

UNCORRECTED PROOF ISSUE

Thursday 11 June 2015 - Estimates Committee A (Gutwein)

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Thursday 11 June 2015

MEMBERS

Mr Armstrong
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

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

Kim Enkelaar - 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

Dale Webster, Director, Building Services and Occupational Licensing

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

Ministerial Office

Adrian Christian - Chief of Staff

The committee met at 9 a.m.

DIVISION 11

(Department of Treasury and Finance)

[8.59 a.m.]

CHAIR - Good morning. Welcome to the table. Treasurer, please introduce your people to the committee.

Mr GUTWEIN - To my right, Tony Ferrall, Secretary of the Department of Treasury and Finance; Kathrine Morgan-Wicks, Deputy Secretary, Budget and Finance Division; and, to my left, Anton Voss, Deputy Secretary, Economic and Financial Policy.

CHAIR - Thank you. As you know, we have a fairly long day ahead of us. Once again, both sides of the table should be succinct. Treasurer, if you would please give the committee a brief overview.

Mr GUTWEIN - The Budget was framed for confident, consolidated gains that have been made in the last 15 months. Importantly, it builds on the momentum evident across the economy in the broader Tasmanian community. State final demand continues to grow. Between March quarter 2015 and March quarter 2014 state final demand increased by 1.5 per cent. During this period, business investment grew by 7.5 per cent and household consumption increased by 3.5 per cent. Tasmanian businesses, and largely smaller consumers, profit.

The Budget returns the state to an operational surplus for 2016-17, three years ahead of the forecast in last year's Budget. It invests \$1.8 billion of infrastructure across the forward Estimates, builds up net cash investments rather than net debt, and increases investment into essential services at a level we can afford. The Budget builds on the momentum of fiscal economics, puts the Government back into black and retires debt. It prudently and sensibly applies the goods and service tax - GST - and makes jobs the number one priority with the centrepiece \$315 million Jobs Package, which will benefit businesses both large and small. It includes an infrastructure program of \$1.8 billion. It maintains a strong focus on the regions and ensures all parts of the state receive their fair share of Tasmania's improving economic fortunes. It delivers increased and affordable investment into essential services.

In regards to the Savings Plan we announced in last year's Budget, it is critical to ensuring the state's financial position continues to strengthen certain, and it continues to invest in essential services that that Tasmania needs.

With that, Chair, I am happy to take questions.

CHAIR - That was nice and succinct. That was an excellent start. We will go into overview first, Treasurer, and spread it around the members as they wish. I have one question to start off with. It is in regard to the GST being such a significant part of the state's income. I am not sure whether it is up around 60 per cent or 65 per cent at the moment. Are you concerned, given this high level of dependency and particularly with the three-year cycle of federal elections, that lifeline could possibly be cut off at a time? If it is reduced from the levels contained in the forward Estimates, what measures would the Government need to instigate to keep the Budget strategy intact?

Mr GUTWEIN - Thank you, Chair. Total Federal Government transfers, including GST, the specific purpose payment - SPP - and notional partnership payments - NPPs -are around 65 per cent. That is a significant contribution. GST is a significant component of that, at around 40 per cent of our Budget. One of my key concerns, and certainly one of the Government's key concerns, in setting this Budget over the coming four years is ensuring that we did not put ourselves into that position that if there were changes.

Importantly, I point to the most recent meeting of the Commonwealth Grants Commission in February this year, at which there was a lot of lot of discussion at a national level from other states on changing the way the commission determines GST should be delivered. I do not think that appetite is going to diminish. Western Australia has significant problems. The discussion on delivery of the GST will also feed into the white paper on Federation. We also have the national tax reform process.

One of the key things in framing this Budget was to take a prudent approach to the windfall we received from the GST, and to make certain that over forward Estimates we build in sufficient capacity to withstand shocks should things change.

My political opponents in the lower House have suggested and argued very strongly that we should spent more. The Greens determined that they would effectively do away with all the surplus in the 2016-17 year - effectively, they would spend that and reduce the Budget's capacity in future years. My Labor opponents have argued quite loudly that we should be unwinding some of the savings measures that we have put in place.

I think the Budget moving forward provides us with sufficient flexibility to withstand shocks both in a political sense but also in an economic sense. That is one of the reasons why we have healthy operating surpluses across the forward Estimates.

CHAIR - So you are confident you have enough fat in the system, as you say to withstand the shocks of something if it did transpire? Let us hope it does not, of course. It has been really good that we have that extra money. We are not complaining about it.

Mr GUTWEIN - Look more GST is better than less GST. Let's be clear about that.

I will just go back to the conversations that happened at a national level, most recently at the Council of Australian Governments - COAG - but also at the treasurers' conference a couple of weeks before that. The outcome proposed by the other states - specifically WA - which was contemplated by Hockey, [inaudible] was to lock in our relativities at last year's level and apply them this year, effectively freezing any growth in the relativities. The outcome of that would have been \$100 million on the wrong side for us. Obviously that would have made a material difference in regards to framing the Budget moving forward. We will continue to fight very strongly to ensure the current system remains.

CHAIR - It is a federal matter, of course. However, as Treasurer of this state, would you like to see the feds increase the GST? The GST is a broad-based consumption tax. As we know, we have fallen well behind, at the rate of 10 per cent, the other Organisation for Economic Co-operation and Development - OECD - countries. Would you like to see an increase? Would that be a panacea to alleviating some issues?

Mr GUTWEIN - The outcome Tasmania has received from the GST is a very good one. To argue for a change in the GST at the moment on the basis that we actually have a very good outcome is certainly not something I would do. Obviously, a broader discussion about taxes is about to occur at a national level. I can assure everybody around the table that every single state or territory will be arguing for what is in their own best interests. We will continue to argue for what is in Tasmania's best interests. The outcome from the GST as it stands at the moment is a pretty good one for Tasmania.

CHAIR - It becomes a philosophical argument in the degree. If the GST is not raised - and there issues, particularly with the arguments put forward by Western Australia and other states - then revenue has to be increased somewhere, whether through stamp duty, land tax or all those sorts of things. From where I sit, I think they are chokers for the private economy; they do nothing to stimulate that economy. Do you have a view on that at all?

Mr GUTWEIN - Certainly Western Australia's position - and this has been largely lost in the national debate - will improve dramatically under the current arrangements over the next three years because of the three-year averaging process. In my view they have taken a far more optimistic view about their mineral royalties over time, than I think most national competitors would have expected them to achieve.

Western Australia's position, in the way that the system works, will largely be improved. That means that over time that state will obviously take more money out of the GST pool. Countering that is one of the things I think needs to be taken into account as well - and that is what is occurring in New South Wales. NSW has a massive revenue windfall at the moment because of a rising property prices. I think that over time we will see New South Wales having a similar challenge to WA - as its state-owned source revenues increase, the three-year averaging process will come into play, looking backwards, and New South Wales will take less money out of the pool at a time when WA is taking more money out the pool.

Mr CHAIRMAN - Swings-and-roundabouts?

Mr GUTWEIN - It is swings-and-roundabouts. Obviously though, anything can occur at a national level. The federal Budget is predicated on returning to trend at around 3.5 per cent. Obviously we need to see growth in the national economy to see growth in the national pool.

CHAIR - Your comment on the other question with regard to other revenues that I mentioned, on stamp duties and all those sorts of things - where do you stand on that?

Mr GUTWEIN - We have a transaction-based taxation system.

CHAIR - Yes.

Mr GUTWEIN - What are seeing now in regards to the growth in state taxes when the state economy is growing is increased revenues as a result. I am not seeing a limiting factor on growth in the economy as a result. As the economy is improving, we are seeing better returns across our own taxation base. But again, there is a broader national conversation to go on.

It is evident that the Federal Government started from looking for a grand bargain across the states which might have seen changes to the GST, which then at a state level might have meant there were offsets that could be achieved at a state level. It is becoming increasingly difficult to expect the Federal Government to be able to put on the table something that is going to satisfy now, whereas broadly a split between Labor and Liberal states and territories across the country will be increasingly difficult.

CHAIR - Thank you for that. I just wanted to paint the bigger picture because it does have an impact on what we do here. Over to questions.

Ms FORREST - Treasurer, with regard to the GST revenue and financial modelling that guides your decision-making, I understand that federal budget paper 3 contains estimates of a projected share of the GST based on past average relativities, which you have just described. The estimate for 2016-17 is based on the average of the past three years. The Federal Budget also contains projected share of the pool by adjusting for the forecast for iron ore volumes and prices, and as you said, New South Wales property prices, rather than just based on historical averages, which produces a lower and arguably more realistic share.

Yet your Government's figure for GST is higher than both of the federal estimates. Page 85 on budget paper 1 notes that again 'Treasury has adopted its own financial model updated to account for changes arising from the CGC Review'. Can you explain your updated financial model and how you reached your estimate figure?

Mr GUTWEIN - Yes. I do not have it to hand, but I was only looking at budget paper 3 last night. The change, taking into account that second table in the federal budget paper, provides a reduction of around just below \$100 million of Tasmania's GST across the forward Estimates should they take into account mining royalties. I think that table also says that they do not take into account stamp duties. I think they have only modelled the mining impact. It is only mining, so they have not taken that into account in the federal budget papers.

In regards to the Treasury's modelling, and to be clear, we land broadly speaking at 0.2 per cent difference in Treasury's modelling across the forward Estimates, which is, over the four years, slightly less than \$15 million. When you consider over a four-year period we are receiving close to \$10 billion worth of GST, roughly, it is very close. Treasury's modelling takes into account not only impacts like mining, as the Federal Budget has taken into account in that additional table, but also looks at what is proposed or what other states are proposing may occur across that period as well. I feel reasonably comfortable with the Treasury modelling.

However, there are a lot of moving parts in this. One of the reasons why I have resisted the calls from others to spend more is that, if there is a small change in the size of the growth of the pool, it can have a massive impact. If there is a change in the Commonwealth Grants Commission's view in regards to our level of relativities, which they will look at on a yearly basis, moving through now that they have landed on the new model - all of those things can have a significant effect. In framing the Budget, whilst relying on the Treasury's modelling, which is broadly in line with the Commonwealth's modelling, I have attempted to ensure that we have sufficient capacity should there be a change to the negative, to the downside, that at this stage we cannot reasonably foresee.

Ms FORREST - Just going on from that comment about the relativities that are assessed by the Commonwealth Grants Commission, the latest Commonwealth Grants Commission report, page 98 states that Tasmania's total grants from the Federal Government is 147 per cent per capita average. Our specific purpose grants are up 100 per cent per capita average, which means we get a larger share of the GST pool, 182 per cent to make 147 per cent overall. Correct me if I am wrong.

The extra 47 per cent we get from the Federal Government, I understand that roughly one-third compensates us for a lower revenue base and two-thirds for the extra cost delivering a similar level of service. Therefore, I find fiscal strategy 3 about maintaining competitive tax environment, a bit of a motherhood claim in many ways. What I would like to know is, what is the level of taxes raised, in actual figures, compared to other states on a per capita basis? If the Commonwealth Grants Commission gives us extra because we have a lower tax base, are we raising more or less than the Commonwealth Grants Commission benchmark?

Mr GUTWEIN - I will defer to Mr Voss on that, but I think in budget paper 1 there is a table that indicates taxation severity and indicates that our taxation severity is, on one hand, a significant positive for the state, for anybody looking at investing here. I am looking at page 44 of budget paper 1. In having the least severe taxation outcome, we can suggest that is a positive for the state. It is certainly something we can use as a marketing tool. On the basis of having the least severe taxation we obviously have the most attractive taxation regime, we could argue as well. In regards to the more detailed question on the per capita basis, I will refer to the Deputy Secretary responsible for this.

Ms FORREST - I will come back to that point you just made in a moment, if that is all right.

Mr VOSS - Another way of describing taxation severity is the revenue-raising effort ratio. The Commonwealth Grants Commission looks at a range of taxes - payroll tax and land tax mainly - and they do an assessment, which is what the taxation severity measure shows. This basically compares the revenue that the state actually raised from its own sources compared to an average of all other states across the country. I think ours is 91.3, so our revenue-raising effort is 91.3, which goes back to the Treasurer's point that our taxation severity rate is the lowest in the nation. If we applied the average, our revenue-raising effort would be 100, if that makes sense. If you apply the average you get 100.

Ms FORREST - Because we have, as you have described, Treasurer, a favourable taxable environment, we are to a degree penalised for that - if we made more of an effort in raising taxes then we could see that change.

Mr GUTWEIN - The Commonwealth Grants Commission does take into the fact that, and Mr Voss can correct me I am wrong, our opportunity to raise taxes to the same level as other states is limited on the basis of our population spread and demographics. I am not sure if they take into account the opportunity for payroll tax and the size of companies -

Mr VOSS - They do.

Mr GUTWEIN - and the size of businesses we have. My personal view is that I would be very reluctant if the argument you are making is that we should be taxing people harder, to go down that path.

Ms FORREST - I am not suggesting that, I am saying that the effort here is taken into consideration, or the lack thereof, whichever way you look at it. I will get to the tax system a bit later on; we will explore that issue later when we talk about your other fiscal strategies around tax arrangements for the state.

The point I was making is really about what is the benchmark.

Mr VOSS - The Commonwealth Grants Commission simply works on the average of what all other states do, as they describe it. We do not get penalised or rewarded for the policy choices we make. They make an assessment on the basis of what Tasmania could raise if they apply the average rates that apply across the nation. The fact that we have a different payroll tax threshold and rate, whilst they look at that in a revenue-raising effort sense, we do not get penalised for our policy choice. They assess it based on what the average would be if we applied the averages in a Tasmanian context. To the Treasurer's point, it looks at our revenue-raising capacity as well. We get rewarded, I suppose, from additional GST because our capacity rates, payroll tax, is significantly less than the rest of the nation on average. Land tax is the same. Our payroll tax revenue-raising capacity, for example, is 57.1, significantly lower than the rest of the country. Land tax is 58.4, again significantly lower. That is reflective of our demographic, geographic and economic circumstances.

Mr GUTWEIN - And the value of our property.

Ms FORREST - Property values are not as high.

Mr VOSS - Property values are low. If you look at our revenue-raising capacity -

Ms FORREST - We have fewer bigger businesses perhaps.

Mr VOSS - Correct, exactly right. Mining revenue is the lowest, it is 21.5.

Ms FORREST - That has got worse of late. Western Australia is having its challenges.

Mr VOSS - Yes, because of what has happened in WA. The key point is that they make those assessments, then they use the average of what the states do in working out how they distribute GST. They do not penalise or reward us for the policy choices a state makes. Everything is against the average and the capacity of the state to do what it can do, given the circumstances it has. One of the arguments that other states put forward is that poorly performing states can continue to perform poorly and they will get rewarded for that. The system is specifically designed so that this does not happen. They do it on what the states can do in an

economic, geographic and demographic sense, based on their particular circumstances, and then the averages of what all the states do and use a mathematical very large formula to work out what GST distribution should be based on that.

Ms FORREST - We will come back to the tax discussion later on. Continuing with this discussion, one-third is around your tax effort, your own revenues. The other two-thirds, I understand, the extra received from the CGC formula, is to deliver the equivalent level of services. I did mention this in the second reading debate. I know the per capita costs differ between the states according to different types of service - health, education, infrastructure, et cetera. How much is it costing us to deliver these services? Is it more or less than in other states? Can you, Treasurer, provide some benchmark figures for the cost of delivering services in Tasmania compared to in other states? We are given this money because of the challenges we have in delivering these services.

Mr GUTWEIN - Again, I will defer to Mr Voss in a moment, whose role it is to manage these areas. The Commonwealth Grants Commission's role is broadly, at the end of the day, to ensure that all states have the capacity to deliver services at an equal level across the country.

Ms FORREST - That is what being part of a federation means.

Mr GUTWEIN - Therefore, the fact that we have a relativity of 1.81 this year provides the indication that the additional revenues that the Commonwealth Grants Commission has indicated we would need to receive to be able to provide that level of service, bearing in mind that the Commonwealth Grants Commission does not say the GST is to be spent in this area or that area because you are lacking. They provide it as one revenue stream, as a general-purpose payment that we can spend as and where we see fit, depending on where we believe we need to.

Ms FORREST - There is no expectation at all that, because we get this payment to deliver services at a similar level to other states', that it should not be considerably directed in that direction?

Mr GUTWEIN - It is a general-purpose payment. Obviously the framing of the Budget generally is to ensure that we can provide the services to Tasmanians that we believe they not only require but indeed deserve. The allocation of the GST is at the discretion of the Government.

Ms FORREST - I understand that, it is an untied funding basically. Do we have the cost of Tasmania delivering services compared to other states' in Health and Education and other areas?

Mr VOSS - The CGC needs to be able to work out what our costs of delivering the average service level is, given Tasmania's specific circumstances. Health, for example, is typically more expensive. They go into quite some detail. It sounds like you have certainly looked at the reports, they are quite thick.

Ms FORREST - I have not read it cover to cover. I have read this one cover to cover but not the CGC report.

Mr VOSS - No, I am not surprised. They try to be very transparent about what they do, despite some years of not appearing transparent, I think they are. It is more about the volume. You have to put a lot of effort in to work it out.

Ms FORREST - It is not something you want to take to bed with you. You would be asleep pretty quickly.

Mr VOSS - In the same way that states are not rewarded or penalised for what they do in a taxation sense, it is all about the averages. It is exactly the same with regard to servicing. The CGC does not dictate nor is it intended the tax levy, I would be quite concerned if it was thought this way, to indicate what governments should do with the untied funding from the GST. All they are doing is making an assessment, giving the states the fiscal capacity to live with that average level of service. They are not trying to say 'we are giving extra for health because it costs more to deliver health in Tasmania'.

Ms FORREST - They must make an assessment of how much it costs us to deliver health services as opposed to Victoria, South Australia, Queensland.

Mr VOSS - They do, but it is a mathematical means to come to an outcome, to deliver untied funding.

Ms FORREST - I understand that. What I am asking is, what are those figures?

Mr VOSS - In the report they go through the cost of delivering various levels of service. It is very different saying 'that is how much money Tasmania should spend'.

Ms FORREST - I am not suggesting that.

Mr VOSS - It comes back to the average. For example, it is like the tax discussion. If you took the same position in a taxation sense, you would say that we should be raising taxation at the same average rate as everyone else. For example, payroll tax or land tax. That is ultimately up to the government. It is the same with regard to expenditure. To use a non-Tasmanian example, the Northern Territory would make a choice to spend more money on their remote indigenous communities than the average cost of delivering indigenous health across the nation.

Ms FORREST - I understand all of this. With all due respect, I am asking if we have a figure of what the cost is in Tasmania to deliver health and education services compared to other states.

Mr GUTWEIN - Certainly, if the CGC has that, we can provide it.

Mr VOSS - I can come back with it sometime. There is also a range of data. It is not really designed for the purpose of 'how much we should be spending, and what the costs are'. There is a range of other outcomes based in data around the country including the Review of Government Services which is done by the Productivity Commission, a very comprehensive report on costs. It is thicker than the CGC report. There is a range of data around regarding various delivery and outcomes.

Mr GUTWEIN - Feeding into this as well is the SPPs, as you are well aware. Like with health SPPs, a component of that is activity based and on delivery of service as well. We can find some.

Ms FORREST - Thank you. That would be good.

CHAIR - Tony, is it an overview question?

Mr MULDER - It sounds like it is the Federal Treasurer telling Tasmania to get a job and pay its own way.

In your modelling, is there anything which would give us some sort of indication, I know the difficulties, but can we put a ball-park back-of-envelope figure on how much GST is raised by Tasmania's economic activity? What goes back into the pool? I am thinking about perhaps using retail sales figures. The proportion across retail sale figures across the country might give us a formula by which we could possibly calculate how much we are raising.

Mr GUTWEIN - Not really. The best that the Commonwealth Grants Commission does, if we were to be paid on a per capita basis, we would have perhaps a relativity of one, which would provide some indication on a per capita basis. At the end of the day, because of the way it flows -

Mr MULDER - I know, go to Bunnings and, guess what, the GST is declared in Adelaide and those sorts of issues. We do have, for example, retail sale figures and retail activity for Tasmania.

Mr GUTWEIN - We do.

Mr MULDER - I thought that if we compared that with retail activity it would give us a guide as to what proportion of the GST has been raised because of what proportion of economic activity has occurred in the state. Do you have anything like that?

Mr GUTWEIN - I can say that the Commonwealth Grants Commission provides that opportunity to look at a per capita basis and provide some understanding there. Anton might provide comment on that.

Mr VOSS - I have not seen that data. It would be difficult to get a proxy of it. The ATO ultimately collects all the GST. That would be, I think, complicated by where the national headquarters would be. Woolworths, for example, may have a breakdown and what have you. But I think that would cause a range of complexities around -

Mr MULDER - I had pointed that out. I was just suggesting there might be some relativities with things like retail sales, but no-one has done that. I will be left with my own back-of-envelope calculations then, Treasurer.

CHAIR - Treasurer, this time last year we had bit of a stoush, if you can remember, with regard to the business of cutting public service numbers/wage freezes, all of that sort of stuff. Water under the bridge, I suppose, now. At the time I raised the issue in the House with a notice of motion which was supported by the House and by the Saul Eslakes and others of this world, which basically said that the Government would be better served in the longer term to take a strategic independent review of the public service so that you would end up with the answers you would require regarding what services are required, what personnel are required, what efficiencies can be achieved, rather than perhaps a piece-meal approach, with all due respect, which is perhaps done by heads of departments to suit the budget. Would you still have some strategy in mind to do something like that, to look at -

Mr GUTWEIN - We could go back to the stoush of last year. I would have much preferred to have had in place a wage freeze. That would have provided a cross-government reset of where wages were at. In fact, you raised a fair bit of information regarding the way that salaries operate in the public sector in wage increases and also what happens on an annual basis with increments.

We have gone down a path where we wanted to not only rein in expenditure, which we needed to because we were in an unsustainable position, but we wanted to see a more productive outcome in the services being delivered by the public sector. Certainly, we are not considering a whole-of-government approach, but the Tasmanian health reform process is a very good step in that direction in looking at what is the single-largest cost across government and how we can actually get a more efficient health sector. To those around the table that all played a part in that to date, I say 'good on you' for being so responsible as we have worked through that process.

There is a lot of work to go on in that health space, but it is a very good first step to ensuring that not only can we provide in the health area, safe services when people need them, but importantly at an efficient cost. Whilst we are certainly not looking at this at the level that you originally proposed, work is underway as part of the broader reform package. We are getting a more efficient and productive public sector.

CHAIR - I hear what you are saying. I still think, from my point of view, it is a bit piecemeal. Down the track, two or three decades down the track, if you had a platform in place which had been done independently and then really I think you would get tripartisan support for something like that.

Mr GUTWEIN - I would have thought we would have got tripartisan support for putting in place a wage freeze, which would have been a very sensible way forward as I argued for last year. That was not possible.

Mrs HISCUTT - Just going on the back of reining in expenditure, Treasurer, the saying goes that the quickest dollar you ever make is the dollar you do not spend. Things like government vehicles and the government vehicle fleet and the supplies and consumables - how much money is saved in those sorts of things? Do you have a bit of an update on that for us?

Mr GUTWEIN - Broadly speaking, we have been very pleased with the way that agencies have approached this. In regard to vehicle savings, when we came to Government, there were around 2 510 vehicles. Since the change of government there has been a reduction in the overall numbers in the fleet of 121 vehicles. We had set, over the forward Estimates, a target of around one and a half million dollars worth of savings per year. As at March of this year we are on track for around \$1.6 million over the course of this financial year. There has also been a significant saving in the capital cost and capital expenditure of around \$4.1 million, that will flow over time.

In regard to vehicles, we have been able to reduce the fleet and find a more efficient model. We have looked at under-utilised vehicles, put a greater focus on whole-of-life cost when selecting new vehicles for lease, and fuel and maintenance. We have selected smaller, less expensive vehicles that meet agency business needs and are working with agencies to improve utilisation through the introduction of fleet pooling and pooling systems across agencies. There is a very good story in regard to fleet management and broadly speaking to supplies and consumables.

Mrs HISCUTT - Before you move off that, Treasurer, there were a few problems in that originally. You started cutting the vehicles back with trips to Launceston and so on. Has that all been sorted out now? Are things running smoothly and all the ministers have what they need? There were excessive costs for contract vehicles.

Ms FORREST - The ministerial fleet you are talking about.

Mr GUTWEIN - Yes, that has been sorted out. In defence of a couple of ministers, the overall cost savings that have been achieved have been exactly what we were looking for. It is a point that has been lost on a lot of Tasmanians, but one of the first things we found savings in was the ministerial fleet. That was a good thing and indicated the Government was keen to make savings. In regard to overall supplies and consumables, if you go back to the 2013-14 Budget, the last budget before we came to Government, across a similar time frame we are spending less across the whole of government, at around \$190 million over a four-year period, in supplies and consumables.

Mrs HISCUTT - What sort of things are involved in that?

Mr GUTWEIN - I was looking at the Department of Justice, which we will be looking at some aspects of this afternoon in regard to my portfolio. Mobile phone costs have been reduced, travel has been reduced, transport has been reduced, discretionary expenditure has been reduced, and a whole range of things have been considered. The Department of Justice has been able to find savings in the property portfolio area. We are working at a whole-of-government level to ensure that we better manage our suite of properties.

There has been a range of areas. What we have been able to demonstrate is that, if you look at three comparable years between the two Budgets, 2014-15, 2015-16 and 2016-17, and you compare those years to the last Budget of the previous government, the savings are over \$200 million in the cumulative table. Agency heads and staff within agencies have worked very hard on this.

Mrs HISCUTT - In the paper a while ago there was a kaffuffle about the ministerial spend. I know that was less than the previous government, so that was a good thing. Are you spending enough to be able to do what you need to do?

Mr GUTWEIN - Yes. In regard to my own expenses, the same as all of you sitting on this side of the table, who will receive travel allowance. In large part, the most significant component of my claim was for travel allowance, for time away from home in the state, doing the work that we do. I believe we are adequately resourced.

Mr FARRELL - Minister, following up on ministerial cars, and it seems there has been quite a bit of savings made there, I notice there has been a reduction in drivers but within departments there have been extra people put on to roster the allocation of cars. When you look at your figures, is that all looked at as a whole, the savings and the costs, and the taxi fares that were reported in the newspaper? Was some of that interstate use, or was that all domestic taxi fares?

Mr GUTWEIN - Without looking at the article, if ministers travel they will use taxis interstate. There has been some taxi use within the state as occurred under the previous government. Broadly speaking, we are on target to achieve the savings out of MPS that we set out to find. That is a good thing.

Mrs HISCUTT - With regards to the Northern Cities Major Development Initiative, can you convince me why the university in Launceston needs moving?

Mr GUTWEIN - There is a broader path to be arguing with here which we all need to be cognisant of. The university is front and centre to future financial and economic and social success of the state. Our educational outcomes are not where they should be. Our university has an enormous opportunity to take a step up. It is a \$600 million business, as far as turn over is concerned, and that can become a billion dollar business over time. In regard to the north of the state, the vice chancellor has made it clear he believes that the south has been cross-subsidising the footprint that the university has in the north.

Mrs HISCUTT - I think he used 'taxed'.

Mr GUTWEIN - I would use 'cross-subsidising'. Across the north we have a university presence of two locations in Burnie. We have our university presence at two locations in Launceston. The proposal by the university in respect of Launceston is to take the opportunity to turn Launceston into a university city. I have, over the years, been very critical of the fact that we have the university parked up on the side of a hill, poorly sign posted from the centre of Launceston, that provides variable economic activity into the centre of CBD. For any of you that have travelled either interstate or across Europe, when you come across a true university city, where you have life, and vibrancy within the CBD, within the businesses, you have accommodation that students are staying in, it changes the sense and feel.

Ms FORREST - Cafes they use.

Mr GUTWEIN - This is one of the things we tasked the Coordinator-General with doing. If we can get Launceston right, in regards to this move, it will change the face of Launceston in a positive way for the next 100 years.

We know that if you have international students, that family will visit them, it will play into our tourism, and it will increase our visitation. We know that international students will add to the economy in what they spend and the purchases they make. The other thing that is important is, with the university in Launceston, it has the capacity to play an important role in retention. We have to grow our domestic market for students and at the same time grow our international market. If we can transform Launceston by having the university on the edge of the CBD, this will then flow into the broader project that Launceston has as well where it has, as is the case in every city in this state, a lot of unused first-floor space above retail centres.

We should look at what we can do to improve the vibrancy and output of those areas by ensuring we have people living in those spaces. I think the possible benefits that will flow from having people studying near the centre of the CBD will be unquantifiable. I hope we will get support in Launceston for what has been proposed. The Coordinator-General has us pulling together - TasTAFE wants to play a role in it, and so does the university and the Launceston City Council. We will go through a similar process in Burnie. I hope to be in a position where we can sign a memorandum of understanding with the council -

Ms FORREST - Attitudinal change needs to happen up there. There is a bit of work to do.

Mr GUTWEIN - Again, our attitude needs to change broadly because we need to embrace education in Tasmania. This is one way we can do it, both in a physical sense and an economic sense.

Mrs HISCUTT - I know that students at Burnie University are dropping away. I cannot see this northern development in Launceston affecting the Hobart University all that much. Do you anticipate it drawing students out of Burnie? What do you see with the future for Burnie?

Mr GUTWEIN - No, because one of the key things we have done through the Northern Cities Major Development Infrastructure Initiative is to actually include Burnie as a part of the solution. In the same way we adopted a memorandum of understanding in Launceston, we will be working - and I have spoken with the Burnie City Council about this - to establish a memorandum of understanding with it about strengthening the base of UTAS on the north-west coast.

Mrs HISCUTT - Do you have a plan on how this is going to happen?

Mr GUTWEIN - We have announced in the Budget that the Coordinator-General, from the point of view of government, will be the facilitator and the coordinator of this project. At the moment, there are a lot of very good ideas across the north. Devonport Living Cities is another one. In this Budget we have provided not only a framework to coordinate those projects to ensure we get them started at the earliest opportunity with the best economic outcome, but we have also put resources behind it by having somebody on the ground from the state government to help local government, the university and other stakeholders come together to bring these projects to fruition.

Mrs HISCUTT - Has there been a decision yet on the court house in Devonport?

Mr GUTWEIN - In regard to the Devonport Living Cities Development project and the transfer of property, that has been worked through with the council. We will meet our obligations Devonport. Importantly, a fund is now available for Devonport that can assist the city with further investment in this area. When matched with Commonwealth Government funding - I think the Commonwealth Government provided \$10 million through its version of the Regional Revival Fund - Devonport is in a good space at the moment. We hope the Coordinator-General can get that project up and running.

CHAIR - One final matter on overview, one of the headlines in your overview was the creation of 8 000 new jobs. It is also the projection over forward Estimates period, that is the next four years, the Budget paper showed a trend increase over the 2015-16 period will be 2 400. That is with all sources. The question would be interesting as an independent monitoring of, that would give us good feedback, the actual jobs created by these infrastructure initiatives because we know they can be very short term. Do you have an actual breakdown of when and where those jobs will occur over that time?

Mr GUTWEIN - The Budget supports 8 000 jobs over forward Estimates. That is clear in budget paper 1 and 2 400 jobs in the 2015-16 year, and then there is jobs growth with on average over the course of the coming three years, at 1 per cent per annum.

Now, the overall budget. The key parts is the job creation package. I am not going to identify the certain number of jobs that might flow from the Northern Major Cities Initiative. If you listen to Devonport City Council, they believe that the Devonport Living Cities Project will

create thousands of jobs. I think the council is probably right. At a headline level, the Budget supports the creation of 8 000 jobs. The centrepiece of the Budget is the jobs initiative. Those jobs will come broadly across a range of industry sectors. In regards to independent monitoring, at 11.30 a.m. today, the Australian Bureau of Statistics - ABS - will once again be doing its independent monitoring of unemployment and jobs creation in Tasmania. That will continue on a monthly basis. I am sure that is how it will be measured.

CHAIR - All will be revealed in the fullness of time?

Mr GUTWEIN - On a monthly basis, the ABS will continue with its work. Albeit its numbers have bounced around a little, but I think it is clear since we came to Government 4 700 jobs have created across the broader Tasmanian economy. From the point of view of being monitored and measured on a monthly basis from an independent source, we will have that opportunity.

CHAIR - Mr Mulder has a final question.

Mr MULDER - Having been to university cities like Cambridge, I have seen how investing in those places, getting foreign students in, really does fire up a city, including its transport and accommodation facilities. I am not quite sure I can see the same thing in remaking a city like Devonport. I can see tons of construction jobs. Unfortunately at the very time you are begging the people in the orange high-vis vests to come back, here you are creating a project. What is the economic modelling of jobs post-construction? How will whatever you do in Devonport add to the long-term economic life of that city?

Mr GUTWEIN - I do not have the brief in front of me on the Devonport Living City Program, other than to say that project has been organically developed at a local level. The work the council has done and the independent advice it has received on investment in that city and what it will lead to over a longer term, I think is reasonably robust. The challenge for the northern cities is that Hobart, if you like, is the benchmark. On so many levels Hobart works very well - the university; it has a fantastic tourism base; and it will have a world-class harbour over time if Mac Point comes on-board as we hope it will. I think there is no doubt at all about that. I think Hobart is very special and the opportunities for Hobart are quite easily identifiable.

Obviously Devonport will remain the gateway for passengers into the state. In Devonport, we have to ensure - and people in the Devonport community are seeking this - that passengers through-porting are captured by the city, and currently they are not.

Mr MULDER - They are staying at East Devonport, turning left or right on the highway, and not turning right into Devonport.

Mr GUTWEIN - This is playing very much into Devonport's centre, I can assure you.

Mr MULDER - How? I think what you are saying, Treasurer, is that by doing this, we will have a better tourist inflow into the city?

Mr GUTWEIN - That is a part of it. Again, part of the Devonport proposal is also being able to inject life into the city. This is one of our challenges. Whether it be with Launceston having a university presence that is closer to the CBD, or Devonport where they can encourage people to come and live and utilise the city more. Likewise with Burnie - how the university

presence will be smaller in Burnie than it will be in Launceston. Again, the challenge for those cities to ensure they have people who want to live in them.

Mr MULDER - In those two cities the key driver is the university that brings people in and creates some activity. Sure, there is an investment in infrastructure which then generates that ongoing activity. I cannot quite see how remaking the streets of Devonport without some industry or some driver in there will encourage people to turn into the city which they are not at the moment.

Mr GUTWEIN - Again, the fact is Devonport is a through-port at the moment, as we have discussed.

Mr MULDER - East Devonport is the through-port at the moment.

Mr GUTWEIN - I know it is very much in their thinking in Devonport to ensure that they can retain people, as opposed to them coming out and turning left or right. That is first and foremost in their thinking. Again, with these projects, I think this is the benefit of the Budget we have brought down, up until this point, and Devonport has been ongoing for a number of years. There has certainly been discussion in Launceston and the issue in regard to Burnie has been ongoing for a number of years. This Budget provides some capacity to get these projects up and running and underway, not only in regard to having support from the Coordinator-General to coordinate things and have the state play a key pivotal role, but we have set aside some capital to ensure that we can invest where it is needed to bring these projects to life.

Mr GAFFNEY - If you go to the website of Devonport, they acknowledge where people get off on the East Devonport side and they head, but people time their return to get there on the day that they are sailing back. I think what they are saying is, if we could provide an exciting look at a city that was vibrant, where it is not at the moment, they may decide to come back those two or three days earlier to have a look at the north-west coast. It is trying to attract them back earlier than just the half hour before they have to put the car back on the boat, because they are not getting any input one way or the other.

If you think about it, most people, when they get off the boat, just want to get on the road and see Tasmania. Even if you had the exit on the other side, I still think people would get off the boat and go because it is early in the morning and they just want to get somewhere else. It is to draw them back into it. There is a lot of work on the council website about the Living City project that might help people to have a look at. There has been extensive consultation up there and that is what the powers that be have come up with. I think that money will be well used.

Mr GUTWEIN - I think it will be well used. I am pleased that we have been able to not only provide resources in a capital sense, but importantly, from a management process view as well, in regard to the Coordinator-General's involvement, so that we coordinate all the different stakeholders that need to be coordinated.

Ms FORREST - Flowing on from that, and I have some other questions to on the overview. With regard to the 8 000 jobs that you have predicted, are you predicting FTEs? Is that how they are going to be measured? Many jobs in hospitality, for example, are not full-time equivalents as they are casual. What sort of jobs are we talking about? I would particularly like to know how you have provided the figure. I have heard - correct me if I am wrong - that Treasury did have a model that produced the jobs number. I am interested in how the jobs are estimated. Is each

program assessed separately? In your Budget Speech and in the budget papers there are a number of things that relate to these 8 000 jobs - one is the northern cities we have just talked about, first home builders, the tourism industry growth, that sort of thing. There is a whole range of areas these jobs are going to come from, they are not all in one area. Is each of the programs assessed separately and a multiplier or a partial multiplier used?

Mr GUTWEIN - The Budget contains both forecasts and projections. Those forecasts and projections support the creation of 8 000 jobs over the coming four years. As part of the Budget there are a range of economic drivers that will play into this space. I would like to think that in respect of the projections, that we will do a lot better than 8 000 jobs over the four years. The proof will be - I was going to say in the eating - at tables like this, on an annual basis, you will be holding me to account, I am certain.

Ms FORREST - You will record FTEs as opposed to jobs per se?

Mr GUTWEIN - This is about total jobs that are forecast as per the ABS definition. On an independent basis, every month you will be able to hold me to account in regard to where we are at and what is going on.

Ms FORREST - Is there a model that you used? Did the Treasury have a model?

Mr GUTWEIN - Again, Treasury can explain how they frame up the Budget. To be clear, I have not requested nor have I sought, for example, with the rail project, \$120 million into rail projects for a jobs number to be applied to that, nor to the northern cities. There are a range of numbers out there that are being spoken about by councils based on their own modelling, and Devonport is one -

Ms FORREST - And by yourself in your Budget Speech.

Mr GUTWEIN - Yes, but again, these all underpin and support the numbers that are in the Budget. The Budget broadly supports 8 000 jobs, of which the key part is the economic program.

Ms FORREST - Yes, I am interested in the model that was used to determine that.

Mr GUTWEIN - Yes.

Mr VOSS - As the Treasurer said, for the next budget year, 2015-16, the Treasury does the forecast. We do specific modelling for all the variables, so for the gross state product, state final demand and all the subcomponents in that. With regard to the projections, they are just that, they are projections. They are largely based on long-term averages. In the case of the labour market, for example, the projections for the long-run average for the labour market growth in Tasmania is around 1 per cent per annum. The projections in the Budget reflect that. As the Treasurer said, the 8 000 jobs target is consistent with our forecast for next year and the projections.

Ms FORREST - So there is no different model you have used. The usual method is all you have used. Is that what you are saying?

Mr GUTWEIN - The Budget supports the creation of 8 000 jobs.

Ms FORREST - Moving on from that then, I am just trying to reconcile the increase in employment numbers with the figures on page 26, budget paper 1, where employment projections are for a 1 per cent increase each year. I assume, as you have just discussed, it must be a long-term average.

Mr GUTWEIN - Yes.

Ms FORREST - Total employment is roughly 240 000, so 1 per cent of that is 2 400. Over four years it is 9 600. Is the 8 000 jobs package part of what we would expect on historical averages, or is this an addition? Are you projecting an addition to what is -

Mr GUTWEIN - One of the things that I wanted to be very clear about was not doing what a previous government had done, and that was to set a 15 000 jobs figure, which I think the previous premier David Bartlett did. Then there was nothing at all to support that. This Budget supports the creation of 8 000 jobs. Included in this Budget are those economic measures that we have spoken about. Therefore, I think what we provided for as a forecast and also as a projection is very robust.

I would like to think that over time we will do better. We have had substantial jobs growth over the period since the election. I would hope that we will do better than what is in the Budget. I think rather than have a situation that has occurred a number of years ago where numbers were, personally I think made up, I have framed a Budget that is supported by a solid 8 000 jobs. I

Ms FORREST - That is why I have asked you the question, to demonstrate that.

Mr GUTWEIN - I would like to think that we will do better as a result of the policy settings that we have here. We have to ensure that over time we get the capital out the door, that we get these projects up and running. In regards to the other budget measures, such as the jobs and population attraction initiative that is being run out of State Growth, I would like to see us being very aggressive on the mainland, looking at opportunities to attract and relocate businesses here. We need to be on the front foot. This Budget provides us with the opportunity for those initiatives to be not only supported, but to be rolled out.

Ms FORREST - I would like to go in a different area. If I can go to fiscal strategies, fiscal strategy 3 aims for the state taxes to be simple, fair, efficient, stable and sustainable. In your view, which is being achieved as there are no benchmark figures in the budget papers for this, and what do you intend to do to rectify matters where our current taxes are not fair, simple, stable or sustainable?

Mr GUTWEIN - I have had a consistent position since becoming Treasurer that any review of state taxes needs to be taken in to context of the National White Paper and National Taxation Review Process. Those two processes are underway and there is a green paper being developed at the moment for the Federation White Paper, about which we are in discussions with other states, and feeding into that. In regard to the taxation review, we will make certain that we engage fully in that.

For a state the size of Tasmania, and in light of what is occurring at national level, it is sensible that we allow the national process to develop and unfold and we play a role in that as opposed to trying to go it alone.

Ms FORREST - It is always going to be difficult to go alone, that is one of the reasons why the fiscal strategy did not proceed. As you remember.

Mr GUTWEIN - As you recall, there were some unfortunate statements made outside about myself, and the former Treasurer and Premier's view, in regard to that. But one of the things that had been discussed was that in going it alone the state, if it were to make any changes as suggested through that panel, would need Federal Government support. As you are aware, the then Premier and Treasurer, Ms Giddings did approach the Federal Government and have that discussion and Wayne Swan turned her down. At that point, there was no opportunity in my mind to proceed. That did not seem to stop other members of that committee from saying that we had walked away from it, when we had done everything we possibly could, as you well know.

Ms FORREST - We need to keep the conversation going.

Mr GUTWEIN - It is about to start at a national level.

Ms FORREST - Things have been dragged to the table.

Mr GUTWEIN - It is about to start at a national level.

Ms FORREST - I know, and that is a good thing. This is why I am asking you, Treasurer, what taxes you think do not fit that criteria that you have set that need to be looked at. The Commonwealth Tax Review, the white paper, is focused on Commonwealth taxes, and we can say what we think as a state. I presume that you will do that on Tasmania's behalf. Clearly, the Federal Government may take forever to reach the point where they mention GST in the same sentence as tax review. Thank God we are there. They are not going to say, okay we are going to raise GST and the states can keep going on their own merry way. Surely you would have identified what you think are the taxes we currently have, that do not meet this criteria that you have set in your own fiscal strategy.

Mr GUTWEIN - You were a part of the taxation review and you understand as well as anyone around this table, as I do, those taxes that are efficient and those that are not. There was a lot of work over a period of 18 months that was done on that basis. We are not in a position where we can move or take any step forward, without being a part of that broader national conversation.

Ms FORREST - You are not answering my question, Treasurer.

Mr GUTWEIN - I think I am. If your question is, should I identify a range of taxes here today and say that they are the ones we want on focus on, until we have an understanding of what has been proposed at a national level, it is fraught with danger to discuss any changes to the state taxation system until we know what the context is of the conversation we are going into.

Ms FORREST - I can only assume, and would expect through the Commonwealth review process, that every state will have all their tax regime examined as part of that. You are saying that it will be looked at?

Mr GUTWEIN - In regard to the appetite for the Federal Government, that appetite will be determined to some degree as they work their way through this, by the appetite of the Labor states. I would like to think that there could be a whole of nation, sensible discussion about

taxation. I think the Labor states, already South Australia, whilst acknowledging that they need to be a part of the national review, are taking steps to position themselves for what, largely speaking, are political outcomes. I hope we can reach a point where we can have a sensible, national discussion, but until we do, I am not prepared to

Ms FORREST - Can we have a sensible discussion without putting everything on the table?

Mr GUTWEIN - I do not think that you can do this without having everything on the table and that is the message the Federal Government has arrived at over time. We will have to see what that means as we work our way through this process. There is no point in me as Treasurer identifying a set of taxes, or looking at where we might be able to be more efficient, without having the context of that national taxation review.

Ms FORREST - I accept that but do you accept that we have to tax, and tax within the state, and potentially federally, which we cannot do a lot about. The state ones that are not efficient and are not fair and distort behaviour.

Mr GUTWEIN - You have worked in the taxation review, as I work

Ms FORREST - I am asking you the question. I am on this side of the table at the moment.

Mr GUTWEIN - You understand the view of people such as Kim Henry, the view of the insurance industry, the view of a range of stakeholders. That is being discussed, and there is a Treasury paper that might still be on the website, which talks about some of the challenges we have with some of the taxes.

Ms FORREST - It was a good paper that we put together through Treasury.

Mr GUTWEIN - It was a good paper. It highlighted a range of inefficiencies across our tax payers.

Ms FORREST - Do you agree that there are taxes within our system that are inefficient, that are not fair, that are not simple?

Mr GUTWEIN - There are taxes that are inefficient. There is a paper on the Treasury website which indicates that. I do not want to go into individual taxes because the issue of taxation reform is about to be discussed at a national level and we will need to play our part in that. The Chair raised the issue about GST and what might happen at a national level. It is difficult to argue right now that the GST system is disadvantaged in Tasmania. We have a system whereby the most recent outcome from the Commonwealth Grants Commission was better than I had ever expected that it might be and I think those around this table would say it was better. That is certain to be a large part of my thinking as we go into the national review.

The challenge for Mr Hockey will be whether a sensible discussion can ensue. I know he wants to have one but we now have a country that has four Labor states and four Liberal states.

Ms FORREST - You have to be able to work with that, otherwise we are never going to go anywhere.

Mr GUTWEIN - That is the message that the Labor states need to hear.

Ms FORREST - I think all states.

Mr GUTWEIN - I will not be taking the opportunity through the taxation review to politically damage the federal Liberal Party. There will be a lot of people who will want to do that for purely political reasons. I would hope we can have a sensible discussion.

Ms FORREST - Moving on, Treasurer, I need you to clearly identify in the revenue foregone on page 96. I noticed you left a typo in the budget papers for me to pick - page 96 you put numbers. You do it every year. That is on page 94, that state taxation. I wanted to demonstrate I read them cover to cover.

Treasurer, with revenue foregone of \$410 million in 2014-15, and \$442 million in 2015-16, as a result of tax exemptions, concessions and rebates, surely that is the place from which we can recommence discussion after the federal process, or at least feed into that discussion because this is the amount of money you have given up through a whole range of concessions which have narrow bases which have shifted the burden in some cases. Identifying this is really positive and I appreciate the fact you have done it. It does help people to see what the impact is. Do you want to make any comments as to why it will be included and what the purpose might be on this occasion?

Mr GUTWEIN - On the basis that we are moving into a potential national taxation review, it would appear the Federal Government plan to make the white paper process in the national taxation review. It is important in regard to overall taxation expenditures that some of this detail remain available. I was surprised it was not raised in the lower House Estimates. It is important information.

Ms FORREST - They might not read the papers like the upper House members do.

Mr GUTWEIN - We would not reflect on another House downstairs. Anyway, it provides some context. It is important information. I do not think a lot of people would have been aware of the amount of revenue forgone as a result of waiving the taxation system structure.

Ms FORREST - So it is good you have and I hope you will continue to do it in future years. It does make it pretty clear.

Mr GUTWEIN - On tax, you were there with me as we worked our way through this, you would well remember that meeting we had at UTAS.

Ms FORREST - At Launceston, yes.

Mr GUTWEIN - It was you, me, Tim Lawrence, the Premier and Treasurer.

Ms FORREST - And we outnumbered the crowd.

Mr GUTWEIN - There were three. Three people turned up for a discussion on tax.

Ms FORREST - They did make some pretty clear statements about some of this, though.

Mr MULDER - Were they taxpayers or tax recipients?

Mr GUTWEIN - They were taxpayers. From memory there were two representing the Launceston Chamber of Commerce.

Ms FORREST - There were more in Burnie.

Mr GUTWEIN - The point I am making, is that is important we provide information when we have the opportunity for those that are interested to apprise themselves of what is occurring. One of the key things that came out of that initial taxation review was that there are a lot of people in Tasmania who pay no tax.

Ms FORREST - No state tax. A lot of them are well placed to be able to. I talk to these people who tell me that.

Mr GUTWEIN - This is about providing some more information in context as to move to the broader debate.

Ms FORREST - With regard to the two federal white papers, that will feed into this discussion at a later stage. What is the timing for the state's contribution to the Review of Federation? Does the Government propose to take any proposals from the negotiating table to reform federation? Is it trying to keep what we already have rather than going backwards? This is potentially a threat because we seem to be well cared for in the federation by some. How are you funding this process into the review process both for the federation and the tax white paper process?

Mr GUTWEIN - In regard to the white paper process, all of the states and territories are feeding into the green paper process that is underway. I will ask Mr Ferrall or Mr Voss to explain where we are in that process.

Mr VOSS - Yes, at officer/bureaucrat level, as the Treasurer said, we are going through processes and giving input to the Commonwealth with regard to their paper. We will do a green paper for both of those: a green paper on federation and a green paper on taxation. It has not been decided. Ultimately they are Commonwealth papers so when they release them is up to them. We are thinking towards the last quarter of this calendar year. We are involved at that level. Ultimately they are Commonwealth papers and they will canvass a whole range of some of the issues that were raised in the discussion papers, which no doubt you would have had a look at.

After that process, the Commonwealth will put white papers out. They will be presumably going into the next election with those, they will be actual position papers from the Commonwealth. Once the green papers have come out, we will be looking at them and making our submissions to those. Formal submissions from the state will be post the green papers coming out. We are contributing in the process of putting some of the green papers together.

Ms FORREST - How is that being funded, Treasurer? Is that through the normal operations of Treasury, or do you have a specific allocation for it? Off the side of the secretary's desk or something, is it?

Mr GUTWEIN - That will be through the normal operations. Obviously we have an inter-governmental financial policy.

UNCORRECTED PROOF ISSUE

Ms FORREST - That is in one of the line items in Treasury and Finance. That is sitting under that; that is where it is.

Mr GUTWEIN - That is where it is being run from.

Ms FORREST - It is a significant body of work, I would think. It is not something you are going to do in a couple of days' work. It fits under that line item.

CHAIR - I am aware that we are almost up to an hour and a half of overview at this stage, and we still have to get into other stuff as well. Some of it has already been crossed over into another line.

Mr MULDER - That was despite the Treasurer, to his credit, being extremely succinct in his overview statement.

Mr FARRELL - I am happy to take these on notice, it is some facts and figures that I would like to get that I have not been able to find through the papers. It is in regard to the public service job cuts and the heavy lifting in that area being done. You have made that statement a few times. To back that up with some figures, how many jobs have been cut from the Tasmanian Public Service over the last year? How much money has been spent on redundancies in the last financial year broken down?

Mr GUTWEIN - I provided an update to the end of March, which had the number of FTE savings, also the amount of money that had been spent on redundancies and on RIPS. I will be providing another update at the end of this coming quarter for the full year. That will be made available at the earliest opportunity post 30 June. That detail will be there, if that helps.

Mr FARRELL - Sure, that is great. Will that project how many are yet to be cut, how many more jobs there will be cut?

Mr GUTWEIN - What I have said consistently through this was that we had a target of 860 minus the 40 as a result of the police service taking the pay freeze, so 821 was the target. We are broadly on track for that over the course of this financial year. As I say, everything is by the March update, which had a reduction of 766. We will provide a full update at the end of the financial year so everybody understands exactly where we have arrived at.

Over the coming three years, on the basis that we had articulated a total reduction of 1 200 FTEs, on the basis of a figure of 861, including the 40 that do not need to go, there is a further 339 positions over the coming three years. That is, broadly speaking, around 113 FTE reduction per year, managed on a whole-of-government basis. It is less than 0.5 per cent of the total public sector workforce. I will provide an update in line with the same level of detail that we provided in March, I am hoping, in July.

Mr MULDER - That breakdown you provided, does that include, for example, front line positions, particularly teachers and nurses, since police have been exempt? Do we get some figure about how many have actually come out of teaching positions, not necessarily Education department?

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - In fact, yesterday the Deputy Premier provided exact numbers, as he understood it, at this stage of the financial year and what his expectation was for the full financial year. In the update that I provided in March, I provided a level of detail that went towards that.

Mr FARRELL - Just one other question on the total agency savings strategies, last year that was included in the budget papers. I do not think it is in this year's papers; I have had a look through.

Mr GUTWEIN - On the basis that we provided that detail last year and there were no new savings in this year's budget, I adopted exactly the same process that was under the previous government for the 2011-12 budget, then the 2012-13 budget. But I did provide, yesterday, an update of the residual agency savings, which I am happy to table. This indicates that 92 per cent of all of the savings that we articulated in the budget last year are expected to be achieved this financial year. The total residual savings over the forward Estimates period in total was only around \$47 million. In the coming financial year, 2015-16, around \$33.9 million, call it \$34 million, worth of savings across all agencies is expected.

It provides a breakdown of all of the major agencies. I have grouped the small agencies together. Their level of saving, for example, over the total of the 2015-16 year through to 2017-18 across all of the small agencies is only \$1.2 million, a very small number. Rather than break down every agency, I just grouped those. There is a level of detail there and I am happy to table that and have it circulated to members.

CHAIR - Thank you very much. Are we ready to move into budget development -

Ms FORREST - No, I still have some on -

CHAIR - How many do you have to go?

Ms FORREST - I can put them in under a line item, but they are really overviews. They go across Finance General and Treasury. They are from budget paper 1.

CHAIR - Just remember that we have to keep them short and sharp then. We have a lot to get through yet today.

Mr GUTWEIN - Are you directing that at me or your member?

CHAIR - No, you have been very good.

Ms FORREST - Following up from that last question, do you have any idea of the cost of the separation of those employees? I know that for example, Health had to borrow \$5 million to fund the separation costs. I understand that is through internal borrowings. There was only one other agency - it escapes me at the moment. Can you also tell me how it works with each department and agency in the case of leave and other severance entitlements paid to departing employees? Does each department agency have to find money out of its own budget? I am just clarifying that. I think that is what we talked a bit about last year. If there is not enough it borrows, which is the case with Health; it is in the budget papers here that they had to borrow \$5 million.

If that is the case, can you show where that is actually recorded in the line items of Finance General or in the departments? Just explain to me how that works. In the case of unfunded superannuation, any entitlements, are they just paid by Finance General as Reserved by Law amounts at the time of separation? What happens to the super for employees who are still members of the old defined benefit scheme? When the SPA existed, normal amounts were paid to each department and agency and then paid superannuation to the defined benefits scheme into the SPA. It was not really money, it was just paper transactions. What happens now? Do the departments and agencies receive appropriations for all employees irrespective of whether they were members of the defined benefit scheme?

Mr GUTWEIN - I am looking at the Chair. There is a lot of detail in regards to many of those questions. We can start working through them, or do you want to put them on notice and we can come back to you?

Ms FORREST - I will put them on notice if you think it is going to be more helpful. I am interested in what the separation costs have been and how they have been funded and how the separation liabilities are dealt with.

CHAIR - We should put them on notice, if you could. Thank you.

Mr GUTWEIN - Again, if you want to, because there is a lot of detail across those - if that suits.

Ms FORREST - Do you have a headline figure of what the separation costs have been?

Mr GUTWEIN - Agencies are funded for their employee costs. In most cases, in regards to things like leave, et cetera, you would be expecting agencies would already have funds available for them. We provided the WRIPs and headline TVR numbers as of March. I will provide that detail again in the update for this quarter when we produce that. But in regards to any other details regarding those questions, if you put it on notice we will -

CHAIR - I will get Ms Forrest to pass them across to the secretary - if you could pass them through - thank you.

Mr GUTWEIN - No problems, we will do our best to get that detail.

Ms FORREST - In strategic action 4 you talked about -

Mr GUTWEIN - Is this back on to the fiscal strategy?

Ms FORREST - Yes. You talked about undertaking a review of board appointments in view of guarantee fee guidelines for Tasmanian government businesses, and a few other matters there. Have you had a problem with board appointments, otherwise what is the need to have a review? Is it just government businesses or is it all board appointments you are talking about?

Mr GUTWEIN - I am talking primarily about government businesses here, and the board appointments we make in that regard. I think it makes a great deal of sense that we have a broader review of appointments. We have been through a process now where we have asked boards to resize, and in many cases they have.

Ms FORREST - The Minister for Infrastructure mentioned a number of his that have been downsized.

Mr GUTWEIN - Yes. The Chairs, and the boards themselves, have engaged in that process quite appropriately and very willingly. It does not hurt to ensure you review these things and we will be doing more work with our boards. It is important to understand, across the boards that, over time, as many of these boards have developed, and most of them have developed prior to this Government, we have the appropriate skill set and that there are appropriate processes in place for ensuring the performance of directors on boards have been monitored. That is a process on which we will be working with them.

Ms FORREST - Is there an issue with the openness and transparency of the process? Has there been?

Mr GUTWEIN - Any board appointment will appear in an annual report and on that basis, it is quite transparent who is on boards and -

Ms FORREST - Yes, but not the process that got them there.

Mr GUTWEIN - I cannot comment on the past, but we have a process that we have been looking at in regards to refreshing boards. There is a panel. I will ask the Secretary to explain.

Ms FORREST - You also have a policy, I believe, to have more women representatives on boards as well. Is this part of that process?

Mr FERRALL - Yes, it is. I have been involved in a number of the board appointment processes over a number of years. We have had a similar process now for about four years so we think it is appropriate to review that. In the past we have been using Cordiner King to help us generate better fields for board appointment processes. The Cordiner King contract has come up at the end of May, it ceased, so we are looking at a revised arrangement where we will have a panel of equivalent firms that can be utilised. As part of that, as the Treasurer said, we are looking at the process to ensure it is contemporary and generating good diversity on the boards and that the boards have the relevant skills for the nature of the businesses they are in.

Some of our businesses, as you would be aware, have changed in their scope and scale in recent years, and it is time we conducted a review of those.

Ms FORREST - How do you feed your policy of women on boards into that?

Mr GUTWEIN - There is a women's register that is maintained under DPAC.

Mr FERRALL - As part of this process, Cabinet has recently made a decision that in respect of all board appointments, going broader than just GBEs and SOCs, there needs to be appropriate evidence of consultation with Premier and Cabinet and looking at the women's register in particular, to ensure greater diversity. For all appointments that go to Cabinet, without divulging any in Cabinet, the process that was undertaken to get to the recommendation will be detailed at Cabinet. It is literally to ensure there are good, robust processes for the appointments.

Ms FORREST - There generally are boards in Tasmanian GBEs that have a dearth of women. There are a few but not many. If you look at the feedback from publicly listed

companies, particularly those that have women on their boards, or their CEOs are women, they do much better. There is a lesson in that for some of your GBEs at the moment.

Mr GUTWEIN - I am sure there is.

Ms FORREST - Moving to the policy and parameter statement on page 58, under looking at payroll tax. The policy and parameter statement shows disturbing forward projected payroll tax collections. On page 70, it said this suggests that most of the growth in employment has occurred in risks under the threshold. Does this have any implications, Treasurer, for future settings?

Mr GUTWEIN - First, it is a good outcome in that it indicates that in the small business area we are seeing real jobs growth. In regard to the level of payroll tax, there was a reset to the previous year's numbers. From the point of view of future settings, I do not think it is a concern. What it demonstrates is many small businesses will exercise, and have exercised caution in past years, because they are genuinely reliant upon the economic circumstances they find themselves in. They have no room to move, no fat, so if they are going to put somebody on, it is a decision they work through very carefully. What it demonstrates is that there is a real level of confidence in small business and in terms of jobs creation.

Ms FORREST - Not in big business, perhaps.

Mr GUTWEIN - A lot of the big businesses are facing challenges. It is pleasing we have had jobs growth, and pleasing that it has come from the sector outside the payroll tax regime which, in the main, is the majority of businesses.

Ms FORREST - Whether it guaranteed these, the policy and parameter statement also shows the fall in guarantee fees. There is a comment on page 70 about the electricity businesses. Have the electricity companies had their fees reduced - their standard fees across, or borrowings - have they been individually negotiated?

Mr GUTWEIN - There was a capital structure review. There is a shift in equity between TasNetworks and Hydro that occurred in the last 12 months. TasNetworks took on more debt and Hydro as a result had an increase in its equity. That is paid into the guarantee fees but the Secretary might like to

Mr FERRALL - The other component of TasNetworks is that it has restructured its portfolio. The duration for debt impacts on the guarantee fee they pay. So they are restructuring to reduce their guarantee fees.

Ms FORREST - With regard to Forestry Tasmania, how much is it paying for its borrowings that have been fully secured by the letter of credit? Are they paying extra guarantee fees for the extra borrowings? The rate they are paying has not changed? So they are still paying guarantee fees on their borrowings and the additional borrowings they have now been granted?

Mr GUTWEIN - That would be fair and certainly some of the media have gone on a merry frolic on this. Forestry Tasmania's borrowings currently are less than \$28 million. The letter of comfort that was provided does not mean we have provided Forestry Tasmania with an additional \$10 million as has been recorded by some media outlets, quite irresponsibly. Their level of borrowings is broadly in line with what it has been in previous years. I hope that is understood

because it greatly surprised me to see some media outlets, which are well respected in this state, are quite incorrectly reporting information that had been provided.

Ms FORREST - There is a policy decision on page 61, under finance general. I can ask that here or in finance general, regarding duties related to ex-gratia payments for corporate reconstructions. What is that?

Mr GUTWEIN - It has a zero impact on the Budget. This is about if there is a company that goes through a reconstruction process, changes the way that it is operating, brings together subsidiary entities, whatever

Ms FORREST - This is private companies?

Mr GUTWEIN - Private companies. We would not charge a duty for doing that, it is not as if they are selling part of their company. They are just reconstructing within their own structure. But there is still a duty that is captured as a result of that change, of those subsidiary entities, and what has occurred in the past, and currently occurs, is there is an ex gratia payment paid for that duty. They pay the stamp duty and then it is provided back on the basis that they have not sold a part of their entity elsewhere. There is a large one that is coming through. We cannot go into the details of it but it has a zero impact on the Budget bottom-line, because the duty comes in and the ex gratia payment goes out.

Ms FORREST - This just relates to one business?

Mr VOSS - There is a range, as the Treasurer said. Other jurisdictions are exempt from this activity. Under the current Duties act we are not, so for a period of time, and including in the previous government, there has been a range of guidelines with regard to corporate reconstructions. That is like putting subsidiaries together under the one umbrella. There is not a transfer of beneficial ownership from one company to another company. Duty would be charged on that. Within one business, under the guidelines that Treasury has, we would not be charging duty in line with other jurisdictions. At the moment the act does not allow for that, so there is an ex gratia payment that is made.

Ms FORREST - I understand what you are saying. Is there a move to change our law?

Mr GUTWEIN - My intention is to change that to bring it into line with the other states. It creates an anomaly in Budget papers, and it is something that we should be in line with other states on.

Ms FORREST - Okay, so you intend to do that relatively soon?

Mr CHAIRMAN - We have finished overview, we are now going to start on 1.1.

DIVISION 2

((Finance-General))

Output Group 1

Debt Servicing and Management

1.1 Debt Servicing -

Ms FORREST - Under the Output 1.1 Budget and Management, that is where we are going, is that right?

Mr CHAIRMAN - Yes.

Ms FORREST - With budget information management system, we note that phase three is to be completed by the end of this month, then a request for tender, the implementation of a commercial off the shelf solution. Are you confident there is an off the shelf solution for this, and we are not going to see a similar fiasco that was the Aurora billing system. I know they are different things but we have seen this before.

Mr GUTWEIN - I will ask Kathrine Morgan-Wicks to provide some detail on that. I am certain we can find the right solution for this, but I will ask Kathrine.

Ms MORGAN-WICKS - We are just about, as you have noted, to complete phase three of the project, which is development of detailed requirements. In phase one and two, we have previously conducted a request for information to test what off the shelf products are available on the market. We are not the only state that is attempting to replace the ebudget management systems. We have been in contact with other jurisdictions to see whether there are appropriate products or requirements that we could similarly use, because each state does a similar thing, obviously, in preparing the state budget and using the systems.

By doing phase 3 and preparing a very detailed requirement statement, we are then better able to engage with the vendors who have available off-the-shelf products, and to determine - really to try to minimise - the amount of customisation we will need to do. We do not want to fall in a trap of selecting a product that then requires a large amount of modification, which then leads to a large amount of expense and a longer implementation time.

There are available off-the-shelf products. We have recently just done another review to see what has been happening over the last 18 months. We are confident with the very high level of detail going into our requirements. We have quite a good budget management system, but, because of its age and some of the further modelling we would like to do in the system, we would like to now get that into the new product.

Ms FORREST - You have allocated, Treasurer, a fair bit of money for this - I do not think quite as much as the Royal billing system ended up costing, but it is a significant outlay - \$7 million. Money has been spent already, no doubt, in the previous phases. Do you hope to have it in place by the next budget development phase?

Ms MORGAN-WICKS - The next phase of the project will be the request for tenders, going into the RFT phase and implementation. We expect to complete the tender phase by the end of this year, and probably starting implementation around February or March next year. Depending on the product we choose and the amount of customisation, we will need to run the system in parallel with our existing system, heading towards 2017 Budget.

Ms FORREST - Will it result then - this may be hard until you know what you are getting, I accept that - in a completely different way of reporting budget information and things like that? Are you going to have to adjust again?

Mr FERRALL - That is very unlikely.

Ms FORREST - Right. It is for the back-end stuff really, not to be out the front?

Mr FERRALL - Absolutely.

Mr GUTWEIN - How old is the current system?

Ms MORGAN-WICKS - Seventeen to 18 years.

Mr GUTWEIN - As you can imagine, there have been a lot of advances in that time in regard to this sort of software.

Ms FORREST - It should create some greater efficiencies and that sort of thing, too.

Mr MULDER - Blame TasWater. Another leak from Cabinet.

Ms FORREST - I was just getting on to that - the prevention of leaks in the Treasury Office. You would be aware of the Auditor-General's report into IT security and information technology security. Obviously the Treasury Office cannot afford to have leaks. Treasurer, with regard to the Attorney-General's recent report into security of ICT infrastructure and information, obviously it is pretty important in Treasury that information is secure and access is limited to those who should be seeing it. What capacity is there for improvement? The Auditor-General had a pretty thorough look at a number of departments. How is it managed within Treasury?

Mr GUTWEIN - Treasury did provide a response to the Auditor-General's report. Tony can provide some detail on that.

Mr FERRALL - We came up quite well in terms of the audit. Overall, the Auditor-General used effectively a defence standard, which is a pretty high benchmark.

Ms FORREST - Yes, he did say that in his report.

Mr FERRALL - We had some areas where there were identified differences between what might have been a defence standard and what we were doing. We have taken on-board all those recommendations and have looked at them. In a number of cases we have effectively decided that our approach and systems are robust and we do not need to go to the next step.

By way of example, one of the recommendations was that we have closed circuit television in our server room. We do not have it - we do not have CCTV in our actual server room. We do have a card-swipe access through approximately three doors before you get to it, and we have CCTV monitoring before you get to that point. We came up with a cross against the test of having a camera in the actual server room. The Auditor-General's said, 'You have not met the highest standard.' We have looked at that and said -

Ms FORREST - He did acknowledge that.

Mr FERRALL - The cost-effectiveness of us doing that means it is not really worthwhile. I will have a picture of the person going into the room, and they can only go through the door. I do not really need a picture of them in the room.

Ms FORREST - I have seen some pretty good movies where they do not go through the door, not into the Treasury though -

Mr FERRALL - Yes. So overall we continually review our security. It is not something we take lightly. We do testing -

Ms FORREST - That is all funded within the existing Budget?

Mr FERRALL - Within the existing Budget, yes.

Ms FORREST - At the beginning of budget paper number 1, on page 14, Infrastructure investment - 1 per cent, or \$4.1 million, is allocated to the information and communications technology. Is that across the whole general government?

Mr GUTWEIN - Across government in regards to ITC, there is a total spend in this Budget over four years of around \$25 million.

Ms FORREST - That includes your software though as well as your - is it -

Mr GUTWEIN - Let me have a look at the particular page that you are talking about and we can get some -

Ms FORREST - That is infrastructure investment, so it may not include software and other investments.

Mr GUTWEIN - Yes.

Mr FERRALL - That particular total is based on the ABS classifications. If you look at it, you can see that it does not necessarily line up totally with the departmental structures. There would be some variations in that, depending on how agencies are classified under the ABS.

Ms FORREST - Did you say the Treasury is spending \$24 million, in -

Mr GUTWEIN - No. Across government, is it around \$25 million, I think.

Ms MORGAN-WICKS - In addition, the \$4.1 million shown is the information and communication technology. For example, the police project -

Ms FORREST - The one we talked about yesterday?

Ms MORGAN-WICKS - Yes. It will be the replacement of the ICT systems. That has been categorised into law and order. So you will see \$13.8 million; it just depending on the use of the sectoral classifications.

Mr CHAIRMAN - Thanks. Any more on 1.1? If not, Treasurer, I think we will declare a break. We will resume in around about 10 minutes' time.

The committee suspended from 10.54 a.m. till 11.04 a.m.

CHAIR - I call the session to order. We will move to 1.2 Financial Management and Accounting Services.

Ms FORREST - I am interested in this 'provide provisional advice on financial management and reforms'. I am looking at the person in charge of this Financial Management Bill. Let me say to you, Treasurer, that the gestation of this makes an elephant's gestation look positively short! When are we hoping to see the new Financial Management Bill, do we have your final draft yet? You have noted here in the budget papers that even if it is passed later this year there will still be an 18-month implementation phase. I am interested as to why it would take so long to transition to the new system?

Mr GUTWEIN - I hope that we will be debating it this year. In regards to the period of time that it will take to roll into the new system -

Mr FERRALL - It is not a small exercise.

Ms FORREST - I accept that it is not.

Mr FERRALL - There is quite a significant issue that we need to manage in training management. When you think about it moving from an old framework to a new framework, it impacts on every single agency. It will impact on you guys in how things come through in the budget process, et cetera, so we are actually are not trying to -

Ms FORREST - Move it into the powers of Legislative Council. You are not trying to do that are you?

Mr GUTWEIN - No!

Ms FORREST - We want a watching brief on that! You know that.

Mr FERRALL - It is principally about the complexity and the amount of change for people to understand so we do not bring something in that then becomes quite difficult for all parties involved.

Ms FORREST - So have we got to a final draft yet?

Mr FERRALL - Penultimate.

Ms FORREST - Is that going to be shared with the key stakeholders before it is tabled, or is it going straight to Cabinet?

Mr GUTWEIN - I am looking because it has been consulted to death as you know. My view would be that we would take it to Cabinet and then get on with it. That is what I was thinking.

Ms FORREST - I wonder if there has been significant change since the last draft?

Mr FERRALL - I don't think there has been any contentious issues now either. I think there has been full consultation, as you are aware. We don't see that there are any issues that any members would particularly have concern with. It is down to the timing for the Government to bring it in.

Mr GUTWEIN - The last briefing I had was within the last two months. From that I understood that all the concerns had been dealt with.

Mr FERRALL - The only drafting is improvements to make some of the language more plain English. That is ongoing.

Ms FORREST - It should be user friendly then. As much as any financial management bill can be.

From what I understand there is a fair bit of work in this area that needs to be carried out; important work in preparing Government reports and statistical analysis. Have staff cuts in this area had any impact on the capacity to do that?

Mr GUTWEIN - None that I am aware of. There has not been anything that I have been looking for, expecting, that has not been provided on time.

Ms FORREST - There must be time pressures at times too, reports needed, and that sort of thing.

Mr GUTWEIN - Treasury does a fantastic job. That is widely acknowledged. They meet a range of timeframes, some that are legislatively set and others I thrust on them for other reasons.

Ms FORREST - Parliament thrusts things at them too, Treasurer, because of quarterly reporting and things like that. I assume much of that is done on this line item. We have increased the demands as a Parliament and no doubt you as Treasurer at times do too. But then we expect budget cuts and efficiencies.

Mr GUTWEIN - There is good productivity out of them.

1.3 Shareholder Advice on Government Businesses

CHAIR - We can move to 1.3 which is Shareholder Advice on Government Businesses. I note it is a simple explanatory note in the budget papers and also that it pretty well flatlines with a slight increase over forward Estimates. Could you in regard to the advice on reforms, could you give an update on forestry reform please?

Mr GUTWEIN - At the level that I see it, obviously, this is a really important area of reform that we need to engage in. Around the table the amount of operational subsidy provided to FT over a period of time, to the Government's view, that cannot and should not continue. We have had reports provided to Government and the review process began last year. It has been announced it has to reform and FT is going through a transitional period at the moment. I hope members on that side do share the view of the Government that what we need to do is arrive at a financially sustainable outcome with Forestry Tasmania.

This process will be ongoing. The first stage of that process, as was articulated by the minister in Parliament, is we have to ensure FT is as efficient as it can be. They are working through that process at the moment. We are looking at the EOI process in regard to southern residues. I am hopeful that very shortly we are going to see the outcome of that process. It is a difficult area, a challenging area, but one, as a Government, we have to get right.

CHAIR - I do not wish to ask any further questions at this stage. It is an ongoing process and something which is going to evolve over time. Do you have a time frame where you would like to see things come to some sort of a completion date?

Mr GUTWEIN - As was articulated by the minister, it will be a two-year journey.

CHAIR - A two-year journey?

Mr GUTWEIN - A two-year journey. We have made it clear that in regard to the operational losses of FT, the operational deficits, that the company, in the meantime, will borrow to fund those operational deficits. We are going through the process at the moment with due diligence in regard to the sale of the hardwood assets to understand that asset and the opportunity for that in the market place.

CHAIR - Are there any other challenges to any other GBEs in providing advice, anything which you can impart to the committee which is of interest, or is it pretty straightforward?

Mr GUTWEIN - Overall, the performance of the Government business portfolio over the last 12 months, as evidenced by the fact we have slightly higher returns from the Government business portfolio forward Estimates, has been reasonably positive. The shareholder ministers have worked with the boards. We have resized a number of them. The key aim has been to ensure that the services that are delivered to Tasmanians are delivered at the most efficient cost, but, importantly, that we also have an eye to ensuring that we get a reasonable return from the asset that Tasmanian taxpayers own. I am pleased with the progress.

CHAIR - Are there any particular red flags flying at the moment with regard to credit rating agencies on one of our GBEs that are not performing too well at this stage?

Mr GUTWEIN - We will be having a conversation with them post Budget, in a couple of weeks' time. If you look across the stable businesses we have, Hydro is now providing a return earlier than what we thought it would. If you recall last year in the budget papers, in conjunction with the board, we had set a target for Hydro over a three-year period to \$75 million worth of returns. They were not in a position to provide any returns for the coming two years. Over a four-year period outlined in this Budget, the total returns from Hydro are around \$144 million. That is pleasing.

We see the total returns, albeit dividends for TasNetworks have come back a little, but tax equivalents have gone up, so the overall return from TasNetworks is solid. The MAIB, and largely it is about the management of the assets, the investment assets, has been going particularly well.

Ms FORREST - They did pay the \$100 million extra special dividend last year.

Mr GUTWEIN - They did, and they have been going particularly well. The beautiful thing is, as I said last year, that would not put any upward pressure on premiums, and it has not. We have seen the markets around the world that have done particularly well over the last 12 months. Their business is about investing other people's money and they have done particularly well. The other one, Aurora, has also produced a good solid return.

CHAIR - Thank you for that snapshot. We will have an opportunity later on in the year to go down all that, so we will not waste any more time.

Ms FORREST - Treasurer, in the fiscal strategy, you were talking about government business being required to deliver services to Tasmania. I noted here that one of the aspects is to continue to work with Tasracing to develop an operating model that will allow it to operate sustainably. With its annual government grant funding allocation, is it not doing that at the moment?

Mr GUTWEIN - The Minister for Racing is working through a process with Tasracing at the moment. They have a situation where, and without having the information directly in front of him, the Treasury Secretary might fill in on this. The increase in regard to the consolidated fund assistance that Tasracing requires each year, is down to about \$32 million?

The indexation is CPI minus one and so what is important is that within Tasracing, they need to be finding efficiencies on an ongoing basis because the racing deed does not provide them with the CPI linked payment.

Ms FORREST - This is part of the decision when it was made to fund this process, and you were in Parliament at the time and will recall that -

Mr GUTWEIN - I was not supportive of this.

Ms FORREST - Yes, this is what they have, but the intention was clearly that they would become more self sustaining; that they would start making their own money and wean themselves off.

Mr GUTWEIN - I do not think there was any intention to wean themselves off; certainly the grant was not going to grow it to a level equal to CPI. The Deputy Premier is working very closely with that government business at the moment.

Ms FORREST - I know we will have the opportunity to talk to them but as Treasurer you are the other stakeholder minister.

Mr GUTWEIN - I am, and I am taking a great deal of interest in what the Deputy Premier is doing, as I am with other shareholder ministers.

CHAIR - We will move to 1.4.

Output Group 4 Miscellaneous

4.3 Miscellaneous

UNCORRECTED PROOF ISSUE

Mrs HISCUTT - The Government property and accommodation services, the money across the forward Estimates is pretty thin. I take it, it is CPI, or nearly always using that figure?

Vacancy rates are going down percentage-wise. In 2013-14 they were down to 3 per cent and the total is now 1.5 per cent. Can you tell me how many vacancies - this line includes buildings that the government owns and rents out and also building that the government leases out from the private sector. Is that right?

Mr GUTWEIN - I will ask Ms Morgan-Wicks to provide some detail on that.

Ms MORGAN-WICKS - Currently, the Treasury office accommodation has the vacancy rate of 3 per cent.

Mrs HISCUTT - What does that equate to?

Ms MORGAN-WICKS - We currently have in the portfolio six buildings. In terms of other government owned buildings that are managed by the agencies, we do not have that vacancy rate information.

Mrs HISCUTT - With open homes and houses that are commercially rented, how many of them are out to non-government bodies?

Mr GUTWEIN - My understanding is if we have vacant houses or homes that are surplus to requirement and we do not rent them, we take them to market.

Mrs HISCUTT - Right. Does this include police housing and stuff like that?

Mr GUTWEIN - It would.

Mrs HISCUTT - Teachers, headmasters' houses and that sort of thing?

Mr GUTWEIN - Over the course of the year, and in my time, and across different portfolios, we see a range of properties we have brought forward for sale at different times when they are surplus to that agency supply.

Mrs HISCUTT - Is fringe benefits tax paid on that sale or rent when it comes in?

Mr GUTWEIN - Fringe benefit or capital gains tax?

Mrs HISCUTT - Capital gains tax if you sell, fringe benefits if you are renting.

Mr GUTWEIN - Treasury does not pay tax.

Mrs HISCUTT - We centralise property management. There is a review on all the Hobart CBD office leases. How is that review going?

Ms MORGAN-WICKS - In terms of the new policy of centralisation of property, our current focus is on the major Hobart CBD leases. When I say 'major', greater than 400 square metres. In the review, the work that we have been doing has been to do basically a stocktake of all those major leases in terms of the current requirements, the lease expiry, the level of vacant

space, for example, all of the new accommodation needs of agencies. There are 37 separate leases over 24 buildings, ranging from 459 square metres to leases of over 11 000 square metres.

Mrs HISCUTT - This is what the Government was leasing?

Ms MORGAN-WICKS - Yes. The Treasury has taken responsibility to centralise that portfolio and to make sure that we can then optimise whole-of-government benefits from the management of those leases. Rather than taking an agency-by-agency view, we have had some disparate outcomes in negotiations of rents, for example, in the same building, between agencies. Now Treasury is responsible and we are looking at releasing a new Treasurer's Instruction to make sure that Treasury does manage that lease renewal and new leases.

Mrs HISCUTT - I also have here rents. How long are your contracts locked in for?

Mr FERRALL - They vary.

Mrs HISCUTT - Are you anticipating the rent increases? You are not anticipating anything major that you will not be able to control or manage to meet?

Ms MORGAN-WICKS - As we approach each lease negotiation, for example, we are obviously very aware of CPI increases. Various agreements will have different rent escalations. What we are trying to achieve is a standardised and optimised outcome across the whole of Government so that we are not getting disparate effects of different lease negotiations. In terms of outgoings or negotiations it will have a different impact, depending on the building, -

Mrs HISCUTT - Is it your department that will be looking at where to move the Mineral Resources office to Burnie?

Mr GUTWEIN - No. The Department of State Growth will be looking at that.

Mrs HISCUTT - Okay. Thank you.

Mr MULDER - Just on the issue of the properties, the hole in the ground next door as it fills up, is that part of this?

Mr GUTWEIN - It is one of the key things that we wanted to achieve with the centralisation of property management - and this needs to be on a statewide basis, but Hobart CBD is a starting point. As Kathrine has mentioned, in the past we have had different agencies in the same building but paying substantially different leasing costs, depending on what they had negotiated themselves. It just seems sensible to bring it all back under and manage it centrally. The other thing is, Health has a significant property portfolio; when they are looking at property that they are either vacating or is surplus to their needs, I think it makes sense that we have an eye on what is happening so that we do not have another agency going out and hunting for a space, unaware of what is occurring in those other agencies.

Mr MULDER - Those line items seem fairly low though for an extensive property portfolio. Is it just the management side - not the actual lease payments and things? They are back with the agencies?

Mr GUTWEIN - Yes, this is just the people we have.

Mr MULDER - One FTE at \$600 000?

Mr GUTWEIN - Not in Treasury.

2.1 Economic policy advice -

Mr MULDER - This has been pretty well covered in the overview. I notice that there are some small variations as we go through in this one. They are fairly small variations, like plus-50 in the coming year, balanced out through the next year, plus-28 in the next year, plus-22 in the next. It is an uneven sort of a bounce. It is not a steady progression. I am just wondering, what is the formula sitting behind those numbers?

Mr GUTWEIN - Again, that is probably something to have a look at. Across the forward Estimates we will have the standard 2 per cent increase from the point of view of the government wages policy. Other expenses are at 2.5 per cent, across government but it will be just the ebb and flow within those agencies -

Mr FERRALL - I would have to find the exact details on why that particular one goes up and down.

Mr MULDER - They all do it, we have just discussed one.

Mr FERRALL - You will see minor variations, it depends on how -

Mr MULDER - If it saves a lot of the trouble, the variations are so minor that I am happy to take that general response.

Mr FERRALL - Some of the things like overheads and how they are allocated across the outputs can vary over time.

Mr MULDER - It is a level of detail I do not think we need to hold you up with and have your \$600 000 FTE scurry around looking for.

Mr GUTWEIN - For the record, no-one in Treasury is paid \$600 000.

Mr MULDER - I am sure the record records me as being the only person who said that.

2.2 Regulatory policy -

Ms FORREST - With the ongoing challenge of some of the liquor licensing requests coming through, and we have seen one in the media recently and the concerns about that, what is Treasury's involvement in that area when there is a request to put a bottle shop in a socio-economically disadvantaged area?

Mr GUTWEIN - I have the Executive Director for Revenue, Gaming and Licensing, Jonathon Root, at the table.

Mr ROOT - At present Treasury's involvement is twofold. First, through the Commissioner for Licensing, myself, and I am supported by staff in the Liquor and Gaming Branch. At present,

the Liquor and Gaming Branch supports the Liquor Licensing Board. With the recent act that went through, there will be an amalgamation of those functions in the near future.

For the bottle shop proposal you referenced, at this stage there is not actually an application before the commissioner for that. The process is that an application will come in to the commissioner, the commissioner will show that the applicant is a fit and proper person and that the applicant is capable of running that sort of business, and then all of that material will go to the board for a determination as to whether that particular licence application is in the public interest. Within the act there is a test that the granting of the licence has to be in the best interest of the community.

Ms FORREST - How is that assessed and who is that assessed by?

Mr ROOT - Currently it is assessed by the board. It is really on a case-by-case basis; what are the attributes of the licence type, the application, what is the impact going to be on the local community, what is the broader community interest at a state level, for the tourism industry and so on which is active and growing? It really depends on the specifics of the case. With bottle shops, in the last few years, the board has turned down a number of applications on community interest grounds. The media has covered that quite extensively. That is the process.

Ms FORREST - What is the process for public input from the community either in support or raising concerns and opposing a particular proposal or application?

Mr ROOT - All of the applications are advertised in the newspapers. Signage is put on the physical venue. We also have, on our website, details of all of the applications and the community has the opportunity to put a representation forward. Those representations come through the Liquor and Gaming Branch, responses are sought from the applicant and then all that material goes to the board, and the board will hold a hearing and may invite people to put forward representations to talk to them about it. That is how the public input happens. The volume of public input is highly variable. For many applications we have no responses at all, others it might be local competitors who are interested.

Ms FORREST - Some of them would be the small events that are applying for liquor licenses, not just a new bottle shop for example? They all come through that process?

Mr ROOT - There are two sorts of rights to sell alcohol within the act, one is a licence which is an ongoing thing, and the other is a permit which is for a fixed period. The short term events might have a four day permit, something like that.

Ms FORREST - And you do not receive the level of public input to those, as you would to a long term development?

Mr ROOT - No, and the permits are not determined by the board. I determine permits and there is not a public consultation process, unless there is something about the permit that is of a particular interest.

Ms FORREST - How do you determine that?

Mr ROOT - It depends on the particulars of the permit types, so if it is likely that it might have an impact on the surrounding area, we make a judgement about that. For example, there is a

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permit type that is very topical at the moment in relation to the outlaw motor cycle gangs. If we receive an application along those lines we will generally seek the input of the local council, wherever it is, and also the police in the first instance.

Ms FORREST - You do not have to go through the board for that, it is still done internally?

Mr ROOT - That is right. Within the act, the permits are not determined by the board, they are determined by the commission, so it is a different process. The requirements for granting in regard to qualification of the applicant are different for the permit as per a licence.

Ms FORREST - With regard to the legislative review program, are there any proposed changes to the law in this area that you are looking at currently?

Mr GUTWEIN - There is a range of matters that have been brought forward for consideration. We are going through the final stages of consultation on that, and I hope to provide some further detail in, I will not say coming weeks, but very shortly.

Ms FORREST - Okay.

Mr GUTWEIN - It is interesting, in regard to a public interest test, with permits and licences the things that have been suggested through this process. Some of them are really quite sensible. I will give you an example of one of the things I feel very comfortable with, that has been brought forward.

Ms FORREST - Liquor licences.

Mr GUTWEIN - Yes, where a case is made, in relation to an application for a general licence, there have been concerns that have been brought forward and an applicant has been able to convince the board that they are able to mitigate against those concerns.

Once the licence is in place, and you could have for example a certain type of venue, that over time morphs into a night club because it has a general licence. We should be ensuring that where applications or licences have been granted that there are conditions that can apply to those, that you have locked in those mitigating factors that have been brought forward, to ensure that the licence can be granted in the first place. We do not currently do that.

Ms FORREST - You are saying that if a hotel that did not open late, wanted to extend their hours to include a nightclub, there would not automatically be an extension to the licence, or the opposite. I am not quite sure what you are referring to.

Mr GUTWEIN - Jonathon can talk about his more broadly in regard to what currently happens but once you have a general licence, you can conduct yourself within that, as long as you do not break any other laws. If it was never your intention to have a noisy night club as part of that establishment, then you decide to put a nightclub in, there will be a range of concerns that could potentially be raised.

Ms FORREST - That is right, so there would be a requirement to have that reviewed, it would not be automatic. Is that what you are saying?

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - Currently, you can go down that pathway. I want to ensure that in regard to new licences, that if there are conditions or mitigating factors that are brought forward at the time the licence is being issued, they can be added as condition to the licence to ensure that it does not morph into something else later on. I think that makes sense.

Ms FORREST - The state revenue policy, when you are looking at one of your election commitments, in making criminals pay, which is in your fines and regulatory fines, page 98, budget paper no. 1. I know it is only \$800 000 a year. An increase of revenue of 750 reflects the Government's commitment to impose an extra fee on those convicted in the Magistrates Court or Supreme Court of a criminal offence. The conviction in the Magistrates Court will be a \$50 fee and convictions in the Supreme Court will have a \$150 fee. I know it is an expectation of how much you will get as an estimate. Is it realistic or overly optimistic that you are going to get money out of these people? I know it is not a huge amount in the big scheme of things and divisionally.

Mr GUTWEIN - No, it is not a large amount but we hope that people would meet the obligations placed on them through the courts. It will always be a challenge but it sends a reasonable signal. It is factored into the Budget, it is a matter for the Department of Justice but I hope that we would recover what is forecast in the Budget.

Ms FORREST - There is a small fee individually, \$50 in a Magistrates Court. There will be an administrative fee for collecting that. Do you know how much that is? This is the thing with imposed fees, there is always a cost to collect.

Mr GUTWEIN - My understanding is that will be met out of existing resources but is probably a question for the Department of Justice.

Ms FORREST - You were looking at other regulatory fees and it is tabled down the bottom at the asbestos compensation funds being reallocated to other, to better align with the altered financial statements. How much is in the fund at the moment? How much has been drawn, if any, at this stage? I can take it on notice if you do not have it.

Mr GUTWEIN - I do not have it. If you want to put that on notice, I will find that for you. The value as at 31 December, the end of the last calendar year, was \$8.4 million in this business fund.

Ms FORREST - Are you aware of anything being drawn down yet?

Mr GUTWEIN - There have been some payments made. I know where the note is that I am looking for, it is in the Justice folder which we can bring me back to when we move to my responsibilities in that area this afternoon.

Ms FORREST - In which one?

Mr GUTWEIN - In the Justice folder. I knew I had read it.

Mr CHAIRMAN - If there is no more we will move to 2.3, intergovernmental financial matters.

UNCORRECTED PROOF ISSUE

Mr GAFFNEY - I was disappointed in the standard of the questions asked last years by the honourable member on this line item.

Ms FORREST - It was you, was it?

Mr GAFFNEY - Yes but I will try to do better this year but I am not sure because it seems to be pretty cut and dry. For the next years - 2014-15, 2015-16 and 2016-17 - I am interested in the increase predicted for 2017-18 and 2018-19. Is there a reason there is such a marked increase, of \$25 000 and \$24 000 respectively? I was thinking that the three years might have something to do with the frozen Grants Commission, but I do not know, up until 2015-16, because of the federal one. There might not be the impact of that. I was not sure whether that had anything to do with it. Is there a reason for it?

Mr VOSS - As the Secretary said earlier, it is not only wages, there are also overheads and how they are categorised across the agencies. Maybe it is part of that. For that line item, and for most of the Treasury line items, it is people doing the cost of these things. It may just be how the overheads are allocated, but we can try to find that out for you. I agree, it does go up a little bit higher.

Mr GAFFNEY - Yes, it looked a bit different, that is all. I was wondering if there was a reason. Looking at the State Grants Commission's annual report from 2013-14, there have been some personnel changes. Would you like to update us on who is there at the moment?

Mr VOSS - Yes, Pam Marriott is now looking after the Grants Commission. She does that on a full-time basis. We also have additional help as required in the rest of the team. We have one person in particular who looks after that. There has been a change, but the other week I caught up with the chair of the State Grants Commission, David Hudson, and made sure everything was going okay and how things were going in new role, whether he was comfortable with the support we were giving him, and he was. I was pleased with that.

Mr GAFFNEY - Was there a change in the number of people on the board? We have had that discussion just recently.

Mr VOSS - It was reduced by one, yes.

Mr GAFFNEY - The one on advice on intergovernment financial matters is interesting. It just must be a ball-park figure that is kept to that level all the time because you really do not know all the time what it is going to be. You need to have a line item that you draw on to cover the advice that you give.

Mr FERRALL - We run Treasury by branches. Outputs do not align directly to branches because some activity goes across branches. Something like, say, intergovernmental advice, if there was a peak, we would effectively have people working across the area or working into other areas. With things like economic policy advice and intergovernmental financial matters, the reality is that people who work in the branches might be go across to another branch to help out on particular peaks and troughs.

In establishing the outputs, we effectively have an allocation model which says, 'We will take x of this branch, x of that branch, overheads and other costs, and attribute them to those particular outputs.'

Mr GAFFNEY - So the 2017-18 has nothing to do with it being an election year? Just kidding! Thanks.

DIVISION 11

(Department of Treasury and Finance)

Output Group 3

3.1 Tax Administration and Revenue Collection -

CHAIR - The Treasurer will move to 3.1, which is tax administration and revenue collection. I notice an extra \$1.2 million in there and a couple of inspectors employed to catch all the miscreants, I think particularly with land tax and payroll tax. Why was it necessary to go down that path? Obviously this job has been done in-house for many years. Why do we need a couple of extra bouncers?

Mr GUTWEIN - I think everybody would agree that people need to pay their fair share of tax and the level of tax that is their responsibility under the act.

What we have done is have two people to work in this area.

CHAIR - Sorry?

Mr GUTWEIN - There will be two people to work in this particular area. The cost I think is \$150 000, but we are expecting and forecasting around \$1.2 million-worth of additional revenue as a result.

CHAIR - So that is out of the values that are outstanding at the moment? That was the other part of the question.

Mr GUTWEIN - I might ask the State Director to provide some detail. Again, we want to ensure that we take a risk-based focus on this. It will largely be ensuring that in the payroll tax area and in the land tax area, people pay what they are responsible for.

Mr ROOT - I think the Treasurer has answered the second part of your question thoroughly but to answer your first question, Chair, about additional resources: given that we already have a team working in compliance, you will see in the budget papers that there has recently been an investment in our systems. As a result of a lot of work, we have improved the quality of our data and the way in which we capture and analyse data. In our compliance program, we have access to databases from around the country. We share information with other jurisdictions, and pull in data sets from the Australian Taxation Office - ATO - the Australian Business Register and the Land Titles Office.

Our teams have been working very hard on improving the way we analyse that data and identify whether tax defaults may have been occurring. We have built up quite a good portfolio of work to do there. The longer it takes to get through that portfolio, not only does the state miss out on the revenue due to it but also the taxpayer is accruing interest and penalties. The quicker we can identify tax defaults and have them resolved, the better it is for everybody. Given the investment of effort we have put into improving our system, we have an opportunity, by getting some additional resources, to deliver those suspected tax defaults.

CHAIR - Are there any other tax categories these two people are following up?

Mr ROOT - We have programs around all the tax lines and grants - the first homeowner grant, electricity concessions, penalty rate issues and so on. We run compliance programs on all of those. We will continue to look at all the tax lines. These staff will primarily focus on the land tax and payroll tax, but also companies which own dutiable property within share structures and that sort of thing.

CHAIR - How do payroll and land tax, which is the one that has caused us the most issues?

Mr ROOT - I would not say that any one particular tax line causes the most issues. Within these taxes, there are particular complexities that people sometimes miss. In terms of sheer numbers of cases, we get a lot of land tax cases purely because land tax applies to 60 000 properties out there. There is a lot of change in the classification of properties through a year as people sell properties and so on. Payroll tax is a much smaller tax base - there are about 3 000 taxpayers, so the numbers are less.

CHAIR - I appreciate what you are saying about the land tax. We get a lot of those in our electorate offices. People come in - there have been different conveyancing and different purchases of land, and sometimes they get bills when they should not have bills. We try to help sort those issues out.

Mr GUTWEIN - In a lot of cases they get bills for their conveyancing when their solicitors should have informed them more fully in the first place.

Mr MULDER - It is like wanting to see a cash register and pretending you are Service Tasmania and taking the money.

Laughter.

Mr GUTWEIN - Just more up-to-date information on that Asbestos Compensation Fund, as at the end of April, \$7.844 million.

Ms FORREST - That is the balance?

Mr GUTWEIN - That is the balance of it but in regard to the remainder of that question, I can deal with other stuff.

Ms FORREST - Yes. I was taking the opportunity to check the Twitter feed. I note that you have agreed that the state Government is offering up to \$3.5 million and a royalty holiday for Avebury, which is something that I have discussed with you in the past. Is the royalty holiday a holiday, or is it just a deferral? If so, is it taken into account in the Estimates on page 102 of budget paper 1?

Mr GUTWEIN - There was an announcement, I think it was on the front page of *The Advocate* this morning -

Ms FORREST - Yes, I have not looked at the paper yet. Mr Brooks is taking all the credit.

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - There were two aspects to the Avebury support package. - It needs to be understood here that Avebury need to be able to attract the capital to get that mine up and running. If they can, then there will be some assistance provided for the stamp duty, whereby they will need to pay the stamp duty but then there would be an ex gratia payment of around \$900 000, so around half the stamp duty that will be collected. There will be payroll tax assistance made available to them, again should they get up and running. The mineral royalty only applies if a company is a - is the word 'a going concern'?

Mr FERRALL[?] - It is 'operating'.

Ms FORREST - There are two aspects to the royalty, one is on their profitability and one -

Mr GUTWEIN - Yes. It has to be operating.

Ms FORREST - Yes.

Mr GUTWEIN - We have made it clear to the company that should they be up and running, then they can make an application under the rules as they stand for the royalty rebate. But the royalty rebate is something that neither I nor the Government can commit to. The company has to be up and running before that can be considered.

Ms FORREST - Are you talking about a deferral as opposed to - it is important people understand that; people think the mining companies are big money-making ventures. It is not that. Once they get going, they often are, but they have sunk a lot of money into it before they get to that point.

Mr GUTWEIN - I know you are interested in this particular matter. From the point of view of any exposure to the state, not knowing what the Twitter feed is saying, whether it is a good thing or a bad thing -

Ms FORREST - It was the media release.

Mr GUTWEIN - The most important thing here is that there is no exposure for the state unless the mine is up and running, if they can raise the capital to get the mine up and running, and then there will be some stamp duty assistance and some payroll tax assistance, which I think is quite reasonable on the basis that no jobs exist there at the moment. The royalty deferment is something that the company would need to apply to once it was up and operating. We would need to consider it at that stage.

Ms FORREST - As we both know, we have discussed this in the past, if you do not provide the support you are not going to get any money anyway. If it does not get going, you do not get anything. I understand the company do require the support of the Government, or a visible show of support in attracting their capital.

Mr GUTWEIN - Yes. They need to attract significant capital. I hope that they can do that. I think it would be a great thing for the west coast should they do it.

Ms FORREST - The hole in the ground is already there, so is the mill.

Mr GUTWEIN - That is right. It is ready to go. Until they raise the capital there is no assistance provided. Should they be able to raise the capital, we have flagged that we will provide assistance. The royalty matter, under the way the act is established, is a matter that we would need to look at once they were up and running. I hope that this gives them a shot in the arm. They need to raise significant capital. Should they be able to do that, there will be hundreds of jobs that will flow as a result.

Ms FORREST - I appreciate your consideration of the request anyway. If it makes a difference we will all be very pleased.

Mr GUTWEIN - It is a very good outcome for both the state and for the company.

Ms FORREST - Treasurer, on that same page, Other Revenue, I noticed that you have at the bottom Tasmanian Health Service with significant revenue coming in and the footnote says: 'The increase in the Tasmanian Health Service in 2015-16 reflects a more accurate estimate of salary and wages recoveries.'

Mr GUTWEIN - Which page are you on?

Ms FORREST - Page 102 of budget paper 1.

Ms FORREST - I do not really understand what that means in terms of revenue - 'a more accurate estimate of salary and wages' - are we not spending as much, is that what it means?

Mr GUTWEIN - We will need to get an answer from Health on that question.

Ms FORREST - Is it revenue coming in? Normally it costs us money to provide that I would assume.

Mr FERRALL - It would be a cost recovery issue and we need to get some more details on that.

DIVISION 11

(Department of Treasury and Finance)

Output Group 3

Revenue and regulatory management services

3.2 Regulation and administration of liquor and gaming -

Mr FARRELL - Yes, I have a couple of questions about the effects of changes in the act. Mr Root covered them very well in his response to 2.2, where there were a couple of questions that the honourable member for Murchison raised, very similar to the questions I had. I will follow up on an issue that was raised last year and ties in with a social issue that the police raised about domestic violence and alcohol being involved in many of the problems they deal with.

Last year it was asked whether there was any thought to offsetting some of the costs of the social consequences of the liquor industry. At that time, you said it was a matter that you had not considered. I wondered if you have done any more thinking down that path.

Mr GUTWEIN - I am certainly not considering a community service levy of the type that applies in gaming. With regard to the family violence occurring at the moment, I think all of us around the table think there have been some very concerning matters raised. At a government level, the Premier is hitting up that task force; there will be a response provided towards the end of August in regards to this issue. We have made it perfectly clear at this point that will be resourcing the recommendations the Attorney-General released last week as necessary. There will be a range of other measures that will come out of the task force. I am not, at this stage, contemplating applying a levy across licences.

Mr FARRELL - It is one of those things that will cost a certain amount of money to implement and I was interested to know.

Mr GUTWEIN - It was always in the back of my mind when framing the Budget. We would have liked to have done more in this Budget right now on this issue but, in the absence of a strategy and a plan, we thought it best to wait until that plan was developed. Importantly, the Budget has significant capacity now. Over the coming forward Estimates periods we will still be in deficit for the 2015-16 year at a much lower number than what we were originally forecasting and so at a government level we have the capacity to make sure we resource this appropriately.

Output Group 4 Community Assistance

4.1 Bass Strait Islands Community Service Obligation]

Ms FORREST - I do not have any questions. It is self explanatory. We are providing a community service obligation to assist those people as we should. Going up a little over time and it is utilised by those people.

Mr CHAIRMAN - Okay, nothing else.

Public Trustee Community Service Obligation]

Mr ARMSTRONG - Can you tell me approximately how many cases the Public Trustee deal with each year under this obligation, and how is the Budget calculated to the obligations. Is there a cost per case or that type of formula? Or can you derive what budget they come to?

Mr GUTWEIN - I need to get that advice from Justice,. We will need to take that on notice.

Mr ARMSTRONG - Thank you.

Mrs HISCUTT - The Public Trustee manages estates where there is no will. Is that correct?

Mr GUTWEIN - Yes, and Guardianship Board.

Mrs HISCUTT - The amount of money they charge is based on a percentage of the estate, and I think it is around 15 per cent, or is it higher than that?

Mr GUTWEIN - I do not know.

UNCORRECTED PROOF ISSUE

Mrs HISCUTT - When you talk about community service obligations, I think of that as community service, and the fee they charge for their activities in lieu of wills and other directives, is fairly high.

Ms FORREST - I agree.

Mrs HISCUTT - I will leave that as a comment.

Mr MULDER - Should be a flat fee for a service, rather than a percentage of the pie. What do you reckon? Like real estate agents, why should it be a percentage?

Mr GUTWEIN - There is a review under way at the moment, but I need to get some details as to where that is at and provide some further information.

Mrs HISCUTT - Is it possible to put that on notice, Chair? Can we find out how much percentage they charge? Is that appropriate to this?

Mr GUTWEIN - We can provide that detail. The fee structure is on the website, I am pretty sure it is.

Mrs HISCUTT - Okay.

Mr GUTWEIN - We will come back with some information for you.

Ms FORREST - This has been an ongoing issue, not just with the states, but often money is held in trust for victims of crime who are children and the money has been awarded to them. Because it is very hard to access until they are 18, the fees have been shown to significantly whittle away funds over the time. That is what the member for Montgomery is talking about. The fees seem to be eroding those. I am pleased to see a review happening, because that has been going on for some time.

Mr CHAIRMAN - Agree. Move onto CIP 1.1.

Ms FORREST - I have already covered that, Chair.

Mr CHAIRMAN - Yes in 1.1. There is nothing else. The Treasurer has moved to Finance General. We will move straight on to 1.1, Debt Servicing.

Capital Investment Program

Mr ARMSTRONG - If the Government proposes to be debt free in 2016-17, why in the fiscal year 2018 does the estimates for the debt servicing more than double, compared to the previous two financial years?

Mr GUTWEIN - Based on that 2017-18, year there is a \$35 000 increase in debt servicing for that particular year. What this relates to is the cost of the overnight borrowing. In that particular year there was a long weekend.

Ms FORREST - Really, a long weekend?

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - That timing issue is the fact that we carried that overnight for an extra night. Friday and in to Sunday, rather than Thursday replaced Friday. Friday to Monday. Not a long weekend, but over a weekend.

CHAIR - Any more on that particular topic?

Ms FORREST - I am asking it here because there is an expense for debt management that is not an appropriation. This is the only point I can ask this question. With regard to the federal housing debt, what is the current interest rate on that debt?

Mr FERRALL - There are a number of loans under the old Commonwealth/state housing grants. It varies up to a bit over five per cent, but each loan is at a different rate. They are quite low rates, but they are long term, so three and a half to six per cent.

Ms FORREST - How many different loans are there?

Mr FERRALL - I could not tell you off hand, the average is 4.42.

Ms FORREST - Maybe I am confused about this, because I thought there was one loan. The principal repayment is now \$7.5 million, it used to be \$15 million. When did it change and why did it change? I am still hoping the feds might write this debt off, but they will not.

Mr FERRALL - I do not think the principal repayment has dropped from 15 to seven.

Ms FORREST - It hasn't? Are the principal and interest amounts paid on behalf of Housing Tasmania, or is it appropriated to DHHS, then transferred to finance general for payment?

Mr FERRALL - Housing meets the cost. If that is the ultimate point of your question, Housing meets the cost.

Ms FORREST - They pay it, so it does not come through finance general?

Mr FERRALL - It does because we pay the Commonwealth.

Ms FORREST - Yes, that is what I thought. Both interest and principal?

Mr FERRALL - Yes.

Ms FORREST - What is the amount that is being paid now?

Mr FERRALL - The principal is \$7.5 million and \$8.4 is the interest.

Ms FORREST - So 15 is probably the combination of both. Thank you.

CHAIR - We will move to 1.2.

Mrs HISCUTT - Treasurer, why is there a big jump in 2017-18? It goes back down again in the forward Estimates, in the 2018-19.

UNCORRECTED PROOF ISSUE

Mr FERRALL - I am quite sure it is because of the estimate of the balance of the Council's special deposit trust fund that attract interest.

Mrs HISCUTT - It looks like it has \$7 million, then it is \$6 million, then it is \$9 million, then it is \$12 million, then it is back down to \$9 million. It looks like there is something there that you aware of, but perhaps not.

Ms FORREST - The Federal Government is going to give us a big bit of money that you can put in the account.

Mr FERRALL - The balance is in the special deposit trust fund. With those accounts that attract interest, we effectively give estimates of those balances that come through agencies with the balance of their budget. Then we estimate that this is going to be higher so we pay interest on it.

Mrs HISCUTT - So is it one account? Special deposits and trust fund or is it special deposits fund and the trust fund, or is it just one account?

Mr FERRALL - It is a ledger; it is not an account in a simplistic sense.

Mrs HISCUTT - What sorts of funds are held in these? Is this what we were talking about earlier, - estate funds and funds for minors when they get to 18? That sort of thing? What sort of money is held there?

Mr FERRALL - A range of things.

Mr GUTWEIN - There is a range of different accounts - the Tasmanian Health Organisation Patient Trust and Hospitals Bequest Account; Finance One Scheme; Environmental Protection Fund; Tasmanian Community Fund. There is a range of those, and then there are true trust accounts such as the Tasmanian Community Fund, Early Years Foundation, Confiscation of Profits Account. There is a range of them.

Mrs HISCUTT - We are paying interest on all that?

Mr FERRALL - Yes. In that particular ledger, the interest estimate is based on whether it be advice from Westpac on long-range interest rates. One year there was a pick-up in the interest rate, as well.

Mrs HISCUTT - Are we making money on that? Are we paying less interest than what we are saving? Obviously that money is invested somewhere else.

Mr FERRALL - We save money on the basis of our cash management ultimately.

Mrs HISCUTT - Is there a place where you invest that sort of funds? You do not just keep them in a bank account down the corner of the street, do you?

Mr FERRALL - No, we use them internally for our own cash management.

Mrs HISCUTT - So it is used?

Mr FERRALL - Yes.

CHAIR - Any further questions?

Ms FORREST - It seems that in 2015-16, there will be less money in those accounts. You will be getting less interest unless the interest rate is the bigger factor there. Then again, Westpac will obviously has obviously made some assessment here that in 2017-18 the interest rates will be better. If they drop away next year, we will not have as much money in the account.

Mr FERRALL - It will be driven by interest rates.

Ms FORREST - Are we expecting a significant deposit from the Australian Government that will affect this somewhere along the line? It is nothing to do with that? It [inaudible] sits in a special deposit trust fund where all our Commonwealth money goes initially, does it not?

Mr FERRALL - Yes. There is no specific Commonwealth funding that would be driving this.

Mr MULDER - The financial modelling out years is showing that these just are not sustainable interest rates. Current interest rates are unsustainable. Somewhere you have to factor in when they are going to change, do you not?

Mr GUTWEIN - I do not want the committee to have a view that we are forecasting significantly higher interest rates. Obviously, knowing what the Treasury Secretary has indicated, that the interest rate we would factor into over forward Estimates is provided by Westpac, and they would not be the circumstances. Again, the size of the change would be largely be driven by the account balance.

Mr FERRALL - The change in the interest rate is something like 0.83 per cent so when you step back from Westpac's long-range forecast -

Mr MULDER - It is a Westpac prediction, not a government forecast?

Mr FERRALL - Yes, and we use that to inform our potential cost.[inaudible]

Mr MULDER - Even though you hope it is wrong.

CHAIR - We will move to 2.1, Superannuation and pensions.

Output Group 2 Employee Related Costs

2.1 Superannuation and Pensions

Ms FORREST - The emerging costs as they appear, Treasurer, are estimated out of expenses based on the most recent actuarial assessment of superannuation liability. There are varying views around this. I made my views pretty clear in my response to your Budget speech. This is not out of control? You are aware of what the liabilities are and they are manageable? Are they less than 6 per cent, as according to your fiscal strategy of your Budget outlays? Do you have any concern about this?

Mr GUTWEIN - Over a long time I have always felt the best way to deal with a long-term liability like superannuation is in exactly the same way as the majority of us around the table deal with our own superannuation. That is, you put a small amount away each year with the view that you will have compounding interest, and you will deal with the challenge when it confronts you. At a state level, the change was made a couple of years ago, post-David Bartlett's move-the-hay-out-of-the-barn, and we moved away from the arrangements with SPAR. We went to paying our superannuation on an emerging-cost basis.

As the fiscal strategy explains, what I believe is manageable over the longer term is that we have set the total cost of meeting the [inaudible] obligation and also our debt servicing is below 6 per cent of any government cash receipts. We are at 4.9 per cent in this Budget. It rises over the forward Estimates, which is explained in the Budget. I think what is very healthy about this Budget is that if you go to the balance sheet and look at the Government's overall liabilities, over the next four years we will reduce our total liabilities. That reduction includes both our gross borrowings amount and the superannuation liability, which is our largest single liability. Overall, liabilities for the state decrease.

It is difficult to put in place an alternative way forward when you are still in deficit. One of the key things in the back of my mind is that before we can look at an alternative option in regards to superannuation, we need to get our finances on a more sustainable footing and strengthen the balance sheet. That occurs over the forward Estimates. I would like to think that over the next couple of years we will revisit this issue and consider what our options might be over the long term. I hope we can get the Budget into a position where, on an ongoing basis, we can start to put some money aside that will lessen the impact on future generations of Tasmanians.

Certainly when this becomes at its peak, which is in the early 2030s, it would be good to have some additional money set aside.

Ms FORREST - If you can still meet it within the 6 per cent, or less than 6 per cent, of your outlays, surely that is not unreasonable? Maybe that money would be better spent in growing the economy, for example.

Mr GUTWEIN - I do not dispute that. I think that is one of the issues we have to look at. Again, while it is a liability, it generally has the characteristics of a big loan on our balance sheet.

Ms FORREST - We do not treat it as such?

Mr GUTWEIN - On the balance sheet, it is there as a liability. It is plain for everyone to see. Again, you cannot deal with that issue until you are in a stronger financial position. I am not foreshadowing we are going to take any particular action here. I am just saying that the most important thing is to get to a stronger financial position and we can then consider what the options might be.

Ms FORREST - If you arguing that we are net-debt free but you are not including the unfunded liability in that calculation, is that not a bit misleading?

Mr GUTWEIN - Well, again, the balance sheet provides for superannuation. I do not think it is misleading. I think the commonly accepted and understood net-debt position is a good indicator of our financial health. I think the most important thing we need to look at is the overall

impact of those liabilities on the balance sheet. The key thing with the Budget forecast is that our overall liability reduced, including superannuation liability.

Ms FORREST - I understand and accept what you are saying. When you talk about headline figures, you go back to the net operating balance argument as well, which we have had a number of times. You are talking about being net debt free at the general government sector, not the state sector obviously. You are still ignoring the unfunded liability in that comment.

Mr FERRALL - The net debt is the accountable measure. That is what is used. The unfunded liability is a liability. One is a debt you actually have to repay. The unfunded liability is contingent on a whole range of things which may or may not occur.

Ms FORREST - But ultimately it will be paid because people are going to retire and die.

Mr FERRALL - The liability also changes over time in the actuarial assessment, which is driven by things like the long-term bond rate. You have seen the variation in the liability and quite significantly. The actual cost of it depends on the behaviour of the individuals attached to that liability. In some cases, if people leave early, then you do not crystallise ultimately the same level of liability as if they continued on.

Ms FORREST - Or if their salary is ramped up in the last three years before they leave, it becomes a much bigger liability.

Mr FERRALL - Yes. Things can keep changing. Regarding the accounting for it, the Government's position on net debt is quite clear and quite sound. Rating agencies look at your net debt position, but also take into account your other liabilities, including superannuation.

Mr GUTWEIN - The aim of the Government was to put ourselves into a stronger financial position. Until we are actually at that point, until we have operating surpluses, we need to be focused as well on returning fiscal surpluses, which at the end of the day are demonstrated by this budget. We do return to surplus in the fourth year. But it is very difficult to deal with the long-term liability when you are in deficit. The first step has to be -

Ms FORREST - There are some commentators out there suggesting that we should be retiring some of this, or cash backing some of this liability. It is a matter of opinion, obviously. You do not share that at this stage, until you are in a better financial position is what you are saying.

Mr GUTWEIN - It is very difficult. If we were to take this scenario, that today I was sitting in front of you here and that one of the things that we had built into the budget at a time when we are in deficit, at a time when, whilst we are increasing funding to health and education, if we were to take the opportunity to also start to fund a superannuation when we are in deficit, we would be criticised. What we need to do is ensure that we get the budget back to a sustainable position, and then we can start to look at our options. The aim of the government always was to make certain we could do that in the shortest possible time. The budget brings forward those time frames considerably.

Ms FORREST - We are still using two separate calculations for the present day with the unfunded super liability. The difference is essentially the discount rate that is used. The high figure usually appears in the Treasury annual financial report that is often not read by as many

perhaps, as read the budget papers. As the Treasurer's financial report is a complete audited set of accounts, as opposed to the budget, which is not, why do we still stick with two measures and not just have one?

Mr FERRALL - Basically we use what we believe is the long-term bond rate in the budget papers. For the audited statements you have to use the bond rate on the day. It can be quite varied. I accept that is the audited number, because you pick the long-term bond rate as at 30 June. That varies quite significantly. We have a long-term liability that is going to go over the next 30 or 40 years. Simply because the long-term bond rate currently is particularly low, it does not mean it is representative of bond rates over that period of 40 years. This is why, for the budget purposes, we basically make an estimate of what you might call the true long-term bond rate is, rather than a point estimate on a particular day.

Mr MULDER - On that point, the superannuation issue really, the liability is one that - are we factoring into there the fact that only a few people take it as a lump sum, which becomes instantly liable on the day they leave? We need to spread the fact that most will take it as a -

Mr FERRALL - Through the advice of the actuary they take into account the changes over time. There are different points in the economic cycle where people might be more likely to take a lump sum as opposed to a pension. In the current point most people would be more likely to take a pension. But that is taken into account by the actuary and that is reviewed on an annual basis. They look at what the most recent behaviour is and the behaviour they are seeing around the country, if people's predisposition is to take a lump sum or a pension, and we build that in.

Mr MULDER - That relates to the benefit of course. There must be a higher retention rate of people saying, 'I will live my life out with a pension,' rather than investing their money.

Mr FERRALL - One would think that at this point in time. That would make the most sense.

CHAIR - Treasurer, as you know, I have a different view on this matter philosophically. But it is quite rightly so - the hay was taken out of the barn, and that is not your problem. It was done some years ago. I think when David Crean was actually Treasurer, he said that the liability would be fully funded within seven years. Of course that did not happen and the hay went out of the barn and that was the end of that story.

There are, as mentioned before, several financial commentators who say that this liability is something which could be addressed at times. One very good financial commentator that you know and I know well - I will not name him here - he talked about low interest rates lowering the liability. Correct only to the extent that inflation is lower, but inflation is not actually much lower than normal at the moment. Further, those actuaries who actually set out the liability, adjust it by quite sizeable amounts each year due to changes in the risk-free Commonwealth bond rate, as you have said, rising or falling. He goes on to say lower bond rates in fact increase the net present value of the unfunded liability, which is quite rightly then treated as a debt by the credit rating agencies. That is just a bit there.

So in terms of cash out, we are looking at about \$300 million a year to cover the super because the money was not set aside. So when we add employee costs, plus super, plus payments for the defined benefits scheme, we are looking at something like 52 per cent of it, plus the revenue being paid out. So the bottom line is that means there is a lot less money for everything

else. There is a challenge there, is there not? Do we continue to allow taxpayers' money to be spent on this, you could argue, archaic scheme, when there are many in the community who are suffering significant deprivations? If there was an adjustment made somewhere along the line, could that not be spent in other areas? I suppose that is a philosophical question, is it not, that we have?

Mr GUTWEIN - I think, in a nutshell, what you are asking me is, would I change the way that the current RBF defined benefit scheme operates to ensure that it was at the lower cost to Government? The answer would be no. People entered their working life at whatever stage that they did, with the expectation that they would have a defined benefit pension.

Mr MULDER - Often at a lower salary. This was a perk that -

Mr GUTWEIN - I will not go into the reasons that may have been the case. The Government has no intention to fiddle with the entitlements of the defined benefits scheme. What I think the Government needs to do, and very sensibly do, is ensure that we first and foremost fix the state's finances, put ourselves into a position where we have options available to us in regard to how we might better manage it. We have no intention of changing it.

CHAIR - I accept that but, just aside from the financial impact, there is another part to that and that is the operation of the scheme means that often public sector employees do not move to the private sector or elsewhere. Consequently, we cannot place our graduate teachers and nurses, for example, in the system. They are on a gold plated scheme where they sit so they do not want to move, do they? That is another issue with what we have.

Mr GUTWEIN - The scheme was closed off 16 years ago.

CHAIR - I know but it still has a long way to travel and with spouses and everything else it goes out forever.

Mr GUTWEIN - Last year, I think for the first time, in the budget papers we included the cash cost of undiscounted, of meeting that obligation over the next 40 to 50 years in that the cost to the Government will be over \$20 billion. It is a significant financial liability the Government has but there is no easy solution to this. When you look back, if there was a mistake that was made going back over the last two decades, it was when the concept of beginning to fund the defined benefit scheme was first established but that needed to be established in a way that meant that the cash could not be used for other purposes.

The private sector, when money is put aside for superannuation it is put aside for superannuation. Here, governments of both colours over the last 20 years, starting, I think in 93, under Rundle, when the concept of a SPAA superannuation provision account was first set up. If there was a mistake made, it was that the money was not locked away for superannuation purposes.

CHAIR - One final point on that and I am not saying it is a roting matter but it has been pointed out that somebody with a maximum entitlement - you can multiply the salary benefit by eight to get the increase. For example, for somebody in their last two or three years, a \$20 000 increase each year equals \$60 000 extra over three years, and increases the super entitlement by \$160 000, so there is a \$220 000 cost to the state from that \$20 000 pay rise. That is something that needs to be addressed somewhere.

Mr FERRALL - The Government is not looking at changing the benefits to individuals. What you are talking about is the FAS3, the final average salary over for the last three years. To change that particular component of how the defined benefits scheme works would disadvantage all of the members.

Mr GUTWEIN - We are not prepared to breach any change. It is a reasonable thing that people entered into a scheme with certain expectations. It is not for the current Government to change those expectations.

CHAIR - Thank you, Treasurer, I feel much better. There is a significant number of people in the Tasmanian community who think the way I do, particularly people in the private sector, saying this is unfair.

DIVISION 2

((Finance-General))

Output Group 2

Employee Related Costs

2.3 Provision for 27th pay -

Ms FORREST - I understand all the departments except for Health have the 27th pay this coming year. Health some other time. I am not sure when and you might like to tell me. I notice in June that this is in the budget papers, an appropriation report but no expense, is that is because it is dealt with right through each department, they have to deal with it. It is appropriated to the departments, not through Treasury and Finance. Is that how it works?

Mr GUTWEIN - Yes, so it is appropriated.

Mr FERRALL - This is a cash cost, ultimately and all of the accounts are done on an accrual basis, so you see the accrual as you build up to it. In a particular year where you have a 27th pay, there is an additional cash cost. Which is why there is a higher appropriation.

Ms FORREST - When is Health?

Mr FERRALL - In 2020-21. They are on the alternate fortnightly cycle.

Mr MULDER - We have had discussions previously on this 27th pay and questions were raised. Parliamentary salaries are paid twice a month, which would get completely over this. Just a suggestion.

Mr GUTWEIN - As long as it is planned for, and you know it is coming, it is something that you have a fair lead time for.

CHAIR - We will move to 3.1 Forestry Tasmania. The \$6 million budget item which is explained on page 40, and you have the additional \$2 million there. We talked about the delivery of non commercial activities, my memory was it used to be about \$9 million for CSA, for FT.

Output Group 3

Government Business

3.1 Forestry Tasmania]

Ms FORREST - It was not funded for many years.

Mr GUTWEIN - I will ask the Secretary of Treasury to explain. It is of significant interest to Forestry Tasmania, and also the significant interest in regard to a lot of the population in regard to what support is provided. I want to be clear, there is no operations support provided. We have made it perfectly clear as you go on. No operational support. We are not providing any subsidy to FT. The CSO is one and FT have to apply and make the case for the CSO and the Secretary might like to explain that process and how it operates.

Mr FERRALL - The CSO needs to be declared by the Government. Basically, through the corporate planning process the Government would identify that there are certain activities which Forestry believes are on a non commercial nature, which the government would declare as a CSO. That could be matters such as having roading at a higher standard than you might need for forestry activities, but you might want it at a higher standard because they might be important roads for linking small communities or they might be important roads for tourism or other activities. Forestry also undertake some activities which would be of a tourist nature which are non commercial.

Once the government has declared a particular activity it accepts as CSOs, Forestry is then funded. It is not an automatic process. In some previous years they were not funded. That is a matter ultimately for the Treasurer to determine.

Ms FORREST - Part of that was because they never applied for it.

Mr FERRALL - There were not any true CSOs declared, previously, is my recollection.

Ms FORREST - Interesting takes on this, going back to when we had a previous committee enquiry in 2007 or whenever it was. They had a different view of that.

Mr FERRALL - I would have to go back and check but I do not believe there were any CSOs declared formally, in which case they would have had to put forward something. There was nothing declared.

Once the CSO has been declared and the government has agreed that it will effectively fund the CSOs, we go through a process with Forestry particularly, which is really an acquittal process, where we ensure that they have spent the relevant money on those declared activities. We ensure that, in some cases you go to the level of getting receipts, they need to go through and demonstrate and say something like roading activity, the roads they claimed as part CSO have been built, et cetera. There is quite a rigorous process.

Ms FORREST - Or maintained - maintenance of roads as well. And bridge work.

Mr FERRALL - Can be as well, yes.

Mr GUTWEIN - Depending on what its use is.

UNCORRECTED PROOF ISSUE

Mr FERRALL - Once that is all gone through, then we ultimately release the funding to Forestry.

Mr GUTWEIN - We did say rigorous process.

Ms FORREST - Have you, Treasurer, determined what will qualify as a CSO - that FT could apply for this \$4 million funding for?

Mr GUTWEIN – Yes, that is done through the corporate planning process.

Ms FORREST - What are the activities that would warrant consideration?

Mr GUTWEIN - Activities as identified in the ministerial charter that were declared as community service obligations. They include assistance with state fire management, prevention, preparation and protection of wild fires -

Ms FORREST - Isn't that the \$2 million in addition to this?

Mr GUTWEIN - I will come back to that. Management of agreed sites for public recreation; maintenance of agreed roads to allow for continued public and fire fighting access; identification, management and harvesting special species timber and management of the Huon pine log stock pile on non-commercial terms; an ongoing provision of agreed forest education activities; and agreed non-commercial tourism activities.

Ms FORREST - What are the non-commercial tourism activities they are still involved in? I thought the intention was some time ago for them to get out of a lot of the non-core business that they had dabbled in.

Mr GUTWEIN - We could provide some more detail on that if you like.

Mr FERRALL - They are, as I understand, going through a process of reviewing those.

Mr VOSS - They also provide part of the forest activities and things for tourists more broadly that they do not charge for, for example, just signage and education, paths and those types of things. It is non-commercial in that sense because they do not charge a fee like they do for the air walk.

Ms FORREST - The maintenance of the air walk, because they charge a fee for that, is not subject to this community service obligation?

Mr FERRALL - I cannot be certain that it is not. It could be if the particular activity was not making a commercial return.

Ms FORREST - That is a matter for FT to talk about in December, I guess, whether they are making a commercial return on those. Again, this is not so much to do with their non-commercial activities, but when do you expect the equity transfer from TasNetworks to occur?

Mr GUTWEIN - That will occur next month, early July.

Ms FORREST - What is the expected amount to be transferred?

Mr GUTWEIN - The rate is 30, the current borrowing level was 27.8.

Ms FORREST - You would expect 27.8 or 30?

Mr GUTWEIN - It depends – well, 30 has been agreed to be transferred. Again, the debt level at the end of this financial year will be whatever that final number is. At the moment it is 27.8.

Ms FORREST - Up to \$30 million? It won't be over?

Mr GUTWEIN - There is only \$30 million going to be transferred.

Ms FORREST - As a maximum. What is the total cost of FT's hardwood plantations that are going to be sold, subject to due diligence?

Mr GUTWEIN - When you say the total cost - this was a question that was asked in the lower House on Tuesday - are you talking about the total establishment cost? If I could say, in regard to the hardwood plantations, one of the things that I made a comment on Tuesday, I do not want to set any expectation in regard to the value of those plantations. That would be counterproductive in the fact that the market is now looking at a potential purchase. We are going through the due diligence process. That is being scoped up at the moment. I hope it is a lot of money.

Ms FORREST - I bet they do too.

Mr GUTWEIN - There have been a number of figures put out there. It is a substantial estate. I do not want to give any indication.

Mr MULDER - You are not going to fall into the TAB trap, then.

Mr GUTWEIN - No. Having sat in the pack at that time when that was being discussed, I will not comment at all.

Ms FORREST - Treasurer, has agreement been reached regarding the ownership of the 14 000 hectares of Gunns MYS trees that are growing on Crown land?

Mr GUTWEIN - Again, that is part of the due diligence process that is being worked through at the moment.

Ms FORREST - When do you expect that due diligence process to be completed?

Mr GUTWEIN - In regard to the broader plantation asset, that is being worked through at the moment. That is the body of work that is underway at the moment as part of the due diligence process.

Ms FORREST - Where does the cost for this fall? Does that fall to the Government or to FT, the cost for the process you are going through?

Mr GUTWEIN - FT.

Ms FORREST - You do not have any idea what that cost will be?

Mr FERRALL - At the moment FT is largely doing the due diligence internally. There will be a separate process at the end of that which will effectively then value those assets. There will be a cost to that, but FT will meet that cost. It should not be substantial or significant in terms of the valuation.

Ms FORREST - They still have to find the money from somewhere when they are already in a level of debt.

Mr FERRALL - It is not unusual, in terms of sale processes, for the costs to be effectively met, then come out of the ultimate sale process.

Ms FORREST - There may be some costs they are going to have to fund upfront in this process.

Mr FERRALL - Yes, it is a normal business cost to value an asset that you are looking at selling.

Ms FORREST - I am interested in where the costs fall for this.

Mr GUTWEIN - The process that we are going through at the moment, as at the end of this financial year and moving into the coming financial year, there will be an equity transfer to deal with Forestry Tasmania's debt at that particular time.

Ms FORREST - Do these costs include that projected debt though, or is this in addition to that?

Mr GUTWEIN - Again, whatever expenditure the company has over this financial year, if it is not in a position to meet that with revenues it generates, will form part of the debt that would be paid at the equity transfer in the new financial year. As we have made perfectly clear, we expect the company to get on with the job. If it runs at operating deficits, obviously it will use borrowings to support those operating deficits. Then we will use the proceeds of the plantation sale to retire that debt.

Now, that, as I explained on Tuesday, is exactly the same process that occurred under the previous government. The sale of the softwood plantations at that time was around, I think, close to \$30 million, from memory, that was paid out in debt after the sale of the softwood plantations. The difference between then and now is that what we are looking to do is to ensure that we restructure the company and put it onto a sustainable footing moving forward. That did not occur a couple of years ago.

Ms FORREST - From a policy perspective then, we will have different views on things, obviously, as we are entitled to. Selling the plantation estate, I know this is in the steering committee's report as a proposal or an option or however you want to describe it, effectively the future in many ways for the industry has been roundly considered as being the plantation sector, and here we are, selling the assets, particularly selling the farm to pay the debt and try to put it on a sustainable footing when that is the future.

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - I would argue, the trees were planted with a view to selling them. We are selling the crop. The long-term supply of resource that is required would be taken into account in the way the sales are structured. To be honest, there has been an enormous level of political appetite to make the case that we should not be selling the trees when we are doing exactly what they were planted for.

Ms FORREST - Are we going to replant them? Is it part of Forestry Tasmania's brief to replant them after they have been sold?

Mr GUTWEIN - This depends on rotations. It depends on what the appetite of the market is for the trees, and where they see the future to some degree as well. There is a lot of work going on in this area at the moment. The first step, from a due diligence point of view, is to understand exactly what the asset is, and that is what we are doing at the moment.

Ms FORREST - Part of that consideration then is to see the trees before they are ready to be harvested?

Mr GUTWEIN - We have different plantations.

Ms FORREST - I understand, but some of them will not be ready to be harvested. Is consideration being to the requirement that those be replanted?

Mr GUTWEIN - That is part of the whole discussion and sale process and looking at what the resource profile is going to be in future years. That is one of the aspects. The due diligence at the moment is to scope up and understand what that asset looks like: what the age of the plantation is when the trees could be potentially harvested; what the quality of the stock is that we have, which is a part of understanding of what to take to the market. The future needs and resource profile that we are going to require would be something that is going to be considered through this process.

CHAIR - I think at this stage, Treasurer, it is now 1 p.m. and is time we had lunch.

The committee suspended from 1.02 p.m. until 2 p.m.

DIVISION 2 (Finance-General)

Output Group 3 **Government businesses**

3.1 Forestry Tasmania -

CHAIR - We will resume the session.

Mr ARMSTRONG - Talking about the community service obligations, Coolangatta Road on Bruny Island is a Forestry road - part of it is Forestry, part of it is council and it is closed off,

4WD only. It is a main tourist link on Bruny Island. Would that be one of the roads that could possibly come into their community service obligations, minister?

Mr GUTWEIN - I do not have that level of detail with me. It could potentially -

Mr ARMSTRONG - It is the main tourist road that links Adventure Bay to -

Mr GUTWEIN - Under the Parks initiative, essential maintenance, it might fall under that. We can find out as I do not have that level of detail here.

Mr ARMSTRONG - That is fine, thank you.

CHAIR - Item 3.2.

3.2 State Fire Commission

Mrs HISCUTT - Treasurer, the funding for this is the same all the way through to the end of 2019, which means we have either dropped something off, because that is less money over that time, or less value. The amount of \$790 000 in that for bushfire mitigation. That will finish, is it a one-off or an ongoing bushfire mitigation program?

Mr GUTWEIN - It is ongoing.

Mrs HISCUTT - Is that enough money, \$790 000 over the forward Estimates? What sort of things are involved in the bushfire mitigation program?

Mr GUTWEIN - I do not have that level of detail. Ms Morgan-Wicks has it.

Ms MORGAN-WICKS - it is over the bushfire mitigation program has also been called the bushfire preparedness program. This funding was previously provided to DPIPWE and was then accessed by Tasmania Fire Service, by way of provision of a grant. That funding has now been transferred to the TFS. It is our understanding that the programs undertaken with this funding have traditionally been focused on strategies to increase firefighter safety and to support volunteers. This funding is in addition to the significant additional funding provided to various entities in the Budget to meet firefighting costs, for example, the funding of \$28.5 million provided by the Government for fuel reduction burns.

Mrs HISCUTT - None of that money goes into training firefighters?

Ms MORGAN-WICKS - No.

Mrs HISCUTT - There is an extra \$240 000 there for a contingency provision for funding excess firefighting costs. Does any of that go into training?

Ms MORGAN-WICKS - No. This funding supports TFS costs associated with direct wildfire firefighting expenses. It is a provision only. Final costs are dependent upon the wildfire events during the year. Any increased funds are met by a request for additional funds.

Mrs HISCUTT - So that \$240 000 goes on top of the \$2 million that Forestry Tasmania has to maintain its firefighting capacity and assist with fighting wildfires?

Ms MORGAN-WICKS - Yes, it is basically a provision. It then depends on what occurs during the year. They will come back to us with a request for additional funds if they require further.

Ms MORGAN-WICKS - Depends on what occurs during the video and they will come back to us with a request for additional funds if they require further.

Mrs HISCUTT - There are a lot of forestry workers who are now out of work and we know they are an important part of our fire fighting capacity. Is any of this money going towards that group of people to keep them fire fighting, when necessary, to keep them on hand, with skills?

Mr GUTWEIN - Within Forestry Tasmania they will be ensuring their workforce is skilled. But for those who have left the industry or exited, it depends. Those people may have transitioned in to other industries.

Mrs HISCUTT - If they wish to maintain their fire fighting capacity, that would be through volunteer work or something like that, and you would not have those sort of figures. No? All right. Thank you, Chair.

[Division 2]

[Output Group 3 - 3.4 Government Business]

Mr GAFFNEY - The footnote says the increased primary effects are \$30 million equity injection until 2018-19 to expand the irrigation infrastructure network. That is a good news story, and there has been a lot of media coverage. Would you provide a brief comment and expand on how that relationship exists, and reflects with other sources of funding, that will help out that project?

Mr GUTWEIN - With irrigation we have funded \$7.5 million per round across the forward Estimates, so that meets the state Government's obligation of \$30 million into those five irrigation projects. The Commonwealth Budget provided for an additional \$60 million and so there was \$90 with the state and Federal funding available through those projects, with the expectation, from memory, that there was around \$25 million raised from the private sector, depending on buy-in from the private sector. So a total project value across those in excess of \$115 million.

The IDB is going through that process with those projects and there are a number that are currently in the process of being scoped. The size and scale of some of those projects has changed. The advice I have had from the IDB is that they think they are in a position where they can deliver on those projects, to the extent that the community is compared to engage with them.

Mr GAFFNEY - In addition, it says the Government will continue the planned provision of \$17 million to Tasports, over the three years until 2016-17, for essential remedial work. Which ports will they be, and how much funding for each of those ports, and which works has already started?

UNCORRECTED PROOF ISSUE

Mr GUTWEIN - We will need to find some details in regard to that because it is a range of projects that have been ongoing for a number of years.

Mr GAFFNEY - I was under the impression that \$30 million was over five years, for \$6 million a year. I have predicated my response and my next question on that sum, not the \$7.5 million you said over four years. Given that the Tasports' equity injection finishes in 2016-17 and I have said that \$6 million is already allocated to Tas Irrigation Projects until 2018-19, according to the funding, there would be \$3 million left in 2017-18 Budget and \$2.993 million in the 2018-19 Budget in the allocations in the forward Estimates. I am wondering what the money is for? I went to last year, or the year before, where it says it was \$30 million over the period, \$6 million a year. If it is \$7.5 million that is fine too. The remainder that is estimated for 2017-18, 2018-19, will that go into Tasports or what is that money projected for because it does not seem to add up. I want to know what that funding is allocated for or what is the intention of the Government?

Mr GUTWEIN - I am getting some advice on that. You are right, the original cash run would be \$30 million; it was \$6 million a year over five, and the discussion with the IVB is to when they want to see that money flowing. It was changed to a four year program at seven and a half because they had no need to draw down funds in this current financial year .

I am looking at the spread from last year, and the only other component outside of the equity injection changing and the Tasports essential maintenance, is the Tasracing reimbursement for \$1.5 million. Is that what you were talking about?

Mr GAFFNEY - I did not look into that area. The only thing I thought it might have been, because it is \$17 million for essential or remedial works for the ports and there are 10 or 11 different ports, is that it is a contingency fund if there was more funding needed to continue with that remediation that is under Tasports.

Mr GUTWEIN - The cashflow frame I have here is in the 2014-15 Budget. Of the \$17 million, the cash flowing was 2014-15 for the essential ports maintenance, \$1 million; then 2015-16 Budget \$8.5 million; 2016-17 \$7.5 million. The irrigation investment changed to \$7.5 million a year over the four years.

Mr GAFFNEY - If that funding for the Tasports finishes in 2016-17, you have allocated funding in 2017-18 and 2018-19 which exceeds the \$7.5 million that you allocated for.

Mr GUTWEIN - By how much? Then I can maybe land on it. What is the figure you have there Mike? If it is \$1.5 million.

Mr GAFFNEY - If it was \$1.5 million, if it is \$7.5 million I was going on the \$6 million figure so I was going three and whatever, so it is \$1.5 million.

Mr GUTWEIN - It was \$1.5 million which is the Tasracing reimbursement.

Mr GAFFNEY - Thank you. That is all. Thanks, Chair.

CHAIR - Any further questions on that one? We will go to Miscellaneous.

Output Group 4 - Miscellaneous - 4.3 Miscellaneous

Ms FORREST - The ex gratia payments, who receives that, has been answered under this line item. Mobile radio network - we talked about this with the Minister for Infrastructure yesterday and we received an understanding about what is happening with that. Unless you want to add anything to that?

Mr GUTWEIN - No.

Ms FORREST - A longer work in progress than expected?

Mr GUTWEIN - And focusing on the scan in the next two years.

Ms FORREST - That is what you said, so good to hear you are saying the same thing. The other point under this line item is the voluntary local government amalgamations application of \$400 000. I am interested in how that is likely to be provided. I assume it is an incentive type of arrangement. Does it have to be amalgamation or can it be used for resource sharing? What is your intention with that funding?

Mr GUTWEIN - I can go into this in more detail in the local government if you want to, but that money will be used for conducting the modelling in regards to the voluntary amalgamation options that are brought forward or in relation to strategic shared service models that are brought forward. In the last week there has been some press on this, certainly in the south, in regard to Clarence's proposal. There has been some press up north. We have had a range of options that have been brought forward by local government which I am currently assessing. It looks like we will have very strong interest in having some shared service arrangements model.

There are also a number of voluntary amalgamation models that have been proposed. We are working with local government during this week and next week to finalise exactly where their thinking is at. Our proposal relates to modelling. Local government currently has 155 examples of shared services. Less than 30 per cent of those shared services have ever been assessed or looked at to see whether they meet the aims of the original agreement and whether they provide any efficiencies for ratepayers.

Of those 155 services, one council, interestingly, said it had no shared service arrangements in place at all, but the other six councils, through the process of the audit, said they were sharing services with that council.

Ms FORREST - Clearly there is a problem there.

Mr GUTWEIN - Now, that raised some red flags in my mind. I put to local councils that if they would like to work with a neighbouring council, whether geographically located or further apart, and if they brought forward a proposal to look at a shared services arrangement, we would, first, conduct an issuing audit and, second, carry out modelling to see whether that shared service arrangement would provide some benefit. The option we put on the table was that for two councils, we would put in up to \$25 000 to be matched by those two councils, for modelling. Where the options involved more than two councils, we would put in up to \$50 000, again to be matched by support from the councils, to conduct the modelling.

Ms FORREST - A total match, not like \$25 000 from each council, for example?

Mr GUTWEIN - No. I thought that if a large coastal council wanted to look at two or three other councils having a shared services hub with them, we could provide up to \$50 000. You might find a large council might put in \$20 000 while the other smaller councils might put in somewhere between \$5 000 and \$10 000 each. That would mean we would have a reasonable pool of money to do the modelling.

I explained to local government that in regard to a shared services model, I do not want model options driven by crisis. In my opinion, most shared services across the state have been put in place as a result of crisis. They have lost a general manager. They have lost an environmental health officer. They cannot find the appropriate person - 'What we will do? We will share with the council next to us'.

The options for modelling I put to local government require councils that want to share services to have an audit conducted on the services they offer. That will allow us to understand what these councils have in common - service areas; how many people they employ and at what cost; human resources; IT; planning, and so on. Then we will look at models to deliver those services more efficiently or effectively for ratepayers.

That is what the money is for - to conduct that modelling. At this stage, the response from councils has been quite positive. A number of options have come in this last week, and we are working through them.

Ms FORREST - Treasurer, it sounds to me a lot like it is really just looking at sharing resources at this stage. The audit is around that.

Mr GUTWEIN - Or voluntary amalgamations as well. Some options have been brought forward.

Ms FORREST - The councils who appreciate that they are sharing resources, as opposed to those that do not perhaps - even though they are, allegedly - would their services be modelled through this process? Is that a separate process? They may not come to you and say 'We want to look at further resource sharing, or whatever.' As you said, a lot of them have not even been assessed. I know that Waratah-Wynyard and Circular Head, for example, have done various aspects of resource sharing. They did a review, but I am not sure how effective that was in terms of its quality. I am not casting any aspersions, but I am not sure how effective the evaluation of it was, but now they have gone back to two general managers. Again, that was predominantly driven by that crisis situation.

In situations where things have come and gone on that basis, but still there is some resource sharing going on, would that be drawn into this? How will that be funded?

Mr GUTWEIN - As part of the initial audit - if I could call it - of what councils are currently engaged in -

Ms FORREST - Is it happening across all councils?

Mr GUTWEIN - No. Again, I have done this on a voluntary basis. The local government has been quite mature and sensible in the way it has approached it. Any existing services currently in place would be picked up as part of the initial audit, so that we would understand

what they were doing. I have made perfectly clear that I do not want to have state money used to assess something that has already been in place and that should be being assessed under the normal course of operation of a council.

This is to look at strategic resource-sharing. As I say, I have made it perfectly clear to local government that this is not about, 'Well, we will share an environmental health officer'. This is about looking at and understanding the business of council A and the business of council B, where there is commonality, and what could be done from an efficiency point of view. A couple of weeks ago we advertised to establish a panel of providers to do the modelling and conduct the audits. We are currently, as I say, assessing the proposals that are coming in. We have got quite a range of options to consider.

Ms FORREST - So \$400 000 does not seem like an awful lot in that regard if a lot of councils come on board. But you are saying that is only part-funded. The councils have got to raise the other funding. So potentially a much bigger amount will be spent on it?

Mr GUTWEIN - Yes. Look at it this way: if, say, six options came forward, of three councils each, we would provide \$300 000, at \$50 000 for each of those discrete modelling options. Local governments and the councils involved would then also put in some resources. I have told councils that I do not want to own this. I want it to be jointly owned between the state and local government. I think that is the only way that we are going to do this. At the end of the day, councils cannot feel that this is a state government project. They need to own the outcome of this. This is why we have asked them to make a contribution.

Ms FORREST - The other noteworthy item under this area is the \$250 000 allocated to support nationally driven reforms. Against this item, you talk about the reform of Australia's taxation system. You did say earlier that is being funded from within. Maybe grabbing a little bit of this perhaps? No?

Mr GUTWEIN - Not yet, no.

Ms FORREST - Not yet.

Mr GUTWEIN - It is if we need external advice and support - if we need to bring in some additional external advice, we can utilise these funds for that.

Ms FORREST - What other nationally driven reforms are on the table at the moment that may well require some -

Mr GUTWEIN - I think the white paper on Federation is probably the biggest game in town; that will look at a range of matters across the way the Federation operates. Obviously, the national tax reform process. Out of JCTEC, the Joint Commonwealth Tasmanian Economic Council, some issues might be raised through that which this funding could be utilised for, including if additional advice or support is required. .

Ms FORREST - Have you already done some work around the Federation white paper and the tax review? Have you engaged any consultants to assist with that at this stage?

Mr GUTWEIN - No.

Ms FORREST - It is all being done internally?

Mr GUTWEIN - As part of the white paper on Federation, I understand the states are currently discussing the green paper component of that. So, collaboration at the office level is going on at the moment.

Ms FORREST - So once the green paper is out, specific expertise is likely to be required?

Mr GUTWEIN - We will get an understanding of the appetite at a national level as well. We need to ensure that we have got additional resources there if necessary.

Ms FORREST - In terms of that work, it would be a shame to think it was just happening behind the closed doors of the Treasury, because it is bigger than Treasury, obviously. So what process is being undertaken to ensure it is not just done behind the closed doors of the Treasury?

Mr GUTWEIN - Firstly, DPAC is playing a key role in this. There is a whole-of-government approach to what is occurring here. Once the papers are made public and we have a chance to respond to those in a formal way, I think that will be very public.

Ms FORREST - There will be a process for the public to engage in that at that time?

Mr GUTWEIN - In regard to the public, perhaps Mr Voss could answer.

Mr VOSS - Thank you, Treasurer. Yes, the whole process is intended to be public. Five discussion papers on the white paper on Federation have released - the discussion paper on tax. We are now working through what the green papers may look like. They will come out publicly. The Commonwealth Government is looking for responses to that, so that is where it will allow the public -

Ms FORREST - For the one on health, for example, there will be opportunities for experts from the health area to feed into that?

Mr VOSS - In the white paper on Federation which we are dealing with there will be a chapter on health, and there is an opportunity for whoever wishes to comment on those things to put their hand up and make submissions.

Ms FORREST - Are you aware of organisations and bodies that have, in that regard? Do they do it through you?

Mr VOSS - No. It is all done through the Commonwealth.

Ms FORREST - As far as affecting the needs of Tasmania and protecting our needs so as not lose out in this, when everyone is fighting for themselves, as you pointed out earlier, how do you ensure Tasmania's needs are met in terms of what Tasmanians think about this?

Mr GUTWEIN - I would think the key input is going to be driven by the Department of Health in the first instance. Largely speaking, our biggest challenge here is in regards to Federal Government transfers and the way that it will be resourced. One of the key reasons the Treasury is involved in this is that they have the best handle on that. The process will develop over time.

Tasmanians will have an opportunity to contribute once the national white paper process is released, and the Government will be contributing as well.

There will be furious arguments behind the scenes amongst the states and the Commonwealth in regard to outcomes on this both at a political level and an office level. Obviously COAG plays a key role in this, as does the national Treasurer.

Ms FORREST - And the ministerial councils. One of the matters I raised with the Minister for Health was the evolving health funding into the future which potentially has some hazards for Tasmania, simply because it is a population-based model of funding. Are these the sorts of things that will be considered in this as well? Or is that separate?

Mr VOSS - In the Federation white paper, they are looking at a range of roles and responsibilities as much as funding as well - who does what and what tier of government is appropriate to do so. It is a very broad question. It does not just capture the funding associated with it, which is critical, but it is also looking at who should do what particular service.

Ms FORREST - I understand that. The whole funding flows through that though. Whose responsibility is it to fund primary health; whose responsibility is it to fund acute health?

Mr VOSS - That is part of the discussion about vertical fiscal balancing and how these things would be funded, which is why the white paper on federation and the tax paper are separate but linked, if that makes sense. They are dependent on each other in that sense.

Ms FORREST - I guess I am seeking reassurance that those things are taken forward on Tasmania's behalf.

Mr GUTWEIN - Do not worry, they will be.

4.4 Payment to Australian Tax Office: GST administration -

Mr MULDER - This has probably been done to death in the previous session in the overview. We have asked questions about the GST and all those sorts of things, and we have done all the stuff about what will happen if it should go to the future. It is not for this committee but I have some ideas about them that no doubt the Treasurer will read in the paper one day.

Mr GUTWEIN - I can hardly wait.

Mr MULDER - We have dealt with it. I will simply make the observation that it is imperative that we get the Budget back in the black in 2016 because beyond that, we are going to have some difficulties with what the GST might produce for us in the future. It is much better to be in the black when you are dealing with those future issues than it is to be in the red.

Mr GUTWEIN - It is, and one of the things that needs to be put on the record though, the system of HFE has worked really well for a long time. What has heightened the broader public's interest in the last couple of years has been Western Australia's view in regards to the impacts of the current model on itself as a state. If there has been perhaps an issue we should have dealt with more publicly earlier, it was the fact of pointing out that when Western Australia first started to bleat about this over the last 18 months to two years, prior to that they had benefited substantially

from the current system, in fact to the tune of \$7 billion - \$7 billion more than what they were entitled to as a result -

Mr MULDER - As a population-based entitlement, not as a raising.

Mr GUTWEIN - When you look at WA's own-source revenue and the way the GST is calculated, casting back over three years, when their state revenue started to increase, they were still being paid on the basis of the average over the last three years, which had them receiving less state revenue. As their state revenues are going up, they were still getting substantial GST to the tune of \$7 billion more. Things have changed, it is coming off and equalising itself out. It was raised earlier this year when the debate became noisy. I think we should have been pointing out over the last couple of years that WA was in that position and there would not have been the opportunity for WA to make the case as they have done over the last 12 months. The simple fact is that HFE works very well - it is swings and roundabouts. I think as the system starts to equalise over the next three years, we will find less and less coming out of WA.

Mr MULDER - Reading some of the commentary, including your own statements about this, it is almost - this comes back to the question of yes, we are at a real advantage, we are in a better position because we are a mid-range tax state instead of being at the other end. There is also that factoring into the GST formula, which might suggest in some ways the allocation of three-year averaging is almost a reward for poor performance, isn't it? The worse you do the better you go.

Mr GUTWEIN - In fact it worked in reverse for WA because the better they were doing - they benefited to the tune of \$7 billion. It is interesting in that regard to WA, in the last five yearly review in the Treasury, WA was arguing very strongly there should be no change to the system and that it was working beautifully because at that time they could see they were going to be a net beneficiary of it. Now with this five-year review -

Mr MULDER - We are not on racing but we know about the horse called Self-Interest.

Mr GUTWEIN - In regards to the Treasury modelling of GST, what is in the Federal Budget paper 3, the second table included in that takes into account only mining royalties. The Treasury modelling that has been conducted takes into account more broadly the impact across the states in a whole range of revenue areas. At this point in time, we have the best numbers we could possibly have in the Budget.

Mr MULDER - As we are heading into the reform processes, the Prime Minister - or it might have been the Treasurer at least - flagged the potential of state-based GST so that states could introduce their own GST, which would be an interesting election exercise given the way we cannot even tell what we raise.

Mr GUTWEIN - There have been a range of proposals put forward by states. Some of the governments that were putting forward proposals are no longer governing. Queensland had a particular view there for a while about state-based taxation. I know South Australia has a particular view, Victoria had a particular view but has since changed government. We need to wait until the national discussion and tackling papers on taxation to get a sense of where things are at. The sense I get is, I do not think Mr Hockey is going to get a sensible discussion on the basis that there are states of a different political colour that will want to do nothing more than frustrate.

Mr MULDER - One last question, there are other taxes in this mix such as the fuel excise, which at last count was something like \$14.3 billion nationally, and yet only \$3.4 billion of it was spent on roads and infrastructure. There are some other federal taxes that have gone out of the state for which perhaps we are not getting the full bang for the buck. Perhaps take that as a comment.

CHAIR - We will move then, to 4.7, property management services.

Output Group 4

4.7 Property Management Services -

Mr ARMSTRONG - Under the details of this output, it mentions property management services being reviewed having regard to the actual experience of 2014-15 and 2014-15. Can you elaborate on what that experience was?

Mr GUTWEIN - I am sure that we can. Kath is deputy secretary, responsible for that area, can probably provide all the detail he needs.

Ms MORGAN-WICKS - In terms of the actual experience it had estimated outcomes or end of year outcomes that are lower than Estimates that had been put in the budget, so we have adjusted those budget Estimates to the experience.

Mr ARMSTRONG - Last year Mr Ferrall stated that Parliament Square building fitout was being integrated with the construction. If that is the case, why is there such a large increase in the budget for 2016-17?

Ms MORGAN-WICKS - We have adjusted the cash flows for the Parliament Square project. Regarding the delay, we had the settlement for the Parliament Square project go through last December. December 2014 was construction starting, and we are anticipating completion of the main building by the end of next year, 2016, which has then changed the cash flows of the integrated fitout component. The fitout has also, in this budget, been capitalised [inaudible] experienced settlement. We have capitalised that expense.

Ms FORREST - On that point I would like to know when are we going to knock down this building, this room in particular? I am serious. I have had enough of this room.

Ms MORGAN-WICKS - With completion of the tower construction at the end of 2016, we then head into the preparation for demolition in 2017.

Ms FORREST - In my lifetime perhaps, it will be good.

Ms MORGAN-WICKS - Some new committee rooms.

Ms FORREST - I might not still be here.

Mr MULDER - Are the floor plans available anywhere? They would be on a website somewhere, I presume.

Ms MORGAN-WICKS - We have started the fitout and tenant stacking for the new Parliament Square building. There have been some changes which we are currently working through with the developer.

CHAIR - Thank you.

4.8 Infrastructure Investment Project Planning

Ms FORREST - I had a discussion with the Minister for Infrastructure - I cannot think who it was - about SIRP, he was not all that familiar with it. It is a Treasury allocation and Treasury run a process, as I understand it. Also that it is an important process, major projects being considered through this process, including major infrastructure projects. What major projects are being considered at the moment through this process?

Mr GUTWEIN - Effectively every major project that is proposed by an agency should come through this process.

Ms FORREST - What is classified as a major project?

Mr GUTWEIN - School upgrades, any expenditure by Health on hospitals, et cetera.

Ms MORGAN-WICKS - In terms of the infrastructure projects that were approved in the budget, an example would be the high school upgrades that were selected in particular for the north of the state. Each of those would have been, at various points in the SIRP process. Prioritising multi-department as requiring the upgrades. Each major infrastructure project requires to be passed through the SIRP process. Where it might get a little bit confused is priority maintenance for example. There are some components in the infrastructure part of the budget that are priority maintenance that might not pass through a SIRP project.

Ms FORREST - Is there anything else coming besides those school upgrades?

Mr FERRALL - The process requires agencies to bid. We will be doing another round where they will bid for funding so they can develop an appropriate brief so their projects are ready to go, rather than a bit of a pipe dream, as in some cases.

Mr GUTWEIN - There is no lack of appetite by agencies in regard to putting projects forward.

Ms FORREST - In my discussion with the Minister for Infrastructure and he was not entirely sure about this part of the process, when a project comes forward, like for a new school as opposed to an upgrade of the system facility, does it also look at other aspects rather than the building of it? Like the IT requirements, the energy requirements, the water and sewerage, all those other aspects to the development. As the secretary said, when is it ready to go as opposed to being a pipe dream?

Mr FERRALL - The funding is to ensure agencies do have the capacity to look at all those things. You imagine an agency that has a potential project but does not necessarily have capacity in a funding sense to fully develop a brief. This gives them the capacity to bid for funding so they can develop a brief.

UNCORRECTED PROOF ISSUE

Ms FORREST - They have to bid for funding before they can even start the brief?

Mr FERRALL - This allows them to do that. In some cases you will get to a point. Through a feasibility study you might identify the project is not feasible. It stops bad projects going ahead. Its capacity for good projects to be properly developed become available for the Government to consider funding through the budget process.

Ms FORREST - I wanted to ask something about the Tasmanian Risk Management Fund, which is not in the appropriation line but it is in the expense line.

With regard to the Tasmanian Risk Management Fund can you tell us about the claims that have been made against that fund in the last 12 months, a breakdown of the areas they have been in? I am particularly interested in the medical claims over the last couple of years. I did read there had been an increase in that area, particularly.

Ms MORGAN-WICKS - The estimated outcome in terms of liability is at table 7.7 which is page 139 of budget paper 1. In terms of estimated outcomes, \$109.9 million for medical.

Ms FORREST - Which table?

Ms MORGAN-WICKS - Table 7.7 in the assets and liabilities chapter, page 139. I can get further information for you, if you like.

Ms FORREST - That is continuing to rise. Is that because there is a greater number of claims, or a bigger payout on the claims?

Ms MORGAN-WICKS - In looking at the actuary's report with estimates for contribution toward medical liability, we have experienced a reduction in the discount rate, which has therefore caused an increase. It also had some corrections to claim cost indexation methodology compared to the previous actuary. We would need to get you some further information if you want dollars in terms of medical liability claims.

Ms FORREST - Yes, and also for the number of claims. This is in dollars, not numbers of claims. I am interested in if the claims are getting bigger, or the numbers are getting bigger. It could be both.

Mr GUTWEIN - We will have a look and get information for you.

Ms FORREST - So the personal injury liabilities, this is separate to medical events? Worker's compensation and that sort of thing is covered in all of that, or are there aspects of personal injury?

Mr FERRALL - We can get the relevant detail on the different claims. There is an actuarial report starting in December. We can get that together and get into the breakdown of what has changed.

Ms FORREST - That would be good, thank you.

Grants and Subsidies

UNCORRECTED PROOF ISSUE

Mr MULDER - This is where we get the First Home Builder Boost. I notice, Treasurer, in table 3.8 of page 51 of the budget papers. The audited administered expenses deal with these variations. The first home builder boost, do we have any idea of an economic profile of the recipients of successful applicants to this program. Are they double income, what sort of incomes are these people on?

Mr GUTWEIN - No we do not. It is not means tested.

Mr MULDER - Okay. I know it is not means tested, but there may be some capture of the data of who the applicants are. The value of the houses built, do we have any idea of that?

Mr GUTWEIN - No, there was an estimate put out by the industry, on the basis that with the boost itself, and this was from a variety of boosts over time, there were about 1 400 first grants that have been provided over the last couple of years, from when the first home builder boost was initiated. The total cost - the estimate was around 1 400 grants; an average build, and this is land and build, cost around \$300 000. There have been over \$400 million worth of building and land associated with the program.

It says, that at the 1 June 2015 - this is cumulative statistics for the first home builders boost with commencement on the 7 November 2013 - grants paid were 1 231, total applications 1 330. Then in regards to the amount

Mr MULDER - Is that a document available?

Mr GUTWEIN - It is on the Treasury website, and provides a breakdown on a monthly basis of applications received and applications paid.

Mr MULDER - Okay, but we do not have any data on the applicants themselves?

Mr GUTWEIN - No, we do not.

Mr MULDER - As to their economic status, the geographics, and that is in the same place, on the same document?

Mr GUTWEIN - We can provide that information, north south split.

Mr MULDER - Maybe if you provided that information, the details on the website plus the other information. That would be good. The other question relates to the trending that I noticed. In 2014-15 we had \$17.9 million and yet it drops to \$11.3 million in 2015-16, and given that you are planning to continue the \$20 000 boost, I was wondering why you had that drop.

Mr GUTWEIN - In the 2014-15 year, the boost was maintained at \$30 000 up until 31 December. On 1 January it shifted to \$20 000 boost, a step down. We are now going to increase the boost back up to \$20 000 from 1 July this year for six months to the end December, extend it. Then it will reduce back down to \$10 000 from 1 January next year.

Mr MULDER - In subsequent years it seems to - 471, 748 - it is rising after that which is projections without uptake at 10 000.

UNCORRECTED PROOF ISSUE

Mrs HISCUTT - Moving past 2019, have you thought about what you are going to keep doing after that? Do you reckon you will keep continuing, or will there be a cut off point at some stage?

Mr GUTWEIN - It is planned that it will reduce to \$10 000 and it is being decreased on 1 January next year. That will continue.

Mr CHAIRMAN - Thank you, Treasurer, we have now concluded that area and we will now move through to Justice.

Mr MULDER - Before you go, Treasurer, I did flag this and I keep forgetting it. It runs across a number of agencies. This 'reserved by law', there are a number of those spread throughout the budget papers, some of which are never accessed and never used. They keep cropping up. The one that comes to me is the \$52 000 over the Local Government Act for construction of roads that I do not think has been drawn down on in 20 years. I am wondering whether there is a review processing way to try to pick up all these little anomalies that keep cropping in the budget papers.

Mr FERRALL - There is not a formal review that we do every year to pick up ones that like, some of these by law that, as you say, have rolled under the table.

Mr MULDER - Sometimes they need a base amendment bill to pick them up.

Mr FERRALL - We do not do anything other than work through them on a roll in basis.

Mr MULDER - I might flag that one because it gives false hope to some local government bodies and when they realise it is only \$50 000 and what is that going to buy them, nobody bothers.

Mr GUTWEIN - Thank you. If I could thank the officials at the table for this table of force for the day.

[2.52 p.m.]

DIVISION 4

(Department of Justice)

Treasurer - Auditor General

CHAIR - Thank you, Treasurer, and for the purposes of *Hansard*, please welcome your guests to the table.

Mr GUTWEIN - I have with me the Auditor-General Mike Blake and the Director for Corporate Support Patty Johnson.

Ms FORREST - I wondered if the Auditor-General might want to make any opening points or if we go to questions?

Mr BLAKE - I am happy to go straight for questions, Chair.

Ms FORREST - The audit offices had to cut its cloth a bit and the question being considered each year is how are you managing to deliver the expectations we have of you, which is the Parliament, having to deliver the number of reports and the things you do with some limitations in your budget. I know you have had some changes with accommodation again, the second move in a short period of time.

Mr BLAKE - I might deal with the accommodation first because the accommodation thing has not been accurately reported in the media so the decision to move was ours and we moved into the current accommodation in 2009. At the time our budget was quite healthy and was going up. We expected at that time to be deemed extra work and that did not materialise because of the global financial crisis and other things. We asked for more funding this year to try to catch up some of the funding we have lost. We received \$50 000 which is great, it is better than nothing so I am thankful for that.

The decision then to move was because the accommodation is too big for us so there is an interest to move and fortunately we found something in the same place we came from. So we came back to where we were before but on a different floor but the rental will be a lot less than we were paying at that time. We can now fit in. When we moved out it was too small for us but now we fit in comfortably.

Ms FORREST - Can the money being saved in the rental costs be put back into operational expenditure? Is there a limit to that?

Mr BLAKE - The main change to my budget this year compared to previous years has been some saving in terms of my rental costs. That is evident from the numbers. We have also reduced audit fees. So we have made profits in the last couple of years. Despite our tight budget situation, we have made profits. We decided this year that we will give some of those profits back to agencies by not increasing audit fees at all for government departments or general government sector - GGS - entities. Fees for government businesses will be increasing by 70 per cent of CPI.

Ms FORREST - Seventy per cent of CPI?

Mr BLAKE - That is right. So while I asked for more from the Treasury, this increase was to cover the growing number of investigations of some sort. So I was hoping to get back some of the money we gave away a few years ago. The \$50 000 will contribute to me being able to continue to do that sort of work. You asked me whether we can continue to deliver. We certainly believe we can continue to deliver at the level we are on now. We cannot any more than we do now.

Ms FORREST - You have a lot of audits you have to do on a statutory basis. There is no choice about those really, except you can determine what you do and do not do. During any year, a matter can that come up that is urgent in the eyes of some, and is put to you and you agree with that. Does that leave you no capacity? When that decision is taken, do you to have let something else lapse or not proceed?

Mr BLAKE - There are two parts to your question. The first is the financial audit work that I do, which is the 150 or so audits we do every year. We have no choice about that; we have to do those. But those are paid for by audit fees and therefore there is no risk to that work being done. On the performance audit side and the reporting side, which is what the Parliament appropriates to

my office, yes, if something comes along that is more important, or I deem it to be more important, something else has to suffer.

That is why, if you look at my plan of work, it is a revolving two to two-and-a-half year plan, which recognises that in some years, some things will get delayed and pushed back into a future year. In some cases we decide not to do a project at all because circumstances have changed, and the matter we thought was important has gone away, or, as you say, something has come along that we think is more important. But so far that has not meant I cannot deliver six to seven projects a year, which is what I have been doing.

Ms FORREST - So you are still able to deliver that on audits that are not statutory required? You are still confident you can put out the same number? Obviously some take more work than others.

Mr BLAKE - Yes.

Ms FORREST - And some would -

Mr BLAKE - But I am still confident I can do six to seven projects a year. I was doing 10 at one stage, but it is also a case of how much the Parliament can absorb. I think six to seven decent projects a year is enough.

Ms FORREST - In terms of staffing, have you cut staff as well or is that fairly stable now?

Mr BLAKE - The staffing mix has changed. We now have more staff in financial audit, which is where the statutory work has to be done. We have tended to change the mix of staff by having more younger staff, more graduate staff, and fewer grey-haired people like me. In the back office area which Patty looks after, we have fewer staff because we are now getting the functions provided to us on an outsourced arrangement. That is another reason we had to move - we previously had 12 people in corporate but now we have only five.

Fewer people work part-time for us. I am currently looking at the numbers on the performance audit side - there are about seven people. Again we are looking at the mix. I would rather have a high number of senior people and fewer junior people, but the number will be about that. Overall, my staff numbers have come down very slightly.

Mr GAFFNEY - Mike, you mentioned outsourcing from the corporate support department. How do you weigh up whether you would be better off to outsource or retain or pull in a staff member?

Mr BLAKE - That is a good question. When we did the exercise, it was not necessarily about saving money. It was more about reducing my risk to key person dependencies. I had a small number of staff who if they walked out the door, I had a problem. Two people did walk out the door about three years ago. That exacerbated that problem. I then decided that outsourcing and relying in this case on Justice, meant that I would have a much bigger number of people I could draw on to provide me with those skills. If those people are not there, it becomes the department's problem rather than my mine. I found that a very useful way to manage key person dependency.

CHAIR - I have a question, Treasurer. I might say it is certainly no reflection on Mr Blake, who does a marvellous job in my view. I refer to the reserve by law matter of the Governor's salary, which, for example, went from \$600 000 to \$700 000; the DPP going up from \$600 000 to \$700 000, and so on. It talks about judges and everything else. In the public eye, often people ask how can those matters be perhaps justified and how do they happen? Could you explain that to me?

Mr GUTWEIN - Certainly. In regard to the Governor's salary, there was the misconception as a result of the line item, that the Governor's salary was in excess of \$600 000. That is not the case. In fact, the reporting this year is identical to last year. The Governor's salary is certainly substantial, I think around \$400 000. I would have to get the exact number. That total allocation takes into account a range of matters in regard to the Governor. There is an established formula, which Mike is probably better placed to explain. It is to do with 90 per cent of the - I think it starts with the Chief Justice, then it cascades down. Mike can explain the arrangements.

Mr BLAKE - I could not give you the exact formula, but we do an exercise every year whereby I determine the salary for the Chief Justice. It is based on the average equivalent for Western Australia and South Australia. Having established the salary of the Chief Justice, the salaries of a range of other senior people in the judiciary and the DPP and the Governor are then linked to that number, either more or less than. I do not know what the percentages are. I just determine the one number, then other people arrive at whatever the percentage is going to be.

CHAIR - I suppose a couple of members of the legal fraternity have said, 'Look, the DPP's salary is right up there with New South Wales', while others have said, 'This is a small jurisdiction. Do we need that?' That is just a view being put, I suppose.

Mr GUTWEIN - It is interesting. In regard to the Governor's salary, until the matter was raised the week after the Budget, I would have to say that is the first time that I have been in public life, I think, where what the Governor is being paid has been raised at that level. At this stage I am not aware of any correspondence through my office raising issues in regard to the level range statutory officers are paid at. As the Auditor-General has explained, a formula is in place, and that is what is applied and used. If you have particular issues that you want to raise at the end of the day -

CHAIR - No, I do it in a respectful manner and just say that people do ask. That was why I raised it at this forum.

Mr BLAKE - I would add two things. The fact that it is benchmarked or set by reference to other states is a good thing, because it makes it independent. Whether it should be Western Australia or South Australia, maybe that is the question to be asked. Maybe it should be other jurisdictions. In my case, it is those two. If the DPP or somebody else is based on New South Wales, that would seem odd to me because it is not a very good jurisdiction to compare with.

In my own case, when I saw the article in the newspaper, I was surprised by the way it was reported. My package is \$568 000 - I do not get paid anything near that. It is because that number includes acting arrangements for my secretary and my deputy. It includes other costs associated with the running of the office. I think you will find the Governor's salary is the same.

CHAIR - Thank you.

The Committee suspended from 3.05 to 3.18 p.m.

CHAIR - Treasurer, I ask you to introduce your person at the table.

Mr GUTWEIN - Let me introduce Simon Overland, Secretary, Department of Justice.

CHAIR - The first question I have refers to TasBuild, which comes under the Industrial Relations matter, I suppose. The question around TasBuild has been raised by quite a few people, and that is the long service leave portability issue of which you would be well aware. The leader of your House did send us a letter saying that the Treasurer, who is the minister responsible for the construction of the long service act is currently assessing the arguments put forward to members of parliament. Could you give us an update on that, please?

Mr GUTWEIN - I have a time in the diary in the next couple of weeks to have a conversation with TasBuild about those matters that have been raised. We will get an understanding of their view on this.

CHAIR - Thank you. We have had meetings of members in different places. Particularly employers have approached us on this issue. It probably needs tightening up, or ring fenced.

Mr GUTWEIN - The concern is that the amount of coverage is going to be broadened, and who is going to be captured under the strand. In my view as a principle it is a very useful scheme to have in place.

CHAIR - The portability aspect, do you mean? It does seem to have now been contracted to smaller contractors, and it is becoming messy. That is the information we are getting, anyway.

Mr GUTWEIN - I have received that correspondence. At this time I am fairly certain it has been said, and if it has not been said it was asked to be said, that it is the time to have a conversation with TasCorp directly as a starting point.

CHAIR - If I could move to the TIC. I move to that matter which you brought forward from the Budget, that is the members of parliament pay concern. The Premier's press release -

Consistent with the Government's wage policy legislation we have introduced to allow remuneration for members (MPs) to increase by 2 per cent per annum from 1 July 2015. MPs have been on a wage freeze for the past two years. Lifting this freeze will bring MPs pay increases into line with the Government's broader wages policy.

...

However it has long been our view that longer term the salary, allowances and other remuneration for members should be decided at arm's length, independent of politicians.

...

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Accordingly, the legislation the Government will produce also requires that from next year the remuneration and allowances of MPs will be decided on by the TIC.

My question is that in the first instance, why is it necessary to send us back to the TIC when we have already a very comprehensive report done here only 12 months ago?

Mr GUTWEIN - First, from 1 July this year, politicians the same as senior executive service, the same as ministerial parliamentary staff, will come off the wage freeze. It is reasonable to put on the record members of parliament have been frozen for the last two years. It is the third year in a freeze we have had in five, from memory. In this budget, with the expiry of all of the freezes, we bring MPs back into line with government wages policy.

As you have indicated, it is the view of the Government that it should be set in future at arm's length. Bearing in mind that that report was conducted over 12 months ago, it is reasonable for the TIC to have a look at that and make their determination for the coming financial year after next.

CHAIR - It is useful to point out that from that report, as you say it was comprehensive, it should be aware that Tasmanian MPs are now for whatever reason some 30 per cent below the average of all the other jurisdictions. Further, if you look at the relativities, as the Industrial Commission pointed out 12 months ago, the percentage change since 2008 and 2014, for example, some bands of the public sector are around 25 per cent, nurses 25 per cent, teachers 25 per cent, police up to 35 per cent and yet politicians, MPs, back on 9.4 per cent.

The question is, would you not concede that successive governments have been very gun shy in this matter, might I say? If it is not addressed very soon, we are heading down the old 40 per cent, Never Forget train wreck. That is where we are heading unless it is addressed.

Mr GUTWEIN - First and foremost, we are all volunteers in this room. Nobody held a gun to our heads and asked us to stand for Parliament. When I stood at the last election, I understood what my remuneration would be based on where it was at. In the economic circumstances that we found ourselves in, in the last couple of years, it has been appropriate that we have had a wage freeze. I would have liked to have seen a wage freeze applied across the broader public sector, as I made my case last year, unfortunately unsuccessfully. I also think that it is important that wage setting for MPs is taken out of the hands of the government of the day, or politicians more broadly.

Ms FORREST - We have heard that from every colour government for a number of years.

Mr GUTWEIN - We will be introducing legislation that will enable that to occur.

CHAIR - The honourable member is quite correct when she pointed that out, but if I could read the second part of that statement made by the Premier. He goes on to say, 'The TIC's determinations will be binding, though' - and this is the important bit - 'subject to a provision allowing the findings to be disallowed by a majority in both Houses of Parliament.' If you are uncomfortable with that, you are in charge once again, you have the hands back on the wheel, I would say, every time.

Mr GUTWEIN - I think both Houses of Parliament is the appropriate place for any change that would enable a government to deal with wages. What was important and that needed to be countenanced, was in our lifetime we have had a GFC. Let us hope we do not see that occur again. If there ever were a view across the broader Parliament that there should be changes made because of the financial circumstances, then there is a mechanism that allows for it.

CHAIR - Already, unfortunately, I have seen, a political wedge from the Leader of the Opposition, which I thought was very populist, two days ago, saying the public would not accept what the TIC put forward last time. The proposition to you and your House, you are going to be wedged once again, and with the Greens. Therein lies an issue and it becomes a matter of populism. We talk about the feds who went up 30-odd per cent. They raged about it for a day or two and that was it, it all went away.

We are a very small cohort of 40 people. I know a lot of backbenchers in your party, in the other two parties, who will not come out and say publicly - but I will - they will express it to us that they have been very dissatisfied. You might say we are volunteers, but a lot of us have also moved into a situation which has probably put us into a worse financial position than we may have been in, without a lot of the other practice put into it.

Mr GUTWEIN - I am happy to put on the record my views on this. I have now been elected on four occasions. I understood, in running for election, what I would be paid. The privilege of being an MP, and certainly for the privilege of being Treasurer, I am happy to receive whatever the taxpayer believes is a fair wage. We want to provide and move this out of the hands of MPs and that is what the legislation that will be introduced, will do.

CHAIR - I am not talking about gold-plated salaries, but we ought to be compensated adequately for what we do. Whatever that level is, whether it is still below the other parliaments, so be it, but let the TIC do that.

Ms FORREST - We have not seen the legislation yet so it is impossible to comment on the content of it. From what the Chair read out about the disallowable process there, that very much allows the game of politics to be played here. The House of Assembly, potentially, the government of the day, or opposition, can play politics with it and say, 'We do not support that, we are not going to take the heat on this, let us send it upstairs and let them fix it for us.' We hear that often, and while those political games can form any part of legislation, it is going to be a problem.

Everyone has said we should have our hands off the levers, we say it every time we get to this, and every time we interfere. 'We' being the collective 'we' of Parliament.

Mr GUTWEIN - No matter what happens with this, there will always be a section of the community that will think that we are overpaid, regardless of what level.

Ms FORREST - There is also a section that have a completely contrary view to that.

Mr GUTWEIN - The point I was making before is that the Government has made a decision to move to 2 per cent, the same as the broad public sector for the next 12 months, and in that time the TIC will be provided with the opportunity to assess and then set salaries. If circumstances were to change in the future, and if the state were faced with a set of financial circumstances that were as drastic as we faced back in 2008-09, then there is a mechanism there, by which both

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Houses of Parliament can make their views understood under those circumstances. That is the Government's views.

Mr MULDER - Treasurer, I know what you mean, but to make it absolutely clear, your list says the TIC determination will be binding - 'those subject to provision allowing the findings to be disallowed by a majority in both Houses of Parliament'. I am a bit worried about whether we are going to have a joint sitting to determine this, or whether we are going to have a situation where the lower House decided for all sorts of typical reasons that it is going to reject it but the upper House does not. Does that mean that it goes through anyway, with the monkeys on our back?

Mr GUTWEIN - My understanding is that a motion would need to be placed before both Houses, a majority of either at both Houses, not sitting jointly.

Mr MULDER - To disallow. So if the scenario would be that the lower House was to baulk at the gate, and move to disallow the instrument, but the upper House allowed it, then nothing changes it and it goes through.

Ms FORREST - Like I said, the game of politics begins.

Mr MULDER - We will have to step up to the plate when the nervous nellies who do not think they are worth the money.

CHAIR - Another question I have is in regard to the TIC. I have forgotten the line item to run the TIC.

Mr MULDER - I think you dealt with all the issues we care about.

CHAIR - It is 1.9. Given whatever it does cost the state to run, all the private enterprise, as you know, Treasurer, is dealt with under FairWork Australia. Is it something the Government looked at, do we need the TIC, or do we flick?

Mr GUTWEIN - The Government has no policy, no intention to move the TIC.

CHAIR - The question was, have you looked at it, might it be a cheaper option or whatever. It might be a more flexible option. Most workers in the state are under a WEA.

Mr GUTWEIN - In regard to cost, it is spelled out in the Budget. Are you advocating that we should get rid of the TIC?

CHAIR - No, I am just asking you a question.

Mr GUTWEIN - I am being very clear that we have no policy position nor intention to get rid of the TIC.

CHAIR - Any further questions on the TIC. We will then move to 3.5 Treasurer. Building and Occupational Licensing Services.

Output Group

Corrections Enforcements and Consumer Protection

3.5 Building and Occupational Licensing Services]

Mr GUTWEIN - This is Dale Webster Director of Building Services.

CHAIR - Thank you, Treasurer.

Mr MULDER - The output is described on 116. Some of the issues relate to, just for clarification, the licensing accreditation and defined occupations which are currently electricians, plumbers and gasfitters and building practitioners – that includes building surveyors, I presume. Is there a national accreditation scheme, or a national standard, we should be applying here? Or does each jurisdiction have its own set of standards about who gets an electrician's licence?

Mr GUTWEIN - There is a national occupational licence. I will pass to Mr Webster and he can provide some detail on that.

Mr WEBSTER - A decision was made at COAG in 2008 to create a national occupational licensing scheme and authority, however COAG made a decision in 2013 not to proceed with that. So work is now being done by the Council of Australian Federations, which is effectively the states and territories combined, to look at better mutual recognition across the states and territories. This is a bigger problem for the border states - New South Wales, South Australia, Queensland, and Victoria, than it is for Tasmania. It is an issue. There is Commonwealth legislation we have adopted dealing with mutual recognition, but a person does need to be licensed in each state they operate under that legislation.

Mr MULDER - So if the Treasurer's army of high-vis wearing return, you can expect a bit of an upload in recognition, for the tradies, that is?

Mr WEBSTER - Let us hope the Treasurer's army of high-vis wearing do come back.

Mr MULDER - I was just trying to get that clarification about why we are doing our own thing when obviously the wiring in Victoria would not be that radically different to the wiring in Tasmania, and vice versa.

Mr WEBSTER - That is right and, as I said, unfortunately COAG has pulled the plug on that and the Council of Australia Federations looking at mutual recognition.

Mr MULDER - So in your other role in terms of monitoring compliance and things like that with building practitioners, there have been a few celebrated cases in recent years of building practitioners who have lost their tickets. How many of these audits of building practitioners have you done, and how many have you found wanting?

Mr WEBSTER - In the financial year to the end of April, we had 200 matters of dispute referred to us by the public. Of those we only progressed nine to formal practitioner conduct complaints, which is where you might see an outcome. There were only 46 other issues where we went into a formal investigation of the 200. In the financial year, there haven't been any practitioners that I have suspended or cancelled their ticket.

You mentioned audits there, so again to the end of April this year, we have undertaken 400 building site audits. That included 160 of actual accredited builders and building sites; and 51 owner/builders. We looked at 21 councils in the financial year - we looked at their

performance. We also looked at, on the other side, the occupational licensing, we looked at the arrangements for electricians and plumbers and gasfitters. We have done 163 audits in those areas.

Mr MULDER - I know that building plans and development applications, and things like that, also go through a building surveyor and do all those sorts of things, then you have another set of councillors redoing the inspections. Does that cause you some concern in terms of duplication?

Mr WEBSTER - It does. The building regulatory framework review is about taking some of those duplications out. So ideally, the permanent authority to the local council should not be revisiting the plans, et cetera. They are there to check that all of the regulatory structure has been met. If you need a TasWater certificate it exists, rather than going back and saying, 'Well, in our view the plan is deficient in these areas'. That is the role of the building surveyor in our structure.

The regulatory framework looks at that in terms of what is the role of the permanent authority finding it to specifically what it is rather than at the moment it becomes this vague thing, and as you say, you end up seeing the councils redoing the building surveying in a number of cases which creates the duplication and the cost in the system. What we are concerned about for our audits is - that is why we audit councils as well - is picking up those sorts of things, about where they either do not do the role that they are given or, in fact, exceed the role they are doing.

Mr MULDER - Or the duplicate, yes, which they are doing, of course. The other one is that I think in the last 12 months or so there was a builder who was deregistered a year, 18 months or two years ago. Obviously I will not mention names, but that was appealed to the Administrative Appeals Divison. Do you recall the case and the outcome of that particular one?

Mr WEBSTER - I do recall the case. The outcome was, in that particular case, the director's decision was upheld. So there have been a number of administrative appeals. That has not always been the outcome -

Mr MULDER - So when your decision is not upheld, what transpires then given the time lag between when you have said, 'Hand your files over to someone else,' to the time that the courts decide that they should be allowed to practice?

Mr WEBSTER - The court makes an order as to what should occur, so of course it is open to the practitioner to have a stay of the director's decision. They can make that application urgently. If the outcome is then that they are reinstated, there is no harm to them. But they have to make that choice in the appeal process.

Mr MULDER - If they are not aware of their rights in that particular regard, the time clicks by, their files are sent to someone else, and then 18 months later they wish to resume practice, and of course there is no practice to resume all because they missed that early application.

Mr WEBSTER - That is the potential of the process.

Mrs HISCUTT - Just going on the back of that, do you get most of your complaints coming from other builders or coming from a home owner who is complaining about a particular builder?

Mr GUTWEIN - Complaints do come through from a variety of sources, but I would have to say, since becoming a minister in this area, some of the circumstances that some home owners have found themselves in, have been particularly problematic - I mean seriously problematic where there has been a failure of process, a failure by the practitioner. Dale can provide a bit more information with regard to that.

Mr WEBSTER - The vast majority of complaints are in the residential sector, rather than the commercial sector, as you would appreciate. Yes, the vast majority are from the home owner, although we do get a percentage that are other practitioners who see practice. The reason we treat every complaint as a dispute initially rather than as a complaint is that we do actually do some initial intervention to see if we can actually resolve the circumstances. We have a degree of success. If you can actually get the parties talking to each other, then they can see each other. We have had a complete rebuild of a home recently where the builder and designer agreed to pay for that because they did see great problems in the process that they had gone through.

Mrs HISCUTT - How far back is a reasonable time for an investigation to take place? If you have an old house that has been ticked off by the surveyor and what have you, but it has not conformed or complied, at what stage do you say that is too old? 30 years? 20 years? Do you have that sort of stuff?

Mr WEBSTER - The Building Act allows for six years from -

Mrs HISCUTT - Six years?

Mr WEBSTER - Six years.

Mrs HISCUTT - So you are not interested in anything prior to that? I should not say 'not interested' but anything prior to that is not part of your brief?

Mr WEBSTER - That is right. If it is illegal work, if it is work that has not gone through the regulatory scheme, then local government has a method through substantial compliance to actually go back and revisit that property and make sure it complies, and make orders to ensure it complies. But in the complaint process, there is a six year - and it is from the start of work rather than the end of work. The start work notice is appointing time that can be determined.

Mrs HISCUTT - So most of these older building-type disputes would have to end up in court?

Mr WEBSTER - That is correct, yes.

Mrs HISCUTT - Thank you.

Mr GUTWEIN - As members of the upper House, do you get many complaints? I am interested -

Mr MULDER - A few, but that might - yes, some, but -

Ms FORREST - If you have a bad builder in your area, then you will. But I think a lot of them have been cleaned out a bit with the accreditation framework. It seemed to happen in the past more than now. Personally I am talking about - I cannot speak for other members.

Mr MULDER - To throw a question back as to the mix of complaints you are dealing with. Are they owner-builders who have run off the rails or are they builders who are not doing what they should have done?

Mr GUTWEIN - It is a combination, but to Mr Webster again, who is dealing with them on a daily basis.

Mr WEBSTER – Regarding complaints, it is accredited builders because the building process is about accredited builders or the complaint process. However, what our audit shows is that there are some problems in the owner-builder sector but we would not state that it was any worse than the accredited builder sector. The building surveyor interactions and those sorts of things say to us the issues are around the same. There has been, as the Treasurer would know because he received the original complaint, a fairly spectacular failure of an owner-builder in the residential sector. But then, we have had fairly spectacular failures we can point to in the accredited building sector.

Mr MULDER - That would be because they are not getting inspections done at the time they should and simple process matters like that, which is something I know you have been through and doing your home building audits. It seemed to me, instead of you doing the audits, perhaps you should be writing letters to the building surveyors driving past the properties, saying hang on, it is this stage and then asking the building surveyor to check his records to see whether at this stage the inspections have been done, you have the engineer's certificates and things like that.

Treasurer, while we are at it, I think I am number 51, you obviously had a target of 50 that year and I became the number one owner-inspector. To give credit to your staff, they were really good. They walked through the building site, I deliberately took them through a couple of breaches of security but they were not looking for that so they did not notice it, in terms of some of the fencing requirements. They went through this whole process - did I understand the owner-builder process, which I guess is fair enough. I just wonder why it had to be two people on a Sunday afternoon. That was a question that had crossed my mind, of course. I did not raise it with them at the time as I needed a tick. It was a time they set up, not one at which I said I was available.

Mrs HISCUTT - I have heard that before too, in other places.

Mr MULDER - Yes, and I am just wondering, if you are interested in public sector wage rises, how that comes about.

Mr WEBSTER - I can assure you that the target for the year is in fact 25, not 51!

Mr MULDER - So there are another 26 people who are potential targets on top of those ones. I no longer feel alone, I have 25 others in my company.

Mr WEBSTER - The reason why, and it was my decision to do some of these building audits on the weekend, is that most owner-builders work other jobs. We intentionally did not want to call people away from their workplace during the working week. I think the process as I remember it, was you were overseas in the lead-up to the audits -

Mr MULDER - You are aware of my case, then.

Ms FORREST - How could you not be?

Mr WEBSTER - I am, although I was not aware of it before the visit. The reason we did them on weekends was so that we would check with owner builders if they were on site during the week, if not and in your case you were overseas at the time.

Mr MULDER - I was overseas at the time the call was made. They asked when I would be back and I said any time after Monday the such and such. They picked the following weekend. I was available and I was on leave at the time.

Mr WEBSTER - I would presume we had half a dozen to do that day and you were slotted into a timeline.

Mr MULDER - It is nice to see the regulator taking a personal interest in these things.

Ms FORREST - We probably should not focus on one particular issue.

Mr MULDER - Or one particular person, that is me.

Mr WEBSTER - To answer the earlier part about closing the loop with building surveyors, that was the purpose of the audit: to go out to the building sites and ask whether the building surveyors are actually overseeing this, and then we were able to follow up with building surveyors. Through a building surveyor forum we did some training on the outcomes of that audit in terms of their role with owner-builders.

Mr MULDER - It seems to me it would have been easier for you to drive past the house on a Monday or a Wednesday without the owner present and check with the building surveyor.

DEPUTY CHAIR - Let us move on from one particular case. Any other questions? I get more complaints about buildings not being able to get started because of planning problems. That is where the problems lie, so it is another area of your portfolio responsibility we will get to.

Output Group 1 Administration of Justice

1.10 Workers Rehabilitation and Compensation Tribunal -

DEPUTY CHAIR - Treasurer, do you want to introduce your next person?

Mr GUTWEIN - Martin Shirley, Chief Executive of Worksafe, and Andrew Cooper, Registrar of the Workers Rehabilitation and Compensation Tribunal.

Mrs HISCUTT - This line item is a very small amount of money, and much of that reflects the transfer of funding from the Anti-Discrimination Tribunal to the Magistrates Court. Was that a saving moving that over there? Was there a cost in the transfer? Footnote 1 says: 'The increase in Workers Rehabilitation Compensation Tribunal in 2015-16 reflects the transfer of funding for the Anti-Discrimination Tribunal from the Magistrates Court ...'

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Mr GUTWEIN - It was a transfer from the Magistrates Court where the function was originally discharged, so there has been no saving made.

Mrs HISCUTT - No, it was just a straight-out transfer. There was no problem with that transfer, everything is running okay?

The other thing that creeps into this one is the asbestos fund. The asbestos fund, looking through the Estimates, sits the same up to \$8 million at the end of 2018-19. Does that fund actually going to ever start to drop down as the asbestos claims diminish, or are they going up?

Mr GUTWEIN - Let me provide a little detail and then we will get some further comments. Just over the course of this financial year until the end of April 2015, there have been 16 applications for compensation received. From these 16 applications, 8 applications were successful; of those cases, 7 were for an imminently fatal asbestos-related disease and one related to a non-imminently fatal asbestos-related disease.

Three applicants were assessed as having a whole personal impairment below the 10 per cent threshold level and will be reassessed annually. Two are pending, one application was unsuccessful and three applications were incomplete. The total amount that has been paid in compensation to the workers and their families to the end of April this year was \$4 357 398. There has been \$229 006 paid for medical treatment.

Ms FORREST - Is that in addition to the money paid to the families?

Mr GUTWEIN - I am presuming so, yes; \$138 415 has been expended in administration costs and \$64 548 has been expended for medical panel determinations and impairment assessments. As at the 30 April, the balance of the asbestos compensation claims is \$7 844 521. In regards to the eight successful claims from this financial year - albeit I do not claim that you have been successful if you were claiming under this circumstance - came from a range of employers including asbestos product manufacturers, trades and heavy industry.

Mrs HISCUTT - So the funds allocated are enough to cover everything?

Mr GUTWEIN - There is a levy that supplied that and there was an actuarial assessment conducted which set the levy based on claims experience over time and that is struck every year.

DEPUTY CHAIR - Just on that levy, from memory when we debated this some time ago, it was supposed to be if the fund built up to an extent that was more than enough to cover the claims and potential claims or perceivable claims, that formula would be adjusted to reduce the requirement. That is the case, isn't it?

Mr GUTWEIN - It is, and this year there has actually been a reduction. The asbestos scheme levy paid by employers has recently been reduced from 4 per cent to 3.5 per cent effective for the 2015-16 year. I signed off on that six weeks ago on the basis of advice from the actuary.

Ms FORREST - When those payments that were made, in the answer to the question from the member for Montgomery, they were obviously for the families, for the victim and/or families, not the medical treatment. They were obviously not the same amount. Can you give us a range of amounts they received in compensation aspect?

Mr GUTWEIN - I will provide some detail around the level of claim. A worker with a non-imminently fatal asbestos-related disease is entitled to a lump sum compensation based on the level of impairment. The maximum lump sum compensation payable is currently \$289 105. If the worker is still employed, weekly payments are also provided and all reasonable medical expenses are covered. A worker with an imminently fatal asbestos-related disease like mesothelioma, is entitled to compensation of \$289 105 currently plus reasonable medical costs. In addition, if the worker is 80 years of age or younger, they are entitled to a further age-related payment based on their age up to a maximum of \$289 105 currently. All reasonable medical expenses are covered up to a maximum of \$100 383.

Ms FORREST - Per annum or overall?

Mr GUTWEIN - Once this amount has been reached, expenses will be reviewed by the asbestos commissioner to ensure that appropriate treatment continues to be provided. Other costs covered include travel and funeral expenses. Compensation payments are based on the basic salary, which is indexed each year based on the CPI.

Ms FORREST - You said up to; do we have an actual figure for the people who have been paid out in terms of that?

Mr GUTWEIN - We can take that on notice.

Ms FORREST - I am looking at the range and what people are getting. Obviously it is dependent on their level of impairment and age.

Mr MULDER - At the time there was some concern that people were catching it, like spouses and people like that. There has never been any thought of revisiting spouses? The husband comes back from the brake relining job and throws the overalls in the laundry, then the wife ends up with mesothelioma. At some stage there was some concern that it had to be an occupation exposure at the occupation even though there was some evidence that others were involved.

Mr SHIRLEY - We are not experiencing any rejection of claims along that basis. If we started to see anything like that, then presumably we would make a recommendation about whether the scope of the scheme was appropriate. There is nothing in plan at the moment.

Mr MULDER - Sorry, I am not sure whether had I understood you, or you had understood me. I am getting to the situation where someone has an occupational exposure, it is all over their clothes. They go home, throw their clothes on the laundry floor, where the spouse who has never been anywhere near the factory, but is picking up the asbestos that has come from there. As I understand it, those people are excluded because they cannot demonstrate a site occupational exposure. Under those circumstances they would not apply, so you would not be in a position to reject them, I would not have thought.

Mr GUTWEIN - No, they would not. I have been minister now for 15 months and that is the first time that that matter has been raised.

Mr MULDER - It was just raised during the committee hearings in relation to that particular legislation.

Ms FORREST - It was raised during the debate, wasn't it, quite extensively?

Mr GUTWEIN - I am presuming if there were some people in that particular circumstance, that even though the act is specific in them not being able to claim you would expect there would be some representation. I have had no representation in that regard, at this stage. I am wondering if anyone received any representation.

Mr MULDER - It comes back to the whole policy at the time. It seemed to single out workers for some reason. There are all sorts of issues too about the quantum of the payment being made under the Tasmanian scheme in comparison to others. Then you restricted the narrow range. Whereas maybe if we had had a broader range we could have had a more equitable distribution of this particular issue. Fundamentally, what is different between dying because you were exposed to some dust at work, or dying because you were exposed to some dust at home? They are policy issues that have walked through and obviously no suggestion we might revisit them.

Mr GUTWEIN - As I say this is the first time that has been brought to my attention. There has been no correspondence in regards to this issue.

Output Group 4 - Regulatory and Other Services

4.1 Worksafe Tasmania -

Mrs HISCUTT - I notice there is a marginal increase cost to forward Estimates. It must cost a lot of money to regulate and have people out there checking regulations. Worksafe Tasmania, I see you have targets for 2015-16, I hope you do not reach them. They are a feasible target? You have dropped from 12 in 2012-13, the rate of serious injury. We are assuming that the regulations are going to keep people safer, is that right? How do you base those targets? On averages over the years?

Mr SHIRLEY - Tasmania is signed up to the National Occupational Health and Safety Policy. That policy has forward targets. This is the translation of those national targets to the Tasmanian circumstance.

Mrs HISCUTT - So how are we sitting with them? Are we average to the targets?

Mr SHIRLEY - Australia is doing particularly well in workplace health and safety. Tasmania is no exception to that. In 2005, Tasmania had 10 240 workplace injuries. Last year that had dropped to 7 537, which is a reduction of 8 per cent on the previous year and a reduction overall. We do not have completed figures for this financial year but the trends are that is sustainable.

Mrs HISCUTT - I see the aim is to reduce the rate of claims of serious injury through the administration of a range of regulations. Do you have a heap of regulations coming forward on this?

Mr GUTWEIN - Broadly speaking, that is about the framework that businesses are willing to operate under. One of the interesting things in this space, I know from opposition and I used to look at the work done by the WorkCover Board and some of the advertising that was run, and I did not fully appreciate how important ensuring the message is out there to both employers but

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importantly the workers as well. The board and certainly the work of the board is very important in that space. My message is everyone has a responsibility in the workplace.

Mrs HISCUTT - You mean every worker.

Mr GUTWEIN - Every person, everybody.

Mrs HISCUTT - Because before it used to be top heavy, if your worker did something silly it went all the top. So that is good. Are you going to regulate that sort of stuff to be focused on the worker?

Mr GUTWEIN - What I am suggesting is from a level of responsibility, obviously we regulate, and there is a framework within which employers need to operate. But certainly, the message - and I think WorkSafe Tasmania have been good at this - is ensuring that both employers and employees understand that work is not a place that you muck around in. At the end of the day it is a serious business and everyone has a responsibility to ensure that you get home safe.

Mrs HISCUTT - I have heard in some of the mines up north, I do not know about here, obviously it was not, if you do one thing wrong, it is not your boss that is in trouble, you are immediately fired. Is that sort of thing going to be happening here?

Mr GUTWEIN - That is the first I have heard about it.

Mrs HISCUTT - I have been talking to contract workers up there and they are the rules they work under. If they stuff up according to regs, they are fired not the boss.

Ms FORREST - It depends on what they do sometimes.

Mrs HISCUTT - Some of them do some silly things.

Ms FORREST - Correct.

Mrs HISCUTT - Yes. This output aims to improve the things like the safety with which dangerous goods are transported. What sort of things are you including in dangerous goods?

Mr GUTWEIN - We actually spent a bit of time on this. There is one thing that I think is not covered and that is nuclear waste. Martin will provide some more detail on dangerous goods.

Mr SHIRLEY - It varies depending on the quantity as to whether these things get picked up. The WorkSafe Tasmania is involved in regulating the transport and storage of dangerous goods under the Dangerous Goods (Road and Rail Transport) Act. In that area we both regulate the driver and also the vehicles. So the vehicle needs to be inspected by a competent person and then up to a five year licence is issued down that path. Same for the driver, instead of inspecting the vehicles it is a medical test for the driver and attending a course of training.

Mrs HISCUTT - A medical test - so he is not going to have a heart attack and blow something up when he crashes?

UNCORRECTED PROOF ISSUE

Mr SHIRLEY – Yes, we need to make sure that the people who are driving these vehicles are the ones who should be driving them. Both of those licences go for five years.

In terms of storage, the storage for dangerous goods comes under the Australian Dangerous Goods Code 2007, and that goes to things like separation from other works to make sure that dangerous goods are not stored near incompatible work. It also goes to the separation of different types of dangerous goods which should not be stored together; firewalls, ventilation, and the like; and there is a notification requirement on businesses if they have certain quantities, that is set in Schedule 11 of the Work Health and Safety Regulations and it goes for about a page and half. That details all of the dangerous goods and the quantities for them.

Mrs HISCUTT - I was particularly interested in urea and nitrogen and stuff like that. I know a while ago, farmers were particularly concerned that we had to be accredited and whatever just to pick up our fertiliser from the fertiliser shed. Are you going in that direction?

Mr SHIRLEY - If you were dealing in quantities of more than 500 litres for the urea or nitrogen, all up 3 000 litres if it transported by an intermediate bulk container which you would recognise as being a white clear plastic container with a metal frame around it, if you are exceeding those quantities, say 500 litres or 3 000 litres then, yes, you would need to have all of these protections. Below that it does not apply.

Mrs HISCUTT - As a farmer, to go and pick up your tank you have to go through -

Mr SHIRLEY - If you are exceeding that 500 litres or the 3 000 for the intermediate bulk carrier then yes, you would need to either gain the accreditation yourself or use someone who was accredited.

Mrs HISCUTT - So you can go through a contractor and just make a phone call.

Mr SHIRLEY - Absolutely.

Mrs HISCUTT - Now just down to poppy regulations. Do you have anything - Regulatory and other services -

Mr GUTWEIN - That is the Attorney-General, I think.

Mrs HISCUTT - I am looking at regulations - I know that there was a little bit of talk here a while ago - about fencing standards, if that fits into your regulation department.

Mr GUTWEIN - No, that is Attorney-General.

Mrs HISCUTT - The other thing there that put a smile on my dial was also 'legislation standards and codes of practice to ensure an appropriate level of regulation'. Is this regulations to regulate the regulations?

Mr SHIRLEY - It is probably not the best written sentence in the English language. To the extent that it makes any sense, it is a reference to the fact that that Tasmania signed up to national standards. So rather than having a single regulator, Australia has decided that it will simply have, for those state that agree, harmonised laws. So national model laws are rolled out by Safe Work Australia, then each state has the opportunity to adopt them. Tasmania, at this point in time, has

adopted both the Work Health and Safety Model Act and the model regulations. There are also agreements about adopting codes of practice. So to the extent that it is regulations about regulations, it is probably a reference to that. I suspect the sentence could have been looked at.

Mrs HISCUTT - So it will reduce regulations on a duplication across the states and federation.

Mr SHIRLEY - Currently COAG has asked ministers to look at removing regulations so that it is simpler for businesses and workers to comply with their obligations. That work is currently progressing. There was a meeting scheduled for ministers this month but it has had to be rescheduled so that is as far as -

Mrs HISCUTT - Okay, I am happy with that, thank you.

Ms FORREST - Going back to the workplace health and safety data, an up-to-date list of the lost time injuries in the relative workplaces. Often you have a chart that you can provide to us that shows - I assume that construction is still at the top of the list and going down from there?

Mr SHIRLEY - I do not have that chart with me at this time. I suspect that that probably was available because it was after the end of the financial year when the Work Cover board produces its annual report. The Work Cover board will go down that same path and provide that similar information. Our statistics continue to indicate that in this area the four industries that we need to be concentrating on are construction, manufacturing, retail, and health care and social assistance.

Ms FORREST - Mining is still well down the list. People often think it is not, but it is. It is seven or eight.

Mr SHIRLEY - No, mining is a focus for us because when things go wrong they go seriously wrong. In terms of frequency, it is construction, manufacturing, retail, and health care and community services. The nature of accidents continue to be - I am not sure if I am allowed to say unsexy in this forum - it is the simple things of slips, trips and falls. The reason that our rates are coming down is the fact that all the cords here are taped to the floor and bundled together. Australia is generally doing those things well.

Ms FORREST - Incidentally, requiring us to sit in this room for four days -

Mr MULDER - On 1822 benches. I think we should organise an inspection of our workplace while we are here.

Ms FORREST - We need an inspection of our Chambers, there are no exit lights in it. If there is a fire - when I used to sit where Mr Mulder now sits, I would have been the last one out. Now, thankfully, it is he who would be the last one out and possibly not make it out in terms of exit from the Chamber.

Mr MULDER - Is that your plan? That would breach security.

Ms FORREST - You think about it. If you did an inspection of our Chamber, I cannot believe it has not been done, but there is not an exit sign. I wonder how it complies with our own standards. I have raised this a number of times.

Mr GUTWEIN - Are you asking for an inspection?

Ms FORREST - Yes, I am, on an occupational health and safety basis!

CHAIR - Anything further on Work Safe?

Mr MULDER - When those figures have come out at the end of the year, do they include the type of injury, like ladder falls, scaffolding falls and those sorts of things?

Mr GUTWEIN - Yes. In the annual report, it was a comprehensively done run-down.

Minister for Planning and Local Government -

Mr GAFFNEY - The explanation for the increase from 2014-15 is quite clear in the footnote. A couple of questions. Appeals - in the annual report, it says in 2006-07, the appeals were 431, and decreased in 2013-14 to 135. I know there are still a couple of months to go, but I am wondering what the appeals are like so far in 2014-15, if you have that information?

Mr BRYAN - There were a couple of extra months that were not included in those initial calculations and at the moment we are about 129.

Mr GAFFNEY - It did have a comment in last year's report that recent months have seen an increase in the number of appeals consistent with improvements in economic activity. Has that come through in this year's?

Mr BRYAN - Just marginally. At the moment, we have cut those. We are not seeing any further drops from what I can see in the statistics so far and the increase might be a marginal one, and fairly static at the moment.

Mr GAFFNEY - In the report you said that in the practices you introduced in 2013-14, you are hoping to achieve efficiency and cost savings. Have you been able to assess what has resulted in the introduction to those rule changes?

Mr BRYAN - It is not specifically a study into what those savings were. As a case study in administration, for a day and a half in the earlier part of this week, I was asked to convene an expert conference of witnesses to attempt to get them to prepare a statement of agreed facts, and those facts which were disagreed, as a group of nearly nine experts, and there is the capacity for that sort of function of getting experts to confer prior to hearing, which then reduces hearing time but how you would then quantify that is more problematic. That is, if they are doing these things that will get to hearings, the intangible benefits of that is that lawyers will be spending less time cross examining on things which the experts are saying, 'We do not disagree about this'.

In terms of how I would report on those savings is more problematic but it is really straight that those sort of changes can bring about savings to parties using the system.

Mr GAFFNEY - For the benefit of other members, there is the comment throughout that they are very proud of the speedy returns of the tribunal decisions within a 90-day period which is

more favourable than counterparts in other states. Could you comment on that, whether that has been maintained?

Mr BRYAN - There has been around a 10 per cent drop from what I can see in the statistics that have been compiled so far. They ordinarily maintain around 70-75 per cent compliance with our 90 days. The most recent statistics seem to be around 64-65, that sort of figure. You would want a PhD student to start looking into the reasons why this may happen but it could be a combination of facts. There may see more complexity in some issues coming through in a particular financial year. There could be a range of reasons. We have not drastically modified our case management processes where we still try to make sure people are followed up but they do what is required by the tribunal for the purposes of any directions that are issued. Some cases are very large and very complex. That can, on a year-to-year basis, cause a problem. It is hard to pinpoint a particular cause.

Mr GAFFNEY - I suppose I was a bit concerned when in 2009-10 there were 299 appeals by legislation with a return rate of 77 per cent within that period. In 2014 there were 135, which is more than half. But the appeals by legislation that went through the 90-day period was 72 per cent so was it the complexity, or has it anything to do with - I am interested about the numbers of staff you had in 2009-10 compared to the number of staff you have now, whether that is impacting on your capacity to produce those reports.

Mr BRYAN - No, it is not so much a staff issue. I think it is more complexity. You did see a lot more appeals of a very simplistic nature or parties who may have misapprehended the role of the planning tribunal in the concerns that they had. Some people initiate proceedings without having taken advice from suitably qualified persons. Then when they reach the tribunal, very early on in the proceedings, there is a discussion at a directions hearing about, 'Have you taken advice? Because what is concerning is you are agitating matters that might not be relevant.'

When people get that assistance and they realise that if they were to pursue to a full hearing, something that is not relevant under the terms of the legislation, there are cost implications that could potentially arise through that, and they may withdraw their proceedings through that consent process of discussing with parties what their concerns were.

I think the combination of there being a fee increase in the financial year 2013-14 means that people are exercising a bit more caution about when they decide to initiate an appeal. So the complexity of the matters are becoming more so and you are losing fewer of the more simple appeals.

Mr GAFFNEY - For members' information, in 2006 there were 403 under the LUPA Act appeals, but in 2013-14 there was 117. The understanding of what is required has changed.

Mr BRYAN - I think the GFC is not something that should be discounted as a potential impact.

Mr OVERLAND - There have also been changes to LUPA in that with residential dwellings there is no permit required so if you comply with the required standards there is nothing to appeal. I think you would be seeing some of that flowing through.

Mr GAFFNEY - The position of the Deputy Chair under the act, the tribunal had not filled in 13-14. Has that been filled?

Mr BRYAN - No.

Mr GAFFNEY - Is there a reason why that has not been filled if it is required under the act?

Mr BRYAN - I do not know that it is required. It is an option that the tribunal can appoint a deputy chairperson. Given that our workload has dropped, there has to be the question whether paying a \$10 000 a year stipend is necessary.

Mr GAFFNEY - I was interested in reading on the front page of your site, it says it operates under 17 acts. It is actually 23.

Mr BRYAN - That could be right. There has been a few extras.

Mr GAFFNEY - I think you need to update.

Mr BRYAN - Update our website. Thank you for that.

Mr GAFFNEY - Thanks. No other questions.

CHAIR - Any more questions? If not, we will move to 4.2, which is the Treasurer - the minister of the Tasmanian Planning Commission, TPC, and if you need to drag somebody up -

Output Group 1
Administration of Justice -

1.1. Resource Management and Planning Appeal Tribunal -

Mr GUTWEIN - Mr Greg Alomes, Chairperson and Executive Commissioner.

Mrs ARMITAGE - Due to the perceived investment and building activity increase for Tasmania, what we think is going to happen over the next few years, do you expect an increase in planning appeals?

Mr GUTWEIN - I will ask Greg to make a comment on that. If we are seeing increased economic activity and the economy is growing, that is a good thing. But one would hope that as we work our way through, we would like to some degree to simplify the current planning system by moving to a single statewide scheme, and that we will not see a proportionate increase in the number of planning bills. Planning is a complex area and it is most important to ensure that people receive correct advice in the first place.

I have been surprised by the number of instances where people have paid professionals and have received advice that is not quite correct. I sure Mr Alomes might have a view as well.

Mr ALOMES - Thank you, Treasurer. The reforms are introducing clearer pathways for permitted activities as opposed to discretionary ones and the tightening up of the discretionary criteria in schemes mean that if people have planned well and have met the acceptable standards, they just go through the system. Launceston is a good example of that work.

A lot of the old planning schemes had a high degree of discretion. You had to go down a discretionary pathway, which led to the opportunity for representations, objections and potential appeals. With the permitted pathway, because the planning has been done, it actually means that potentially there will be less -.

Mr ARMSTRONG - Permitted you should alleviate a lot of those problems.

Mr ALOMES - And the no planning permit required pathway, as well.

Mr ARMSTRONG - I notice the Budget provides money for the progression of the statewide planning scheme. Whereabouts will that get to in this Budget? Will this allocation be the completion of it? Does another stage remain to finish the whole thing off?

Mr GUTWEIN - Included in this Budget is \$1.7 million, which is \$1.4 million in the coming financial year, \$1.3 million and then \$400 000 in the following years. In the next couple of weeks I hope we will have draft legislation for the framework of the statewide scheme. That legislation will be available for consultation; it will then be debated in Parliament sometime during the spring session. Subject to the legislation passing both Houses, the statewide scheme will be implemented from around the middle of next year.

The scheme's key component is that planning provisions will be consistently applied statewide across Tasmania's 23 planning framework zones. Two processes are underway. First, the task force is consulting with a wide range of stakeholder groups and developing the statewide planning provisions.

Second, the legislation to be introduced will outline a statutory process that the statewide provisions will need to go through in the first six months of next year. Obviously, that is when the provisions will be advertised and the public will have an opportunity to provide their input to the process. Our timeframe is to make the statewide scheme, or that part of it, live around the middle of next year. Councils may want local provisions - for example, special purpose zones, specific area plans or particular purpose zones - to be included in the legislation, and they will have the opportunity to provide input. From the middle of next year, there will be a three-to-six month period where councils will be able to ensure their zone maps, their particular purpose zones and the local area provisions - which is what we will be calling them - are finalised. As they are finalised, each individual council area will come online with the statewide scheme. It is a relatively short timeframe. We have increased resources this year and for the following year. By all accounts, it appears we will be on schedule.

Currently the commissioner is involved in the complex process of finalising the current interim schemes. He is working very closely with the councils in the north and on the north-west coast to ensure this process is finalised. The Launceston interim planning scheme has recently been finalised, and we are working with other northern councils to ensure we finalise their interim schemes. In the south, I declared the Hobart and Brighton schemes. I expect the other schemes will be brought forward over the next weeks and that the interim planning scheme process will be finished completely before the end of this year. That will then dovetail into the building scheme.

Mr GAFFNEY - Thank you. Regardless of when we get to the one scheme, a lot of the issues and the bugs will come out when an issue is challenged. No matter what scheme you write, it cannot be truly tested until somebody sitting at council has to make a decision. In the first two or three years of the scheme, are you expecting there to be times when, throughout the new

planning scheme, you have to reassess the situation because it sits on the border or it does not take that into account this. That is the reality of planning schemes. Regardless of what document you come up with, there is still going to be that issue.

Mr ALOMES - You are right. This is a major reform. Already it is very clear from the interim schemes, where the number of zones have been reduced from 436 to 23. How do you fit those 436 into 23 and get the right balance? You are not trying to remove anyone's rights. People have rights. It is important that we get the translation working effectively. For example, the north-west as a group of councils decided not to use the 'significant agricultural zone'; they have used the 'rural resource zone'. One consequence of that is they have tried to make all those existing agricultural zones fit that one zone. It is very difficult to do that.

We are in the process of identifying those issues through the representations on the interim schemes. It is inevitable, as you make things consistent and how you translate the existing provisions into those consistent provisions, that there will be challenges. On top of that, is the spatial allocation of the zones, whether the right zones are in the right place. We are dealing with those through representations at the moment. The answer to your question is 'Yes, but it is manageable.'

Mr GUTWEIN - In regard to the statewide planning provisions, the taskforce is currently working on some key zones, to arrive at provisions that will be utilised in the statewide scheme. The key focus is cultural zones. I think the north-west coast is a case in point. If we go back a number of years, a very strong argument was coming from the north west that there needed to be a potential for rural resource living.

Even in the 15 months since I became minister, things have changed. The first couple of planning representations I received were from north-west coast councils that were very concerned our policy was impeding the building of dwellings on titles in the rural resource zone area. Over the last 15 months, with the expansion into dairies and irrigation, there seems to have been a recognition of the need to have a significant agricultural zone, which was completely excluded from any of the north-west schemes.

The taskforce is looking at that. We need to ensure that across the state we have consistent treatment of agricultural land. I think there is a need for a significant agricultural zone. We also need to ensure that the rural resource zone and also the rural zone interact with that and do so in a way that does not impede development, but importantly ensures that those things that we think are important are able to be maintained.

Mr GAFFNEY - I am pleased you mentioned that because sometimes people out there are thinking once we get the scheme everything is going to be terrific. It is really important that there has to be an understanding that that has to be revisited and revisited and revisited as communities grow and different cultural activities come into it, or different activities that we have not even thought about. I am pleased that there is going to be funds set aside to allow that to happen into the future, because it is going to be necessary.

Ms FORREST - On this, as this process unfolds - and Mike is right about this - there is a huge expectation that once a single planning scheme comes in, the way it has been sold, that all the problems are going to be solved, everything will be right and everyone will be able to do whatever they like. There is a bit of a perception -

Mr GUTWEIN - I do not think we have ever said that.

Ms FORREST - in my electorate, trust me, there is a bit of that.

Mr GUTWEIN - I will make no comment about your electorate.

Ms FORREST - Talk about complaints to the office. Anyway, we do not need to go there, but since I was elected, never-ending complaints about planning issues in a particular area.

Mr GUTWEIN - There are a couple up in your area that do have a real appetite for it, I would have to say.

Ms FORREST - Also for not doing anything, too. These are people who cannot get things done, an obstructive council, that is what I am dealing with more often than not. One of the important processes here is the public education around the new scheme once it is installed, that people do not understand what it is set to achieve.

Mr GUTWEIN - One of the key things that I think both the Government, and certainly the secretary and those who have been involved, Greg, the task force, we recognise COMS is absolutely vital in this. We have been spending a lot of time in regard to making sure that we get the COMS program right. It is not only just through this process, which is going to be a major transitional period over the next 12 months to two years.

We are bringing to an end one process with the interim schemes, and that in itself is very complex and difficult. At the same time we are looking to introduce the statewide scheme legislation, 23 statewide planning provisions. Then obviously we need to deal with each individual council in regard to its local area provisions as well.

The communication is really important. I take my hat off to Greg, the work that he has been doing as the commissioner in working with the interim schemes has been fantastic and first rate. I have been certainly expecting a raft of complaints through my time as local government minister and as planning minister, to come forward in relation to what is occurring.

That has not happened. Local government have been prepared to work with us. Greg has done a very good job in that space. The planning reform task force has a major consultation program underway in regard to a range of stakeholder groups, probably the broadest consultation process outside of a statutory process that has been engaged in in regard to planning. That is underway over the next six months. Then we will still go into a statutory process in regard to the provisions after that. A lot of consultation and it is going to be very important that we ensure -

Ms FORREST - It is also about informing elected members. It is really important too. For example, in an unnamed council, when the interim planning scheme was put in, the feedback I had via constituents who had been trying to get approvals was that it was only an interim planning scheme, we do not have to take any notice of it. I said, 'It is the planning scheme'. 'No, no, it is only interim'.

Mr GUTWEIN - One of the things that did surprise me - I do not want to get bogged down on this - but when I first became minister I had a number of councils from the north of the state predominantly, that came to me to say, 'Look, these interim schemes that we have sat down with,

we spent two years working on, that have been signed off, we do not like them. We would like you to change them.'

Ms FORREST - That is why they were not applying them, they did not need to.

Mr GUTWEIN - After an enormous amount of work. I said to them, 'At the end of the day, you can sit around the table that made the decisions on these'. There were a couple of delegations came to see me early on but the work Greg has been doing has been fantastic.

Ms FORREST - The comments I am talking about are pre-Greg, I think. He has done a power of work.

Mr GUTWEIN - The work underway at the moment, it is a transition period. We are bringing one process to an end, we have another process overlapping. There is an enormous amount of work, a lot of moving parts at the moment. I am sure I will be criticised when there are problems I am pleased with the way it is going.

Output Group 4 Regulatory and Other Services

4.2 Tasmanian Planning Commission -

Mr MULDER - First of all, the idea the One Planning Scheme we keep hearing but then we hear of the three regional strategies. How is that dovetailing into one scheme, especially when you have different regions with different strategies doing different things with the same kind of land? It seems to me to be a problem.

Mr GUTWEIN - The statewide provisions will largely ensure across the state, regardless of what the zone is, the provision is the same. There needs to be a review of the regional land use strategies. Part of this process will be introducing statewide planning policies which will be high level documents, not state policies as we would understand them. It would be with stakeholder planning policies with open forum councils and those involved with planning at the coalface, what the intent of the government of the day is in regard to a range of matters. But they will also assist us to inform and conduct a review of the regional land use strategies. Across the regions only 15 per cent commonality in regard to the interim scheme process and everyone started with the same document.

Mr MULDER - I guess that is one of the lead-ins, and I probably say every year, we talk about the number of schemes and the number of zones and things that exist throughout Tasmania. We say that is silly, how can the councils do this? I think it needs to be reminded to everyone every single one of those schemes was developed under the guidance of the planning commission of the day. Every one of those schemes was sent back to redo a few times before they were finally signed off by, might I say, the minister. I see Mr Alomes shaking his head but I would remind him of the experience of Clarence City Council that spent seven years redoing a scheme that had basically been approved next door, but I do not think there is any need to go into that. I make it a point that it is also a responsibility of you, minister, when the instrument is presented to you, to take some responsibility from that office of making sure the particular scheme is not the mess everyone knows that it had been earlier.

Mr GUTWEIN - I can assure you I am very cognisant of that responsibility.

Mr MULDER - The other thing is the Property Council Report which came out very recently. I think it was in the weekend press only a week or so ago. It gave Tasmania, of course, an abysmal ranking but on the light of it all it does say that is where we were and they hoped to be in a slightly different position. I am sure the performance will have to be quantum to get us off the bottom of that particular heap.

Mr GUTWEIN - I have read that report, obviously. I think they make the point in that, it is based on their judgement on where they are coming from as opposed to where we are going.

Mr MULDER - I do note that point, Treasurer. Along with the Property Council of Australia, I look forward to achieving some of those things. There are a couple of things that crop up in there. That was the negative attributes of the Victorian system. From what I understand of the process I am concerned we might be heading into some of those negative attributes. The first one, planning assessment decisions are still in the main made at the local government level whereas many other states and territories have introduced independent panels to determine locally and regionally significant things. Can you comment on, we are not falling into that trap, are we?

Mr GUTWEIN - One of the things we were clear on before the election that councils can still remain as planning authorities. I have given some thought to this over time. The best people who understand and make judgements in regard to areas where there are discretions, in Scottsdale for example, are people based in Scottsdale elected by the people to do so and that sit as a planning authority. What we have to ensure we do is provide clarity in regards to the scheme, ensure that there are as much permitted use as possible and that those discretionary areas simply enable, if you like, the local flavour to be taken into account. I did read that comment myself, as I say we have a policy position they will remain with councils.

Mr MULDER - Overlays are abundant, is the next point, making straightforward development assessment matters unnecessarily complex. Overlays often have competing and conflicting objectives. I note that overlays are big part of our scheme, which just causes me a little bit of concern again, that we have one scheme, three regional strategies and a heap of overlays that might put us back into where we actually came from. In Clarence, we used to deal with these silly overlays all the time, and we started to wonder why we had a planning scheme and why we just did not pull the overlays out.

Mr GUTWEIN - I am sure Mr Alomes has a view on this.

Mr ALOMES - I actually agree with you; the reason I was shaking my head was that we did not provide guidance for the councils in the preparing of the interim schemes.

Mr MULDER - I was referring to the pre-existing schemes, the old 29, 43 schemes is what I was talking about.

Mr ALOMES - I am not trying to be smart when I say this but that was the RPDC, not the Tasmanian Planning Commission, so there has been a change.

Mr MULDER - Okay, but it was the minister who was signing off on all these, and although it was not this one it was that particular office that has to wear the responsibility for the variations.

Mr ALOMES - I do understand and I probably agree with you. I think the issue to do with codes and these overlays is a very serious issue and indeed the view the commission has is that there should be fewer rather than more of them. There are circumstances where clearly you do need to protect properties from bushfire risk, but we have to be very clear how that risk is determined and how it is managed in the planning system. For example, the interim schemes that have been submitted and signed off by the previous minister, and unfortunately have to be signed off by the current minister to get this process rolling, they have a lot of codes and they do create complexities, so the one that has frustrated me most of all is, PD4 and 4.1, which is about no planning permit required for a single house on a single lot if it met 6 x 6 standards.

Mr MULDER - Provided it is not within an overlay - and most of them are.

Mr ALOMES - Exactly, as soon as the bushfire code came in, it went from no planning permit required to being discretionary, which was really very unfortunate. What we have to do as a commission is look at these interim schemes and talk to the Government in relation to whether we should look at reviewing them and, through the interim scheme assessment process, taking them out or indeed allowing that to be an issue to be addressed in the single planning scheme.

Mr MULDER - Another thing that has bedevilled a lot of people, and if I can bring in the one in Victoria, is the process and it is a little different to ours, but a lack of ability to deliver development-ready land. Within Clarence we were caught each time because someone had got a pen out one day and drawn an urban growth boundary. You get some perfectly good land that is just outside the so-called urban growth boundary, you have headworks charges and all sorts of others things which make sure that the services that have to be delivered out there are actually paid for, and yet you cannot divide this land, you cannot develop this land, because it is outside the urban growth boundary but in five years' time it probably will be in it. I am just wondering about what we are doing to stop those sorts of artificial constraints. I mean, who knows, surely it is up to the owner when he is ready to develop the land and not to be constrained.

Mr ALOMES - The Southern Regional Land Use Strategy and I think the Northern Regional Land Use Strategy have included urban growth boundaries. The idea behind them is that there has been an evaluation of how water and sewerage and road infrastructure and other social infrastructure can be provided efficiently with land release, and that they have indicated a land release for the next 20 to 30 years. It is very much, if it has been done properly, then it gives you a mechanism of sending clear signals to the market that it can be serviced or it cannot. That is important, when we allocate a general residential zone it is based on the principle that full water and sewerage and other services are available. There have been many experiences, and indeed we are dealing with some at the moment, where development has been allowed to happen, without proper services and then you are in a catch-up situation later trying to work out how to deal with that development.

Mr MULDER - No, I think that my electorate is comprised of two-thirds of two councils who have really gone through that particular hole, and of course there is always a debate about why should the ratepayers be paying extra money to put curb and guttering outside your house, when I paid extra for my land because it had curbing and guttering? Why do you not pay for the curb and guttering outside yours? But that is more to do with the council.

The final point with that is that the one point in which councils have always been sovereign - everything else was appealable just about - was a decision to zone or not rezone land. It was only if you get over the hurdle of council wanting to. There are some significant developers that have

been stymied trying to rezone some land that is in a broad strategic framework going to be, say, commercial or industrial land. But 12 around the table reacting to some local NIMBYs said, 'No, we will knock back your rezoning'. That then puts them in a two-year holding pattern before they can reapply to zone that land. I am just wondering whether that last bastion of local government sovereignty is about to be removed.

Mr ALOMES - That is an issue. It is a procedural issue, in my view, a fairness issue. You are right. If someone makes an application to amend the scheme in any form, whether it be zoning or any provision in a zone or a code for that matter, if the council says no, that is it. I think there should be a mechanism for procedural fairness to have that decision tested. I have a live one at the moment. The council is likely to refuse an amendment next week. It is potential that this amendment could have a significant economic advantage and social advantage, even an environmental advantage, and yet it may well not be approved.

Mr MULDER - We have some councils reacting to half a dozen people.

Mr ALOMES - That is right. If there were a mechanism in the legislation to enable that matter to be brought forward and tested, it does not mean it will automatically be approved. But for it to be tested is very important.

Mr MULDER - So they look forward to the last removal of the council being anything but -

Mr FARRELL - Just on that same theme, if a council goes the other way, if there has been an existing plan for, say, five-acre allotments and they have decided because the developer has come along and they have okayed it for quarter-acre allotments without doing any background work on access and drainage and that type of thing - what sort of control will you have to guide them?

Mr ALOMES - If they certify and then initiate the amendment and exhibit it, then we get to look at it in the context of what is the local servicing plan. How would it work? We have a number of those. I have on our books at the moment probably three that involve developments that could potentially be worth \$2 million or \$3 million, if not \$5 million or \$10 million. What we have asked the councils to do, and this will look bad in terms of our processing times, but we have put the matter on hold and with the minister's agreement got an extension of time to enable that work to be done so that we just do not say, 'No.' We say, 'Show us the work,' and if it stacks up, we can proceed.

Mr GUTWEIN - We have had a number of discussions about these sorts of issues where matters like that have arisen. But on advice, I think it is fair and reasonable for it to be suggested to councils, do the work, demonstrate that it can be serviced, that you are taking into account the appropriate level of due diligence in regards to what this might look like and then bring it forward and we are very happy to look at it. There are a number of them, I have to say, sitting around the place at the moment whereby with no work being done, problems -

Mr FARRELL - Sometimes a smaller regional council will have a developer come in and they will approve it in the great hope that it will mean that every lot will have a house built on it and they will make a lot more revenue. Sometimes that just seems to be the sole driving aim of a particular council.

CHAIR - We are right then, Treasurer, to move onto local government and DPAC, so you might have a changing of the guard.

DIVISION 7

(Minister for Planning and Local Government)

Output Group 7 - Local Government

7.1 Local Government

Mr GUTWEIN - Thank you to the office of the Department of Justice.

I have with me Philip Hoysted, Director Local Government and Mr Greg Brown, Assistant Director.

Mr FARRELL - Treasurer, we were heading down this road back in 2.2 when Ms Forrest asked a couple of questions around miscellaneous and we started talking about local government and that other motion and resource sharing. You did say there would be an opportunity to cover that in more detail later on and I think we are probably at that later on now.

Mr GUTWEIN - We are engaged with the process with local government. I want to be clear about this. If two years ago a minister had gone out to talk to local government about amalgamation whether voluntary or not, there would have been an enormous push back from the sector. In the lead up to the last election it was a hot topic issue, there was great interest from the press and local government had a strong view.

The process we have entered into is one whereby local government have been very mature and very responsible. That is not to say that all of the outcomes in the time frame that I would like to see, are going to occur as quickly as I would like to see them. However, we have in front of us a range of options that have been provided in the last week. I had a cut off date at 1 June when we wanted to see councils bring forward their options and there has been a range of very sensible options. Some have been spoken about in the press and at the moment I will not go through all of them but some of them been flagged publicly and we are going through an assessment process at the moment.

In the north we have Meander Valley, West Tamar, Northern Midlands and George Town, that have indicated they want to conduct an audit in regard to the services they offer and then do some modelling about a broader resource sharing model. Interestingly, Launceston and Meander are having a discussion and it looks like Launceston might play a role in this.

We are working through this to understand exactly where the individual councils sit to make certain they are comfortable with the process we are working through. On the north-west coast there have been some very sensible suggestions. Over this coming month a number of councils still have to have final council meetings to ratify what the process is that they are going to be engaging in.

In the south, Clarence has indicated very publicly that it wants to have a conversation with Hobart and also in regards to Sorell. Clarence has indicated that it is proposing discussion with Hobart City Council to undertake a feasibility study in the establishment of a Greater Hobart Metropolitan Council. Subject to agreement with Hobart, Glenorchy may also be invited to

participate in the study and we have other options that are being considered that Clarence have brought forward for a Greater South Eastern Council and this will require support from Sorell and potentially Tasman and Glenmorgan Spring Bay Councils.

We are working with the councils that have brought forward these proposals, to ensure we can model appropriately what these models might mean. I am not interested in looking at models that are driven by prices. Where you have a council that loses a general manager or an environmental officer and says what we need to do, is borrow one from another council because we cannot find somebody with the appropriate skills. The conversations that I have had with local government have been along the lines of let us audit what you are currently doing, let us understand how many people you have that are involved in HR, how many people involved in planning, how many people involved in IT, then let us have a look at what could be done if there were to be a collaborative approach and a strategic approach to resource sharing across a group of councils.

The prism through which I have asked local government to look at this, has been that it has to be in the best interests of the ratepayer. You have to be able to satisfy that. In all the debates about whether it be amalgamation or strategic resource sharing, this has to be about what is in the best interests of the ratepayer. Councils have been willing to take part in that discussion. I would hope that over the next couple of week we will formalise with councils the proposals that they have brought forward, place some time frames around them, discuss with them the level of resources they will need to bring to the table to match the resources that we are putting in. I would envisage over the first half of this coming financial year, we will be modelling some very good options.

CHAIR - Treasurer, I hear what you say. As you and I well know, there are probably more opinions out there on what should happen with local government than you and I have had breakfasts. That is from the general public and from councils, it is all over the shop. I suppose, being the minister you could do a Tony Rundle, bring a Peter Nixon in, and do an independent look at the whole job and see what it throws up. You could.

Mr GUTWEIN - There are a range of things that we could do. As I have been clear with local government, we had a very clear policy before the election that we will not force amalgamation and we are not going to. The conversation I have been having with local government - it has been approached by local government in sure and sensible ways - that what this is about is having a look at models that could provide benefits to ratepayers. That could be through downward pressure on rates. It could be through increased services. Let us understand what it means to ratepayers and that is why we are going through the process.

To date, local government have been prepared to engage willingly in that process. We will have a better feel over the next couple of weeks as we work through the proposals we have received. By the end of the year, hopefully, it will have some modelling that we can look at, which I would hope we could point to - those councils that may be reluctant to get involved at this stage - both for the benefit of those councils, but also their ratepayers, and to say look, here is a model that indicates how we can still maintain representation, we can still maintain services or we can increase services. This is what it might mean for rates within these municipalities. We are working through that process.

Ms FORREST - Isn't that up to the councils to sell that? I know it is the responsibility of the government as well, but the local council should be able to demonstrate to their ratepayers benefits or disbenefits.

Mr GUTWEIN - With buying, I think they will. One of the key things that is important here and I have said it very clearly to local governments, is to get some data. Once we have the data and we can understand what it says, we have something to talk about. On that basis they have been prepared to come to the table and see what comes out of it.

Mrs HISCUTT - Minister, rates reduction is not generally an outcome of amalgamations. Do you get the feeling from some of the smaller councils that they are being harassed or bullied - not from the Government but from their neighbouring councils - to come on and play along?

Mr GUTWEIN - No, I do not. Some large councils have had more forthright views on amalgamation than others. For a lot of the smaller local government entities, you only have to have a look at the population shifts that are occurring. Dorset, for example, will be challenged in years to come because of a smaller and older population. That is difficult for local government to manage. If you have a smaller and older population, a high-level of services may be required at local government level. A higher level of rates may need to be levied on a smaller number of ratepayers, which is not a good outcome. We try to work with councils. One of the first things we provided to them was an overview of what might occur in regard to the demographic shifts in their municipalities. Importantly, population is the key thing.

Mrs HISCUTT - For example, the three councils across the north west - Burnie, Central Coast and Devonport. Either side those two are talking about amalgamations. I do not know with which council they want to amalgamate because none of the councils around there want to amalgamate with them. Burnie has a stagnant population. The Central Coast has 2 000 or 3 000 more people, and Devonport has 2 000 or 3 000 more after that. How are you going to manage that? Where councils like that want to amalgamate, but the councils around them do not want to? I can see wanting to amalgamate as perhaps a means of survival for some of these councils. What do you do, as a Government? Are you going to let them work it out?

Mr GUTWEIN - In the north this conversation has now continued since early this year when I first began running the regional forums. Only in the last couple of weeks has there been what appears to be an appetite from some of the smaller councils to engage with Launceston.

Mrs HISCUTT - For resource-sharing or to amalgamate?

Mr GUTWEIN - As a starting point, resource-sharing. I think Launceston, as a northern model, has a role to play in any strategic resource-sharing outcome. However, after not wanting to, northern councils have only recently begun to engage with Launceston. I think that is a good thing. As the local government minister, I have to ensure that, as we work through this process and develop modelling, as many people as possible are prepared to play and that, strategically, the right councils are prepared to play. In the main, local government will need to be mature about this. To date it has have been, but it is early days - we will find out in the next little while how serious people are.

Mrs HISCUTT - To get it on the record - the Government has no intention of forced amalgamations?

Mr GUTWEIN - Absolutely. I have made that perfectly clear.

CHAIR - Thank you.

Mr GAFFNEY - Earlier you spoke about crisis service-sharing. I think sometimes it could also be said that it is through opportunity - for example, if a general manager is at the end of their contract and they do not want to renegotiate and want to retire, there is an opportunity for councils. That happens across a whole raft of services, whether it is environment or engineering. I think sometimes it is through opportunities, not just crises.

Mr GUTWEIN - A very good model operates in your area, as you well know. Those two councils are working very well together. I would like to see just what is possible with that model - I do not think it will at this stage - because that to me seems to be a pretty reasonable outcome. The two councils share a very good general manager.

I was surprised to see the survey conducted by the local government division in consultation with the Local Government Association of Tasmania through the Premier's Local Government Council, where we looked at all the shared service models across the state, and over 150 of them were supposedly operating. Very few of them had ever been reviewed. As I said earlier, six councils thought they were resource-sharing with a particular council and that council thought it had no resource-sharing with anybody.

Mr ARMSTRONG - Can I clarify something, minister? What were the two councils you talked about that shared resources?

Mr GUTWEIN - Kentish and Latrobe.

Mr GAFFNEY - Having been in that role, I sometimes get a little concerned when people make comments about councils not wanting to amalgamate because councillors, aldermen, deputy mayors or mayors want to retain their position within that organisation. I do not think that truly reflects what is happening. I think that as the elected representatives for that area, they are concerned that if their councils amalgamate or resource-share, their communities may lose out.

They are concerned that if they take that step, the community is with them. Most of them are more than happy to forego if they do not get elected. I do not think that is an issue at all, but I think the important thing here is that the government has allowed them some space and financial support to explore it and to review it, so when they do have that conversation with the community, there is a good understanding. I differ from some people around this table who have said that the councillors - and laypeople say it a lot - are just trying to keep their jobs. Four thousand bucks a year for council in some spots - that is not big money. They are more concerned about losing their identity.

Mr GUTWEIN - You are absolutely right to some degree. In the main, the conversations I have had with people within local government have been very positive about making certain they do get the best outcomes for ratepayers. That is first and foremost. I have not come across too many people - in fact, I have had nobody - who have argued with me on this issue and have said, 'We will not even look at this because we are not interested. Go away - we are happy with our own patch.' The way that local government has engaged has been with an open mind. In most of the private conversations I have had with aldermen and mayors, they have said, 'We know we have to do this; we know we need to move down; we know we need to become more efficient.'

They have regulations on a whole range of levels; the expectations on councils are increasing; and getting some increased scale would be useful. Having come from a small municipality, representation is really important in this. That is in the principles I put out initially - we have to ensure we can maintain representation.

Mr MULDER - Is that when you returned to Launceston?

Mr GUTWEIN - From the point of view of some of our smaller areas, it is important that representation is maintained. If we get to a point where we are looking at voluntary amalgamation, front and centre we have to ensure people still have a level of representation. That is one of the benefits of living in Tasmania. Believe me, that representation is not the biggest cost we are dealing with.

CHAIR - I was on the old Deloraine Council when the last round of amalgamations took place in 1993. We were forced to amalgamate, but the elected members from both council took it on board and made it work. We did not have to go - it is something that stretches right at the back of Molle Creek right into Prospect, an urban-country mix. People said they would be dominated by the urban, but that did not happen and it has not happened. Without having to create boards or anything like that, the mixture of elected representatives has been good. It can be done without boards and all that sort of thing.

Mr GUTWEIN - As I say, it is one of the things, and certainly from a ratepayers' point of view. The amalgamations that occurred in the late 1980s, early 1990s - when was the St Leonards one? In the mid-1980s, I think, that became part of Launceston. The next step is going to be a little bit more difficult. I have an open mind to it and I want to ensure that, as we work our way through this, we end up with outcomes that are in the best interests of the ratepayers, but the outcomes have to be financially sustainable. That is an absolute given. On the east coast recently, under the previous government, in fact under Jim Cox when he was minister, so that must have been pre-2010, there was the look at those two east coast councils. The board decided that there was no benefit in that amalgamation. Putting those two entities together would not strengthen them financially.

There are a range of things that we have to look at, but the most important thing is that we have a conversation underway, we have councils that are prepared to come forward to look at options, and as the Government, we are prepared to ensure that we provide resources to make certain we can look at those options appropriately.

Mr MULDER - On some of those issues, there was a project at one stage. It probably fell off last year's budget. There was a sustainability indicators project, which was running which, I think had some of the feed-in to the project. Although it morphed a little bit, I think it was solved - I was in local government at the time - as an opportunity to look at what indicators do you need to have a financially and socially viable local government or local council. I wonder what became of that. Did we ever end up with a set of indicators which would indicate when you need to grow or shrink or share services or make some moves? The real concern with it is that if you had amalgamated those two councils, you would have turned two small unviable councils into a medium-sized unviable council and you would have ended nowhere. That is one of the issues in the context of this. I know Clarence has been, for a long time, talking about going east so that the two small ones which really are largely unviable councils to their east would then have the hub and spoke model of a large urban ratepayer base, which would allow them to do it. But the

continual rebuffs from that side has now pushed them off into Hobart. Hobart, like Launceston, will become a supercouncil.

I think it was Saul Eslake who came up with the number of about 20 000 ratepayers nationally was proved to be about a sustainable local government area. When the push is on to amalgamate, I wonder why we are letting three councils actively pursue turning what are already sustainable, viable councils into a megacouncil and leaving their country cousins hanging off the back. Those are some of the issues. You can create the super-Hobart. The only reason I know Clarence is heading that way is that Sorell just keeps rebuffing it.

Mr GUTWEIN - I think the director talked about the sustainability index. The point that we are at at the moment is about having local government at the table prepared to look at options. In fact, the Auditor-General, who is here today, has a view; he audits councils on an annual basis. He runs a fine-toothed comb over them, do not worry about that.

Some of the outcomes of those reports would not be pleasant reading for some of the councils. When you look at the last report, 17 councils last year had underlying surpluses, compared with only 13 in 2012-13, so we have actually taken a step up. That was going reasonably well.

Of the 20 councils, 19 had adopted long-term plans financial and asset management plans. As a new minister coming in, it was something that did surprise me, that councils that are managing significant asset bases did not all have long-term financial asset management plans in place. The director has been working on this project for some time so perhaps he could provide some update.

Mr HOYSTED - The Auditor-General continued to get information about the key performance indicators that he has for quite some time, seven financial ones and five social ones. He will report against those to Parliament every year. It was a good question. I report because we did a review of it towards the end of last year and took some recommendations to the Premier's Local Government Council at its last meeting to go one step further with that project in identifying a series of new indicators, not just financial indicators but social and environmental indicators, in consultation with councils. We have a continuous improvement program whereby we continually measure performance against those indicators.

Where councils are found to be not meeting them or exceeding them we provide information to that council, templates, or what other councils are doing, some sort of support, so they can address those indicators when they are not performing well. We continue that process indefinitely. Councils are also required to report against their financial indicators in their financial statements, which is what the Auditor-General's Office would have. There are two processes going here, through the AG's office and through the continuous improvement program.

Mr MULDER - You have to reach past the councils sometimes to look at the ratepayers' poll. When this was first drummed up - and I think Clarence was making overtures on it - I put it to the council that maybe we should have an electors' poll in relation to the next election. The options you would put were, 'are you in favour of amalgamations?' and 'If you were to amalgamate, would we go to the smaller councils to the east or would you be swallowed up by the bigger ones?'. I know it was done in the northern councils when Greater Launceston was established. I wonder about the mood out there in the electorate now. People come into my office at Sorell to tell me we have to force this council to amalgamate because they are sick to

death of going to public meetings where the council says, 'No, we could never afford to seal that road'.

You could never afford to seal that road because you are a financially unviable council. Sealing roads is a classic sustainability indicator. Instead of pouring bucket loads of money every six months running the grader up and down, you would seal the road and maintain it every two years instead of every six months. It is that capacity to be a certain size, to invest in the infrastructure to cut down the maintenance bill. They are the things, if you went past the councils and did an electors' poll in areas like Sorell, for example, which will deny all day long it is financially unsustainable. It meets the financial indicators because it is not doing work that is costing. It is investing money instead of infrastructure maintenance. The ratepayers know this. I think you would find a totally different response from the communities. The electorate provides the capacity for you to call it, or for councils to call electors' polls, either in conjunction with a merchant or without. It would seem to me that is an opportunity we are not properly exploring - to reach past the councils to the community.

Mr GUTWEIN - Once, if we started to talk about voluntary amalgamations and resource sharing, there would be a reasonable amount of feedback into my office from people against it who wanted the status quo maintained. Very few pieces of correspondence in that regard now.

Ms FORREST - If you said compulsory, it would be different.

Mr GUTWEIN - It is represented too by the conversations we have been having with local government both at meetings and outside of meetings. There seems to be a willingness to look at options. If we go back a few years ago in this state, if we had been talking about amalgamation around the table like this today, tomorrow it would be headlines and we would have councils lining up.

Ms FORREST - Have you seen tomorrow's paper?

Mr MULDER - They have not written it yet.

Ms FORREST - I think it will be some other part of the Parliament on the front of tomorrow's paper.

Mr GUTWEIN - It could possibly be.

Mr MULDER - This is about the electors' poll. The capacity is there. I tried to get one up in Clarence Council and they knocked it back, particularly because the leading question was, 'Should local government exist at all?', which spooked some of the councillors completely. Why would you be frightened of a question like that if you did not feel that far too many of the community might say get rid of the lot of them. Anyway electors' polls in those particular areas would be a good idea to go with the new sentiment about whether they wanted to amalgamate, and if they are going to amalgamate which way do we go, do we go with shared services, do we go east or do we west.

Mr GAFFNEY - Just on that Treasurer, there is nothing stopping a councillors or a group of councillors or aldermen at the next lot of government elections saying, 'I am standing on the platform that I want to amalgamate with next door', and if they get elected then there -

Ms FORREST - There is a mandate.

Mr GAFFNEY - There is a mandate, you know what I mean. I think it is up to the community. If there is a group of people that want that, they will put their hand up and say yes, we are going to stand on that platform but we want to be amalgamated, and see if they get elected.

Mr GUTWEIN - The key is making sure we have some data and through the process, as I say councils have been prepared willingly to engage in this process, we will get some modelling run and then that modelling will be available and people can make up their own mind as to whether or not a strategic services model, if the councils are wanting to conduct a voluntary amalgamation model, that will be available at well. Once that data is available, we will actually know whether or not that question is, is that in the best interest of rate payers, and answer it.

Mr HOYSTEAD - There is a fair bit of support for councils out there in the community. The local government association does the survey every two years, the community satisfaction survey, and they tend to come back fairly positive. Many councils do their own community satisfaction surveys as well so it may be a separate issue to efficiencies and better service delivery and those sort of things. There tends to be a fair bit of support for local councils in the broad community.

CHAIR - In general, members have put quite few opinions to you, Treasurer, and you indeed have annunciate your position - you have one, Mr Armstrong?

Mr ARMSTRONG - I have a couple of questions. What happened last year the changing the electoral act for four year terms, are you going to do any surveys to see how it affected the communities to see whether communities and local government are happy with four year terms?

Mr GUTWEIN - I had not considered that, on the basis that if people are not or if councils are not, I was presuming that in the normal course of events people would make their views known. I certainly was not thinking that we would be conducting any surveys on it. Do you think there is need to do that?

Mr ARMSTRONG - I do.

Mr GUTWEIN - On what basis?

Mr ARMSTRONG - This comment has come from the community now when you elect a person or people for four year terms -

Mr MULDER - Which you always did.

Mr ARMSTRONG - Well you did, but they had an option of getting out for two years and the mayor was elected every two years or deputy mayor. Whether you or some of those people are really interested after serving two years, particularly first timers, they get on the council and think it was not what they thought it was going to be and do not show the interest in council that they originally had, is one of the things.

There are a lot of first term councillors here and they are committed for four years and a lot go in thinking they are going to change the world, but it does not happen and they lose interest in council. It would be just interesting to survey the councillors to see whether they agree with the

four-year term, now that they have been there, or whether they think the option with a two and two.

You were elected for four years like Tony said, but you always had an option of getting out after two, with no actual cost to the ratepayer virtually, because it was a half-yearly election.

Mr MULDER - They would just do a recount that is all they would do.

Mr ARMSTRONG – Yes, I know. Some councils do not have enough people to have a recount.

Mr GUTWEIN - I suppose for any individual though was elected and decided that it was not what they thought and they did not want to play a part they could always step down and there be a re count.

Mr ARMSTRONG - But some councils, do not have enough people to fill that position for a recount to happen, but not only that if a person elected on a pro development ticket and there was only one person left and the person that was left there is not a pro development type counsellor, they leave and their position is going to be filled by somebody that they do not really.

Mr GUTWEIN - It is the first time that it has been raised. I will certainly do some thinking about it.

Mr ARMSTRONG - The other thing is, is there going to be a whole review of the local government act, I know we have a code of conduct rule coming through.

Mr GUTWEIN - I know whatever I say here the director of local government will have a view on as well. At the last PLGC meeting this matter was raised and I think it is important that we do have a look, there are a range of amendments that the act have over the years that would like considered. I am of the mind that over the next couple of years that we will start working through the act and having a look at it.

Mr ARMSTRONG - It has been raised with me by different council areas.

Mr GUTWEIN - Certainly the act raised with me broken outside of PLGC and the office. There are aspects of the act that they would like to have looked at and I have an open mind to that. I have not said that, I have not announced a formal review process but it is certainly something that I have considered.

Mr HOYSTEAD - Work has already begun in terms of identifying potential red tape problems with the act. Administrative issues can be addressed unless certain of Government priority and we have started that process already.

Mr MULDER - There has been a history for many years and the stuff at Glenorchy sounds like it is unique but it certainly is not and I am sure the Director of Local Government is fully aware of that. How much of this is down to the fact that these councils suddenly become dysfunctional, disruptive or take time to settle down when you have got a popular elected Mayor trying to lead a council that is basically in opposition. I am thinking about the Presidents sitting behind, the Speaker, the Premier, the Leader of the Opposition, none of those are appointed

directly by the people they are elected by the led so at least you know you have got some support whilst you are elected by the led.

I am going back to the days when counsellors were elected around the table and then you got on with the business of this is the person you elected to be here so therefore by and large you get on with them. We have had a number of situations, West Tamar comes to mind, the continual issues and roll overs of a Mayor who is trying to lead a council in the direction the half does not come. You have an option either I get elected on this wonderful profile of doing something or I am elected to chair a meeting. That probably needs to have some thought given to it.

Mr GUTWEIN - I think West Tamar is probably not who you might be thinking of because they had Barry Easter for a long period of time.

Mr MULDER - Sorry, George Town, you are right. That has been through about three Mayor's, General Managers and all sorts of things.

Mr GUTWEIN - Again and that is the first time that matter has been raised. I think that we certainly have no intention of changing this.

Mr MULDER - I certainly raised it at the time when you brought the reforms through.

Mr GUTWEIN - The one thing and even where there has been some noise with councils lately. As a local government minister and one thing that I have been satisfied with is that from the point of view of the rate payer, the business is still getting done.

Mr MULDER - Sometimes it makes you wonder how important us elected people really are.

Mr GUTWEIN - I think it is similar to what will occur in your House as occurs in my House is that generally speaking 90 per cent of the business goes through and is agreed by everybody. It is only on some issues that there is furious debate. We are seeing that on a few councils at the moment. We have a watching brief but as I say the key thing that I will be satisfied as minister is the services that rate payers are expecting to be delivered. At the moment in the council's where we do have more interest publicly than in others most services are still hanging in there.

Mr ARMSTRONG - The South Australian model, the local government for elections is very interested. If you stand from there to there and you do not get elected as mayor you are not on council, you stand for mayor alone.

Mr CHAIRMAN - I thank the minister we have about exhausted everything at this stage.

The committee is adjourned at 5.35 p.m.