an update on how the

parallel systems are going, obviously, so in terms of doing the parallel system, is it your plan to do exactly the same thing as what you have here, in a parallel system, rather than trial new stuff?

Mr GUTWEIN - We are happy to take onboard suggestions and have a look at the presentation. That is certainly the view.

Ms FORREST - This output group also looks at monitoring the state's financial performance against the government's fiscal strategy. You have already talked about, I think it is, number 6 with the superannuation - no. I do not know what number it is now. Number 2. The commentary there in budget paper number 1, but are there any challenges to the fiscal strategies, any one of the strategies that are identified there? You have stated pretty clearly that you think the superannuation liability can be managed, well, total state liabilities, which is not much more than that, the superannuation liability, being able to be maintained. That's less than 6 per cent of state government receipts. The others, are they under threat at all?

Mr GUTWEIN - Not under threat, but obviously we will need to be disciplined in regards to expenditure. One point I did not make this morning, just talking about the operating statement, is that across the forward Estimates, the health of the Budget could also be largely measured by the fact that we do forecast a fiscal surplus in the fourth year which indicates that not only are we meeting our operating expenditure, but also our capital programme as well. So we gradually improve the health of the Budget over that time.

There are a range of risks that are flagged in the Budget as well and should any of those materialise or be materially more challenging than what we are currently expecting, obviously they are matters that we need to take into account. The Budget is in far better shape, though, and I keep making that point, to manage these types of challenges moving forward than what it was in the past.

Ms FORREST - In terms of Fiscal Strategy number 3, do you want to talk about it here or under finance general, or wherever it might fit with the tax environment? Tony was alluding to this previously, but the reliance on duties, conveyancing duties particularly. It is pretty apparent from the policy and primary statement that is what is holding it up. It is more increased revenue. You have decided to defer a couple of exemptions that have created a \$50 million benefit over that period.

In terms of trying to make a tax system as effective and efficient and fair as possible, are you having discussions with dealing with some of these less-efficient tax systems? We know that conveyancing generally is not an efficient tax and not necessarily fair, I don't believe, in the way it is forfeited at times, as some of the others are not. So under this strategic action, competitive tax environment will be maintained with the objective of state tax to be efficient, fair, simple, stable and sustainable, what are we doing?

Mr GUTWEIN - Firstly, let me just come back to the stamp duty. There is no evidence currently on the basis that we are seeing an increased volume of transactions occurring of this distorting behaviour. That might have something to do with the fact that we have quite attractive property values at the moment, but we are not seeing a dampening of activity in the property market because of stamp duties.

Ms FORREST - No, it has not changed, so that would be a big call to make, if you thought that. Yes.

Mr GUTWEIN - No, but we went through that process with the previous, previous treasurer, Michael Aird, to look at state taxes. It was evident through that, that to consider state taxation reform, it really needed to be done in concert with the Australian government. We have begun that conversation.

Ms FORREST - Under the Tax White Paper?

Mr GUTWEIN - There are two quite separate streams there, but obviously, again, there is a bookmark now in place and we will have to see what the appetite is of a federal government moving forward. We will continue to engage in that, but it is particularly difficult. You make any significant changes, and there is a table in BP1 which shows -

Ms FORREST - The tax foregone.

Mr GUTWEIN - The tax foregone which I think is in the revenue chapter, page 91. With the tax-free threshold with payroll tax and certainly the land tax, if you make changes in those particular taxes to broaden the base or affect the rate, it will impact on a lot of people. There will be winners and losers. There always is in regards to any structural shift with taxation and that was the position that was arrived at with yourself, Lara Giddings as well, and I think Tim Morris, that if there were to be changes, there needed to be some form of transitional assistance or a pathway.

We will continue to engage with the federal government. I think, broadly speaking, we are seen to be a very competitive taxation environment compared to other states and territories. The CGC, that is our taxation severity rating, I think it is the second-lowest.

Ms FORREST - That has been the case for quite some time.

Mr GUTWEIN - It has, and in fact interesting enough, I think in recent years the reason that we are the second-lowest is that the ACT has been allowed out of it because they have a different mix in regards to their tax base with property taxes that affects them in regards to that basis. We will always have an eye on tax.

Ms FORREST - I was going to come to that point, the table 5.6, because this is the second year it has been included in the Budget and I commend you for putting it there because it is important to identify basically the revenue foregone. Whether you want to collect it or not is another matter and how you establish your exemptions, but it is something that I think people do need to be aware of. A lot of it is fairly clear there.

I am just interested in who the other exemptions are from land tax. You have the principal place of residence, primary production land, religious bodies and travel institutions. Who is the 'other'? It is only \$5 million. Take it on notice?

Mr GUTWEIN - The commissioner will come back on that.

CHAIR - Take it on notice.

Ms FORREST - I do commend you for putting that table in there. I think it does shine a light on it, but it is one thing to put it in there, but if you are not willing to have a discussion about it, then it is a bit pointless. I do not know whether Treasury got the runs on that or whether the Treasurer.

Mr GUTWEIN - We have been prepared to have a discussion, but it has been part of that national discussion which, unfortunately, from a matter of timing, and also the challenge was the first 12 months of the current federal government was the opportunity for that public discourse to occur, but obviously there were some challenges in regards to the first budget and that led to perhaps not as much discussion nationally going on as there should have been and we now have an election.

So the bookmark of the election and the view of a federal government coming out the other side of it will be what I think will provide the flavour and structure as to where we go with any discussions on tax.

CHAIR - 1.1 and you are covering 1.2 as well, as you?

Ms FORREST - Yes, that is the one I just had questions on.

CHAIR - Any further questions on those?

1.2 Financial management and accounting services

Ms FORREST - 1.2, I just want to ask one on that. I thought someone else might have had one on 1.1. This is where the new financial management bill sits in this section and the work that is done on that. Can we actually find out what is happening with that? The starting date, allegedly, it is in there at the moment, is looming so that are the plans with it to try to progress it and amend the starting date, or what?

Mr GUTWEIN - In regards to what I have done, in this Budget I think in BP1, makes the point that we push the starting date out to come into line with the introduction of the new Budget Management System. So I think it makes sense to do that.

Ms FORREST - So 2018-19 it will be now?

Mr GUTWEIN - In the 2018-19 financial year. Not next year's Budget, but the one after that. We will be able to dovetail both the new Financial Management Act and the Budget Information System together in that first Budget. My expectation is of currently working through some issues with a couple of the statutory authorities and making certain we have the right landing in respect of those and I would be hoping that we could have it floated in the upper House sometime later this year. I am presuming with the principle of the act, you have no issues with?

Ms FORREST - No, it has been consulted to death almost starting in 2012 and it just seems we got so far. It was our House that stopped it, it was not me, but it got stalled in our House and so that is the question I have is: what is happening with it now? I do agree with the principle of having one property account and getting rid of all these other little, non-trust accounts and hence my questions relate to the TT-Line account, whatever it is going to be called.

Mr GUTWEIN - Vessel replacement fund. But you are right. Obviously it was and has been in progress for some time. One of the key challenges there was that there were changes in respect to some of the boards of those statutory authorities that had been initially consulted and there is a need to go back into that and have some further discussions and so we are working through that at the moment. It dovetails nicely, to bring in both the new budget management system and the new financial management act at the same time.

Ms FORREST - For the special deposit and trust funds, the interest on that -

Mr GUTWEIN - That will be in Finance General.

Ms FORREST - I will get to that in Finance General. Yes, I will do that there. No worries.

1.3 Shareholder advice on government business

CHAIR - Thank you. 1.3 - shareholder advice on government business. Treasurer, we will move that line item. I would note that it has reduced very slightly this year and then increases, the allocation of this particular matter, increases modestly over the next few years and you have dealt with some of these matters in the overview part, but last year, you talked about the performance of GBEs and that was positive. This year, of course, we have had the impacts, have not got a return from Hydro and also the result of the Basslink failure, so that has not been quantified yet as to what that might amount to. Could you just comment on that, please?

Mr GUTWEIN - It certainly has, as best we are able to, in regards to the Budget. Obviously the Budget takes into account the impact of a reduction in Hydro dividends and tax equivalents. The total return across the forward Estimates has been reduced by around \$100 million so that is taken into account. But obviously the issue in regards to Hydro and its circumstances with Bass Link and the contractual arrangements to replace are matters that Hydro will work through with the Bass Link entity. But the broad rule of thumb is that if the cable is not operating, you are not paying for it, so that needs to be taken into account and netted off against the cost of the energy supply plan which was largely the cost of installing diesels and then running for that -

Ms FORREST - And the loss of sales as well, you have to factor in that. The loss of selling energy and the revenue to get -

Mr GUTWEIN - Again, Hydro has not been in a position where it nets more than it can sell, but the energy that we have been generating has obviously been purchased within the state. There is a net cost. The total cost of generating 100 megawatts of diesel generation over the course of a month was around \$11 million, but then there needs to be a netting off of that of the sale of that electricity as well. So all of those things, Hydro will provide that detail in its annual report.

CHAIR - All will be revealed in the fullness of time as to those matters. I know we have forestry later on, but just the reform of FT. Can you update us on the progress of that?

Mr GUTWEIN - I can. In regards to FT's operating model, I have made some statements in recent times that what we will do is we will be announcing what that looks like in the coming quarter, the first quarter of this coming financial year. I wanted to be informed by the outcome of the EOI process and currently FT and obviously TasPorts have a role in this in regards to Mac Wharf. They are working through and I am hopeful that we can get a landing on that pretty quickly in regards to the southern residues issue, and then obviously that model and the outcome of that EOI process will help inform us in regards to the ongoing operating model for FT.

My view would be that in the coming quarter, we have the industry, the Ministerial Advisory Council working through the strategic growth plan. It will be the industry's strategic growth plan and I have asked them to develop that, they present it to me as minister and I am of the view that there will be a lot of things in that plan that I will agree with. There may be some things that as a

government we might like to look at differently, but the industry will present its plan and in concert with that, I think the operating model for FT moving forward will be made clear as well.

CHAIR - Last year, you indicated the Minister for Racing would be working with Tasracing to reduce the call on the consolidated fund. How has Tasracing progressed in finding efficiencies? Is there some positive movement towards some sort of self-funding?

Mr GUTWEIN - Again, that is probably a question that should be directed more appropriately to the new Minister for Racing. The former Minister for Racing, Jeremy Rockliff took some steps in regards to having a conversation with the racing industry about the stakes and with a view to getting the model onto a more sustainable footing. We also looked at providing some assistance through the unclaimed moneys bill which enables us to both provide a small amount of ongoing assistance to the racing industry as a result of unclaimed moneys regarding wagers that have been laid, but that bill also provided us with the opportunity to make some further investment into a form of housing and other social areas as well.

CHAIR - Once again, we ask these sorts of questions in this format here because it clearly says in this line item it supports the provision of advice and reforms and policies relating to government ownership and businesses. I realise that it does cross over into other ministers, but there you are.

Mr GUTWEIN - And I am not suggesting that you should not ask such questions.

Ms FORREST - You are the shareholder for all of them anyway, one of them.

Mr GUTWEIN - I am a shareholder for them, and again, we look at the overall financial performance of the businesses, but in an operational sense, it is the ministers that deal with those matters with the board and with the management of companies.

CHAIR - Sometimes in Estimates those matters are hard to extricate. In Estimates they say, well no, you have to wait until GBEs, so that leaves a bit of a frustration period of some months, Treasurer.

Mr GUTWEIN - The good thing is you get two cracks at it.

Ms FORREST - We do not get answers either time and it is not very satisfying, is it?

1.4 Government Property and Accommodation Services

CHAIR - Any more on 1.3 at all? We will move to 1.4 which is Government Property and Accommodation Services.

Mr GAFFNEY - It is not a huge line item; I will focus on four sort of areas. One will be focusing on line item forecasts, the second one on the management of government-owned lease buildings. The third one will be disposal of surplus Crown property, and the last one will be other issues, challenges and inquiries. The \$720 000 Budget for 2015-16, what is that money mainly for? Is it for staff? Or were you able to come within budget? Was that enough for that, \$720 000? I am just wondering how you afford that.

Mr GUTWEIN - For 2015-16?

Mr GAFFNEY - Yes. 1.4, I am asking for 2015-16. Did you come within that \$750 000?

Mr GUTWEIN - That was our revenue from appropriation.

Mr GAFFNEY - Yes.

Mr GUTWEIN - What did we actually spend?

Mr FERRALL - In terms of 2015-16, I would say we definitely came within our Budget on it.

Mr GAFFNEY - So you are within the Budget. I notice that there is an increase, then, of \$78 000 for 2016-17 which is a 10 per cent increase. I am just wondering what is the need for that extra funding, when the other years from that, I think it is under 2 per cent for the following two years and 4 per cent for the fourth year. I am just wondering why the increase?

Mr FERRALL - That picks up some increased activity on the Parliament Square Project as well, coming through into 2015-16 because we are going through a much increased activity so we slightly increased the project team for Parliament Square. There would be some, I would say, reallocation of corporate overheads as well because we look at our corporate overhead model across outputs and that can change those figures as well.

Mr GAFFNEY - Therefore, you don't think there will need to be that increase again for the following 2017-18?

Mr FERRALL - You can see in the forward Estimates, it starts to drop back and that is because we do drop out the Parliament Square Project and that starts to fall back down.

Mr GAFFNEY - If you could provide an update on the management of the government-owned lease buildings. The focus last year was on the Hobart CBD. I am just wondering, at some point, has it gone, how it is going and have you now looked to reach out to other areas to try and find some efficiencies in other towns and whatever?

Mr GUTWEIN - I can give you a quick update. We agreed to look at centralising property services in Hobart. We look at centralised management coordination of major office accommodation leases for government within the Hobart CBD and that has been fully implemented. It will actually result in rental savings from those buildings of approximately \$4.5 million per annum, by centralising. The CBD government lease portfolio comprises 23 buildings excluding Parliament Square, and then 36 separate leases over those 23 buildings, ranging in size from around 450 square metres to over 11 500 square metres. There were five major leases renegotiated in 2015 and there are a further four to go in Hobart in 2016. As I say, with a reasonable saving as a result of being able to manage it centrally.

Mr GAFFNEY - Now that the Hobart one seems to have been on track, what is the other place? Will you go to Launceston now, is that the next one?

Mr GUTWEIN - Yes. In fact, we have been having a look a Launceston. The Launceston portfolio comprises 27 separate leases over 23 buildings, ranging in size from 40 square metres to around 4500 square metres in a net lettable area, and we are currently working through that process now, doing some preliminary work.

Mr GAFFNEY - I am interested in the process. How long do you envisage that to take? Especially as you have dealt with the Hobart one so you would have some indication. How many staff would that involve? Is it a variety of staff or someone has ownership of that?

Mr FERRALL - This will be ongoing and we effectively are doing that within the existing branch resources, so we basically took existing people and gave them a high priority, focusing on the office accommodation. The Hobart CBD will continue, it is not something that you just stop. Basically what we do is look at leases as they are coming up, look to see whether we need to renew the lease or not, whether we can consolidate those people with other areas. So it has been a process to date of, in some cases, finding more efficient space.

A good example of that would be something like Parliament Square where we have effectively the same space on the site in terms of square metres, but it will be much more efficient than the existing building. So when you look at something like Parliament Square, that is allowing, say Treasury as an example, to move out of accommodation we have in 80 Elizabeth Street and move those people into the Parliament Square accommodation. We can then cease the 80 Elizabeth Street lease and make this over, as the Treasurer was talking about.

Ms FORREST - And be at our beck and call more because we will be in the same building.

Mr GUTWEIN - What sort of overview and briefings have you had on Parliament Square to date? Have you been kept in the loop?

CHAIR - We have had enough.

Mr GAFFNEY - I realise there was, I think it was \$4.5 million savings, which is good. Obviously, Launceston and other areas will not be perhaps as significant, and you are starting at Launceston next. Does that mean you are also, at the same time, looking at Devonport or any other areas, or is that the only other place that you actually -

Mr GUTWEIN - It is a matter for the government to make a decision on. Ideally, we wanted to start with Hobart, Launceston, but again, to a large degree you are actually confined by the term of the leases. It might be that over the next 12 months we will look at Launceston and that is current, and we have some major leases that are up there at the moment, on significant properties, so we will work through that. Then reconsider where to from there. What government doesn't do is break contracts and walk away from obligations that it has.

Mr GAFFNEY - But it would mean that if a contract was up for renewal and you were not appropriately set up to cater for that space, your contracts probably would not be as long, if you are looking at -

Mr GUTWEIN - That is one option. If there was a view that you wanted to move strategically from a building where a lease was up, but alternative accommodation was not available, then you might look at some shorter term option as you work through that. But I think one of the things is the engagement we have had with the owners, if I can call them that, just more broadly, and they are a range of both individuals and in some cases, large corporate structures, because we have been upfront and we have been able to engage with them and engage early, they have been able to ensure that if it does mean that we are consolidating, they have then been able to look at other strategies themselves and work through that process, and the engagement has been very positive.

Mr GAFFNEY - The third one is to look at disposal of surplus Crown property. I would be interested if you could provide us with a document, say, for the last two years of what Crown property you have disposed of and perhaps what revenue was received. Specifically talk about some of the range of disposal say in the last 12 months that would be of interest to the Committee.

Mr GUTWEIN - To give you an update, I do not have the last two, but I have the last year.

Mr GAFFNEY - I would be interested if you can find us the last two, but what major sales in the last 12 months or -

Mr GUTWEIN - In the 2015-16 financial year to date Treasury has sold 16 properties with a value of approximately \$5.8 million, another six properties either under offer or not due to settle in 2015-16, so obviously in the coming financial year. Currently preparing and looking at 11 other non-strategic surplus properties with a value of approximately \$2.3 million and a further 15 properties are currently being marketed for sale or on the market with an approximate aggregate of \$1.2 million.

I have a list here of those properties, I won't read them all out, but if I look at some that sold down here, Montague Road, Smithton; a property in Queen Street, Ulverstone; Creamery Road, Sulphur Creek, and by sight of them, I think they would be surplus houses by the looks of it, old police or old education department homes. I am more than happy to provide you with a list for the couple of years.

Mr GAFFNEY - It is interesting, do you have any properties that are just not sellable? You obviously have some areas that have just been on the books. What do you do with those?

Mr FERRALL - Agencies declare properties as surplus. Some properties have taken multiple years to obtain a buyer. We try to maintain the properties because obviously there is risk around properties; if they are vacant, they can become damaged, et cetera. We have, on some occasions, made some improvements to properties in order to make them more saleable. Generally, will have a low cost, though. Ultimately, in time, there is a market for every property, it is just a question of how long.

Mr GUTWEIN - The other thing, too, we have a range of property that is not sold. When land is acquired for roads, et cetera, you will end up with road verges or small parcels that are just not marketable.

Mr GAFFNEY - What would be your biggest or major priority for that group of people this year? Is it to continue on with the Hobart one and then to look into Launceston?

Mr GUTWEIN - Yes. So to finalise Parliament Square and the Hobart program down here, but then, importantly, to look at Launceston and those leases. There are leases that are current at the moment in Launceston, so we will work through that process. But in large part, surplus properties is driven by departments. The Education department will provide - whether there is an old school site or, for example, houses that were used for teachers where they no longer meet standard. Likewise, with the police. In fact, the police station that I did my driver's licence test at, at St Leonards, was recently sold.

Mr MULDER - Just on that point, I have a couple of questions in relation to Parliament Square

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Project and also in relation to the car park rentals, but the opening question is 1.4 under Treasury and Finance, the government property accommodation services, at 4.7 under Finance General, it talks about property management services. I am just wondering whether you could explain?

Mr FERRALL - The Treasury outputs are basically about Treasury as an organisation, so it is the people within Treasury largely, the 4.7. We all sub-minister Finance General which picks up effectively whole-of-government or it all goes across the whole-of-government. So some of the names are similar and in fact, there are people who cross over the activities.

Mr MULDER - Who do both?

Mr FERRALL - Yes.

Mr MULDER - And may be unaware, between cups of coffee, that they have actually changed divisions.

Mr FERRALL - They know what they are doing.

Mr MULDER - The two questions I have in relation to the rent, where are they best asked? Here or 4.7 in relation to car parking rentals?

Mr GUTWEIN - Either. If we cannot answer the question upfront, then we will -

Mr MULDER - Okay. We can get back to it later, I suppose. The first thing is on car parking - and I do it in the context of some recent publicity about the cost of a car park. Eli Sultan was in the *Mercury* about page 5 or 6 talking about the massive figures that are being done when he is auctioning off car park expense and because of the car parking accommodation issue.

Yet, of an evening, particularly of an evening, but any time of the day or night, you go through a lot of these car parks in the city and all the prime car parking spots down the bottom have all - an awful lot of them have government departments' names on them. I am wondering how many leases we have on car parking space in private Hobart car parks, including council ones, and the cost of those leases and whether there is a possibility of somehow or other rationalising them and maybe going to some more out of the way areas?

Mr GUTWEIN - Would you mind if we took that on notice?

Mr MULDER - No trouble with that at all. I was not expecting you to know that off the top of your head, but to me, it seems like a major issue and a potential problem, if you find the leases expire, be it in that sort of a market environment.

Mr FERRALL - There is a range of ways car parks are dealt with, so something like Parliament Square, there is a holistic - and we can tell you exactly how many car parks, but within every agency there would be individual arrangements. So something like THS would have a range of car parks that are, say, close to the major hospitals which we would not have any details of those individual car parks. So to collate the information that you are requesting, we would effectively have to survey all agencies so it would be a very large task to do that.

Mr MULDER - Because the Treasury might be interested in finding out what that is and what your exposure is.

Mr GUTWEIN - We will have a look and see what information we can give you.

Mr MULDER - I will not keep the item open and expect you to trot up next week and tell me, but I am happy to take it on notice and then come back at some stage, even if you want me to put it on the notice paper in the upper House.

The other thing is the rental relating to the Parliament Square Project. I notice that the rental seems to rise dramatically as we move no doubt from 10 Murray Street into the new Parliament Square building.

Mr GUTWEIN - What page are you on?

Mr MULDER - Page 48, Findings - General. That is where I have this difficulty, which area I am supposed to be talking. I can leave those questions to 4.7, which is an issue that I have later on. So just on notice that if you look at the numbers, there is a dramatic increase and it almost seems like we have been paying rent on a building site. Anyway, we will have a look at it.

Mr GUTWEIN - There is a note at 4.7. It is primarily related to fit-out costs for Parliament Square as the project moves from construction to fit-out, which relates directly to that 2016-17.

Mr MULDER - We will just push it to 4.7 and then I will be a little bit more specific.

2.1 Economic Policy Advice

CHAIR - Got that sorted, Tony? All right. No further questions on that, I will move on to 2.1, Economic Policy Advice, Treasurer.

With regard to that one, it is a pretty important line item, I would have thought. I had a bit of a look back through the *Hansard* last year and we did not talk about very much, I have to say. Anyway, it is important for government to get that advice, I would have thought, and when you think about some of the things that do affect the state economy, like there has been that massive downturn in the dairy industry, we have had mining under pressure, we have had forestry under pressure, and all those sorts of matters. We know about that. So can you give us a brief run down on how the unit performs its role, how many staff are employed and generally what are their qualifications and experience?

Mr GUTWEIN - In fact, I might pass over to the Deputy Secretary who is actually in charge of that particular area. I refer members to the Economic chapter in BP1 because it is a very positive discussion about where the state is and where it is heading. So there is a lot of upside in regards to where we are going economically. Mr Voss could give you the sort of detail that you are looking for there.

Mr VOSS - The unit is around a dozen or so people. It is split into two main areas. One area largely looks at economic data, so a lot of the data we source from the ABS. That part of the branch looks after some economic forecasts for, say, the Budget for Tasmanian economy, also looks at the Australian economy, international economy, and across a range of those types of exercises around population projections, for example, longer term-type projects. So that is one half of the branch. The other half of the branch largely deals with micro-economic reform-type matters. They also deal with the foreign investment review board as was mentioned earlier today. That side of the

branch did the financial sustainability review, for example, this year as well.

Mr GUTWEIN - Just on that, maybe Anton might also provide some of the detail on the FIRB as well, that we have. Do you want to do that at this time and that cleans it up, to save us coming back to it later, as it is part of his branch.

Mr VOSS - This was for the question earlier which was discussing thresholds. So we did get that earlier today.

Mr FERRALL - It is a bit complicated; it is not a simplistic threshold. I will wait while Anton pulls it up, but there are differing thresholds relating to different countries of origin. There is actually quite a lengthy discussion of it on the website, I believe.

Mr VOSS - On the FIRB's website, yes, there is. So the residential thresholds actually is zero for all foreign investors.

Ms FORREST - That means any property?

Mr VOSS - It depends, though. As Tony said, it is not quite straightforward. Generally, foreign persons are prohibited from purchasing established dwellings. There are some exemptions with regard to temporary residents, however. They are able to purchase new dwellings or vacant land subject to applying for and receive foreign investment approval. Then there is a big list of how that works as well, under the FIRB website. So there is a range of matters there. Foreign persons are able to purchase established dwellings for redevelopment providing it increases the housing stock.

CHAIR - Maybe you could just give us a link to that and we can do that so we can have a look at that, if you wouldn't mind, without going through the whole shooting match.

Mr VOSS - Yes, and the other issues around land more generally, depending on your country of origin. So whether you are a country that has a free trade agreement, for example, with Australia. That also has an impact. It is not straightforward, it is complicated, but we will send that through, no problems.

CHAIR - All right. We can then do our own little work show. You said there were two components to the units that you have. Do you have a relationship with, I presume, other states? You talk with other states, you talk with the Commonwealth. Do you talk to the private sector, do you talk to the universities, for example? Do you talk with all those people?

Mr VOSS - Yes, we do. I had some discussion with a university last year and we certainly talk with all our state colleagues. The micro-economic reform side of the branch deals with things, for example, like the Hart Review. There is some work going into that at the moment. That is the part of Treasury that is looking after that, and obviously that is something which is a multi-jurisdictional discussion, lots of discussions at officer level and ultimately moves up to head of Treasury, for example, once we - and ultimately to the [inaudible - 11.34.00] the Treasurer is in.

So that is the type of work that part of the branch does. Another example would be the Sense-T Project, for example, that was talked about, on the hospital - the Treasury paper that was prepared there was largely prepared out of that part of Treasury.

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CHAIR - Through you, Treasurer, is there duplication here with State Growth? Are the formal links with State Growth, I would presume, that they are doing a very similar job? Am I wrong?

Mr GUTWEIN - Very close interaction, but the roles are slightly different, and perhaps Anton, who would engage with State Growth regularly on a range with these matters, could explain the context and the distinction between the two.

Mr VOSS - State Growth tends to get more involved, I suppose, in the industry assistance side of things. We tend to look more at the sort of raw statistics that come out from, say, the ABS and other sources, but we certainly liaise closely with State Growth. I speak to the relevant deputy secretaries and the relevant area obviously frequently and we are on a few committees, for example, around some of the things that State Growth are looking into. They certainly seek Treasury advice on a range of matters. I would not say there is duplication, put it that way.

CHAIR - No. The question has to be asked, when you have two different departments. It would seem, although I appreciate that State Growth are looking more at industry development and those sorts of matters.

Mr GUTWEIN - Yes, but again, I think it is a positive tension that exists and it is one that should exist. You have a State Growth that has an objective of running the economy and attracting investment, and they will have a view on how that is best to be done. Then Treasury has an opportunity to have a -

CHAIR - Which just triggers another matter in my mind, Treasurer, and that is just regarding, when you start looking at investment and everything else, in the matter of grants which the two major parties are fantastic at the pork barrel of this time of the year and I have raised this matter before, that once you get into that area, you used only to pick winners and losers, and often losers, and it does put a lot of people offside. You actually disadvantage some people in some industries against those who have a bucket of money and a lot of those people - I have seen it two or three times around - they have very strong balance sheets, they have ample opportunity to get to the banks and they have ample resources to provide extremely good submissions.

Yet, here we go. Would it not be better, as I have put it before, to have some sort of revolving fund because once you give money to people as a grant, they do not really appreciate it or acknowledge it as much as they should. It should be in a revolving fund. That is the position I have always put. As Treasurer, you might have a view on that?

Mr GUTWEIN - I think grants where you get best value from are where they actually facilitate a project, taking a step forward that they would not otherwise have taken, or the proponent would not have made that investment. We have had a number of discussions on this over time and certainly in regards to the \$100 million that was rolled out a couple of years ago and the way that was distributed, there were winners and losers and there were a number of people that, on the face of it, you would stand back and say, you know, difficult to make a case.

Again, we were not part of the process of making those determinations, so it is difficult to provide a judgment in respect of anybody that did receive a grant as to whether they should or should not. That was a process that was conducted elsewhere. It is challenging to get the balance right, and as you well know, the business sector would dearly love, the cheaper they can get their capital, the better, and a grant is obviously one way that can be achieved.

The TDR board, and again, this is a matter for Minister for State Growth, they provide a range of loans and grants and they go through an assessment process and their portfolio is over about \$40 million, about \$40 million-worth of loans that are out by the State Growth TDR process. So there is a loan fund that currently does exist.

CHAIR - Yes. In that regard, but I just make that point again, instead of the straight out branch, if you had a development-type fund that was overseen by three wise people, for example, and then that development, that money, the capital was repaid and then put back into a revolving fund so you always have capital there that you can - instead of introducing new money for grants, as was called, the pork barrel.

Mr VOSS - Your point earlier around, the question on what the branch does, one of the things the side of the branch that deals with ABS data, they put all that up on the website and a question you asked earlier about regional population growth, there is an annual release that we put up. If you want, I can forward that through to Jenny as well if you want to see growth in the local government areas.

Mr GUTWEIN - It is broken down by local government.

Mr VOSS - That comes out annually.

CHAIR - Yes. I just make the point and I think *The Australian* newspaper did quite an expose on this whole matter, right throughout the nation and what the end results were. It was pretty ordinary in how they were measured and how many people were employed and all sorts of things and the flow-on economic benefits were very dodgy, to say the least. Questionable.

Mr MULDER - Just on that point, their proposal was that instead of issuing grants or low-interest loans, a way to do it, especially with these start-up industries or industries that are now expanding, and as a result of their expansion are going to become even more profitable than they were to start off with, the government should actually give them a grant in a form of - become an equity partner and then in five years' time, either sell it to the equity partner who has now made enough extra money to buy you out, or float it on the market and see what interest there is in the market.

If there is not much interest in the market, then at least you get something back, but you are not sitting here in the business of grant you, not to you, and you become an equity partner and that would probably sharpen up your assessment of the likely success or otherwise of these projects. Not necessarily a start-up, but you are facilitating it, but without throwing away capital.

Mr FERRALL - I think you have to start with the policy objective you are trying to achieve, rather than saying that one approach that would work, so equity might have its place. But for government to take equity and entities and has to realise that with equity goes risks and also goes generally management responsibilities as well.

Mr MULDER - With grants goes even a bigger risk. You are never going to get your money back.

Mr FERRALL - That is what I say, it depends on what your policy objectives are, which tool you would use as the most appropriate way forward.

Mr MULDER - These come from people who are concerned, and deeply concerned, because internationally now, you are struggling to find a business that is prepared to take a risk in the marketplace without the nanny state giving it a leg to stand on, and really, we can't all be on welfare. Someone has to stand up and drive the economy and this was potentially a way out of it.

CHAIR - This has given the Treasurer great food for thought, I can see that.

Mr GUTWEIN - I know full well Treasury's view on these sorts of things.

CHAIR - Right, thank you. You have scored a point.

Mr GUTWEIN - So your question is better directed to the Treasurer's advisor.

CHAIR - Anything more on 2.1? If not, we will move to 2.2, Regulatory policy.

2.2 Regulatory policy

Ms HISCUTT - Treasurer, Regulatory policy. It provides advice relating to the regulations and taxation of certain activities. \$2.5 million on the average, is that divided between FTEs and consultants? Do you have a breakdown between the two? Or how many FTEs are there and do you use consultants?

Mr GUTWEIN - The secretary will be probably best placed to provide that.

Mr FERRALL - We do use consultants. One thing you need to recognise with the individual outputs is they cross a range of branches. We have a close alignment between our branch structure and our outputs, but they are not one to one. So something like regulatory policy would probably cover both some bits in our intergovernmental financial policy branch, but also some in our economic policy area itself, and also some of our revenue and gaming, so it sort of crosses over quite a few.

Ms HISCUTT - Quite a few. So would you say that the use of consultants is fairly minimal, most of it is FTEs?

Mr FERRALL - In Regulatory policy, yes.

Ms HISCUTT - With the regulation of gaming activities, licensing, liquor and that sort of stuff, we all know that that is a - I do not want to say good form of revenue, but it is a source of revenue. So bearing that in mind and the problems that it creates with our community, do you have any policy going forward that might be able to help those who need help most with gambling and alcohol, yet still generated a revenue?

Mr GUTWEIN - Obviously, there is the community support levy which is made available as a result of payments made by the gaming industry. But one of the key things here is that, and I am not sure if the upper House has dealt with these -

Ms FORREST - Not yet, no.

Mr GUTWEIN - No. There is going to be the opportunity, I think, for both the framework that - and we suggested a framework in regards to gaming moving forward post 2023. But as part

of that, certainly the terms of reference that we debated in the lower House indicate, provide the opportunity for a look at support that is provided, and the CSL and other forms of support that are provided to support those that might be detrimentally affected by the industry. You ask if there is a policy moving forward. Certainly, our position is that we want there to be a very good discussion over the next six to nine months in this space, and for the current policy settings to be tested.

Mrs HISCUTT - You still have a cap on gaming machines. Have you thought about putting a cap on liquor sales, liquor outlets? I mean our population, even though it is incrementally going up, is still only a finite -

Mr GUTWEIN - No, we have not considered a cap on liquor outlets, no.

Mrs HISCUTT - Okay. So moving on to -

MS FORREST - Just before we move on from that, Leonie, if you do not mind. Just with regard to the comment you made about policy decisions around - which is where this sits, the regulatory policy framework - and the comment you made about the joint House committee that has been proposed, and has not been debated in our House yet, are you supportive of a discussion around the number, as well as the location and that sort of thing, of gaming machines particularly, in that? It is not specifically named up in the motion that is on our notice paper, but it is certainly - there is the old catch-all of 'any other matter relating thereto', obviously. There are people in the community who would like to express a view that maybe we should have none in this state. Maybe they should be restricted to certain locations; the number should be restricted. Does the Government have a policy around that? Are you waiting for the outcome of this, and can it be considered in that process?

Mr GUTWEIN - What we proposed to the lower House was the Government's view in regards to the current cap in regards to gaming machines and what we think that should be, and that introduction of 150, I think, machines at 2023. Now, by placing that cap and the Government's view into that motion, then as a matter of course, we will have those that will want more, and there will be those that want less. This is one of the points that I have made to TasCOSS and others throughout this process, or throughout the debate up to this point in time. I said the motion that we brought forward and the terms of reference allow for anybody with a view, whether it is for zero machines or for more, to come forward and have it tested through that process. Then the Government will inform itself in regards to its final policy position as a result of the committee.

The point I made in the lower House again was that this is the Government's view. This is what the Government believes is reasonable. But let us have the committee run its course, let us get the feedback, and then we can be informed by that feedback. So I imagine, I would hope, that we are going to see very well-informed public discourse as a result of the committee being engaged.

Ms FORREST - The Government policy is not set. That is what you are saying, is that right?

Mr GUTWEIN - That is the Government's view. That is what we believe is reasonable. And that is based in regards to the casino licences, in regards to the future of gaming machines and taking the machine, the pubs and clubs licence, to the market. We believe, that is our view, that that is what should happen. But as I said, and the Premier has also said we will be informed as a result of the outcomes of the committee as well.

Ms FORREST - Leonie, back to the liquor licensing.

Mrs HISCUTT - The outputs 2016-17 was about \$100 000-odd less than 2015-16. What has changed to put that down for the 2016-17 Budget, and in fact up again in forward Estimates?

Mr GUTWEIN - Which one are you looking at?

Mrs HISCUTT - Page 283.

Mr GUTWEIN - Page 283, regulatory policy.

Mrs HISCUTT - So for 2016-17, it is down compared to last year. Then it goes back up again.

Mr FERRALL - It is just basically a change, a re-allocation of tasks between branches. It is just like the change in that output, or the coming allocation over the years. As I said, we look at individual branches. We might have tasks that go across, that cross different branches, and we will see variations like that simply because re-allocating tasks in their individual branch operating plans across branches.

Mrs HISCUTT - So then it just jumps back up again for 2017 and 2018?

Mr FERRALL - Yes.

Mrs HISCUTT - I went to the state revenue policies there. Their role of course is to collect and administer taxes, state taxes. Do you have a figure on how much money is owed or tried to be recovered?

Mr GUTWEIN - Overdue debt in the SRO at the moment is approximately \$11.6 million, and total overdue debt as a percentage of total taxation revenue remains at 1.5 per cent.

Mrs HISCUTT - How does that compare with other states? Are we tracking okay there?

Mr GUTWEIN - The advice is that we are in a similar place. It usually bounces around 1 per cent for most other jurisdictions as well.

Mrs HISCUTT - We are 1.5 per cent. So we are just a little bit up compared to the others?

Mr GUTWEIN - Yes, we are just slightly up on other states. But the advice is that that is as a result of our scale. We are a much smaller jurisdiction.

Mrs HISCUTT - How will they pay for that?

Mr GUTWEIN - It would depend. There are a range of reasons why people do not pay their tax bills.

Mrs HISCUTT - Now, the recovery of those taxes have been in for a couple of years, hasn't it? It is a different system setup, is that right? Just wondering how that is and how it is working. Just for *Hansard*, Treasurer, would you like to say a few -

Mr GUTWEIN - Jonathon Root, Deputy Secretary, Revenue Gaming and Licensing.

Mr ROOT - I just missed your question. It is around the system development?

Mrs HISCUTT - Yes, the recovery systems, you changed a couple of years ago. I am just wondering how it is working.

Mr ROOT - This is the initiative to replace the state revenue system, but there was also the compliance strategy.

Mr GUTWEIN - I think the compliance strategy.

Mrs HISCUTT - Yes.

Mr ROOT - Compliance strategy, okay. So this initiative came in last year for the first year, and it flowed from some improvements that we had been making with our data warehousing and our data quality and our systems generally, which gave us better data-matching and more accuracy in our targeting of compliance. So we generated quite a number of targets in order to move through a reasonable time. We put up an initiative to get some additional staff. So obviously the longer a tax debt is sitting out there, it is generating interest and that sort of thing. The quicker we get on to it, the better for the taxpayers themselves. So in the first year, we were targeting around \$1.2 million in additional compliance revenue, and we are well on track to meet and slightly exceed that at this stage, so primarily from land tax and payroll tax. Those are coming through.

Mrs HISCUTT - So it is not so much the middle type of thing?

Mr ROOT - No. The bulk of the outstanding tax debt is in the compliance and that area of land tax and payroll tax.

Mrs HISCUTT - Is that because of dispute?

Mr ROOT - There are a range of reasons for it. Within the payroll tax area, it could be that a taxpayer's reached and exceeded the threshold and has not noticed. It may be that there are other companies within their company group that have not been grouped for tax purposes, which changes the nature of their tax rate. It may be that there are companies that operate in other jurisdictions that have some activity in Tasmania and they have paid their tax in another jurisdiction, but not for their wages in Tasmania. So there are a whole range of reasons.

Mrs HISCUTT - That sounds like it is under control, even though it is slightly higher than the other states?

Mr ROOT - Yes. No, we do benchmark against other states and we do see what they're doing that we might do to improve our systems, and certainly with the new systems that we are building, we are expecting to be able to push that down a little bit as well.

Mrs HISCUTT - Thank you.

2.3 Intergovernmental financial matters

Mr FARRELL - This is all pretty straightforward. I think we say that every year, and I think Mr Gutwein asked the question last year, and he thought he did a much better job than he did the year before. In relation to this, can you just explain, there is an increase over the forward Estimates,

and that was last year explained to us because of the fluidity of the whole situation around the system, and taking people from different branches to make it work. I imagine this is still the case. There is probably not a lot of new things in this line item, but.

Mr GUTWEIN - Basically, there is nothing new to see here. Same sort of reason to keep going.

Ms FORREST - Relations have not deteriorated with it?

Mr GUTWEIN - No, relations have not deteriorated. And obviously, again, the bookmark that you see, the federal election - and we have how many weeks left?

Ms FORREST - Too many.

Mr GUTWEIN - But depending on whether there are any other pronouncements in that period and what might occur at the national level, and obviously we continue to engage.

Ms FORREST - We will move on to 3.1.

Mr GUTWEIN - While I have it, we have the answer to the other in the land tax table.

Mr VOSS - Yes, thank you, Treasurer. The other categories include - I will just read this out, if I can: Aboriginal land use, principally for Aboriginal culture purposes; land subject to a conservation covenant; public parks and gardens; flood levies.

Ms FORREST - We might need some more of those.

Mr VOSS - Private hospitals, show societies and clubs, and land owned by or in trust for or vested in association of ex-servicemen or their dependents and used for the purposes of the association.

Ms FORREST - Like the RSL buildings and stuff like that?

Ms VOSS - Yes. That comes up to be about \$5 million a year.

Output group 3

Revenue and regulatory management services

3.1 Tas administration and revenue collection

Ms FORREST - Thank you for that. We will go into 3.1, tax administration and revenue collection. I raised most of the questions I wanted to ask about the taxation matters in the overview questions. The issues of the subsidies and concessions to the Tasmanian community, it is something that used to be more commentary around, I guess, many years ago. It ebbs and flows a bit. But is there any view to changing any of those policy frameworks around concessions? We have talked about what you want to call the concession or exemption with the land tax and payroll tax, but the other concessions, I think, and - the Bass Strait islands is a separate one as well.

Mr GUTWEIN - Finance generally is.

Ms FORREST - Yes.

Mr GUTWEIN - No. There is nothing that is currently exercising our minds at the moment. Are you talking about broader concessions in regards to rates and electricity?

Ms FORREST - Yes.

Mr GUTWEIN - No. There is a little bit of movement around the edges on heating and cooling, but that has been to broaden it out, not close it down.

Ms FORREST - Heating, did you say?

Mr GUTWEIN - Heating and cooling concessions, for light support. But no.

Ms FORREST - I could not find it - and I could have overlooked it - but a table that has been used in the past years at times is to look at the revenue foregone. You have done it for two taxes. Do we have that?

Mr GUTWEIN - There is a concessions table.

Ms FORREST - Is there?

Mr GUTWEIN - I thought it was in finance general, which provides a full list on page 50.

Ms FORREST - So all concessions are captured in that?

Mr GUTWEIN - No.

Ms FORREST - There is grants and subsidies. That is the one you are referring to?

Mr FERRALL - No, that is only those through finance general. It does not include grants and subsidies that might go through other departments.

Ms FORREST - Yes. The point I am making is that it is helpful for the general public to be aware of the revenue foregone through subsidies and concessions in support - I am not arguing that they are not necessary, at all. But there is not anywhere that I could find that actually identifies the total amount we actually provide in support to the broader community in subsidies. It has been done in the past, I think.

Mr GUTWEIN - In fact, five or six years ago.

Ms FORREST - Yes. There was a whole chapter on it in a budget paper a few years ago.

Mr GUTWEIN - DPAC provided a guide.

Mr FERRALL - Did a guide on concessions as well.

Ms FORREST - I did not look in DPAC, to be honest, because I had enough to look at.

Mr FERRALL - No, it is not included in their chapter. They did produce a guide to

government concessions, and I would have to check, but I think they still update that. But in terms of when you, the work that we did some years ago, it was effectively done by survey, because for some areas where there are concessions such as where there is fee-paying arrangements for goods and services, there may be arrangements for certain classes of people to have concessions. And they are not uniform. They are quite different across, depending on what the activities are. So the only way we could obtain that information was effectively again through agency survey. We did that five years ago. It might even be longer.

Ms FORREST - It was probably longer, about 2007, I think, or 2008, or something like that. I just think it is helpful to have some commentary in the budget papers around this, in understanding how much it actually costs the state to actually provide all of the subsidies we do. I think it is a bit of a hidden figure, and there are people in the community who will say, who might criticise the way government spends their money - their money being the people's money - without recognising that they are the beneficiaries of it, inadvertently, by way of the concessions they do not have to pay.

So it is useful. I have asked a couple of times, and just not of your Government, Treasurer, but others past, to look at including that information.

Mr FERRALL - We did have some concerns when we were doing it in terms of the accuracy of it, again, because of the nature of effectively doing surveys and then trying to collate that and add it together and getting different information from agencies relating to it.

Mr GUTWEIN - Maybe there should be in there that DPAC -

Mr FERRALL - Yes, there is a concessions website, a DPAC one.

Mr GUTWEIN - Perhaps on that issue, put a total number somewhere.

Mr FERRALL - About \$300 million, they believe.

Ms FORREST - Yes. That was a similar figure a number of years ago, maybe a bit less, as you would expect. But yes, it would just be good to have it shown somewhere in the budget papers, whether it is in DPAC or whether it is in this sort of area. Because it is a not insignificant figure, but I think it is helpful for people to understand.

Mr MULDER - Just in your budget papers, page 281, you talk about compliance activities and the initiative as being successful with the additional investment and compliance activities being more than offset by additional tax revenues arising from increased taxpayer compliance with their tax obligations. Have we got some numbers around that? What did it cost you to engage in this compliance activity, and what was the return?

Mr GUTWEIN - Mr Root is well-placed to answer that.

Mr ROOT - I mentioned a little earlier that the revenue target that we had in terms of additional revenue from the compliance activity was \$1.2 million. That is for the full financial year. In terms of our collections for payroll tax and land tax, which was the main area we were targeting, at the moment we are a little over \$1.3 million above our normal collection rate through a similar point in the year. So we met our target and we have come in slightly above. The cost was a cost of two FTEs, which is roughly \$150 000. It might have been \$140 000, \$150 000. Anyway, it is last year's budget papers.

Mr FARRELL - Treasurer, you stated that the two people working in this area to chase up the missing tax, and you forecast \$1.2 million of additional revenue, and I just wondered what the outcome -

Mr GUTWEIN - Up to, I am not sure of what month, but we are at \$1.3 million. We are in front of that forecast.

3.2 Regulation and administration of liquor and gaming

Mr MULDER - I have two questions on here, one related to the Joint Select Committee, which we have already dealt with. The other one relates to perhaps the impact of internet gaming and what the trends are, and the turnover in the gaming industries that we are regulating here, and what the impacts are in relation to internet gambling, which I am pretty sure has just skyrocketed. Now, whether that is on top of what was going on before, or whether there has been some decrease in the amount of gambling going on. Also, particularly who is getting the tax off all this internet gambling that is going all over the internet, as compared to the in-house and in-pubs stuff that basically we are managing through Federal Hotels at the moment.

Mr GUTWEIN - Jonathon can add detail to that, but we do not regulate in this space.

Mr ROOT - Outside of the two regulated game providers that we look at down here, one is UBET and TABs, of course. They are a terrestrial operator generally, but they do have internet-based systems, and also Betfair, which is the betting exchange operator, and they are predominantly the internet-based one. They are the only regulated entities that we are collecting tax from here. They are licensed here, and that is how we do that. The world of internet gaming more generally is an extremely diverse and growing one. There are operators within Australian jurisdictions and there are also numerous operators internationally that people can obviously access from Australia.

Now, many of those are unregulated and we do not have a capacity to tax those here. It is difficult to say what the impact is on the expenditure. The only thing we can really track is the relative expenditure against the lines that we regulate. That dipped down a little, but it has picked up again now, and there are many other factors involved. So it is very difficult to say what the impact is on expenditure, and obviously with the internet gaming, there is a whole bunch of new types of products that people are betting on, virtual products and online sports and that sort of thing.

Mr MULDER - I am particularly interested because this is a significant line item. We can go through a lot of pain to regulate it. We are talking about the in-house gambling activities, particularly like Keno and the gaming tables and poker machines. My issue is, what is the trend of that? Because I can almost imagine that as it becomes easier to jump on your phone and do stuff, that this side, where you are getting stuff from, has maybe not has quite the rosy future that everyone thinks it does.

Mr GUTWEIN - It is a reasonable point. I would not suggest that the line items that we have are looking for a rosy future. We receive revenue from those gaming activities that we regulate. But more broadly, it is one that as a country, we have to look at, because these devices are where people are increasingly going to. And the problem is, you look at the challenges in regard to problem gaming with, whilst being advertised now regularly in both lounge rooms and via your phone, the opportunity for somebody to get themselves caught and caught very quickly through accessing gaming over their phone is increasing. That is something that as a country we have to

look at very closely.

Mr MULDER - Yes, and it has that impact. It goes back to another question that I asked and I have mentioned before just as a throwaway comment. It is high time we started to look at a taxation regime based on electronically transferring money, because that is about the only way you are ever going to get any revenue off all these activities that are going global. But that is an aside comment. I have just, sort of seeing whether we were projecting into that, into the future, the potential for all these things which are so lucrative today to basically diminish in time.

Part of that is that, and I think there was a pointed dip in your gaming and stuff when you started to say that people could not play poker machines and have food and beverage served to them at that location, and that they had to go out. Sometimes there is a mixture between trying to attract customers and therefore revenue, versus making the experience even harder. It is just an observation. At this stage it clearly projecting that it will continue to go along at roughly the same rate.

Mr GUTWEIN - We put a submission in, because internet gaming is both [inaudible 12.11.46] based within Australia, but also internationally as well. We put a submission in recently. Barry O'Farrell ran an inquiry for the federal government and we made a submission to that, and that was largely in regards to illegal offshore internet gaming. But it is something that, as you say, as a country we are going to need to manage because people living their lives for them, but also losing their livelihoods.

Mr MULDER - The answer to my question really is that we are expecting it to trend the way it is in the future.

Output group 4

Community Assistance

4.1 Bass Strait Islands community service obligation

Ms FORREST - Treasurer, good to see that King Island is effectively operating on total renewables a lot of the time these days, which is good. I assume the subsidy will continue, however.

Mr GUTWEIN - The subsidy will continue. Obviously, we would like to see the islands becoming as sufficient as they possibly can, but over the forward estimates, as you can see by the line item, that it increases over time. I guess King Island had an opportunity, a concept, to consider in the renewable space, and a significant one that can find favour with the islands in the last couple of times.

Ms FORREST - It was not just some of the islands who - there was a few ring-ins that came from the big island to the north?

MR GUTWEIN - You are closer to the community there than what I am. But we continue to subsidise the islands. In fact, we provide that payment to Hydro and they manage that.

Ms FORREST - I have no further questions.

CHAIR - Thank you. Any further on that one? We will move then to 4.2, Public Trustee.

4.2 Public Trustee community service obligation

Mrs HISCUTT - Treasurer, in the forward Estimates, there is a rise in cost, and I think this is due to a recent review. Can you give us an update on that review and how you expect that extra money to be spent?

Mr GUTWEIN - I can. I will just read from the note. The change in the CSO cost for the Public Trustee driven by a fee review we conducted represented persons. Feedback was taken on board from stakeholders that the previous fees were too high. We looked at the situation. In fact, we did spend a reasonable amount of time, and my office was involved in some discussions on this, looking at the situation in other jurisdictions, and we decided to reduce the fees to these vulnerable Tasmanians.

The revised fee structure included eliminating capital commissions, eliminating monthly account fees, and reducing income commission or by that, I think it was the rate of income commissions that was charged, yes. Now, this had a negative effect or impact on the revenue that the Public Trustee could raise, obviously, by making those changes. They proposed that a small reduction in the fee structure at a cost of \$200 000 which they indicated the Public Trustee could absorb. The final outcome of the review had an impact of \$450 000. As the Public Trustee indicated it could absorb \$200 000, the government agreed to increase the CSO funding by \$250 000 per annum. So it is a good outcome for represented persons and brings us into line with what is occurring with other jurisdictions.

Mrs HISCUTT - So at the website the minute says that on the first \$100 000 it's 4.4 per cent, so is that the actual cost or is that the new cost or is that to be reversed?

Mr GUTWEIN - Yes, thank you. I am not sure of the timing. We will need to take that on notice just in regards to whether they put their new fee schedule up.

Mrs HISCUTT - This funding has got nothing to do with the public gardening, has it? That is totally different.

Mr GUTWEIN - It is.

Mrs HISCUTT - That was all, thank you, Chair.

CHAIR - That is all. Any further questions on that matter? If not, Capital Investment Program? Are there any questions?

Ms FORREST - I asked what I wanted to know about the budget information system previously. That is where all the money is.

CHAIR - Yes. It is.

Ms FORREST - Let us hope it works. But not like Aurora. They have a proper billing system.

Mr GUTWEIN - The timing of it, and I think the opportunity to run the shadow program or with the shadow run in parallel in the coming budget year is really important, because you're right, we need to get it right. It needs to run and be an up.

Ms FORREST - Yes, I agree. It's a wise decision, I think. You can only imagine if it went

all rather badly. There are other words I could use.

Mr GUTWEIN - It would be problematic.

Ms FORREST - Yes, it would be problematic.

Mr GUTWEIN - Perhaps it is explainable in this House; in the other House I do not think -

Ms FORREST - You would have no hope.

Mr GUTWEIN - No, you'd have no hope.

Ms FORREST - That is right. Yes. Just with regard the state revenue system replacement, that's almost complete, I presume, obviously from the covered investment there on page 291. You got it there?

Mr GUTWEIN - Yes.

Ms FORREST - Yes.

Mr GUTWEIN - I am just looking to see if I have a note on that. That has been a very good project.

Mr FERRALL - It is going to continue.

Ms FORREST - That is the replacement of the current system?

Mr FERRALL - Yes. That finishes the payroll tax and duties and then in 2016-17 we will still be looking at doing further work.

Ms FORREST - In what areas?

Mr FERRALL - In 2016-17 -

Mr GUTWEIN - John. Here he is.

Mr ROOT - So in 2015-16 we are working through payroll tax and insurance duties primarily. We did land tax which rolled out live in 2014. We just turned on payroll tax and insurance duties for external customers last week and that's working well so far. Then in the 2016-17 year we are moving to conveyance duties. That is really the last component of the replacement. So around 30 June 2017 we will be able to switch off the old system. The conveyance duties also gives us the right infrastructure to plug into the national e-conveyancing system which is rolling out nationally at the moment and we're expecting Tasmania might turn on around October 2017. It will also allow us to provide information under the Commonwealth's Foreign Ownership Register that they legislated for late last year and the states will be required to provide information to that.

Ms FORREST - So the system when it is upgraded will not require further investment to do that. You say it is ready for that?

Mr ROOT - Correct.

Ms FORREST - There is no further funding in 2017-18?

Mr ROOT - That is right. The funding up to the end of this financial year will allow us to completely replace our current revenue system and add the capacity to plug into those other national systems.

Ms FORREST - Okay.

DIVISION 3

Finance-General

Output group 1

Debt servicing and management

1.1 Debt servicing

CHAIR - If no further questions, we will move into Output 1.1, debt servicing. Mr Mulder, are you right to go?

Mr MULDER - I might go first because this is one of the ones that was allocated in my absence. I'll just go back to 'power to borrow money clause' that you've now separated from the Appropriation Bill, is that the sole location where that is the power to borrow money relates solely to the budget?

Mr GUTWEIN - Yes, and the line item there in 1.1 shows only a very small number.

Mr MULDER - That is the cost of servicing the debt, that is not the debt itself, is it not?

Mr GUTWEIN - That is the cost of the overnight borrower. During the course of the year, obviously with the cash management in the public account, and it is only at the end of the year when borrowing is undertaken to -

Mr MULDER - Round the books off at the end of the year?

Mr GUTWEIN - Yes. That is the cost, the interest cost, of that borrowing.

Mr MULDER - So that servicing is just to meet that deficit at the end of the year?

Mr GUTWEIN - The end of year interest cost. The overnight end of year interest cost.

Mr MULDER - So that particular clause is just relating to that?

Mr GUTWEIN - No.

Mr MULDER - The debt?

Mr GUTWEIN - Sorry, if you are talking about the -

Mr MULDER - The power to borrow money?

Mr GUTWEIN - At the moment as a state we do not need to borrow money. But we are borrowing at the end of the year to cash back those accounts that need to be cash backed so that we provide a clear picture in regards to the balance sheet. In the past, and when governments have needed to borrow, the borrowing power that was included in the Appropriation Bills was what they would have relied upon. What this new bill provides for is for the Treasurer to borrow under certain circumstances including the end of year, but also if there were other reasons if we needed - as a government or as a state, we needed to borrow through the course of the year.

Mr MULDER - So how much did we borrow at the close of the financial year 2015?

Mr GUTWEIN - You got the note there?

Ms MORGAN-WICKS - \$437.3 million.

Mr GUTWEIN - \$437.3 million.

Mr MULDER - Have we got projections for this year or?

Ms MORGAN-WICKS - \$417 million.

Mr GUTWEIN - \$417 million for this year. That is the overnight borrowing on 30 June.

Mr MULDER - Then have we out years for 2017?

Mr GUTWEIN - We'll look for that.

Ms MORGAN-WICKS - 2017-18, Treasurer, \$442 million; 2018-19, \$567.3 million; 2019-20, \$474.8 million.

Mr MULDER - This probably goes to cash surplus versus cash deficit question, but that is about it for me on that issue.

CHAIR - Did you have something?

Ms FORREST - No, it is all right.

1.2 Interest on sundry deposit

CHAIR - We will shift into interest on sundry deposit 1.2, Leonie?

Mrs HISCUTT - This is interest on sundry deposits and it talks about trusts and special deposits and trust funds and things like that. Can you explain the nature of these special deposits, and an example of the trust funds would be something like the Bass Strait Ferries that you are about to set up?

Mr GUTWEIN - Sorry, could you just repeat that last bit?

Mrs HISCUTT - Can you explain to me the nature of the special deposits, what sort of things they would be? And the trust funds, what sort of things they would be that we were paying interest

on?

Mr GUTWEIN - Estimated interest on major individual accounts: DHA chest patient trust and hospital bequest accounts. There are a range of trust accounts that are held by the THS and the THO both north-south and north-west. Intelligent Island Project Account where interest is being paid. The Workers Compensation Act 1988 Fund Account, Supreme Court Jurors Fund Deposit Account, Asbestos Compensation, Rental Deposit Authority Account, Tas Community Fund Account, et cetera. The total interest for 2015-16 was expected to be \$1.695 million, and for the coming 2016-17 year \$1.944 million.

Mrs HISCUTT - So in 2017-18 there is a fairly big increase in interest paid out. What are you putting that down to?

Mr GUTWEIN - That will relate to the broader balance of interest bearing accounts on which we've got to -

Mrs HISCUTT - So nothing in particular -

MR GUTWEIN - Again it depends.

Mrs HISCUTT - Because it's quite a large increase.

Mr GUTWEIN - That all depends on the estimated account balances that are interest bearing at that time.

Ms FORREST - Just have a look at the Treasurer's end of financial year report. It is a very well put together document. I commend them every year.

Mrs HISCUTT - So is this the sort of thing that the Bass Strait Ferries will attract?

Mr GUTWEIN - With the Bass Strait, the legislation will determine the rate of interest that will be paid on that fund. Obviously that will need to pass both Houses and then that would, I presume, form a part of the ongoing interest payments in future years.

Mrs HISCUTT - So that I understand that correctly, the THOs have money invested with the state that we are using that we are paying interest on. Do I understand that correctly?

Mr GUTWEIN - It would depend on what the bequest was for. For example, somebody might have provided a hospital - it does happen with children's wards where an amount of money is provided and the hospital -

Ms FORREST - You are talking about a bequest.

Mr GUTWEIN - Yes. Is provided to the hospital. It might have been as a result of care that was provided to somebody or a family member and they provide a lump sum and it's held in trust and it earns interest as a true trust fund, cash backed and the proceeds of that bequest are used for whatever purpose the bequest was made.

Mrs HISCUTT - Thank you, Chair.

Ms FORREST - Yes. Following on from that, the TT-Line deposits, and that is if it is \$80 million over a two year period, you say you are going to set the interest in legislation. So you will make a decision on what you think the best rate that we can afford is? How are you going to set that interest rate? How much it is going to be?

Mr FERRALL - I do not think you will set the interest rate in legislation. What you will set in legislation is the sorts of investments that you would allow. Obviously, the Government takes a very risk averse approach. You would not want a highly variable fund amount and find that you get to 2023 and -

Ms FORREST - The principal is less than it was when you put it in here.

Mr FERRALL - So we will be taking a risk averse approach to that. The point I was making earlier is that in the legislation you would specify the sorts of investments that you might consider as appropriate for those funds.

Ms FORREST - So where does that factor in the budget papers here, the expected level of revenue? You are assuming that legislation will be passed, so where is that, the interest that you're expecting?

Mr GUTWEIN - Again, it will be dependent on passing the legislation and -

Ms FORREST - Yes. So you have not factored that in. So there will be -

Mr GUTWEIN - We will update it but it is not -

Mr FERRALL - No, it is not there.

Mr GUTWEIN - No, it does not.

Ms FORREST - It does not show up in this year's budget papers so that is still to be added in.

Mr GUTWEIN - It is still to be added in.

Ms FORREST - So up until 2018-19 now when we have the new financial management act, potentially, how will the interest on the deposit from trust funds then be shown?

Mr GUTWEIN - I was going to say transparently. It will be shown as Public Account Revenue.

Ms FORREST - All right. Okay.

CHAIR - Anything further on that matter?

Ms FORREST - No.

Output group 2

Employee related costs

2.1 Superannuation and pensions

CHAIR - If we will move then to 2.1 which is superannuation and pensions. We've already had a bit of a discussion about this, Treasurer, you have shown in the forward Estimates how that is going to all be sorted out, hopefully. It's always good to look back last year to see what you said. It is okay. Do not get nervous. I am just paraphrasing there, in an ideal world, you said, we might put some money aside to better manage the impact on future generations. Then you did say, 'Certainly when this becomes at its peak, which is in the early 2030s, it would be good to have some additional money set aside'. So can you give the committee an update on your plans in that area at all?

Mr GUTWEIN - Again, it depends on the strength of the budget, does it not? We have put a budget together this year that's had to cope with the loss of nearly \$600 million worth of revenue. Now, as we move forward, again, discipline in regards to our expenditures. If we see above trend revenue growth and we're in a position where we can make a contribution towards this, that is certainly something that should be considered. But again this is the challenge in regards to losing the previous strategy. We all know, sitting around this table, that the best way to take a small amount of money and build it into a large amount of money is if you have time and compound interest on your side. That was why a strategy that began in the early 1990s that was designed to be providing for the liability to be paid out almost 30 years later, or to have sufficient funds to manage the liability almost 30 years later, provided that opportunity. It will peak in the next 13 to 15 years. But if there is an opportunity to have some funds set aside, that will be a sensible thing.

CHAIR - Remind me when we get out of that, was it about 2060-something - roughly that period, I think?

Mr GUTWEIN - It was actually a table in the budget, which indicates that it is around \$22 billion over the period that we need to meet our obligations for superannuation. But when we are out of it will be when the last person is no longer with us.

Ms FORREST - Last person's spouse dies.

Mr GUTWEIN - When the last person's spouse dies, yes.

Ms FORREST - So you have got a long way to go yet.

Mr MULDER - Well hopefully.

Mr GUTWEIN - There will be - and, yes, longer for some than others.

CHAIR - So compared to other jurisdictions on a pro rata basis, how do we sit? I mean, the whole job hangs like a Sword of Damocles over us. Are other jurisdictions worse or better places?

Mr FERRALL - They do have unfunded liabilities in other jurisdictions as well. The Commonwealth has a significant unfunded liability.

CHAIR - I know they have got them. Yes, I realise that. But on a per head of population basis, how do we sit, do you know?

Mr FERRALL - I can't comment on -

CHAIR - Is that something that you could give us an answer on, a state by state analysis and the Commonwealth as well just to say, righto?

Mr FERRALL - The easiest place to find it would be to consider the reports from the rating agencies where they use both debt and unfunded liabilities together, effectively, because they consider it as a debt-like problem. That would be probably the best way to compare rather than just picking the unfunded liability and comparing that to other jurisdictions. The best way to compare would be to look at unfunded liability and their debt obligations and that is how the rating agencies do it.

Mr GUTWEIN - Yes. It is fair to say that a number of other jurisdictions whilst having potentially more manageable funded superannuation liabilities have significantly more debt than what we do. Our debt is manageable but we have a large superannuation liability that we need to manage as well.

Ms FORREST - Still the total output is still less than 6 per cent of the state's budget?

Mr GUTWEIN - It is.

Ms FORREST - Yes, and will be.

Mr MULDER - Just on this one, when you talk to people about the unfunded liability, they are all assuming that on the day they retire they are going to take their lump sum. That is the common perception of what their unfunded liability is. So you can go out and say well at 55 and 60 and stuff like that, but the fact is of course is that only a few people take a lump sum. The rest take pensions which means that the unfunded liability is spread out and, as you correctly say, they have to live for 15 years past retirement before they are actually into someone else's money. I am wondering when you do these unfunded liabilities, and we have just talked global numbers, do we have an unfunded - projected unfunded - your actuaries are able to tell you that - or predict with some reasonable degree of accuracy that in 2025 this will be the amount of money that we have to pay out on both pensions and lump sums, and the same for 2016 which, in essence, means you have only got to have the money that year not buried away.

Mr FERRALL - There are two aspects to this. One is what are the effective cash flows going forward, and the actuary estimates those cash flows against a range of assumptions and there is a curve in the budget papers that basically shows how the cash flows are estimated to grow from, I think, it is approximately \$280 million in the current financial year and peaks at around about \$450 million, I think, as it goes and then it falls off. So that's the cash flows. The actual unfunded liability is, effectively, a present value measure of those future cash flows. Effectively you discount back for future cash flows to the current period, which gives you that unfunded liability.

Mr MULDER - For a particular year, not just a -

Mr FERRALL - No, the liability is a measure, effectively, of the stock, in essence.

Mr MULDER - The whole stock over its whole life.

Mr FERRALL - So creates the measure of what the debt equivalent would be effectively and the cash flows going out are really just the cash flows that we pay, taking into account the comment you made about whether people take lump sums or pensions, the actuary estimates, based on history,

whether individuals are taking pensions or lump sums and that varies over time. They estimate future growth. They estimate the life expectancy of individuals. So they take a range of those factors and estimate the cash flows going out.

Ms FORREST - Just going on from that point then, I note the outlays to cover the unfunded liability are paid on the merging cost basis and they now come out of the reserve-by-law amount so they're going through the SPA, notionally through the SPA. Page 49 goes through those payments of what I presume are the cash amounts. The accruals which are only slightly differently are found on page 44, table 3.2. So with the amount covering the defined benefits cost, the book entries in the net operating balance calculation seem relatively stable. But the cash outlays increase over time as per table 3.2. So at some stage it appears that the cash cost will exceed the costs recorded in the net operating balance statement. Is that likely to occur, over time? I don't know when that will be. This is also relevant to our inquiry at the moment into the defined benefit super liabilities. Maybe there is an opportunity here to produce another whale graph. Or something along those lines. The defined benefit expense costs with the defined benefit cash costs over the next 10 to 15 years just to see if there is that cross over.

Mr FERRALL - It will. Well you will find the cash costs will keep growing and at some point as members convert to pensions your service costs will stop growing, so the accrual will not grow as much and so your cash costs will be higher.

Ms FORREST - Is it possible to produce a graph that shows those two costs over the next 10 to 15 years? Not right now.

Mr FERRALL - We would need to check. Obviously the cash costs that is modelled and that is shown in the budget papers. But we would need to check whether the actuary actually models that other component going forward.

Ms FORREST - Okay. But a defined benefit expense costs - yes. It could actually be that you might have a deficit from a cash point of view over that - eventually when those two intersect, I guess.

Mr FERRALL - Well, you'd see one in the cash flow statement and one in the operating statement obviously, yes.

Ms FORREST - Yes. Well the staff replacing the retired defined benefit members since that has all been closed, they come at, effectively, an extra cash cost of 9.25 per cent at the moment.- I don't know if that is likely to change - as there will be the accumulation fund members who have to be funded every month. So it could actually make our challenge greater over time?

Mr FERRALL - I do not believe so. For members who are not in the defined benefit scheme, so people who are in --

Ms FORREST - Yes. The accumulation fund members, yes?

Mr FERRALL - Effectively, we pay the 9.25 per cent to their complying fund and that could be currently with the RBF, but in some cases external funds as well. So that cost is included.

Ms FORREST - All right. So if we can produce that graph -

UNCORRECTED PROOF ISSUE

Mr FERRALL - Yes. We just need to clarify whether we can.

Ms FORREST - We will put it to you in writing and you can let us know whether you can or you can't.

Mr GUTWEIN - The difference between the cash costs and what would be represented as an accrual.

Ms FORREST - Expense. Yes, over time. We will put it in writing to you so we can make it clear as to what I am seeking.

Mr GUTWEIN - We will see what the actuary can provide.

CHAIR - Okay. We are done there. Mr Farrell, provision for 27th pay, have you managed to engineer a question?

Mr FARRELL - Mr Chairman, this is a pretty standard sort of thing once again. But I think that Mr Mulder wanted to follow up on comments he made about last year's estimate.

Mr MULDER - I will just make my observation again that you just wonder, having worked under both the fortnightly pay system and now working under the not so lucrative bi-monthly payment system, I am just wondering why, to avoid all this fiddly paperwork, we don't simply move the public sector onto the 1st and the 15th of the month like we are, as a payment mechanism, which would stop this.

Mr FERRALL - In any calendar year, the way this operates we either have 26 or 27 pays. There is a 27th pay this financial year for most of the public sector except for Health, their pay day is in the alternative week. I am not sure that moving it would change the cash management but it will not change the amount that we actually pay the individuals.

Mr MULDER - No.

Mr FERRALL - It is not difficult for us to manage this in a cash basis. We make the provision and every approximately 11 to 13 years you end up with a 27th pay.

Mr MULDER - It is not difficult for me to walk home either, but it is much more convenient for me to jump in the car.

Mr FERRALL - Yes, but I guess what you are asking though is to disrupt the system that 24 000 public servants have got used to in terms of their own arrangements, in terms of their loans and other things, for something which would just be more convenient for us. If you have a range of outgoings that are scheduled to come out of your pay on a fortnightly basis and somebody changes it to the 1st and/or the 14th of the month it would cause you a lot of grief. So for the limited amount of problem it causes us, I don't see any reason why we'd want to change the 24 000 public servants.

Mr MULDER - We will not comment on your reflections on their money management or the difficulty they have grasping the concept of being paid every 15 instead of 14 days, but anyway.

Output group 3

Government business

3.1 Forestry Tasmania

CHAIR - We will move onto 3.1 Forestry Tasmania.

Mrs HISCUTT - Forestry Tas is \$6 million across the forward Estimates right to the end of 19 and 20 which presumes that as per your word you are not going to throw a lot more money at them which is good. So just starting there is the firefighting capacity, there is \$2 million of that. Now that is a transient type group of people. So is this \$2 million in the one hit during that season or is there some maintenance for these firefighters.

Mr GUTWEIN - The \$6 million, to be clear, the \$4 million is the CSO which they need to apply for each year.

Mrs HISCUTT - Yes.

Mr GUTWEIN - And they need to make a case in regards to the funding that is non-operational and meets the community service obligation that they have.

Mr FERRALL - I just wanted to mention the tourism.

Mr GUTWEIN - As Tony just said, yes, that is largely for the tourism assets.

Mrs HISCUTT - This is the \$4 million you are talking.

Mr GUTWEIN - This is the \$4 million.

Mrs HISCUTT - Yes.

Mr GUTWEIN - There is always a provision provided for \$2 million across the budget and has been, I think, for some time. This is for excess firefighting costs.

Mrs HISCUTT - It is excess. So within the formula, and you have got a section there for special species timber. What happens in that, with this \$4 million that goes on there?

Mr FERRALL - We have an arrangement with forestry for payment of non-commercial activities, which is what the CSO is, which is \$4 million. So Forestry Tasmania needs to effectively put a claim into Treasury for those activities, and it is basically where they perform those activities and cannot do it on a commercial basis, i.e. it does not make sufficient profit to cover their costs. And special species timber is a component of the CSO.

Mrs HISCUTT - The question I am about to ask now, you may wish to answer now or leave it till the Forestry minister comes in. The Leatherwood and the beekeepers, they are very concerned with Forestry Tasmania clear-felling and they do not see the Leatherwood as a specialty timber, and they need it for their prolonged survival.

Mr GUTWEIN - I will answer it the same as I would if we were asking it in the forestry section later today. The future harvesting plan is not expected to impact on the apiary level resource in the northwest. I have only got comment here around the northwest of the state, predominantly.

It is not expected to impact on the apiary level of resource in the northwest, as level within this region is primarily found outside of our eucalypt wood production areas. While there are a number of apiary sites on permanent timber production zone land in the northwest, these sites are primarily outside of the coupe boundaries and so will not be impacted by future harvesting.

Some of the apiary sites outside of the harvest coupe boundaries have been impacted by the recent bushfires, however, it is still too early to determine the full impact of these fires on production, so Forestry Tasmania has decided to waive its normal hive fees on apiary leases in fire affected areas until they know that apiary production has been restored.

Then there is another comment that I have about manuka trees. On permanent timber production zone land completing dozens of apiary sites on the advice that Forestry Tasmania has not received any recent approaches to access additional Manuka sites and is happy to consider requests for apiarists if there is under-utilised resources and appropriate hive sites are identified on PTPZ land.

So I do not know if that answers the question. If not, we certainly look for some more detail.

Mrs HISCUTT - You are talking about planting out again with a different eucalypt species, but there used to be leatherwood there before, so that is all gone now, is what they are saying. With the replant, there is no leatherwood coming back. So the resource is dwindling. And they were just wondering whether Forestry Tas is taking that into acknowledgement.

Mr GUTWEIN - Whereabouts predominantly in the state are you -

Mrs HISCUTT - This would be the north and northwest and further down the west.

Mr GUTWEIN - Certainly the northwest, the advice that I have is that leatherwood in this region is primarily outside of the wood production areas. In regards to what is proposed, the number of apiary sites or the permanent timber production for these sites primarily outside of harvest coupe boundaries.

Mrs HISCUTT - Yes, my information tells me that since 1964 forestry has been clear-felling and burning vast areas containing leatherwood. It might be a question on notice.

Mr GUTWEIN - What I can provide is firstly - well, I guess the key point, Tasmania's leatherwood resource occurs across multiple tenures, including PTPZ land, national parks, reserves and private land. With the majority of the resource occurring outside of the permanent timber production zone, FT collaborates with the Tasmanian Beekeepers Association on leatherwood resource management, apiary site management and access management. Forestry operations in the near apiary resources and hive sites are guided by procedures that have been developed in consultation with the apiary stakeholders.

Mrs HISCUTT - Sorry to interrupt. So are you saying that the Forestry Practices Code interacts with beekeepers?

Mr GUTWEIN - No, I am saying is that procedures have been developed in consultation with apiarists. Forestry Tasmania takes into account the interests of beekeepers in developing its harvesting plans for areas that may contain leatherwood. I have an example here; FT has recently successfully collaborated with the Tasmanian Beekeepers Association regarding harvesting

operation at Warra in the Southern Forests, in this particular case at the coupe WR003B. Forestry Tasmania has excluded over 10 hectares of leatherwood-rich eucalypt forest from its wood harvesting plans as a result of consultation and negotiation with the association. That equates to more than 20 per cent of the potential harvest area being excluded completely from harvest. So FT is working with the apiarists and the beekeepers association.

Mrs HISCUTT - We will see how they handle that.

Mr GUTWEIN - The other point too, this is in regards to the forward planting. Forestry Tasmania has agreed to trial the planting of leatherwood seedlings post-harvesting in an adjacent area in an attempt to enhance the regrowth of leatherwood resources in the area, and that is going to be jointly monitored by FT and the Tasmanian Beekeepers Association. So it sounds like they have a reasonable collaboration.

Mrs HISCUTT - They are working together. That is a good way to go forward. Yes, I think that was all I had on that, thank you, Chair.

3.2 State Fire Commission

CHAIR - Any further? Move then to State Fire Commission.

Mr GAFFNEY - Yes, thanks. This one is really interesting, because it seems to flow between a number of different agencies, and it is \$2.8 million or thereabouts, and it is consistent over four years. The explanation is that it is due to the uncertain nature of the costs for any year. There is \$790 000 for bushfire mitigation. I am particularly interested to see that bushfire mitigation; is that the money that was for the bushfire preparedness, is that the same funding?

Mr GUTWEIN - So the broader fuel reduction program.

Mr GAFFNEY - No, it is not the fuel reduction; is it the Australian Bushfire Preparedness Program?

Mr GUTWEIN - I am not seeing an answer on that. We would have to get some information on that, I am not sure. The advice I have is that that \$240 000 has been in place for a number of years. So which program are you thinking it might -

Mr GAFFNEY - No, it says there is the \$790 000 for the bushfire mitigation, and there is \$240 000 for excessive firefighting costs. I suppose this year was particularly volatile, so I would be interested to know what was the increased extra funding needed in the process for the 2015-16 fire period.

Mr GUTWEIN - In total?

Mr GAFFNEY - Yes.

Mr GUTWEIN - Well, \$31 million has been either appropriated through the RAFs and the Supplementary Appropriation Bill, but the final number has not been finalised yet in regards to that. But on that, and there are the national disaster relief - NDRRA.

Mr GAFFNEY - Relief and recovery.

Mr GUTWEIN - Relief and recovery arrangements. And on that, because the \$31 million is a large number, and as I say, it could be larger than that, and I fully expect that it will be -

Mr GAFFNEY - Yes.

Mr GUTWEIN - But, broadly speaking, we pay the first \$10 million, we pay 50 per cent of the next \$10 million, and then we pay 25 per cent of the balance of that. So if it were to be around \$50 million, the impact on the state is about \$22.5 million on the basis that we claim back the full amount.

Mr GAFFNEY - Last year it was said that the funding had been transferred to the TFS from DPIPWE and that was the bushfire mitigation money. It was stated in the - I think it was you that said last year that that funding had been transferred to the TFS, it was DPIPWE money for the bushfire mitigation. So I am just interested to know, on page 96 of the State Fire Commission there is a - say for this year there is \$588 000 for the Bushfire Ready Neighbourhood Program. I am interested to know, do the names of these programs change? Because has that money been transferred to TFS, or does it stay with you guys? I just am finding that whole change of name to say -

Mr FERRALL - This particular \$790 000, I think the point was made last year that it had been paid to DPIPWE but fire had some claim against it, so it was managed more by DPIPWE, and I think the point was made last year that it is now being managed by fire. That was the -

Mr GAFFNEY - But not in the \$790 000.

Mr FERRALL - It is in the \$790 000, but this is the money that is sitting in Finance-General, which is paid across to the State Fire Commission, and previously it had been paid across to DPIPWE, is my understanding.

Mr GAFFNEY - It says though \$1.8 million the Treasurer determines as an appropriate amount coming from the 110.

Mr FERRALL - The contribution to the commission.

Mr GAFFNEY - Yes, to the commission. How do you determine what is an appropriate amount? It's within the 79 act, I think, that the Treasurer determines. So how do you determine that \$1.8 million is an appropriate?

Mr GUTWEIN - Normally through the corporate planning process with TFS. I would need to get further advice, but I think it is determined by this act.

Mr FERRALL - They provide a copy of the corporate plan to Treasury, we consider the corporate plan and would provide advice to the Treasurer.

Mr GAFFNEY - It was interesting in reading the information. It says on page 98, 'The State Fire Commission would contribute an additional \$622 000 in 2016-17, including \$398 000 for employment of four staff to support the Fuel Reduction Unit.' But in the fuel reduction section it does not acknowledge that State Fire Commission's support for that program.

Mr GUTWEIN - Which page are you reading from?

Mr GAFFNEY - Page 98.

Mr GUTWEIN - In BP 1?

Mr GAFFNEY - Budget 2, volume 2. I suppose I am thinking, why not take the \$1.8 million for the State Fire Commission and transfer the rest of the money into the TFS, like let them deal with it. Instead of having these excessive firefighting costs. Why does it rest with you guys?

Mr FERRALL - This goes back to a very long time ago, there was a review conducted by Bill Bale, in fact, which was a review of the fire management, and effectively there is a base level of firefighting that is sort of expected, and that works with both forestry, DPIPWE and the State Fire Commission. But in any given year, it is highly variable. Now, what we have is contingent provision in Finance-General which is for excess firefighting costs, which is above what they are expected to manage within their existing budget that they had.

Really, it just creates an opening, because effectively we would RAF if it becomes very significant, as it has this year. But it just creates that base level which we would manage over a number of years. So we are not expecting that the excess firefighting costs will be \$240 000, it is just really a base that we have set there. It has been that way for quite some time. Then when the firefighting costs come in, if they are significantly above that, then obviously they RAF'd.

Mr GAFFNEY - My last question here I suppose is the relationship with the federal government for funding, does the State Fire Commission, are they involved in that, or is that -

Mr GUTWEIN - In the claims?

Mr GAFFNEY - Yes.

Mr GUTWEIN - They are.

Mr FERRALL - The claim is managed effectively through the Department of Premier and Cabinet, and so they basically get the information from the State Fire Commission, DPIPWE, forestry, effectively, and then they collate that and they put in a claim under the NDRRA to the Commonwealth.

Mr GAFFNEY - The funding for two years has been provided by the Government to assist in the transition of the State Emergency Service to the State Fire Commission. How is that managed or who has control over that? Which are the areas, is it the State Fire Commission or is DPAC or is it the Minister for TFS, Mr Hidding?

Mr GUTWEIN - Mr Hidding.

Mr GAFFNEY - Okay, sorry. I suppose I am interested to see how much funding has been allocated for that. Is that \$2 million for that?

Mr FERRALL - That is probably one for the minister.

Mr GUTWEIN - We have allocated just over \$2 million, and then \$1.431 million in the next

year.

Mr GAFFNEY - All right then.

CHAIR - Thanks, Mike, that was nicely done. Treasurer, now being 1 o'clock, we will adjourn for lunch. We work to rules, and back at 1 minute past 2, let us have an hour.

The Committee suspended from 1.00 p.m. to 2 p.m.

CHAIR - Thanks and welcome back. Treasurer and staff at the table, members, so we will proceed again. Mr Gaffney has finished 3.2, the State Fire Commission, so we will move the line out to 3.4, which is Government businesses, and that belongs to Mr Farrell.

3.4 Government businesses

Mr FARRELL - Treasurer, I am with the government business, and I have gone to note number 2 on page 49 that says, 'The increase in Government businesses' output for 2016-17 reflects additional equity funding of \$4.4 million for four years, provided to Metro to implement the Metro Bus Fleet Initiative. Further information on this initiative can be found in chapter 10.' I have chapter 10 and it says, 'Metro Tasmania Pty Limited will be provided with four annual equity payments of \$4.5 million to implement Bus Infrastructure Capital Initiative. This will provide the advanced manufacturing in Tasmania with the opportunity to bid for manufacturing, customising and fit-out work to deliver an accelerated replacement Metro Tasmania bus fleet.' Then at the end it says, 'For further detail refer to chapter 3.'

So it basically says the same thing. So I would just like to get an outline of how the bus replacement will work with the initial \$4.5 million, I think the target is 100 buses. If you could explain that to me, that would be very good.

Mr GUTWEIN - We have provided some additional equity to Metro this year, effectively brought forward what were four payments of \$3.250 million, which they would normally have received, which was being provided as a grant to them, but as it is now primarily for infrastructure - investment into new buses - it can be treated as equity.

So we have strengthened their balance sheet this year with a little over \$13 million, and then we will receive the four payments of \$4.5 million over four years, and then there will be the ongoing \$3.25 million outside of the - so, we will just deal with what is in the forward estimates. So I end up with around \$3 million worth of additional equity. Metro will frame up their tender and, hopefully - as I say, hopefully as a result of that, we would expect to see Tasmania businesses in that space seeking to win a tender, or parts thereof.

Mr FARRELL - On the cost of buses, and I notice you have stated here clearly that the idea is to allow Tasmanian businesses to bid for this. I imagine Metro will be open to all sorts of bids, probably even international bids, and may even look at importing a fleet from, say, China, for example, if it's a cheaper alternative. What would the process be then? Is it completely Metro's decision, or would the Government have some input into where the purchase is?

Mr GUTWEIN - The framing of the tender is principally a matter for Metro.

Mr FERRALL - It's Metro, but look, they would certainly be consulting with the shareholders on it. For a significant procurement like this they won't - or even if you just go ahead with a simple tender, they will consult with the shareholding ministers, they will also be talking to State Growth and probably us as well.

Mr FARRELL - Is it predominantly looking at conventional diesel-powered buses, or is there any scope to look at anything that may come along in the years ahead?

Mr GUTWEIN - I guess it would depend on Metro's needs and how they frame the tender. I note that there has certainly been some discussion in the lower House in regards to whether or not battery and electric buses should be included as part of the mix. Again, that is a matter for Metro to frame that up. I know there have been comments made in regards to the challenge with topography, and certainly some of the routes, and again, that is a matter for Metro to work through in the framing of that. But we would hope, as certainly shareholder ministers, that the tender would be framed in such a way that not only will we good value as a state, but the advanced manufacturing sector would get an opportunity as well.

Mr FARRELL - I am aware that we will have the minister, and I am just trying to make sure that I - no, just make sure that I ask the right questions of you so we don't get to the Infrastructure minister and he says, 'Well, that's a question for the Treasurer.' So if they seem a bit broad -

Ms FORREST - As is wont to happen.

Mr FARRELL - As is wont to happen.

Mr GUTWEIN - Well, our responsibility here primarily is to ensure the good strength in the business and its balance sheet, and that is what we have done.

Mr FARRELL - Previously Metro have been given grants just for non-replacement purposes. What has that normally been used for?

Mr GUTWEIN - The \$3.25 million - market research, market segmentation, upgrade of onroad infrastructure, system development upgrades, promotional campaign, including improved customer service - so that is what that has been provided for. Then any additional Government funding outside that received under that new surplus is to be allocated towards replacement of the bus fleet. So what we have done, is we have looked at the payments that we are going to make as equity, it's investing in infrastructure for the state in respect of the fleet. That's how we are treating it.

Mr FARRELL - So the normal process is the subsidy is given to Metro to operate, then the money that they make on fares that comes back to them, what generally happens with that? Does that come back into Government coffers?

Mr FERRALL - Metro has a fairly significant operating loss every year, and that is supported by, I think there is about \$38 million -

Mr GUTWEIN - As I say, just under \$40 million.

Mr FARRELL - Or thereabouts, that goes to support Metro.

Mr FARRELL - So that is used to offset that. That is all from me.

Ms FORREST - I have a couple on one of them. Just with regard to the Tas Racing, you have the amount of \$1.5 million being provided in 2016-17, and the same amount was provided in 2015-16, that's historical obviously. There is no principal change, so what is actually happening with that loan and how much has been drawn down?

Mr FERRALL - \$13 million is drawn down, and that amount is effectively just for the interest subsidy of that. Because it further could be drawn down, obviously, because the original loan agreement was for up to \$40 million. But my understanding at the moment, it is about \$13 million drawn down.

Ms FORREST - So when was that drawn down?

Mr FERRALL - Off-hand I don't know.

Ms FORREST - So no principal has been repaid on that, it is only the interest? The state was paying the interest bill, as I recall.

Mr FERRALL - I believe it is reducing the principal as well. They are reducing the principal, but the support is just for the interest.

Ms FORREST - So they are reducing the principal. A question for them at a later time. Treasurer, with regard to Tas Irrigation too, Transition Readiness, the \$300 000 last year and the coming year - or this current year and the coming year - for transition into value-adding sustainable business, can you tell us how you expect them to spend that money and what they are trying to achieve?

Mr GUTWEIN - That was, I think, a policy position from last --

Mr FERRALL - From last year, 2014-15, so it is back a few years.

Mr GUTWEIN - 2014-15, yes. I guess, that business is changing. It is going from a business that builds dams to one that operates them, and that payment was largely to assist them in their transition.

Mr FERRALL - Three payments of \$300 000, I think, from 2014-15 though to 2016-17 -

Ms FORREST - Sort of the management of the dams as opposed to a building of the dams' process?

Mr VOSS - I recall one use of the funds was for the dam safety review, for example. Those types of things.

Ms FORREST - It will be tested today, I reckon, some of them.

Mr GUTWEIN - I think you're right.

Ms FORREST - Meander Dam is going to be tested, I reckon. Back to you, Mr Chairman.

CHAIR - Yes. Have you done miscellaneous?

Ms FORREST - No, I haven't done miscellaneous.

CHAIR - All right, have a crack at 4.3.

Output group 4
Miscellaneous

4.3 Miscellaneous

Ms FORREST - So miscellaneous, got the old mobile radio network, it has been there for much longer than you have been Treasurer. How are we going with this? Are we actually going to - I mean, there has now been someone appointed to the position of driving it, I guess, but on target with funding? Are we over budget? Are we going to come in within anywhere near budget?

Ms MORGAN-WICKS - The mobile radio network has got a revised cash flow in the 2016-17 Budget, so we are estimating \$5.3 million in 2016-17 and then reverting to a \$15 million cash flow. Probably the key deliverables in the last 12 months have been around that interim interoperability solution, which I think probably is more of a question for the Commissioner of Police when he attends for DPEM. But certainly they are now taking steps to finalise the requirements for not the interim solution but what is the final solution for the mobile radio network.

Ms FORREST - So has the cost blown out?

Ms MORGAN-WICKS - No.

Mr FERRALL - No. The \$15 million is basically a provision that has been there for a long period of time. Originally it was put there as effectively an allowance which, together with the existing costs, which I think were about \$6 million give or take, to create a capacity of about \$21 million, which at the time - this is going back a few years - it was envisaged that would give capacity to meet the recurrent costs of potentially a leased-style solution. No decision has been made by Government in terms of what the solution would be. But similar to, say, maybe the earlier Ericsson where you have an ongoing operating cost, but something that works better than the Ericsson one does, Mr Mulder.

Mr MULDER - Does that work, does it?

Ms MORGAN-WICKS - Yes. But as technology advances and they re-do their requirements to line up with those advances in technology, they will test again what are the estimates for a service cost, for example, rather than a build and own.

Ms FORREST - So just in the notes under miscellaneous it has the mobile radio network, \$5.3 million for this coming year, and then the Government Business Reviews and Energy Security Task Force. I assume that is \$1.5 million for both those.

Mr GUTWEIN - Yes, \$3 million in total.

Ms FORREST - So it is \$3 million in total, that's \$8.3 -

Mr FERRALL - Over two years.

Ms FORREST - So we are back to \$1.5 million for the year then, technically. Because the line item in the expense line here is - for this year is \$23 million but next year it is \$9.6 million. There is still a significant amount that is not accounted for in those two items. It does say in the footnote, 'Ex gratia payments for corporate reconstructions.' So can we have some detail around that and how much we are looking at - what is that for?

Mr GUTWEIN - I might get Anton to touch on that, but that is effectively where we have corporations that decide to make changes to their operating structure. It is not the sale of an asset that normally you would apply a duty to. It is actually a transaction that occurs within the entity itself. But, Anton, if you have -

Mr VOSS - Yes, so as the Treasurer said, what we are trying to do there is to stop - businesses want to make themselves more efficient by moving land around or joining subsidiaries to -

Ms FORREST - Moving land around?

Mr VOSS - Between - within one group, within one corporate entity, within that sort of one ownership, if you know what I mean. If businesses try to reconsolidate, reconstruct how their business is structured, that is currently captured under the duties act. So there is a framework where the Treasurer can approve, on an ex gratia basis, corporate reconstructions for that purpose, and that is what that number refers to. It is quite a large number, that particularly you are looking at, and there are a couple of large transactions that went through in particular. They were, I would say, abnormal in size, but I can't reveal the detail because it is confidential to the taxpayer information. But that is essentially what the reason for that large number is.

Mr GUTWEIN - In effect it is a neutral position for the budget, because we get paid duty on a transaction that we normally wouldn't have, and we provide an ex gratia payment.

Mr FERRALL - These transactions are more than likely exempt in other jurisdictions as well, so you might have a national sort of entity that does a broad restructure. It might be exempt in New South Wales, and because of the peculiarities in the Tasmanian tax act, it might get captured.

Ms FORREST - So why don't we fix our tax act?

Mr GUTWEIN - We are actually doing some work on it.

Ms FORREST - You are? This part of your red tape reduction, is it?

Mr GUTWEIN - We will be looking at legislation of this shortly.

Ms FORREST - There is a lot of money that is basically hidden, and you say it's commercially sensitive, or whatever. I would dispute that, in some respects. I mean, if this is taxpayers' money being used to assist a private company, some would suggest we should have some indication of what we are talking about, particularly the big sums we are talking about here. And there is obviously less in that area in this coming year, so I don't know how much that will be, probably \$3 million.

Mr GUTWEIN - But we can't plan for that.

Ms FORREST - No, so this is just an estimate then.

Mr GUTWEIN - It is just an estimate.

Ms FORREST - The following year, 2017-18, there is \$19 million. So why the -

Mr GUTWEIN - You will be pleased, there is legislation that will be introduced shortly to ensure that we are brought into line with other jurisdictions and the way they do it.

Ms FORREST - So we will see this then alter, and next year we will see it potentially change to this line item, because we won't be funding it through this measure?

Mr GUTWEIN - How it is presented in the budget, I am not certain, but I presume that would be the case.

Ms VOSS - I think we are the only jurisdiction that hasn't actually got this as part of their tax act where this would routinely not be captured. So that, going forward, the Treasurer is saying we are looking at that, and if we went down that pathway you will then see those corporate reconstructions in the budget.

Mr FERRALL - If you note the forward Estimates, if you take out the uplift of the mobile radio, which goes from about \$5 million to \$15 million, so if you sort of take that out, the forward Estimates you see stays at about \$8 million or \$9 million across the forward Estimates. There is no particular uplift.

Ms FORREST - When we do expect the mobile radio network to be completed? Have you got an expectation around that? That's a big call, I know. Treasurer, when do you think it might be finished?

Mr GUTWEIN - I might ask Kat, who has been working closely with the minister for Finance.

Ms MORGAN-WICKS - Currently I do not have a time line for the completion, because they are at the moment putting together the detailed requirements and then going out to market. So it will depend on how quickly those requirements can be met, how big the design and validation period is going to be for the new implementation. The Commissioner for Police might have some further detail.

Mr MULDER - Just on that issue, yes, I just wanted to pursue that a bit more. That is quite a significant revised cash flow for the project, so I am wondering when it was initially launched, whether we actually understood the scope of the project. A few of us did raise concerns at the time, that we were under-scoping this thing tremendously, given our previous experience. And now here we are, a few years down the track, and we have this huge big lot. What is the total now estimated cost of the project? This is probably a better question for the minister; the last one fell over due to the fact that you could not get all the agencies on because they had different requirements for different kinds of things like data versus voice, et cetera, et cetera, et cetera. That was all known as a result of the previous experiment which is all it ever was. How come we are now at this point and suddenly we get these massive revisions? Are we talking about the classic blow-out?

Mr FERRALL - No. When the original position of roughly \$15 million was put in the budget, that was some years ago. It was effectively just an estimate, broadly estimated that the capital cost was likely to be in excess of \$100 million. There was no detailed scoping done. It was just simply - it was a provision. We knew we had a major problem. We knew that it had to be addressed. We knew the existing radio network had a limited lifespan, even with the upgrades that had been occurring, and rather than leave it till you have got perfect estimates, we took a figure and said, 'Well, okay, let us estimate and put a figure in there of about \$15 million'. And that has just rolled forward over a number of years, which is why it sits there at \$15 million. It's not based on a detailed scoping or anything at this point.

Mr MULDER - This extra revised cash flow for the forthcoming year - who are you going to be writing the cheques to?

Mr FERRALL - There is no extra cash flow; 2017-18 is the \$15 million.

Mr MULDER - That was \$3.3 million in 2015-16 and here you have in your notes \$5.3 million in 2016. So there is a \$2 million bump in this first year. My question is, who are you writing the cheques to for that \$2 million?

Ms MORGAN-WICKS - In terms of DEPM, in managing the project expense, in hiring in project managers, they are selecting consultants that are going to drive the requirements and working between police, fire, Tas Networks and the rest, in terms of that expenditure, that is to whom it's going to go. So the project is ramping up significantly now that they have put in place an interim solution to which the \$3.3 million went towards, now it's the \$5.3 million in terms of increased project cost.

Mr MULDER - So that \$2 million is purely projects costs. We are not actually getting anything yet. We are now spec-ing up the project.

Ms MORGAN-WICKS - That and addressing concerns, for example, in relation to towers, infrastructure, the old infrastructure that is underlying it, and the assessment across Tasmania as to what is required.

Mr MULDER - I am trying to stay with the finance because blind Freddy can see this is a big, big thing when you are trying to talk to a firey at the scene of the fire in the back of absolutely nowhere to a police officer trying to respond, the data and the voice requirements, these are all operational things that everyone knew. These were the things that made the other solution fall over, yet we have different requirements from different agencies and you have them inter-operability temporary solution, and I am just really concerned that if this thing does its job as well as I think it needs to do, we might be struggling to say, 'Nice, can we afford it'.

How much public money are we going to spend to get to the point that - we have done this before. This is why the previous network fell over. Only police and Hydro ended up doing it and it provided a lack of critical mass which was why we didn't get the towers built, which meant that the whole thing fell over. You spent ages in the Supreme Court trying to do the lease arrangement and eventually you did a settlement where the government bought it back and then bought it back and then we are in this hole.

I am just really, really concerned, given the technical difficulties. A lot of this stuff - and when they did it before, Treasurer, they went right back to square one and completely ignored the advice

they were given, that the solution that they thought would work in Tasmania had been trialled by numerous police departments, and they were all listed there, and the emergency services departments, and it was found to be the perfect solution, except in built-up areas and hilly terrain.

If you want to talk between Campbell Town and move data between Campbell Town and Ross, good on you, but for the rest of it, it just was hugely problematic and required about 30 more towers than anyone had ever imagined. So this is where you are heading down and the alarm bells should really be ringing. Well, they do for me when I see it jump \$2 million and \$15 million.

4.4 Payments to the Australian Tax Office.

CHAIR - We move to 4.4, payments to the Australian Tax Office

Mr MULDER - 4.4, payments to the Australian Tax Office. This is a fairly quick one on GST. I notice that it's a fairly substantial fee, and that happens every year. It seems to me a pretty hefty skimming off the top of what is supposed to be a tax for the state. So my question really becomes how is that determined and do you think they are actually doing enough work? Does the effort they put in justify the rewards that the Commonwealth are getting for collecting?

Mr FERRALL - The ATO regularly reviews their costs of collecting GST and that review is provided to all heads of Treasury. There is a debate and rigorous interrogation of whether the costs are reasonable or not. That goes right back to the original agreement with the interactions of the GST where effectively the states all agree that they would meet the cost of collecting the GST. Is it too much, is it too little? GST is a very significant tax in both dollar value and coverage, and I think the ATO costs are probably reasonable in that context.

Mr MULDER - For us, and I gather it's more for the other states, I just notice it is 14.8, 14.3, 12.5, 12.1, 12.1 going forward. Is that based on a percentage of the amount distributed to us? How do they work that out?

Mr FERRALL - As I have just said, there is a GST administration report that is on their website which goes through the administration. There is a mid-year 2015-16 report. We could go through all of the details.

Mr MULDER - It just seems to me the ATO system - there would be some costs there that I think you might be paying for, for their other collections and things.

Mr GUTWEIN - This is a longstanding agreement. I am presuming it came in as part of the intergovernmental agreement back in 2000. It is a fraction of the per cent of the total GST payment to the state.

Ms FORREST - We rely very heavily on income from the GST.

Mr MULDER - The line item is the cost of GST collections. I am not talking about all the other issues. If you think it is value for money, that is fine.

The fact is that it's gradually sliding down. This is a projection of -

Mr FERRALL - They basically review their costs, and if they can lower their costs, they do.

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Mr MULDER - Okay, so it is not a percentage of how much is collected or a per capita issue. It is just a -

Mr FERRALL - This covers compliance, activities, and a whole range of things. It's not just collecting it and sending it on.

Mr MULDER - I know, but we all know how effective a bit of two FTEs in compliance can produce in terms of money, don't we? Be careful how you answer questions. That is fine for me. That was the only observation on that.

CHAIR - Do you have any question on 4.4?

Mr MULDER - Not on 4.4 but on 4.7.

Ms FORREST - I just wanted to ask a question on the Tas risk management fund. Is this cash-backed at all and if so to what extent? I have another question for you.

Mr FERRALL - The answer to that is yes.

Ms FORREST - Yes, it is. Fully cash-backed?

Mr FERRALL - We have had lots of discussions. We managed the cash through the year which we continue to do but as at 30 June it is cash-backed. The trust fund is cash-backed.

Mr GUTWEIN - And it is represented on the balance sheet as cash-backed.

Ms FORREST - Has consideration been given, or would consideration be given to the transferring to MAIB to run perhaps seeing as they do a lot of the insurance sort of stuff? Is that another way of looking at managing this?

Mr GUTWEIN - There has been no consideration that I could -

Mr FERRALL - Effectively, the administration is largely outsourced anyway. We have a small number of people within Treasury who administer the scheme. Effectively it is outsourced to -

Ms MORGAN-WICKS - Jardine Lloyd Thompson.

Mr FERRALL - JLT. It was previously Marsh. We have not considered giving it to MAIB to administer. It is a different sort of arrangement to MAIB. It is quite broad. It covers all insurable risks as opposed to MAIB which is more a narrow focus.

Ms FORREST - Has there been a significant or measurable increase in the medical claims, like medical liability, over the recent last couple of years? Have you got some information around that?

Ms MORGAN-WICKS - In terms of increasing cost of liabilities, probably the two are the medical liability and personal injury liability. They are the two that are showing the increase. We are actually getting quite good decreases in property until today. In terms of medical, contributions for 2016-17, we are looking at \$12.35 million compared to 2015-16 which was \$11.6 million. In

terms of the actuary's advice, an increase that is in line with claims, inflation, for this particular risk category. So in terms of their experience.

4.7 Property management services

Mr MULDER - This is back in property management services and from page 42 of the budget papers, the figures for property management service, 'As a result of the occupancy of Parliament Square from December 2016, depreciation will increase to \$2.4 million ... due to the amortisation of fit-out, while rental and other occupancy costs have been revised to \$3.8 million', - which is up from \$1.5 million in 2015-16.

Rental and other occupancy costs - so that is moving in. You have already dealt with the depreciation issues, haven't you?

Mr GUTWEIN - Kath can run you through that, she has been managing the project.

Ms MORGAN-WICKS - In 2016-17 what we see now is what we are predicting as an earlier completion for the tower. We are going to have a little bit of doubling of some of the continuing occupation rents that we have for 10 Murray, 12 Murray and 34 Davey and 24 Davey, so that will occur in 2016-17 until those are complete and then we take over just the standard occupation of the tower. So you do see a little bit of an uplift in both the rent and we also see an uplift in terms of the subsidisation of outgoing costs for the new tower.

Mr MULDER - So what you are saying is that because they are finishing it earlier, we have to start paying rent earlier?

Ms MORGAN-WICKS - It's just the way that we have been estimating the rent and outgoings in Finance-General which is paying the subsidy, and we have been controlling what are the continuing occupation rents for the other buildings in the square. In terms of timing, some of those have changed, so for example, 12 Murray, we are currently talking to the developer about the early handover and changing the rental cash flow in terms of that, and we are also having a look at 10 Murray.

Mr MULDER - So a lot of this results from the fact that we are paying double rent for a little while.

Ms MORGAN-WICKS - There is a little bit of an overlap, it's actually not for very long and we are doing our best to try and manage that.

Mr MULDER - What is not very long? Could I hold my breath that long?

Ms MORGAN-WICKS - We will do our best.

Mr MULDER - Yes. The thing is that I do note that on the papers we go from 16 to 33, which I think is what you are talking about.

Ms MORGAN-WICKS - The 16 to 33, the 33 includes the fitout. So that is primarily looking at the fitout cash flow and that has moved a little bit between the 2015-16 and 2016-17.

Mr MULDER - Here is my little question, we are 16 now, we are going to go through to 33

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because of the fitout and a little bit of double-rent, but then we drop right back to 9, 6, 8 and 8 going forward. That is a halving of what we are paying today.

Ms MORGAN-WICKS - We will finish the fitout in 2016-17.

Mr MULDER - Yes, but why is that so much lower since we are only moving from one building to another going forward?

Mr FERRALL - The fitouts are the fitout of 17 000 square metres.

Mr MULDER - I am not talking about the 16 to 33 jump. I am talking after that is all over we then slip back to half of what we are doing now.

Mr FERRALL - Going forward is the rental costs. We will own the fitout. The government will own the fitout, that is why it's that high cost in that year, and then once the fitout is completed, you see a depreciation cost for the fitout going forward, but also included is the rent going forward as well.

Mr MULDER - Yes. So the flat-lining in our years, I can see that. In fact, it's actually decreasing on your own projections. But the real question is what was it in 2013-14 before we started all this? What was that line item then? Are we now returning to historical levels of property service rentals?

Mr FERRALL - There is a component in the rent which relates to effectively the economic rent, or an economic uplift. As has been discussed before, there is a large public open space which is effectively built into the rent over the period of 20 years.

Mr MULDER - But on that basis, wouldn't you be expecting the out years to be increasing as the economic value - you seem to be depreciating it. You are going from 9.6 to 8.5 to 8.4.

Ms MORGAN-WICKS - We are depreciating the fitout, and the fitout is capitalising, you will then see the total 3.8, in terms of the increase in land, building.

Mr MULDER - But the rental, you are saying, is probably growing during that period.

Ms MORGAN-WICKS - The best picture is the expense summary in total 3.1 in terms of the rental.

Mr MULDER - I am just wondering what the previous years might have been from memory.

Mr FERRALL - I don't know that. We can [inaudible 2.37.26] the previous years' estimates.

Ms MORGAN-WICKS - Yes. And take into account what a different building footprint and different buildings occupied.

Mr FERRALL - We know that over the period of time the depreciation will decline as well. It's fully depreciated over effectively 10 years, so you will get higher depreciation in the earlier years and then that falls away over the period of time.

Mr MULDER - My question comes, and it will seem that the answer may well be that

historically we have been, probably in today's dollars, around the \$8 million to \$9 million mark, but in the last few years we have had to ramp up due to all sorts of things. Now we are peaking next year and then we are coming back to the original trend. That is where I am trying to get at. How do the out years compare to the previous years, or have we picked up a whole heap of new costs that we never had before?

Mr FERRALL - Parliament Square, as I said, does have a component of economic rent for the public open space which we wouldn't have had in those earlier years. So there is a cost for that.

Mr MULDER - Can you just take on notice what they were in 2013-14 for me, please?

Mr GUTWEIN - We can, but again this takes the rent from the total property portfolio as well, and as we discussed earlier, we have had the project, the centralisation in Hobart and we have seen \$4.5 million dollar saving achieved there. The numbers will be -

Mr FERRALL - The 2013-14 Budget was \$9.9 million and the 2012-13 Budget was \$9.9 million.

Mr MULDER - So it's going back to those levels.

Mr FERRALL - Effectively, yes.

Mr MULDER - If I have this right, 10 Murray Street was owned by government?

Mr FERRALL - Yes.

Mr MULDER - So what we have done is we have sold it and bought a whole new property and the costs of running 10 Murray Street are equal to what the rent will be?

Mr FERRALL - No, we have sold the whole site effectively to the developer. We have paid for the fitout of the new tower and we will be leasing a property within the site.

Mr MULDER - What I am trying to get at is, we owned the place before and we had certain costs associated with being the owner of the building. We don't own it anymore. We sold it to the developer. We have done development. We have picked up some extra costs for fitout, but going forward the costs of our rental equate to what it was roughly to run the whole site before.

Mr FERRALL - No, there are more moving parts than that.

CHAIR - Are you finished, Mr Mulder? Okay, we will move onto the shadow minister for Infrastructure, Mr Farrell, on 4.8.

4.8 Infrastructure investment project planning

Mr FARRELL - Yes, 4.8, infrastructure investment project planning. This is \$2 million and \$2 million over the forward Estimates. Is this mainly used in-house or is it used for consultants?

Mr GUTWEIN - It's in the budget every year, \$2 million. Basically it's for the SIIRT process, structured infrastructure investment review process, that we run on all the government projects that we do. In regard to your question about consultants, it could be used depending on the project.

Mr FERRALL - This is generally for the preliminary stages of a project for an agency to prove up whether a project is a goer or not, so that when it gets to the point where government considers the project there is enough preliminary work to have a reliable cost estimate and to know with reasonable certainty that it can go ahead as planned.

Mr FARRELL - I understand it's in every year but it's always been a similar amount so that must be sufficient money.

Mr FERRALL - Agencies bid effectively. We run a process of bids and so they come forward with propositions and we say, 'Okay, yes, that makes sense to go and do some more work', and they vary over time.

Mr FARRELL - I don't think there is any more on that. It's one of those straightforward ones. Grants and subsidies, any questions there at all?

Grants and subsidies

Ms FORREST - Just with regard to that, Mr Chairman, the energy retailer concession, you have a steady increase there. Is that made to compensate for increases in energy prices generally or more people requiring the support.

Mr GUTWEIN - There is a steady increase -

Ms FORREST - Yes, in the amount that is allocated along that line item.

Mr GUTWEIN - Yes. That just takes into account the electricity costs approved by the economic regulator and so you get a fixed percentage of those per customers if you are receiving a concession and so we just index them.

Ms FORREST - The question was, are you expecting a greater number of people requiring a concession?

Mr GUTWEIN - No, we just index the ones that are there.

Ms FORREST - The ones that are there. In the jobs package payroll tax rebate, can you provide any information about the additional positions that I assume have been maintained as required to actually get this rebate since its inception on the last 12 months certainly.

Mr GUTWEIN - Can we take that one on notice? I am sure we can find you some detail on that.

CHAIR - Yes, take a note of that one.

Ms FORREST - The Tasmanian Forest Agreement. It stops at 2018-19. The comment over on the page says the 2016-17 Budget does not include any future funding for the Australian government. Is this the CSO funding for the additional requirements to look after reserved areas that the Commonwealth - I think we have \$17 a year they committed to. Is that that amount that has been wound back?

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Ms GUTWEIN - No. I would seek to get advice from Tony on this, but my understanding is that these are the grants that were provided for things like alternate harvesting solutions through the TFA process.

Mr FERRALL - Yes, but the final payment is at 4.8. It's the last repayment, or payment under scheduled harvest and plantation management.

Ms FORREST - So where is the CSO money then?

Mr FERRALL - The CSO was discussed earlier.

Ms FORREST - That is all under there?

Mr FERRALL - That is the \$4 million we discussed earlier, the CSO to FT.

Ms FORREST - Is there only \$4 million?

Mr GUTWEIN - \$4 million to the state, as I said. And we provided a CSO which forestry effectively had to prove up CSO each year, and then we provide \$2 million, which is fire provision as well. So the \$6 million in the budget is -

Ms FORREST - Yes, but \$4 million of that comes from the federal government.

Mr GUTWEIN - No, we provide the -

Ms FORREST - No. The feds promised us some money.

Mr FERRALL - The funding under the intergovernmental agreements gradually just - the tail sort of dropped off. The \$4 million is all state money for the CSO.

Ms FORREST - I am looking for the fed's commitment.

Mr FERRALL - Not as a CSO.

Ms FORREST - I must have been mistaken about that. I thought the feds were going to commit to additional funding to manage the reserved areas, national parks.

Mr FERRALL - There was some funding which went with the transfer to DPIPWE - we had some of those people on our 2014-15 Budget.

Ms FORREST - Is that just a one-off then?

Mr GUTWEIN - No.

Ms FORREST - It's an ongoing, so it's in DPIPWE. Under probably environment, like national parks or DPIPWE primary industries? It should be under parks, shouldn't it? Yes, you can ask minister Groom.

Mr GUTWEIN - There has been, and there has been, I think, another additional payment was made last year that was locked in as well in that area, because it would be for Mr Groom to explain

that.

Ms FORREST - That is fine. Thank you.

Mr MULDER - I just have a question, and before you ask the Minister for the Arts, I have, and she suggested I ask you, the Tasmanian Icon Program Symphony Orchestra - I note in the budget papers that it has been flat-lining right through the year, half a million, half a million, half a million right through. Is that just a standard grant? Why isn't that indexed and made viable? Because over time, as you can see, if we just keep flat-lining it, it will crash and burn.

Mr GUTWEIN - There are a number of payments in regards to the icon program, like all the amounts, but I thought we had one to the orchestra. There was one to the cricket, I thought, and there was a third one.

Mr MULDER - The Tiger State Cricket Team, would you believe. The sport and recreation portfolio and Menzies.

Mr GUTWEIN - So Menzies have 500 as well and cricket and the TSO.

Mr MULDER - My question is, what are the prospects for reviewing these things so they actually remain meaningless? Normally, these things would be indexed, wouldn't they?

Ms FORREST - Meaningless?

Mr GUTWEIN - Or that they don't become meaningless.

Mr MULDER - Either.

Mr GUTWEIN - The process for reviewing these would be the budget process. We give agencies the opportunity to make the budget. But if they felt that a particular program, whether it be the icons program or any other program, wasn't keeping pace.

Mrs HISCUTT - Mr Chair, while we are on grants and subsidies, did anyone ask about the Natural Disaster Relief Scheme? That is covered. I was just wondering where you were going to get some more money and I don't know what is happening today. Have you got somewhere else you can pull money from?

Mr GUTWEIN - With that, and again I will get into trouble, but the NDRRA scheme which is the one that is run nationally -

Mrs HISCUTT - Yes, you can claim on that.

Mr GUTWEIN - In regards to what has occurred today if there is damage and needs for a claim, but certainly in respect of bushfires, we will put together a claim and then we submit that and go through the national parks.

Mrs HISCUTT - You have got to make criteria though before you can claim on that, don't you?

Mr GUTWEIN - There is a benchmark initially that has to be met.

Mrs HISCUTT - So what is happening today in the north-west, is that the same process?

Mr FERRALL - Yes. We would put in a claim to effectively the Commonwealth and there is a whole range of criteria and categories within that.

Mrs HISCUTT - Most of the criteria and categories come into damage to people's property and life.

Mr FERRALL - There are different parts of it that relate - because it's not an omnibus catchall. Some of it relates to infrastructure and support. There are arrangements in relation to community support as well. We can get some more details on how that would work, but each disaster is treated differently in some ways against the criteria.

Mr GUTWEIN - We have had a number this year and we are finishing this financial year off with another one. Whilst those broader insurance arrangements at the national level exist, it does underscore the point as to why we need to ensure that we do have the sustainable budget position moving forward.

Mr FERRALL - We have to put in our own disaster insurance as well, and so under the NDRRA you have to exercise all of your own options first before you can claim against the NDRRA.

Mrs HISCUTT - Thank you.

CHAIR - Treasurer, we'll move onto your little bit in Department of Justice and Tasmanian Industrial Commission, line output 1.9. If you would like to have a bit of a changing of the guard.

Mr GUTWEIN - I don't think I have in regard - is Simon here?

Ms FORREST - Do you want to go on to the Auditor-General while he is here and come back to that one? He hasn't got an adviser here for that.

Mr GUTWEIN - Do you want to do the Auditor-General and come back to that?

CHAIR - We can get the Auditor on board. Yes, sure. We will go to that. Thank you to those members of your staff. Thank you.

Ms FORREST - Thank you.

Tasmanian Audit Office

CHAIR - So welcome to the table, sir. If you would just like to introduce yourself and your staff member there for the purposes of Hansard, thank you.

Mr WHITEHEAD - Rodney Whitehead, the Auditor-General of Tasmania. I have with me Patty Johnson, the Director of our Corporate Services unit.

CHAIR - Thank you very much. We have the one output line for you which is Public Service Sector and Accountability. Is there anything you would like to say? I will just give you an

opportunity for a minute or two if you would like to make a couple of comments, seeing as you are new.

Mr WHITEHEAD - No, I have no opening comments to make, thank you, Chair.

CHAIR - I will hand straight over then to Ms Forrest who has the question.

Ms FORREST - This is your first time at the Estimates grilling. Thanks, Rod. My real concern is seeing what your view is on the allocation in the budget. I know the former Auditor-General had made it clear that the office was fairly pressed in being able to meet all the expectations and demands for the office, even though there is a reasonable amount of self-generated funds that you have. In terms of the allocation from the Budget, does this enable you to carry out the tasks that you have set yourselves in your forward plan in both areas of financial audit and performance audit?

Mr WHITEHEAD - Thank you for the question. You have probably touched on two points there as well, one is revenue sources and one is the appropriation that we receive, and also the funds that we receive from our audit clients as well, our financial audit section. In terms of the appropriation that we receive, that is meant to cover our performance audits plus our probity work, and plus there is a reserve-by-law allocation as well in respect of covering my salary and remuneration costs.

The amount of the appropriation is, at this stage, sufficient to cover the number of performance audits that we intend to undertake during the year, and also the one workforce employer audit we undertake as well. In addition to that, there are the probity audits that we undertake during the year. Again the appropriation that we receive is sufficient for that. We do believe though that in the outer years of the Estimates there will be some pressure on us in terms of our expenditures approximating, or maybe exceeding, some of the allocation that we have received. That is a reflection of the growth in our salary costs, being one of our larger costs, relative to the increase in the appropriations over those future years.

Ms FORREST - So what I heard you say, Rod, and correct me if I am wrong, is that at this stage you can manage the performance audits and the financial audits that are mostly paid for by the customer anyway.

Mr WHITEHEAD - Yes. At this stage we believe we are adequately funded. But there will be pressure on in later years as well.

Ms FORREST - Even then for this coming year, we know that things happen and then suddenly a new priority pops up that wasn't foreseen, because you can't foresee those sort of things, so would that then mean you would have to adjust your plan and perhaps re-prioritise and drop some of the performance audits you're wanting to do to undertake a more pressing one?

Mr WHITEHEAD - That would be the case. At this stage we plan for about seven performance audits to be conducted throughout the course of the year. If we were requested to undertake a particular project or audit then that would necessitate us to revisit the schedule and our resources and may lead us to push one of our plant audits out to a following year.

Ms FORREST - The former Auditor-General has had a couple of moves of office in the interests of reducing those overhead costs. Where are you at now with that?

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Mr WHITEHEAD - Look, we've pretty much consolidated in our existing premises so the move, I understand, has gone quite well. It has resulted in some cost savings for the office. I believe that the lease tenure there is going to provide us with secure accommodation for a number of years to come.

Ms FORREST - What sort of costs have you been able to reduce by that move? Last time the move was to do the same thing, as I understood it?

Mr WHITEHEAD - I might have to take that one on notice. I don't have the exact costings of the premises on hand at the moment.

Ms JOHNSON - I can answer that if you like.

Mr WHITEHEAD - Thanks, Patty.

Ms JOHNSON - Roughly, and this is rough, it has been the same in every round about \$130 000 to \$140 000 a year on our move. We also moved due to the premises were larger than we expected. When we moved to 15 Murray Street, we expected a bit of a change and that we would increase slightly with our staffing, but that never occurred. So we were also looking to have a bit more of a better purpose facility for our staff. We have done that and we have fit quite nicely onto the floor, as well looking at those cost savings which we do on an annual basis. From my perspective, quite regularly, to make sure that we are as efficient as we could possibly be.

Ms FORREST - So in terms of staff numbers, you said that there was an expected increase, so what positions were not added on or whatever, and how is it that you manage to maintain the same level of output without them?

Ms JOHNSON - This was, from my understanding, was that it was actually looking at more investigative work, that never ever really got scoped that much at the time. But it's not anything to do with our core business that we are doing at the moment, which is the performance audits and our financial audit services.

Ms FORREST - So in terms of adequate staff to cover those areas, both financial and performance audits, you have adequate staff to do that?

Mr WHITEHEAD - We have adequate staff in our financial services audit team at the moment. We are probably one staff member down in our performance audit team, and that is a position we will be looking to fill in the not too distant future.

Ms FORREST - So your budget accommodates that additional person in that area?

Mr WHITEHEAD - Yes, it does. There has been a person leave which we haven't yet replaced.

Ms FORREST - Thank you.

CHAIR - Any further questions for the A-G?

Mrs HISCUTT - I was just wondering whether that position was an accounting position or a statistician's position?

Mr WHITEHEAD - It was a performance audit position.

Mrs HISCUTT - So what sort of person do you look for to fill that?

Mr WHITEHEAD - That is something we are considering at the moment. It was a relatively senior position that left. We are now going through the process of assessing whether we can fill that with a graduate or lower level position.

Mrs HISCUTT - Yes.

CHAIR - If there is nothing more, thank you very much. No doubt we will see more of you through the year.

Mr WHITEHEAD - Very good. Thank you very much then.

Mr MULDER - Just one issue, Mr Chair. Just one issue from the table. Could we implore the Auditor-General's office to go back to issuing their reports on those pens with the memory stick in them? They were very handy.

Ms JOHNSON - We've had some varying comments on them.

Mr MULDER - Well you can send me mine on that one then. Thank you.

DIVISION 5

(Department of Justice)

Output group 1

Administration of Justice

CHAIR - So we will move to your Department of Justice Division 5, Treasurer. I would like you to introduce the gentlemen at the table, please, for the purposes of Hansard, speaking up.

Mr GUTWEIN - I have with me the Secretary of Justice, Simon Overland.

CHAIR - Thank you very much. Welcome. So really we are talking about the output 1.9, which is the Tasmanian Industrial Commission, which made the news a little bit recently. I don't want you to get PTSD out of that, Treasurer. I am sure you won't.

Mr GUTWEIN - I am tempted. Any particular matters you would like to talk about, about the TIC decision recently?

CHAIR - I think we are talking about \$1.3 million recurrent that has been pretty consistent to fund the TIC. Just one question I have there, in that \$1.3 million, what admin support does the TIC have? They must obviously have some staffing there as well? You have the commissioners and what else does it consist of?

Mr OVERLAND - Thank you, minister. So there are normally two commissioners. Of course, there is a vacancy at the moment in the president's position. President Tim Abey retired effective from 3 June and we are in the process of filling that position. There are two associates who support

the commissioners. There is a registrar and there is an admin support, so it's a total of six staff.

CHAIR - A total of six people, okay, yes.

Mr OVERLAND - Yes, I think that's right. I will just confirm that for you. Yes, six.

CHAIR - Treasurer, I might have asked a similar question last year, I'm not sure, but I am just looking on the Fair Work Commission website and just to quote that little bit there, 'Each state has a discretion to hand over some or all of their industrial relations powers to the Commonwealth and should a state decide to refer their powers to a centralised and national industrial relations system all the employees of that state would effectively be covered by the national Fair Work Act'. So the question is - it might have been mooted before, should we in fact as a state or can we - I don't know the answer to that - devolve and be shot of a TIC, if you like and devolve all of our responsibilities to FWC?

Mr GUTWEIN - My understanding is that some states have done that. In fact we had the option - I am trying to think what year it was, Simon, when the decision was made to retain the current structure.

Mr OVERLAND - 2000. So I think many states, under Prime Minister Howard - there was a referral of powers to the Commonwealth. Tasmania has referred powers with respect to private sector organisations.

CHAIR - But not the public sector?

Mr OVERLAND - But not the public sector.

CHAIR - Have some other jurisdictions referred their public sector powers to -

Mr GUTWEIN - Victoria certainly did.

Mr OVERLAND - Victoria did. They are the only one that referred everything. Most of the other states have retained control over their own state bureaucracies.

CHAIR - So given that it is \$1.3 million recurrent cost, is it something that the government might consider doing?

Mr GUTWEIN - We have done no work on that. And certainly it's not front of mind, as far as I am concerned. I think the TIC seems to function appropriately. There is that option, but it is certainly not a policy of the government.

CHAIR - Yes. So you would wonder what a large jurisdiction like Victoria would see as an advantage to devolving all those responsibilities. They obviously saw, I don't know whether it was a financial or a - or what it is, but it's -

Mr GUTWEIN - Being as it is certainly some time before I held this position, I must admit I haven't exercised my mind to what Victoria's reasonings were at the time and what they saw the benefits as being.

CHAIR - Thank you. I haven't got any more questions on the TIC. I don't know whether any

other members have. If not, short and sharp. Thank you, Treasurer. Thank you, Mr Overland.

Mr GUTWEIN - Are we planning now?

CHAIR - Yes, thank you. Planning now.

Minister for Planning and Local Government

Output 1.1 Resource Management and Planning

CHAIR - Treasurer, you might introduce the new people.

Mr GUTWEIN - To my right, Brooke Craven, the Assistant Director of Legal Policy, and to my left Brian Risby, the Manager of the Planning Unit which we've established within the department, and Jarrod Bryan.

CHAIR - Thank you very much. Leonie?

Mrs HISCUTT - Minister, there is just a moderate rising of money over the forward Estimates, is that just normal day to day running to keep the tribunal on track and functioning?

Mr GUTWEIN - So doing 1.11?

CHAIR - Yes.

Mrs HISCUTT - Resource Management and Planning, page 124.

Mr GUTWEIN - So the budget continues on the same basis with existing funding levels maintained in 2016-17 across the forward Estimates. We have not made any changes to the funding profile.

Mrs HISCUTT - No, it just looks like it's through the years. I see that the performance outputs are pretty good for problems that are resolved by mediation. For 2016-17, 78 per cent is your target, so that is not too bad. Is it the other 20 per cent that goes to courts or through the tribunal?

Mr BRYAN - It can be a range of matters that need to be withdrawn as the parties elect not to go any further after mediation, or they will proceed to a full hearing.

Mrs HISCUTT - How do you know that those ones that have been mediated are actually adhered to, or do you only hear about it when someone complains again?

Mr BRYAN - Well the nature of the tribunal's functions is whatever agreement the parties reach is vetted through the chairperson or appropriate members, and if the tribunal determines the outcomes are appropriate and lawful, it issues a judgment which directs the council to issue a new permit with the relevant conditions and changes. So the question then of enforcing that is a separate process.

Mrs HISCUTT - I am interested to go down that process.

Mr BRYAN - Sure.

Mrs HISCUTT - The tribunal makes a determination.

Mr BRYAN - Yes.

Mrs HISCUTT - We have someone, say a builder, a home owner/builder who declines to do as he is asked, what is the process to enforce that? What sort of teeth does the tribunal have?

Mr BRYAN - The statutory regime has been changed recently where there is a greater focus on interaction with the council for the purposes of enforcement, and I think other people can comment upon that statutory shift.

Mr GUTWEIN - Yes, probably.

Mr BRYAN - There is still the capacity to come to the tribunal, it's just that different steps are being introduced to that process.

Mrs HISCUTT - But what sort of enforcement can you make? What do you have that you can make? Do you have fines or do you - can you take people off to jail? What sort of things can you do?

Ms FORREST - Escort them with handcuffs or something?

Mr BRYAN - I wish I could, no. Section 64 is the primary device that is used for enforcement of planning decisions.

Mrs HISCUTT - Which is?

Mr BRYAN - That enables the tribunal to make certain orders in relation to compliance which councils can undertake at their own cost if people still don't do what they are supposed to be doing.

Mrs HISCUTT - So is that a council cost to enforce it?

Mr BRYAN - They can reclaim that cost as a recoverable debt in a court of competent jurisdiction. But the other thing is if people disobey those orders, there are penalties under the act which people can then pursue in the Magistrates Court.

Mrs HISCUTT - Is that used very often?

Mr BRYAN - I don't know the figures on that particular point off the top of my head.

Mrs HISCUTT - That, of course, is at the cost of the injured party to pursue that?

Mr BRYAN - It depends. It may be a council that is seeking enforcement.

Mrs HISCUTT - Yes.

Mr BRYAN - I don't have enough information to usefully comment.

Mrs HISCUTT - I am aware of a case that may come to you in due course that is based on the

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knock back of a shop on moral grounds. How does the tribunal handle things that are put out on moral grounds?

Mr BRYAN - The risk with commenting upon a specific case is that I might be pre-empting things which would be inappropriate. There is a limit to what comment I can make except to make a general observation that we are obliged to apply the law as it is drafted and standard.

Mrs HISCUTT - You are obliged to apply the law.

Mr BRYAN - The law.

Mrs HISCUTT - As it is?

Mr BRYAN - The legal standards as set in planning schemes and legislation.

Mrs HISCUTT - Thank you, I am done.

Ms FORREST - We recently, last week in fact, passed the Building Bill through this very House. That creates quite a few appeal rights, some already existing with RMPAT. There are probably a few extra with RMPAT now. So in view of the fact that there are only minimal increases in the line item, one would expect this could create a bit more work for RMPAT. What is your view on that, through your minister?

Mr BRYAN - Through the minister, tentatively, I don't think it should cause any great difficulties. The tribunal is managing its workload well at the moment and additional matters, I don't think, it will cause a great difficulty for it. We are guessing at how many numbers might arise, but I don't see it as being problematic at this point.

Ms FORREST - It is probably more likely to be next year anyway because it's delayed to the beginning of June/July.

Mr GUTWEIN - 1 July, is it?

Ms FORREST - January.

Mr GUTWEIN - January.

Mr BRYAN - January. I think it's six months.

Ms FORREST - It was January this next year. It's going to be - yes.

Mr GUTWEIN - When I was the minister we were planning in July.

Ms FORREST - Not anymore? But you still are, aren't you?

Mr GUTWEIN - Not for building.

Mr BRYAN - Not building.

Ms FORREST - Not, no, no, but planning you still are.

Mr GUTWEIN - Yes.

Ms FORREST - Yes. They do tend to go together a little bit. Yes.

Mr GUTWEIN - The new minister will like that hand-in-glove.

Ms FORREST - Thought so. So, Treasurer, you are happy with the work and the capacity of RMPAT as is?

Mr GUTWEIN - I am. Obviously, as we work through the next process for budget if there are issues that we can see we can take them into account then. There is always the opportunity for, if an agency finds that receipts additional work that was outside of its thinking when the previous budget was put together, there can always be a request for additional funds made. But at this stage we don't see any particular challenge to this financial year.

Ms FORREST - Most of the appeals come through LUPA and to that planning side of it rather than through the Building Act, wouldn't they?

Mr BRYAN - That certainly represents a larger proportion of our work.

Ms FORREST - So with the new planning reforms, if we get to the later time, do you think that's going to increase or decrease the fee demand on RMPAT? People, as they get used to the new arrangements, could create a greater workload.

Mr GUTWEIN - It's a matter of clarity, isn't it? If the rules are clear and they are understood then that will lead to fewer issues arising. That has been one of the key aims of the Government to ensure that we have a system whereby across the state the rules are clear and they are understood so it could lead to less cause for appeal. We are going through the process at the moment where there are a number of processes underway. Obviously, finalising the interim schemes as we work our way through it, and secondly, the SPPs are being considered at the moment and we will move into the local provision schedules in the latter part of this year as well. So look, I think - - -

Ms FORREST - So most of the appeal rights through that will be to RMPAT?

Mr GUTWEIN - On planning issues.

Ms FORREST - Yes.

Mr GUTWEIN - Yes.

Ms FORREST - I will be interested to see if there is an increase in demand.

Mr GUTWEIN - On development applications.

Ms FORREST - Yes. The planning commission on DAs has a role. Yes. Does anyone else have a question for RMPAT? No? So we'll move on to the TPC.

Output group 4
Regulatory and other services

4.2 Tasmanian Planning Commission

Mr MULDER - I don't have any questions on the Tasmania Planning Commission, so if anyone else does that's fine.

Mr FARRELL - Well, the reform taskforce, Treasurer, what's the future for that group? Is that going to be something that will be wound up and at what stage?

Mr GUTWEIN - It's my intention to keep the Planning Reform Taskforce in place until we finish the body of work that is before us. Obviously, having a group that you can refer to and seek advice and is broadly representative not just of developers but of industries as well, plus with particular planning expertise on. I would see the Planning Reform Taskforce will certainly be in place over the period until we complete the statewide scheme. But then also we've got the other policy initiatives to look at, the major projects legislation that we are currently working through, and matters such as third party appeals. So they will have a valuable role to play.

Mr FARRELL - So you have been fairly happy with the way that they have worked through this process?

Mr GUTWEIN - I have been very pleased with the approach. To have a group of people that have been prepared to sit around the table and provide the input that they have, certainly in regards to the statewide planning provisions, has been very well regarded by the Government. The work that they involve themselves in and I know I have a list in here somewhere of the amount of consultation they undertook, because I think it is important. I can get that list. Here we go.

One of the matters that I did want to put on the public record was the - certainly with the SPPS as we have been going through the statutory process there has been, I think, some erroneous public comment in regards to the amount of consultation that has occurred. Obviously, we have had a period of 60 days where TPC is looking at the SPPs. We are going to a 90-day period where the TPC has the opportunity to consider the representations that were made. But in regards to the work that was done, it is worthwhile putting on paper that there were 145 different stakeholders consulted prior to the SPPs coming to me in draft form.

Ms FORREST - Some of those would be representing bodies as opposed to individuals?

Mr GUTWEIN - They are, which increases the coverage of the people that we were engaged with. I won't run through the whole list unless people want me to.

Ms FORREST - Maybe you would like to table it would you?

Mr GUTWEIN - I am more than happy to. In fact I will make a start then we can see - obviously The Gap was on board, TFGA, Fruit Growers Association, the Small Business Council, Seafood Industry Council, Salmonid Growers, Wine Tasmanian, Bruny Island Cheese, the Tassie Institute of Agriculture, the Tourism Council, plus all 20 board members, the Property Council Policy Committee, Engineers Australia, Tasmanian Hospitality Association plus members, Coal River Valley Growers Association, MBT and HIA, Institute of Architects, the Planning Institute of Australia Board and Policy Committee members, Cement Concrete Aggregates Association Board, Tasmanian Commerce and Industry, the SSSI and members, the TasCOSS Board, 29 mayors, 29 council GMs, Northern Tas Development, Cradle Coast Authority, Southern Tas Councils'

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Authority, Housing Tasmania, Tas Heritage Council, Executive DPIWPE, Executive of DSG, TasRail, TasNetworks, TasWater, TasPorts, Hydro, Tas Gas Metro, Infrastructure Tas, the Hobart International Airport.

Ms FORREST - Have you talked to anyone who is trying to build a house?

Mr GUTWEIN - The HIA represents the vast majority of home building.

Ms FORREST - Builders more than home owners.

Mr GUTWEIN - Incat, Tas Maritime Network, Mission Australia, ShelterTas, Community Housing Limited Group, Housing Choices, Heritage Protection Society, EDA, Tas Conservation Trust, NRM and Coal River Farm. So there was a significant amount of consultation that was undertaken in regards to the development of those draft SPPs which then went through a process whereby we provided them to councils for a six-week comment. Then they have all the statutory -

Ms FORREST - In terms of the feedback from that process, were there significant changes?

Mr GUTWEIN - No, there weren't any significant changes. LGAT had sat at the table through this process. They understood the SPPs and there was also a technical reference group that was established which was three planners, one from each of the three regions, which sat as a technical reference group. Brian, if there is anything else that you would like to add?

Mr RISBY - The technical reference group drew three senior planners from each of the three regions to contribute technical expertise to the drafting process as well.

Ms FORREST - One of the comments in here is the implementation of Tasmania's Digital Planning System. Is this all part of that process or is this something separate that is going on?

Mr GUTWEIN - No, iPlan provides an IT platform whereby the planning system will be available online in real time, in fact, to track applications as they go through. What is involved with the budget this year, as well as a process whereby we invested \$1.9 million as some additional funding that has been provided by the Department, to get an additional resource, that will ensure that we will have, by 2020, a process whereby both planning and building will all be available online. So wherever you are, whatever you are doing, you will be able to look at what the rules are for your particular area, but also gain an understanding of what is occurring in regards to building regulation as well. It will be the leading system in the country, to be frank. It has that capacity.

Ms FORREST - That is one thing people often struggle with, though, where you find the information you need before you even go to council, whether you need a DA, which you won't, but you won't need the building permit under some -

Mr GUTWEIN - In some.

Ms FORREST - Having it in a central location will probably help, or should help.

Mr GUTWEIN - It should, and as a homeowner, to be able to look at your property, what zone it is in, what the rules are in respect of that zone in regards to what you can do, but then importantly also gain an understanding of what you need to do in regards to the building regulations that apply. It should, I would think, deliver very much on what we have been saying, and that is that we need

a system that is faster, simpler and cheaper because it is going to provide people access when they need it.

Ms FORREST - In terms of the projects of state significance and any draft state policies, are we working on any state policies at the moment, and what are they, if you are?

Mr GUTWEIN - We are working on a suite of state planning policies. Brooke might provide some background there, but one of the things that seemed to me to be missing in regards to the planning system was an overarching expression of Government's intent. With planning, those of you who have been involved in it, to some degree it can be quite subjective. You can get a different view from a planner in a particular area or in a particular town; you can get two different interpretations of what is an acceptable solution.

One of the things that we have looked to do, and we are working on it at the moment, is to introduce an overarching suite and we have changed the name to Tasmanian Planning Policies. They won't be state policies to the extent that we understand the coastal policies or other policies, but what these will do will be a statement of intent in regards to the Government's view in regards to the major things; the portable housing, infrastructure, economic development, et cetera. Brooke, if you want to add?

Ms CRAVEN - Through you, minister, happy to add to that. There has been an interdepartmental committee established to oversee this as well, so that involves heads of agency, it involves four different agencies. We have the Department of Justice, Department of Primary Industries, Parks, Water and Environment, State Growth and Department of Premier and Cabinet who are chairing the committee, reporting to the minister and overseeing some internal work at the moment around the content of these policies and we are also looking at the mechanism for how they might be introduced.

The approach is to be taking a comprehensive approach to the suite of issues that you may require planning policy guidance around and to give strategic guidance to the planning system overall, so they are likely to inform things like future reviews of regional land use strategies and future reviews of the State Growth Planning Scheme, Tasmanian Planning Scheme when that is in place, so looking at issues like economic development, settlement, infrastructure, transport, natural and cultural heritage and hazards and risks.

Ms FORREST - You mentioned the coastal policy. We are going to see on the east coast, half the coast is gone, I reckon, by about now. Which is a great concern.

Mr GUTWEIN - We would say it was not as bad as that. Let's hope it is not as bad as that.

Ms FORREST - Some of the pictures will indicate it is pretty bad.

Ms HISCUTT - The Bass Highway is about to be cut off at the Forth Bridge.

Ms FORREST - There is going to be huge erosion for the storms and floods we have had and the east coast is currently taking a severe battering. Some of the pictures that are already coming through, through media outlets and the like and social media, would suggest that there is a real issue. Whether you want to consider climate change or just one of those freakish events, it doesn't matter; the end result is the same.

So are we going to look at these sorts of policies in terms of our coastal areas or is that going to be incorporated into the bigger picture here or how is it going to be managed?

Mr GUTWEIN - Again, either Brian or Brooke might talk about some of the things that we have brought forward with the SPPs in regards to it.

Mr RISBY - As Brooke just indicated, hazards are one of the Tasmanian Planning Policy's focus. In the interim, the State Planning provisions do provide for normal suite of controls for coastal issues, particularly inundation and erosion which is very relevant to what we are talking about here. So a standard set of codes across the state for the planning scheme, dealing with those matters which are based on the best information and mapping available, and it has gone through a separate process through the Premier and Cabinet. That will be put in place. The policy position adds the gravitas, if you like, to those planning codes so they are not being - the coastal policy remains in place as a state policy and the codes have to give effect to that.

Mr GUTWEIN - The key point is that we are going through that statutory process at the moment in regards to those codes and the TBC will be giving consideration over the next 90 days in regards to matters in that particular area.

Ms FORREST - We have seen in the past there has been - even last week when we debated the Building Bill - sad stories about building close to either rivers or coastal areas that are subject to erosion. In my electorate, I am sure you are possibly aware of, where the land should never have been sold for dwellings or other buildings to be built on, but it was. It was originally Crown land. Some of it sold to council, council then approved it for development and then the houses nearly fall into the river. There does need to be some pretty clear direction around that, so I assume that is what will hopefully be adopted through this process.

Mr GUTWEIN - As I say, they are matters that people have had the opportunity now for 60 days to comment on and the TPC have been working through and considering those matters before coming back to me with advice.

Mr GAFFNEY - We often heard pre-election, post-election, about the system being faster - I think it was faster, quicker, simpler and fairer?

Mr GUTWEIN - Faster, fairer, simpler and cheaper. You are almost there.

Mr GAFFNEY - I am just worried, I would like to see, at the end of the process, how those four statements or categories or guidelines, what you have said, are actually measured. That would be fair because if that is the mantra, then at the end of this process, will we be shown how those four things have actually panned out?

Mr GUTWEIN - There is a range of ways that matters like that can be measured at the moment. Councils currently provide information in regards to the time it takes to deal with development applications, both permitted and discretionary, on an annual basis. That will be something that will continue so it can be measured against. In regards to the current statewide planning divisions, one of the things that I must admit that I was always convinced early on that you needed to have a system that made sense, but it never more clear to me than in the lead-up to the last election when standing on the boundary of Meander and Launceston, which runs down the middle of the street that is outside of St Pat's College, and on one side you have a school that could be built to a certain height, on the other side you had schools that could be built at a different height.

The Tasmanian Fire Service building was directly there. Again, there was a different height across both of those zones for those types of buildings. In the one city, but with completely different rules in regards to heights and setbacks. So a single statewide scheme that has a high degree of commonality in those areas where it makes sense to have commonality is going to make it certainly much fairer and certainly simpler to operate. The rules will be clear for everybody, regardless of whether you are on one side of Mt Leslie Road or on the other.

Mr GAFFNEY - It still comes down to a degree of interpretation, though, doesn't it? When you say 'simpler', you have some people will say, 'Good grief, look at the size of the document we have now', and so it still comes down to a matter of interpretation of those. I remember going to a forum eight years ago and we had 60 or 70 planners all in the same sort of building, and they all had differing interpretations of the same word, or it seemed to. It is just the nature of the beast.

Mr GUTWEIN - Brian, sitting next to me, is a planner. This is where we talked about the Tasmanian planning policies providing an overarching statement in regards to the Government's intention in regards to a range of matters and that is something that will be developed in time for the first regional land use review which will be post the implementation of the statewide schemes. But those things that obviously we can all agree on in regards to height, setbacks, that has to simplify the process.

If you are a building designer or an architect and you are considering whether or not - building in Hobart, depending on how you view Hobart, you have the Glenorchy Interim Scheme, you've got the Hobart Interim Scheme, and you have the Kingborough Interim Scheme, and the Clarence Interim Scheme. Again, largely dealing with the same things but all with different criteria around it to some degree and so what this will do is ensure that it will be simpler for building designers, it will be simpler for architects and if you are looking to build a home or to do something on your own home. And as we just discussed in regards to iPlan, you will be able to, in real time, have a look at what the rules are in regards to your area, what it is zoned as, and understand that, importantly, and if you submit a DA, you will be able to track it.

CHAIR - And won't have to worry about the colour of awnings.

Mr GUTWEIN - That takes it into a completely different space.

Mr MULDER - By way of commentary, to be fair, when you are standing at St Pat's and you are looking at either side of the road, you have two completely different planning schemes which is the utter nonsense that you have described. Which office in the land signed off on those two planning schemes and on whose recommendation that produced this nonsense? That is the point, isn't it? The Planning minister and the Planning Commission have sat there and gone through these planning schemes and signed off on them and then, 'Oh well, this is ridiculous, we need a single planning scheme.'

If it is a matter of interpretation of a word, that is what RMPAT is for, and if RMPAT was actually bound by its own decisions and didn't do everything novo, we would then have some guidance to the planners about how to interpret the rules.

Mr GUTWEIN - It is a point, though, and I would just add something to it. It is interesting, when I first became the Planning minister and we were attempting to bring the interim schemes to a consistent level right across the state we looked at the north-west coast and that one was further

advanced than the south. With the schemes in the north-west coast, from memory we had around 260 representations but nearly 800 issues were raised. In fact, here we go: 258 representations. My understanding was there were about 700 or 800 issues that were raised. Many of them were from the councils themselves in respect to schemes that they had voted on around their table and that really surprised me, and it really surprised me.

Mr MULDER - The Clarence council, which I was on when this was going through, got themselves into a situation where they had the cyclical review of the planning schemes. What they did is they got hold of the Brighton planning scheme with all its zones and its conditions and simply imported them across and then justified them to the positions it's in. Seven years later, the mergers, a planning scheme that is completely different to the original one put on, we are thinking that had just been approved, it is a model, we will go forward.

What happened was there are some personalities inside the Planning Commission changed, suddenly all the planning schemes change and that is an issue that gets lost in this, people put points on councils and bits and pieces. The other thing of course is that an awful lot of this stuff basically disappeared when PD4 came, for the residential code. I think that that was an appropriate response and we are now into commentary, not questions.

4.3 Planning Policy and Reform

Mrs HISCUTT - I notice that 4.2, Tasmanian Planning Commission, had a decrease in money and the planning policy and reform sections have a small increase in money. Is that because one is sort of phasing out, or you are phasing the next one in? How are you going with that?

Mr GUTWEIN - The TPC had two roles in the past. One was a function of regulation, but then also one of providing policy advice. What we have done is we have separated those roles so effectively you have - is the regulator of planning schemes the right - the statutory responsibilities associated with the TPC, that will continue to be their role, but then policy advice will be provided separately by the planning unit within the Department of Justice.

Mrs HISCUTT - What is going on with all the planning reforms, which is wonderful, you only have allocated \$700 000-odd in the forward Estimates. Is that enough to provide all the assistance and advice that you need?

Mr GUTWEIN - That is for the Planning Policy Unit and of which we provided an additional \$200 000 this year too, and we provided an additional \$200 000 this year as well to the TPC to ensure that it can deal with its workload. The TPC do have a significant workload in front of them on the basis of the interim schemes that they need to deal with, but also the state-wide planning provisions, but we put across the forward estimates, an additional \$1.6 million across those two different line items.

Mrs HISCUTT - Are they standing up all right? Your workers? They have enough of the resources that they need?

Mr GUTWEIN - I believe so. I believe so.

Mrs HISCUTT - So your internal restructure is working well?

Mr GUTWEIN - It is, but to be clear, there is a significant workload in front of us. There is

no two ways about that. It is interesting that Mr Mulder mentioned PD4 and PD4.1 in regards to some of the public commentary that has been lately in the press, both on radio and certainly in the southern papers. People are getting the existing rules which have been in place certainly in regards to PD4.1 which February 2014 before we even came to government, suddenly waking up to the fact that those rules are in place and looking at the current Government, saying, well, you are making a whole range of changes in regards to the statewide planning provisions, when we are not.

In fact, the statewide planning provisions, broadly speaking, pick up the existing rules, certainly in regards to residential developments and that is something that we have to make certain that we keep communication channels open, clearly, with the general public because it is important that they understand what we are actually doing and what we are doing is we are taking a lot of the existing rules, ensuring that we have the commonality across them, but basically it is the way that things have been done already, but just not understood.

Mrs HISCUTT - I would like to touch on iPlan, it sounds fairly exciting. How is that going and do you imagine that a homeowner in the end will be able to do a lot of it online? Is that how you imagine that working? At the minute, you have committed \$3.3 million towards that which is a significant amount of money, but there is current resourcing of \$1.4 million. Where is that in your budget? Have you got that there somewhere?

Mr GUTWEIN - Sorry, in regards to the money that we have allocated or where have the existing resources -

Mrs HISCUTT - There are three. There is current resourcing of \$1.4 million that is reflected here somewhere.

Mr GUTWEIN - And then an additional \$1.9 million that we have added, yes.

Mrs HISCUTT - Yes.

Mr GUTWEIN - I will get Mr Overland to explain where that has come from, but the iPlan project was underway when we came to Government. What we are looking to do is to bring it to - I won't say a speedy completion of the project, but we have taken a step up in this budget as well and where building will be included as part of the platform as well.

Back to your original question which is will a homeowner be able to access and understand -

Mrs HISCUTT - And get my fire plan and all that on there?

Mr GUTWEIN - The simple answer to that is yes.

Mrs HISCUTT - Wonderful.

Mr GUTWEIN - You will be able to go onto the iPlan website, you will be able to look at the address of your property, understand what zone it is in, what the rules are for that zone and then importantly, if you are looking at a building project as well, you will be able to seek information as well in regards to what the rules are.

Ms FORREST - So anything that is discretionary within that will still have to go through the council?

Mr GUTWEIN - Yes. With the planning system, there will be 'No permit required', there will be 'Permitted use' which council will have an opportunity to put conditions on and then you will have 'Discretionary'. If it is discretionary, obviously council will have a view. What we are attempting to do is to make certain that rules are clear and that they are understood and that they are across the state, not just in respect of a single municipality.

Mr OVERLAND - So stage 1 of the project which is currently underway will enable councils, planning professionals, homeowners, builders and developers to search online for planning scheme rules and mapping. So it will make the Government Statewide Tasmanian Planning Scheme accessible online. The state budget delivers \$1.9 million for stage 2 of the project from 2017-18, however the work will commence immediately using resources that are already available to the department.

So the total cost of stage 2 is \$3.275 million. The additional funds are essentially coming out of building because it is both for planning and building, so there is building fund set aside which is money that has come out of trust funds in the building area that will be used to fund the project this year and then it will jointly fund with the appropriation funding in the years to a total of, as I said, \$3.275 million.

Stage 2 will initially extend iPlan information and mapping systems to incorporate building and referral authorities, so such as TasWater, expand online enquiry services to incorporate building and referral authorities, a new statewide application, preparation and lodgement portal for all development, building, plumbing, scheme amendment and related applications and forms, a new automated application referral systems for other approvals required under the resource management and planning system, so environment, heritage and infrastructure, a new centralised assessment workplace system for planning and building applications with standardised reporting conditions and approval templates, and expand online application tracking service to include building, plumbing and referral authority processes.

Essentially, once this thing is up and running fully, you will be able to not only search to find out the relevant planning and building rules applying to your block, but if you want to do something you will be able to apply online and track progress of the application.

Mrs HISCUTT - It will be good when it gets up and running. Thank you, Chair.

CHAIR - Minister, we will adjourn for a 10 minute break and then we will start on Local Government and Forestry, those two, and then we will be done

The committee suspended from 3.46 p.m. to 4.01 p.m.

DIVISION 8

(Department of Premier and Cabinet)

Output group 7

Local Government

CHAIR - We will call the hearing to order. Minister, for the purpose of Hansard, please

introduce the people at the table.

Mr GUTWEIN - I have the Director of Local Government, Phillip Hoysted, with me and the Deputy Director, Greg Brown.

7.1 Local government

CHAIR - We will proceed to item 7.1, Local Government, and Mr Mulder is the lead on this.

Mr MULDER - We note that expenditure is down 45 per cent due to 'expiring election commitments'. What was the \$1.4 million for the current year? I presume a similar amount for the previous year. What has actually been achieved out of that money and is there no ongoing but unfunded commitment?

Mr GUTWEIN - Are you talking about the election commitments?

Mr MULDER - Yes. That is the reason you have gone from 3.2 down to 1.8, to 1.8, isn't it?

Mr GUTWEIN - I can give you a list of those projects, or certainly some background. The division administered 12 election commitment grants to 12 councils for 16 projects during the period. Grants to the value of \$1.46 million were provided to the Central Islands, Circular Head, Crown City, Flinders, Glenorchy City, Hobart City, King Island, Kingborough and Tasman councils in 2014-15, and a further \$1.475 million was provided in grants in 2015-16 to Hobart City, Glenorchy, Kingborough, Meander Valley, and Waratah-Wynyard councils.

Six of the projects funded through the grants program have been completed to this stage. The remaining 10 projects are progressing in line with the requirements of the grant deeds. The completed projects include the installation of public lighting in parks in Clarence City area, the development of public amenities in Derwent Bridge, the redevelopment of Liverpool Street in Hobart CBD, improvements to drainage at the Ranelagh recreation ground, improvements to the Kingston Beach foreshore and installation of new blocking at the Smithton Recreation ground. They are the ones that have been completed.

Mr MULDER - That is the general infrastructure projects that you have committed to during the election. I was thinking more along the lines of was there any of that money towards your Local Government Reform Program?

Mr HOYSTED - No, not that money.

Mr MULDER - So that is another area. That was my main issue, about why that was sitting in the ongoing 1.8, what is that for?

Mr GUTWEIN - The operation of the division.

Mr MULDER - The division? Right.

CHAIR - Treasurer, obviously there is always that continuing conversation about amalgamations and you have provided some financial incentives for shared arrangements, that sort of thing. So could you just, for the record for the committee, talk about what progress has been made towards amalgamations, what are the key benefits to the economy, if they had to occur,

although you have often said there will not be forced amalgamations. Is there, for example what we see happening in New South Wales at the moment, a case for forced amalgamations?

Mr GUTWEIN - The process that I outlined, and obviously from a range of different quarters in regards to Local Government, the calls for amalgamations occur, I will not say regularly, but certainly there are those who have a voice in the debate. One of the things that is really important, I had this discussion with Local Government when I first became minister, was that I think there would be benefits from amalgamation. I certainly think there would be benefits from resource sharing, but what is important is that we need to have the evidence and data that would support that proposition.

What Local Government had determined to do, and I had a very positive and healthy relationship with them to date, is that I proposed to them that to understand whether amalgamation or resource sharing models would improve and provide increased benefits to their ratepayers, that they should join with the state government and we should look at some modelling to understand that.

I provided this voluntarily to Local Government and I think, Phillip, correct me if I am wrong, 25 of 29 councils have decided to take up this option. Currently we have in place in the south a feasibility study underway. We have signed memorandums for feasibility studies for four greater Hobart councils, four south-east councils and we have MOUs in place in regard to resource sharing for the nine Cradle Coast councils and the eight northern councils.

The studies are considering the potential for and possible savings from, in the south, voluntary amalgamation, shared services, fee-for-service and any other model that is considered appropriate. The principles that I put to the Local Government in regards to that would need to be met before we would consider looking at an amalgamation model or implementing a resource sharing model is that, (1) it needed to be in the best interests of the ratepayers; (2) it needed to improve the level of services for communities; (3) preserve and maintain local representation and ensure that the financial status of the unities is strengthened.

In Hobart, I signed two MOUs, one for Greater Hobart councils, which includes Hobart City, Clarence, Glenorchy City and Kingborough councils, and a South-East MOU which includes again Clarence, Sorell as well, Glamorgan-Spring Bay and Tasman councils. The Greater Hobart councils have engaged SGS Economics and Planning and the south-east councils have engaged KPMG to undertake their respective feasibility studies, and the Greater Hobart councils' feasibility study will model reform options for the new municipal areas of those councils that I have named.

The south-east model is looking at feasibility studies that will model four reform options, amalgamation and resource sharing in regards to these four: Clarence City, Sorell, Tasman and Glamorgan-Spring Bay; Clarence City, Sorell and Tasman; Sorell and Tasman councils; and Sorell, Glamorgan-Spring Bay and Tasman councils. So within the south-east model, there are a range of different options that are being modelled.

In regards to Greater Hobart, it is looking at Hobart, Clarence, Glenorchy and Kingborough as an amalgamated Greater Hobart option. In the north of the state, two MOUs I recently finalised, one with Cradle Coast councils, and I won't list all of them, but they are all involved, the Cradle Coast models, and the northern council as well, to look at regional resource sharing options and we are currently going through the process now of engaging consultants for those two northern models.

The southern models are underway and I expect to have data back later on this year.

CHAIR - Can I just clarify that for the northern model, we are just talking about resource sharing or are we talking about potential amalgamation?

Mr GUTWEIN - Resource sharing. I have provided both options to the northern councils. There was not a unanimous position across either the northern eight or the north western nine. Some councils had a much firmer view on amalgamation than others, but the data that will come out of the resource sharing options are going to provide, I think, an opportunity for councils to consider, principally first and foremost, regional resource sharing, but also smaller models of resource sharing within that group, but also provide data that will inform them regarding other potential options as well.

CHAIR - I understand what you are saying. I can see that potentially that is a reasonable way forward. Being the devil's advocate, of course, you could also say that obviously every time people get around a table there are lots of vested interests at stake and is it better to have somebody else coming in totally independent, from outside the state even, to look at the whole lot? I don't know what they did in New South Wales or how they did that. They got themselves into a bit of bother. Anyway, that is the way it has always been thus, hasn't it?

Mr GUTWEIN - If I use the southern councils as a starting point, the four councils that are looking at the Greater Hobart option, that is an amalgamation option and in regards to an independent set of eyes looking at it, then there is obviously an independent consultant that is doing that, that the councils have agreed with. Obviously in the past there have been amalgamation models that have been put forward by, I think the Property Council in the south and also I think Saul Eslake and Jude Munro, they went forward with an initial model.

The results of both of those, certainly the Property Council one which had a very, very high percentage of savings, enabled a lot of people to walk away and say, 'Well, that's just not achievable.' Councils have been engaged in this from day one. They have had an opportunity to discuss and select the consultant that they felt, in conjunction with the state government was appropriate to conduct the task, and I will come back to where I started from.

We will have, for the first time I believe, an agreed set of data and evidence in regards to what the benefits may or may not be. Now, that will provide an opportunity for that discussion to then move forward.

CHAIR - Thanks for that. Mike may have some comments or questions on that, but just the last one I've got on amalgamation. If, for example, hypothetically, that did occur, it was not that amalgamation of the metro councils here in the south, that would provide - that would seemingly put an imbalance, I suppose, in you would have one mega council and a lot of others, the smaller ones around and the rest. So that would then force the hand, would you agree that would then force a hand for a northern region to do something? I don't know. I will just be the devil's advocate for that.

Mr GUTWEIN - I am not going to speculate on what might come out of this, but it is reasonable to say, and I have written to northern councils and western councils to make exactly that point, that if amalgamation options seemed to be attractive in the south and councils do take a first mover advantage on that, then the message that might send across the state is that the south of the state is a much more attractive landing point for investment. It is something that northern and north

western councils would have to consider very closely. I wrote to them and I made this point before we finalised the process of landing the northern and north western MOUs because it is a real risk for the north and north western councils not to be -

CHAIR - That is what I am trying to get you to say, yes.

Mr GUTWEIN - Well, look, I put it in writing, in fact, and I checked publicly. I think that it could potentially leave the north and the north-west councils at a distinct disadvantage if the southern modelling indicates that there are real and material benefits for ratepayers as a result of amalgamation.

Mr GAFFNEY - It is interesting. You know yourself, minister, across the country you have council areas of 660 people to a million, so in Tasmania since 1994, there have been council areas of 1200 people to 48 000. So I think the advantage of the southern one is that I do not mind that that actually goes first because a lot of the other councils around the area have the resources to say, 'Well, we could do this better' or 'This is a mistake'.

It is a way of going first to then ensure how else can the others do it without making some of the same mistakes because of the size of the numbers. Take for example, on the north-west coast, they have been sharing those resources for a long time, such as the collection of rubbish that they have done. So in some areas, they are actually further down that track and I would hate to see that it was a race for the funding to see which group goes first.

It is better off to see where their issues are with staffing or whatever and the fall-out from that, because otherwise, it becomes a 'we had better put our hand up or we are going to miss the boat', when it shouldn't be that sort of thing. It is better off to say, well, let that group go first, it is an obvious choice. I was going to say the councils are all about the same levels, but they are not. But do you know what I mean?

I would hate to see it become a competitive drive to see the north versus the south versus the north-west to see who can go first to get the funding because that is not what it should be about. It should be someone needs to set a framework so that the others can learn from it. That is how I see it.

Mr GUTWEIN - Once we have the data and the evidence, then we can start to have an informed discussion about this. That was always the aim of the process that I put in place. Will models come up that look attractive for ratepayers and that make sense? I am hoping that they do, but at the end of the day, it will be determined by the consultants will run this process and we will see what comes out.

In regards to resource sharing, and I was just looking through a note and if you have it, it would be useful, but we looked at there was a review of resource sharing that was undertaken. In fact, I spoke at the Local Government conference on this back in 2014-15, in fact, the first conference that I attended. My recollection from that was that there were over 153 different resource-sharing options that were suggested by councils they were engaging in. What was interesting is that the vast majority of them had never been assessed, people did not know if they were actually working and were achieving the benefits that had been set out. In fact, many of the resource-sharing options that were being utilised by councils were driven not as a result of a collective view of the opportunity it might present, but because they had lost a key person in a particular council and so an arrangement was put in place. So the driver was not some form of reform and efficiency, for reform and

efficiency, it was because they could not get the key person that they were looking for.

What really surprised me, and again, correct me if I am wrong, there were five councils that actually indicated that they had a resource-sharing arrangement with a particular council and that particular council indicated that it had zero resource-sharing arrangements in place with anyone.

CHAIR - Depends on how you define 'resource sharing', by the sound of it.

Mr GUTWEIN - What it demonstrates is that there is obviously, in the resource-sharing space, a lack of documentation in regards to what resources are being shared and the opportunity they are trying to achieve as a result, and importantly, what the outcomes or KPIs they are being measured against. So whilst a lot of councils do it, it was hard to find a model that you could point to in regards to resource sharing and say, well, that is the model that we should be following. Nobody was assessing them.

So what I am hoping as a result of this is that - well, what I know will occur is that we will have some data and we will have some evidence. What that will point to, I am keeping an open mind. My view would be that it will indicate that there are benefits, both from a resource sharing but also from amalgamation, but with amalgamation there comes costs as well. We have recently, not in our space, but it has been something that Local Government have engaged in with TasWater in bringing three organisations together, or four to begin with.

You have issues in regards to enterprise agreements that need to be taken into account, there is a range of other costs associated with any amalgamation and those things need to be understood as well. But in the main, across the majority of councils, good people turn up at a table to do the best that they can. What I am interested in is understanding whether or not we can do things better and whether or not there are models that might improve things for ratepayers.

Mr GAFFNEY - It doesn't help when you have external bodies coming up and saying, 'If you want your rates reduced, amalgamate', because that is not what it is about and that was quite a mischievous campaign a couple of years ago when that was focused. It did highlight it and it has got it to better discussion, but those in Local Government know that that is not going to happen as simply as that, just by saying, 'Let's amalgamate and your rates will go down', because that's a furphy.

Mr GUTWEIN - No, and look, it may be that if efficiencies can be created across a range of councils, that alternative services may be able to be offered, or that there may be services that are being offered by a particular council with a particular rating structure or charging structure that can be duplicated that provides better outcomes for ratepayers. Again, it is a matter of having the data and the evidence. Once we have that, then we can have an informed -

CHAIR - Work in progress and many ways to skin a cat. Is that what you are saying?

Mr GUTWEIN - What I am saying is that we will have an informed debate and we will begin that informed debate before the end of the year, I would hope, on the basis that we will have the consultants' reports in, I hope, for the seven councils. September.

Mr MULDER - The thing that concerned me, and it concerned me with the South Tasmanian Council Authority which basically grounded the four big central ones, is that what happens is you end up with four moderately large councils that should be financially viable, and you amalgamate

them into a super financially viable council.

But the real issue is - like, in my electorate, I have a third of Clarence and I know the Local Government stuff there. Then I have Sorell and then I have Tasman. You think, hang on a minute, if Clarence disappears and links up with Hobart, Glenorchy and Kingborough, I presume, that you then have a super big council with an awful lot of political clout and then you still have your problem, which is out in the regions with the small, unviable councils that are trying to share resources and all sorts of things. It just seems to me that there has to be a time limit when I say, well, it is the small, unviable ones we should be somehow or other linking to a large viable one to give it the ratepayer base to get - it is not about the efficiency.

The cost of running it, the administrative costs of councils is - I don't think the duplication is all such a big impact which is why it doesn't translate into rates. You have just got a few less aldermen to pay, really, and you might have one general manager and you might have a human resources, so you have about four or five executives plus your elected officials and that is the only saving you made. That is immediately lost when workloads are shared around and you have to do new enterprise agreements and things like that.

So it is not about that, but it is just about - to me anyway - throwing a lifeline to Tasman and throwing a lifeline to Sorell. I know they are sharing a general manager, but if they are sharing a general manager and they are sharing building services and they are sharing health services and they are sharing all these services, why do we need a duplicate set of aldermen sitting around making planning decisions which are reviewed by the Planning Commission anyway?

Mr GUTWEIN - The point that you make is a valid one. It was one that was recognised by Clarence, which I think was your former council, because the models that are being looked at in the south east - now, Clarence has certainly taken the step to look at the Greater Hobart model and be modelled in that group of four, but they have also looked at - they are looking at Clarence, Sorell, Tasman and Glamorgan-Spring Bay as one option.

Clarence, Sorell and Tasman together. Sorell and Tasman are looking at an amalgamation option together; and Sorell, Glamorgan-Spring Bay and Tasman. So there are a range of options that are being looked at outside the large four and Clarence is certainly engaged in a number of those smaller options, but then the smaller councils as well are having a look. One of the things I think you would all recall, I think Jim Cox was the Local Government minister when was it Glamorgan-Spring Bay - Break O' Day, and there was a review that the Local Government Board looked at whether they would amalgamate and a decision was made that they shouldn't because you had two small councils -

Mr MULDER - Two small unviable councils and a medium size but still unviable council.

Mr GUTWEIN - That was broadly the outcome.

Mr MULDER - That is my point about if you are going to bring Sorell and Tasman together, and I mean, Sorell and Tasman. Sorell thinks it is a reasonable size council, but they have just had a downsizing of their workforce in order to become financially and economically responsible, but just go and talk to the local guys at the football ground who have approached council and said, 'Listen, at our expense, we want to do the fence here', and they haven't even got a response back, let alone do anything because there just isn't the massive staff now to be able to identify projects, to go and do the basic groundwork.

So they have about one project they can do at any given time and it really becomes, to me, a question of well, you might not be quite as viable as you think because you haven't got a critical mass of staff to service that particular area. It seems to me that if they then amalgamate with Tasman, that is not going to make anything better, it is going to make it worse.

Mr GUTWEIN - Those options are being modelled and as a result of that, we will have some data from which we can start to have an informed view, but importantly, begin to inform other -

Mr MULDER - And using that, if you come up with a sensible model that says, you know, Clarence, Sorell, Tasman and lower half GMSB would be an appropriate amalgamation for them and then you find that Tasman or Sorell, in the middle of it all, decides not to go to it, my suggestion is, isn't that about the time that you put it to the electors to make a decision as to which way they go to the electors' poll and pass the vested interest in the council? I mean, the provision exists in the Local Government Act. It has mystified me why it is never not used at every election.

Mr GUTWEIN - I have to say that Local Government, through this program have been responsible and mature. They understand what this could mean, I think, once the data and the evidence is on the table because the whole process has been about looking at this from a ratepayer's perspective. How do you improve benefits to ratepayers? We will have some evidence and some data and we will be able to have the conversations.

Mr MULDER - But my question is, if logic says those three should get together and one of them decides not to play, there has to be a way through that, by bypassing, if necessary, that council and asking its ratepayers.

Mr GUTWEIN - Let's have a look at the data and see what comes up -

CHAIR - I might change tack just slightly, Treasurer. Earlier this year, you announced a targeted review of the act with a focus on a number of matters including the functions of mayors and councillors, and right at the moment, unfortunately we have tensions in the Glenorchy and Huon councils, for example. The question I have is, will your review consider alternate approaches such as elections of mayors by councillors, or are you still committed to the status quo?

I was around in Local Government when all that happened. It was called the pollie factor at the time when it was all changed and I had a certain view. Other members might not on whether mayors should be elected properly or not. In some other jurisdictions there is an option there. So that is a question I have to you. Have you given that some thought?

Mr GUTWEIN - The review looks at those matters. In fact, governance improvement was one of the key issues of the review and the objectives of the review. So the roles and responsibilities of mayors and deputy mayors, elected members and general managers is part of the review, also the roles and responsibilities of the director of Local Government, the Local Government Board and boards of inquiry, financial management, and then a range of other matters such as Local Government electoral advertising, general managers, electoral roll, the recognition and role of regional bodies, which I am pleased that Local Government have agreed to have included as a part of the review because one of the things that I found interesting when I first became the Treasurer was that the Southern Tasmanian Councils Authority had a strategic - I was going to call it a wish list, but a strategic list of priorities that they wanted to see established across the southern region.

From the point of view of framing a budget, that is really useful to have that type of advice, but there was no such provision of a strategic list of priorities from the north or the north-west and the role and function of the three different regional bodies is quite different and separate in respect of governance and how they have been established. So that is one matter that is being considered by the review as well because there is a very strong argument that if we are going to have regional structures in place, that their role and function should have some commonality.

Obviously, different regions will have different priorities and different challenges and the regional bodies should be allowed to and enabled to consider those, but some commonality across the three regional bodies is important. That has been looked at in the review as well, but I have an open mind in regards to the way the mayor is elected. I've certainly got no strong view that it should be changed. There probably does need to be some clarity provided within the act in regards to the role and functions of mayors and the way that the current act operates, but as we work our way through the review, I'm sure these matters will be teased out.

Mr MULDER - That is my point because I think one of the contentious ones, Chairman, is that the issues, I think particularly Glenorchy springs to mind, where you have a mayor who the only role she is allowed to perform my fellow councillors is that of chairing the council meeting itself because that is in the act. Surely, if you are elected the mayor, you should by default be the chair of those committees of council that you choose to be the chair of because you are the headman in the council, and secondly, I mean - so if there was a model there whereby the mayor is the committee by default, if he wishes to delegate that to the deputy mayor, that is fine, and if the deputy mayor does not want to do it, you might then go into a position where the committee itself elects its own chair. But the idea that you have a general manager, with a performance review committee as required, and then not have the mayor on that performance review committee seems to me a nonsense.

Mr GUTWEIN - Yes. There is an inquiry going on at Glenorchy and certainly one at Huon, so it is not fair nor reasonable that I speak about the particular circumstances of those councils, other than to say that, you know, through the review of the Local Government Act, there will be an opportunity for mayors, deputy mayors and elected aldermen and councillors to provide their views in regards to how the current system is operating and whether or not there are ways that it could be improved.

Mr GAFFNEY - One of the things here is that because local government is actually a creature of the state government, when we change legislation in this place, that will impact. It was only 10 years ago there was a review of the Local Government Act 2006, the guidelines and whatever, where a lot of these things came to the surface, which started under Lyn Mason in 2002 or something, but what happens is when we get to this place and we have legislation that impacts on the way that they touch on the roles, then local government has to respond to that.

I think it is timely that there is a review and all that is put back on the table because now you are appointed four-year terms, all in, all out, that is a different ball game and so that can impact on the continuity and how they function. Although there have been a few councils that are under the limelight at the moment, councils going into administration since 1993, it is not a regular event, but it is not uncommon either and so it is cyclical. A review is timely because it will put all that stuff out onto the table so people can have another assessment of it.

Mr GUTWEIN - I am pleased that you support the fact that there is a review. I think it is timely. The act has been in place, is it, since 1993, so whilst there has been some tinkering with

the act and amendments over time, with some significant changes, you rightly point out with the terms, et cetera, and the way that mayors are elected, that it is important we have that conversation.

CHAIR - Any more questions to the Minister for Local Government? Thank you very much to your staff, minister, and we will move to our last bit that you are responsible for, and that is Forestry.

DIVISION 10

(State Growth)

Minister for Forestry

Output group 4

Resources policy and regulatory services

Mr GUTWEIN - I have with me at the table Penny Wells, Director Resource Policy. Welcome to the table, and Forestry Policy and Reform. .

Mr FARRELL - Treasurer, I see that you are not only the Treasurer but I think the whole shareholder Minister in Forestry, the responsible man. Just to get things started, witnesses are thumping for policy and reform. If you could just underline where you see Forestry going, Forestry Tas, in the next few years?

Mr GUTWEIN - What probably is important is if I provide some background as to where we have come from and the timing of when I see a range of announcements being made. Obviously, there was a significant change to forestry in Tasmania in the last term of government, and I want to put clearly on the record my concern at the time that when Gunns exited and there was an opportunity then to take a lighter cut from a wider range of the forest footprint that we had available, that rather than doing that - and I think that would have provided for increased biodiversity outcomes in a positive sense and environmental outcomes - the view was taken that environmental outcomes needed to be measured by hectares locked up. As a result, there was a lot of disturbance to the industry and there was a lot of change in the industry and there were a number of businesses that were taken to the wall as a result, and significant amounts of money were spent paying people out.

Since coming to Government, we have taken the view that the lock up that was originally proposed, around 400 000 hectares it has ended up, should be removed from reserve land and put into future production, potential forest.

That recognises the view that I certainly hold very strongly, that in regards to wood and wood products, in a calm and constrained world, the opportunity for timber into the future is going to become one that is very bright. I think the changes that have been made this year in regards to the National Construction Cut and the opportunity now to build larger buildings out of engineered timber is something that provides a real opportunity, both for Tasmania but for the industry more broadly.

The policy settings that we have brought to the table were ones that Forestry Tasmania should not receive an ongoing operational subsidy, that we needed to get Forestry Tasmania on the way to a sustainable pathway. As a result of the previous policy settings, there was to be - and it has been as high as \$40 million per annum that was quoted at one stage, but around \$25 million per annum

on an ongoing basis to underpin FT's operational deficits.

We do not agree with that and so what we have done is we have put in place a programme whereby we are looking at the operational structure of Forestry Tasmania, considering what the best model is for that, and transitioning them to that model. The detail of that, as I have said on a number of occasions, I will be announcing in the first quarter of the coming financial year, and we intend to fund that transition period as from the sale of the plantation resource, or part thereof, whatever is required to do so.

In regards to the other challenge that we had, obviously Triabunna has created a major problem in regards to residues and residue sales. Southern Residue Process, seeking a solution, was begun under the previous minister, Mr Harriss, and we are currently at the end of that process where Forestry Tasmania is negotiating with four of the remaining 10 that it began negotiations with and working with those proponents with a view to landing a solution for Southern Residues.

There is around 450 000 cubic metres of wood in a residue sense in the south of the state that needs to be dealt with and the solutions that we have on the table importantly actually provide for more than the wood that we have, but the way that I have looked at this is we will look at an initial solution, one that takes us out three to five years, because post that, we then have a significant amount of plantation wood, and other private forest wood, that comes into the marketplace and is around 1.5 million tonnes moving forward that we need to deal with.

So we will deal with the problem that we have, the immediate problem that we have, and then continue to work with proponents that have been part of the EOI process, looking at the longer term solutions.

Mr FARRELL - How vital is FSC certification for the future of Forestry Tasmania?

Mr GUTWEIN - The industry tells me that it is very important and we will be guided by the industry in regards to FSC. There is a view in other jurisdictions that it is not that important, that having PEFC, an Australian Forestry Standard certification is sufficient. Certainly the industry in Tasmania, their view is that FSC is important. They have obviously been through the first iteration of that process and FSC, there are matters that we still need to deal with and we will continue to work on those.

Mr FARRELL - Just on the residue issue, what solutions are you looking at? You mentioned Triabunna before. What solutions are you look at going forward as far as the southern forest residues go?

Mr GUTWEIN - Into the final stage of the process, there were four proponents. I understand three are currently in negotiations, looking at options that take into account whole logs in the main, out of Macquarie Wharf. There were a range of other options that were brought forward, but some that have a longer gestation period. For example, and I know the previous minister has spoken about that there were biomass solutions that were brought forward and that in terms of generating electricity.

There were other options that were brought forward looking at other port options, but what my focus has been, has been ensuring that we can deal with the initial challenge of the wood that we have in the southern forests and then we will continue to work with proponents on those longer term solutions once we have dealt with this short term issue.

CHAIR - Just following on from Craig's question, your comment that under a new model, you would sell off the public assets, the plantation assets. What is the composition? Can you provide the committee with hectares, and everything else? Can you provide that data to the committee?

Mr GUTWEIN - I can certainly provide a good overview. That would be available in the Forestry Tas annual report. There is around 50 000 hectares of plantation and, Penny, jump in at any stage. We had 50 000 hectares in total of eucalypt plantation. There is a proportion of that that has been pruned and thinned.

CHAIR - That was the next question. What percentage is being managed appropriately for in respect of - to come in -

Mr GUTWEIN - Again, with the pruned and thinned, that is looked at as future saw log production, but we have not made a final decision in regards to what would be taken to market through this process. We have a plantation sales advisor, Greshams, which have been appointed and they are looking at this and providing advice to the Government as we work out way through.

CHAIR - It is your expectation that the marketplace out there, the Foreco's, et cetera, they would be willing to jump at the chance to take on this resource?

Mr GUTWEIN - I think that there would be a real appetite for this resource, yes. I do.

Ms FORREST - I will just come back to another point I was going to ask you in a moment, minister, but in regard the sale advisor you have just answered questions about appointed for that, and I refer now as to a question a while back about this process and you made some comments there. I am just wondering whether FT has sorted out the dispute with the Gunns' liquidator, 14 000 hectares of NWS trees on FT land. I understand the liquidators are after about \$40 million, is that right?

Mr GUTWEIN - No, no.

Ms FORREST - It is FT's accounts that indicated that.

Mr GUTWEIN - I would need to get advice as to where that is at, being a matter that is being dealt with directly by FT.

Ms FORREST - The question I have for you, maybe you might like to take this on notice, is does FT have clear title to sell the trees it wants to sell? As I understand it, there are some in dispute.

Mr GUTWEIN - That is a component part of the 50 000 hectares of plantations that we have, but that matter, as I understand it, is being worked through but exactly where that is at, I would need to take advice on that.

Ms FORREST - Following on from that, Mr Chairman, I notice in the public non-financial corporation's balance sheet, page 147, budget paper number 1, it shows the biological assets falling in value by 50 per cent down to \$80 million. I asked a question on notice a little while ago to try to find out how you recorded the other side of the entry, whether it was revaluation or a loss on the sale and you replied that no amounts had been recorded in the income statement. Can you explain what you mean by that because it seems to be unorthodox, it has something that has reduced in

value usually is sold, written down, or a combination of both, or is it somewhere hidden in the balance sheet another way?

Mr GUTWEIN - I don't think the financial statements reflect the sale of any asset moving forward.

Ms FORREST - No, I just wondered what the other side of the entry was.

Mr GUTWEIN - We will get a note on that. I will wait until I get the advice. I do, in my mind, have an answer for you, but I will just check that if I can.

Ms FORREST - It is just odd there was only one side of the entry it appeared, from the answer provided a little while back.

Mr GUTWEIN - I will get some advice.

Ms FORREST - Minister, you made comment about the changes to the National Building Code to allow higher buildings, or larger buildings, taller buildings, to be constructed of timber which I agree, is a good thing. I would not have thought much of our timber resource would be suitable for that purpose, with the majority of it being plantation. Is that a fair comment, and do we need to rethink how we maximise this opportunity into the future?

Mr GUTWEIN - There are a couple of issues there. One, largely speaking, it will be cross-laminated timber or engineered timber, and again, obviously we have currently Ta Ann that are in the business of plywood lamination. In respect of the product mix moving forward, the view that I am getting from the industry, and this is not just necessarily in respect of the plantation asset that we have, but there is a real appetite within the plantation sector more broadly to look at the higher value uses that they can get from their plantation stock.

Certainly, the companies that I have met with and spoken with, woodchip is one option, but they are all very keen to look at how best to get a higher value product out of their plantation wood. Again, this is a matter for R&D and in many cases the private owners, not only our plantations, plantation estates in Tasmania, but across the country, are looking at this with a view to seeing how they can get the best value out of the product.

Ms FORREST - I hear what you say and I agree and that is why I am somewhat concerned about the plan to sell off plantation, because once it is sold, it is sold, it is an asset that we could potentially do a lot more with and actually reap the benefit, or FT could reap the benefit itself and potentially get it back on to a sustainable footing because I know you have made a number of commitments about not providing any ongoing financial support.

I remain to be convinced about the benefits and the appropriateness of selling the plantation to fund the debt and operating expenditure of FT. As far as you said you were not going to sell all of them, you indicated?

Mr GUTWEIN - We do not have final advice on that as yet and we are looking at what the options are in that space.

Ms FORREST - So are you considering off-take agreements if sold to a third party, for FT?

Mr GUTWEIN - There is a range of different permutations that a sale contract could take and obviously we retain the land and it is a Forestry right that would be what would be sold, normally over a 99-year period which would indicate that there will be future rotations of plantation wood. It is not just a matter of a sale taking place, one rotation, and then it is gone. The type of right that would normally be sold would be 99 years to the -

Ms FORREST - And what cost to the person who buys it? How much is the state going to get back?

Mr GUTWEIN - I am hoping that we will get top value back, top dollar back, but I am not going to engage in potentially setting a price. That would not be sensible at all. As part of the sales contract there is a range of different permutations that could be entered into in regards to the state having access to some of that wood at a later stage, in the later time frame, should it view that it might require it. We are going through the process at the moment. We are looking at what the options are and -

Ms FORREST - So is this something you intend to announce in the first quarter of the next financial year? That is not far away, it is only just a little bit around the corner.

Mr GUTWEIN - I would hope that we would be doing that in the first quarter of this coming financial year.

Ms FORREST - It is a good question for FT GBEs. In your opinion, does it appear as if FT can cover its cash deficits from 2015-16 and 2016-17 currently funded by TASCORP when the plantations are sold? Is that the intention or is that your belief?

Mr GUTWEIN - What happened in 2015-16 was that there was an equity transfer -

Ms FORREST - From the Tas Networks bank.

Mr GUTWEIN - From Tas Networks, and effectively FT started with no debt and so they are managing their way through this process. My view would be that the plan that we put in place will deliver the outcome that we are looking for.

Ms HISCUTT - I was just looking for your considered opinion on the reform of the protest laws in the forest. What is your opinion on whether you think the High Court will proceed or drop the charges now there is not any case, and can you also mention the legislation? Do you think it needs tightening up or do you think it is back on track? I was just interested in what you think.

Mr GUTWEIN - First, it would not be appropriate for me to consider what might be in the mind of the High Court. That will be a matter that they will consider. Obviously now that the offence has been dropped and we are not taking forward, it would certainly be the state's view that we would oppose that going to the High Court. That is something we have certainly said publicly. It is a matter for the High Court to determine, whether they want to consider the matter before them.

Ms HISCUTT - If they proceed, we would have to pay; it would be a cost for us to defend it, wouldn't it?

Mr GUTWEIN - We would need to defend ourselves, yes. In regards to the laws, it is important to understand where the technical issue arose. In any reading of the laws, and this House

made some changes to them - in fact, I spent some time over the weekend just having a quick look at them again - the issue was that the charges that were laid were laid presuming that somebody was in a business access zone when in effect they were in a business zone, on a premise.

My understanding is that the police are going to be provided with every assistance to enable them to understand, in the forest, what is a business access zone and what is a business premise. Again, the misunderstanding was largely because whilst the people who were charged were on a track leading up to a Forestry harvesting operation, they were actually in the coupe and the coupe is the business premise, for the purpose of the act.

I would think, in future, it is going to be that the police will certainly be provided with an understanding of the boundaries of the coupe and they will easily be able to determine what is a business zone or business premise and what is a business access zone.

Ms HISCUTT - So if it happens again, you expect a charge to hold?

Mr GUTWEIN - That would be my view, yes.

CHAIR - We were talking about the privatisation of the assets at all, or not? When you have business models in New Zealand where they have moved that way and also in South Australia, of removing them from state-owned control to a totally private model -

Mr GUTWEIN - In regards to FT you mean?

CHAIR - Yes.

Mr GUTWEIN - No, I am not considering privatising it.

CHAIR - You haven't?

Mr GUTWEIN - No.

CHAIR - Have you looked at any of those other models at all?

Mr GUTWEIN - I have looked at a range of different models and just to inform myself more broadly and certainly models across the country as well. But we have a public forest manager and harvesting business in FT and it would be my view that that will remain. But the operational model needs to be considered, I think.

CHAIR - Yes, it is interesting that in South Australia, in the south-eastern corner down there, which is all plantation, anyway that is what they are effectively doing at the moment.

Mr GUTWEIN - As I say, we are working through the process at the moment. One of the key issues was getting a landing on the southern residue and looking at the different models that might be employed in regards to the private sector engagement in the supply chain. So as we work through this, that is assisting to inform our final landing in regards to the Forestry Tas operation.

CHAIR - The Treasurer might go back to the past and expand on what is happening at the Long Reach site and permits. Are there any permits for a pulp mill still in place at the moment?

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - The permits are still in place, yes.

CHAIR - In your view, is there any likelihood that something may or may not happen there?

Mr GUTWEIN - That is a matter for the receiver to work through. Our position has been that we would always hope that there would be interest, but the final decision obviously rests with the receiver.

CHAIR - When do the permits run out?

Mr GUTWEIN - I think it is late 2017. I would need to take that on notice, but we can get that.

Mr FARRELL - Some detail, you put up your additional funding for the two new initiatives for wood and fibre processing and for strategic marketing. Could you just expand on those and what you hope to achieve out of the \$1 million that you will be investing?

Mr GUTWEIN - In regards to the Budget announced \$1.25 million, that is made up of, as you say, \$500 000 for joint marketing with the industry and we will be working with the industry to look at and design and develop a program whereby in my mind we actually take the opportunity to explain to people what is good about the Tasmanian Forestry industry, the fact that we are highly regulated, the fact that we have a diverse range of product mix that comes out of a forest, and importantly, that the industry does employ a significant number of people still.

There is an opportunity with the industry to look at ensuring that we have a strong program of marketing which currently does not exist, if you think about it. You can't look either nationally or internationally and find a marketing program or information on Tasmania Forestry products, and we intend to ensure that we have a strong program in place there. There is \$500 000 we have set aside for that.

As part of the program as well, there was an election commitment for \$550 000 for work with private forests in regards to residue solutions and alternative uses. There is also \$100 000 that is being considered for - \$100 000 for Dorset and \$100 000 for the Huon which were for grant funds to be made available to look at, again, alternative residue uses, biomass, et cetera. You would be aware, I think, certainly in the Dorset area, DRI and the work that they did on the former French Pine site and the interests that they have had in biofuels. Those two grant funds will be limited to \$100 000 for each of those municipal areas.

I would like to see, and I think there is a real interest in Dorset at the moment, I also think in the south as well, in regards to pellets. It is a good opportunity for those communities to look at the opportunity for pellets. As well, there is a \$500 000 - and if I separate the marketing from the innovation funds, within the innovation fund there is \$500 000 for innovative uses for timber, including biomass and other options, but also looking at small artisans and other people that would work in the industry, a grant option.

I know, thinking back to your previous comments about grant funding perhaps best being done in another fashion, this will be grant funding whereby on a dollar-for-dollar basis we will look to encourage some investment in looking for higher value uses for timber.

Ms FORREST - The Regional Forest Agreement, the extension of that, where is that at?

Mr GUTWEIN - The five-yearly review has been completed and it was tabled in the federal parliament, the response from both the state and Australian government parties, and we have recently finalised that part of the process and put out a response on 6 May. In regards to the extension of the Regional Forest Agreement, which was a commitment of the current Australian government, there was a view to that being completed September/October this year and obviously the election has slowed that process down.

The state is very keen to see an extension of the RFA, but we will need to re-engage post the election with the then government in regards to that commitment. I think the current RFA expires in 2017, November.

CHAIR - Minister, you mentioned biomass and pellets. So Foreco is doing something or are they intending to do something at Bell Bay - the production of a black pellet, a much more dense pellet. Was that your understanding?

Mr GUTWEIN - In fact, there has been a little bit written about this in some of the national press. They are looking at a black pellet option and that is largely for use in the Japanese market, as I understand it.

CHAIR - For what?

Mr GUTWEIN - For energy and heat. They have completed, I think, a pre-feasibility to this stage and there is further work ongoing there, but that could be an exciting option.

CHAIR - That is all plantation?

Mr GUTWEIN - It is.

CHAIR - Thank you. There are no further questions for the Treasurer, thank you.

Mr GUTWEIN - No problems, and on that matter, I will come back with an answer.

CHAIR - Treasurer, on behalf of the committee, thank you very much for your attendance here today. We got through a fair bit, wearing your many hats.

The committee adjourned at 5.07 pm